Stock Code: 6443

# TSEC Corporation
# AGM Agenda

# Handbook, 2021

Time of AGM: 9:00 am, April 7 (Wednesday), 2021

Venue of AGM: No. 335-12, Daxi Road, Pingdong City, Pingdong County

(Pingdong Plant of the Company)

# TSEC Corporation
# AGM Agenda Handbook, 2021

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# TSEC Corporation

# AGM Agenda, 2020

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# [Reports]

Proposal 1

Subject: Business report, 2020.

Description: Please refer to Appendix 1 of the handbook (Page 12~17) for the business report, 2020.

Proposal 2

Subject: Auditing report for settlement of 2020 by the Audit Committee.

Description: Please refer to Appendix 2 of the handbook (Page18) for the Audit Committee report

Proposal 3

Subject: Status Report of Robust Operation Program Execution

Description: Please refer to Appendix 3 of the handbook (Page 19~20) for the Status Report of Robust Operation Program Execution

# [Ratification]

Proposal 1 (Proposed by the Board of Directors)

Subject: Please ratify the business report of 2020 and each financial statement.

Description: I. The business report, parent company-only and consolidated financial statements of 2020 have been audited and certified by Deloitte's Accountant Huang, Hai-Yue and Chen, Chiang-Hsun; along with the business report, such reports are audited by the Audit Committee.

II. Please refer to Appendix 1 (Page12~17) and Appendix 4 (Page 21~41) of the handbook for the business report, auditor's report, and financial statements.

Resolution:

Proposal 2 (Proposed by the Board of Directors)

Subject: Please ratify the appropriation for losses, 2020

Description: The after-tax net loss of 2020 is NTD 285,849,879. Please refer to Appendix 5 of the handbook (Page42) for the table of appropriation for losses.

Resolution:

# [Election]

Proposal 1 (Proposed by the Board of Directors)

Subject: Electing two additional seats of director.

Description: I. To accommodate the demands of the Company's operation development, it is planned to add two more seats of director, from seven directors currently to nine directors.

II. The directors-elected are inaugurated on the date of election. The term is same as the existing directors, or from the date of election to March 28, 2022.

III. Pursuant to Article 16 of the Articles of Incorporation, the election of the Company's directors adopts the candidate nomination system. The list of candidates was resolved by the Board of Directors on February 25, 2021. Please refer to Appendix 6 (Page 43) of the handbook for the list of candidates.

IV. The matters related to electing additional directors, shall follow the Company's "Articles of Incorporation" and "Procedures for Election of Directors."

V. Please elect.

Result of Election:

# [Discussions]

Proposal 1 (Proposed by the Board of Directors)

Subject: Amending some provisions in the Company's "Articles of Incorporation."

Description: I. To meet the demands of the Company's future operating funds, and add/amend the provisions related to the preferred shares, it is proposed to amend some provisions in the "Articles of Incorporation."

II. Please refer to Appendix 7 (Page 44~46) of the handbook for the comparison table of the provision before and after amendment

Resolution:

Proposal 2 (Proposed by the Board of Directors)

Subject: Issuance of private placed preferred shares.

Description: I. For responding the demands from expansion of the new generation of battery and module production line, supplement to the operating funds, and the funds for the Company's future development such as power station investment and overseas operation, while taking account into the capital market condition, the timeliness, feasibility and issuance costs of fund raising, as well as introducing strategic investor for the development of the Company, with more diversified and flexible channels for fund raising, it is proposed to conduct a cash capital increase via private placement of preferred shares-A pursuant to Article 43-6, the Securities and Exchange Act. The intended total issuance amount is NTD 750 million at maximum, with maximum 75,000,000 shares. The face value per share is NTD 10. The paid-up capital is expected to increase to maximum NTD 750,000,000. The placement will be conducted within one year from the date of resolving this private placement proposal at 2021 AGM, at once or in batches.

II. Pursuant to Article 43-6 of the "Securities and Exchange Act" and the "Directions for Public Companies Conducting Private Placements of Securities," the matters to be specified are as the following:

(1) Basis and Reasonableness of the Private Placement Pricing:

1. The pricing of the privately placed preferred shares, is based on no less than 80% of the theoretical price. The theoretical price takes account of each right of the issuance conditions, and selects proper pricing model, to calculate the price of the negotiable securities. This model shall cover and consider each right of the issuance conditions holistically. Shall any right is excluded from such consideration, such unconsidered right shall be removed from the issuance conditions. The Board of Directors is authorized

to determine the actual pricing date and the issuance price, which is not lower than the percentage resolved by 2021 AGM.

2. The pricing of the privately placed preferred shares is conducted pursuant to the "Directions for Public Companies Conducting Private Placements of Securities," while taking account into the Company's future development. As the timing to transfer, subject, and quantity the privately placed securities are restricted, and inferior liquidity resulted from prohibition of public-listing, it is deemed the pricing method is reasonable, and shall not materially affect shareholders' interests.

(2) Method for Selecting Specified Persons

1. Selecting Method:
The eligible placee for the private placement of preferred shares are limited to the qualified persons specified in Article 43-6 of the Securities and Exchange Act, and Letter (91) Tai-Cai-Zheng-Yi-Zhi No. 0910003455 from FSC, dated June 13, 2002.

2. Purpose of Selection:
The first priority is these who may directly or indirectly improve the operating performance for the Company's future operation.

3. If the placees are insiders or related parties of the company, the list of placees and the their relationship with the Company are as the following:

(1) List of placees and the their relationship with the Company

| Placee | Relationship with the Company |
|---|---|
| Yu Sheng Energy Corporation | The person in charge is a related party to a representative from the juristic person director of the Company. |

(2) Disclosures if the placee is a juristic person

| Name of the juristic person | Top Ten Shareholders and the Shareholding Proportion | Relationship with the Company |
|---|---|---|

| | | |
|---|---|---|
| Yu Sheng Energy Corporation | Ge, Zhang-Yu: 97%;<br>Chien, Ming-Shu: 1%;<br>Chien, Chu-Fang: 1%;<br>Wang, Xue-Ying: 1% | The person in charge is a related party to a representative from the juristic person director of the Company. |

4. Necessity and Expected Effects:

   The introduction of the placees is expected to provide the effects that are value-added, or helpful for market development and technical cooperation, and thus the Company's profit is enhanced. This is actually a positive effect to the shareholders' interests. The qualified placees are qualified for the preferred share private placement, as specified in Article 43-6 of the Securities and Exchange Act, and the qualified strategic investors, specified in the "Directions for Public Companies Conducting Private Placements of Securities."

(3) The reason of requiring private placement, limit, purposes of funds, and expected effects:

1. Reason for not opting public placement:

   By taking account into the capital market condition, the timeliness, feasibility and issuance costs of fund raising, or introducing strategic investor for the development of the Company, the transfer restrictions for private placement ensures the long-term partnerships between the Company and the strategic investors, and the stability of the Company's operation is enhanced. Therefore the private placement is selected for fund raising. Also via the authorization to the Board of Directors, the placement is conducted depending on the actual demands of the Company's operation; thus the flexibility and agility of the fund raising is enhanced effectively. Consequently, it is necessary to conduct the cash capital increase via the private placement of new shares.

2. Limit of the private placement:

The intended total issuance amount is NTD 750 million at maximum, with maximum 75,000,000 shares. The face value per share is NTD 10. The paid-up capital is expected to increase to maximum NTD 750,000,000. The placement will be conducted within one year from the date of resolving this private placement proposal at 2021 AGM, at once or in batches.

3.

The funds raised this time are expected to be deployed to the expansion of the new generation of battery and module production line, supplement to the operating funds, and the funds for the Company's future development such as power station investment and overseas operation. It is expected achieve the expansion of battery and module production capacity, acquisition of power plant investment, improvement of financial structure, decrease of debt ratio, and enhancement to the current ratio and quick ratio. Therefore is positive to the stability of the Company's operation and shareholders' interests. In addition, by introducing of the strategic investors, they will assist the Company for market development and technical cooperation, and thus the Company's profit is enhanced. This is actually a positive effect to the shareholders' interests.

The private placement of negotiable securities may be conducted in three batches within one year from the date of resolving this private placement proposal at 2021 AGM. The purposes of funds raised from each placement and their expected effects are as the following:

| Batch | Expected shares for the private placement | Purpose of fund | Expected effect to be achieved |
|---|---|---|---|
| First | 35,000,000 | Supplement | Other than continuously |

| | | | |
|---|---|---|---|
| batch | shares | to the operating funds | improving the financial structure, by introducing of the strategic investors, they will assist the Company for market development and technical cooperation, and thus the Company’s profit is enhanced. This is actually a positive effect to the shareholders’ interests. |
| Second batch | 20,000,000 shares | | |
| Third batch | 20,000,000 shares | | |

III. Please refer Appendix 8 (Page47~48) for the issuance conditions for this private placement of preferred shares.

IV. Objection or reservation of independent directors: No.

V. Will there be any significant change in managerial control within the one-year period immediately preceding the day on which the Board of Directors resolves on the private placement, or if there will be a significant change in managerial control after the introduction of strategic investor through private placement: No.

VI. The private placement of preferred shares is conducted fully pursuant to Article 43-8 of the Securities and Exchange Act, and the explanation specified in the competent authority’s letter. Within three years upon the delivery of the placed preferred shares by the Company, unless meeting the special conditions specified by laws and regulations, the shares are not transferable on will; the privately placed preferred shares do not apply for the public listing and trading.

VII. The key content of the proposal, includes but not limited to the issuance name, price, number of shares to be issued, issuance conditions, amount of fund raising, program items, intended progress of fund utilization, expected potential effects, and other matters not included herein. For such content, it is proposed to 2021 AGM to authorize the Board of Directors determine pursuant to the regulations of the competent authorities, market conditions, and the Company’s operation. Afterwards, in the event where amendments, changes, or modifications are required due to the competent authorities' instructions, evaluations of operation, or changes of environment or laws and regulations, it is also proposed to 2021 AGM to authorize the Board of Directors the full authority to deal with.

VIII. To accommodate the private placement of preferred shares, it is proposed to 2021 AGM to authorize the Chairman, or the designee by him, to sign and negotiate all the contracts and documents related to the private placement, and deal with the related matters.

IX. For any matter not included herein, it is proposed 2021AGM to authorize the Chairman the full power to proceed pursuant to the related laws and regulations.

Resolution:

Proposal 3 (Proposed by the Board of Directors)

Subject: Proposing to relieve directors from the non-competition restrictions; please review.

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

II. Shall the Company's directors invest or operate any company within or similar to the Company's business scope, and also act as directors of such companies, it is proposed to approve relieving the newly-elected directors from such non-competition restrictions pursuant to Article 209, the Company Act if their acts do not harm the Company's interests.

III. Please refer to Appendix 9 (Page 49) for the content of relieving directors from the non-competition restrictions

Resolution:

# [Extraordinary Motions]

# [Dismissal]

Appendix 1

# TSEC Corporation
# 2020 Business Report

## I. 2020 Business Results

1. Achievements of business plan

TSEC continues the 2019 market planning for its operations strategy. TSEC's brand reputation and sales volume has successfully established the company as the number one solar cell manufacturer in Taiwan. Backed by the support of large-scale orders for modules, such as the 180MW installation in Changhua Coastal Industrial Park for Chenya Energy, the 150MW installation in salt field of Chiayi City for Star Energy and others, the Company was able to avoid the vicious competition of low-price dumping in the international market and successfully stop consecutive quarterly losses to turn profitable, and the Company's main strategies include:

(1) In response to the international trends, G1-sized chips are used to replace the original M2.

Due to that chip foundries' plan to retire the old M2 chips, the Company began to upgrade the battery production line at the end of 2019 and introduced the larger G1 chips to meet the needs of increasing modules' wattage. The upgrade was to replace the original 5.375w monocrystalline PERC M2 battery (with a side length of 156.75mm) with a larger 5.544w G1 battery (with a side length of 158.75mm). The power generation area is increased approximately by 3.1%. The production line upgrade also helped the Company gain affirmation from project owners who have large-scale sites, successfully winning a majority of module orders in the market.

(2) TSEC's production capacity for modules leads industry peers in Taiwan

Although there are several solar module manufacturers in Taiwan, the construction time of large-scale domestic project sites exceeding 60MW can take about 3 to 4 months, which demands a lot out from the production capacity of module manufacturers. Not counting the other smaller module factories, the only available manufacturers in Taiwan with sufficient capacity are TSEC and United Renewable Energy (URE), which continues the trend of big ones getting bigger for module manufacturers.

(3) China-manufactured batteries and modules find it difficult to invade the Taiwan market

Our government launched the VPC program for pacesetters in the optoelectronics industry in 2016, allowing businesses that use VPC-certified high-performance modules to have 6% discount on electricity. The VPC is a subsidy program under the national green energy policy, and indirectly protects Taiwan's module manufacturers from the dumping efforts by China and other foreign manufacturers. In recent years, the VPC program has performed adequately in preventing dumping of imported products. Domestic customers have also valued highly of product durability and service reliability of things made in Taiwan, making it difficult for foreign manufacturers to erode the market with low price offers.

(4) Reached 30% market share of modules in Taiwan in 2nd half of 2020

As of the end of October 2020, the national cumulative installation capacity has reached 4.74GW. With the addition of grid interconnection of Chenya Energy and other large-scale project sites, it is estimated that 5.1GW can be reached for the whole year. The Company's module sales for 2020 is about 420MW, which is approximately 28% of the market share in Taiwan. There is still room for improvement, but the quarterly analysis has shown that the target of 30% has been reached in the second half of the year, showing that the popularity of the Company's modules has surpassed that of other manufacturers.

As previously predicted, Taiwan's large-scale project sites have become available one after another. Except for 2020 Q1, which has the pandemic and Lunar New Year factors, the periods after Q2 witness the delivery of large-scale projects, and the production and sales become relatively stable, accounting for 80% of the average production and sales. The Company's overall performance is better than that of 2019. Except for the Q1 asset loss of NT$381 million, the Company reaches a profitable level for the whole year. With the efforts from the financial units, the Company obtains NT$2 billion in restructured syndicated loans and successfully raises NT$1.72 billion from capital increase, greatly improving its financial situation.

2. Budget implementation: According to the current laws and regulations, the Company does not disclose the 2020 financial budgets.

3. Financial income and expenses and profitability analysis (IFRS)

(1) Financial income

Unit: In NT$1,000

| Item/Year | 2019 | 2020 |
|---|---|---|

| | | |
|---|---|---|
| Pre-tax net income | (182,928) | (325,403) |
| Net cash generated by operating activities (outflow) | 426,607 | (143,325) |
| Net cash used in investing activities | (332,686) | (258,596) |
| Net cash inflow used in financing activities | 155,726 | 1,601,419 |
| Effect of exchange rate changes on cash and cash equivalents | (1,070) | (1,416) |
| Net outflow of cash and cash equivalents | 248,577 | 1,198,082 |
| Beginning of year cash and cash equivalents | 185,195 | 433,772 |
| End of year cash and cash equivalents | 433,772 | 1,631,854 |

(2) Profitability analysis

Unit: %

| Item/Year | 2019 | 2020 |
|---|---|---|
| Return on assets | (2.55) | (3.02) |
| Return on shareholders' equity | (6.21) | (5.96) |
| Operating Income to paid-in capital ratio | (2.54) | (6.62) |
| Profit margin | (4.51) | (6.16) |
| After-tax earnings per share (NT$) | (0.60) | (0.74) |

4. Status on research and development

The Bureau of Energy of the Ministry of Economic Affairs has organized nomination of high-quality solar products (Taiwan Excellent PV Awards) since 2013, and the Company has won awards for seven consecutive years (2014 to 2020). In response to the domestic 5PC demand, we are committed to improving the production quality of monocrystalline 5-cells, while taking into consideration the improvements to conversion efficiency and yield, in order to optimize the manufacturing process and reduce production costs. We have developed the multi-busbar (MBB) technology, thereby improving battery efficiency, and introduced equipment for large-sized batteries and M6-sized batteries to increase the total battery wattage. Regarding the output wattage of 60-cell and 72-cell modules, we have also introduced new materials to optimize the module packaging, further increasing the output wattage of modules. Other innovative technologies we use include new battery structures (such as tunnel oxide passivated contacts (TopCon), heterojunction technology solar cells (HJT), interdigitated back contact (IBC) solar cells and others) and new-generation module packaging (such as patch modules, shingled modules, high-density modules, etc.).

## II. Summary of 2021 Business Plan

1. Business Guidelines

   Starting 2020, the market of solar power installation in Taiwan has moved from small roof installation projects to factory roof and ground projects, which is even more sensitive to the quality and price of modules. In response to these changes, the Company has adhered to the business strategy of "higher quality at a lower cost", and cultivated the domestic market in Taiwan to avoid the cut-throat competition of prices in the international market. TSEC has not abandoned the international market, and will continue to develop product diversity and find collaboration in high-end products with global manufacturers.

2. Expected sales and its basis: The Company has does not disclose the 2021 financial forecasts.

3. Important manufacturing and sales policies

   (1) The Company has invested in the research, development and manufacturing of high-end PERC batteries for years, and will continue to improve the performance in 2021. In 2020, the actual average conversion efficiency is 22.18%, and the target for 2021 has been increased to 22.39% or more. Large-sized M6 batteries are introduced to improve battery wattage.

   (2) Implement product differentiation strategy and launch 355W to 365W high-performance modules in 2021

   Monocrystalline solar cells are still based on the high conversion efficiency of PERC, but the wafers will gradually be replaced by newer ones such as M6 or larger. The Company plans to upgrade the standard specifications module 6X20 from 330-335w to 355-365w, which will be separate it away from the competing products made by other manufacturers in Taiwan.

   (3) Strive for a market share of modules in Taiwan exceeding 40%

   The Company has become a leader in module manufacturing in Taiwan in the second half of 2020, and the market share of modules sold has increased from 25% at the beginning of the year to nearly 30% for the year. The sales strategy includes using large-scale projects to stabilize the basic production uptime in 2021, taking orders from smaller-scale clients to increase the overall gross profit margin and adopting the first-mover advantage for new products to improve market share and profitability.

## III. Future Development Strategies

The Company will put total quality management and promote lean management into practice to strengthen the overall competitiveness. The implementation will focus on long-term monitoring of manufacturing process to manufacture quality, stable and reliable products, further improving customer satisfaction. During the transition of product specifications, the stable supply of products with both new and old specifications is ensured. At the same time, the costs of materials for batteries and BOM for modules will continuously be reduced to help the development of new modules and materials, building the product differentiation advantages. The Company will be sales service-oriented, and emphasize on product quality and quick service to improve product value. The Company will also gradually invest in downstream power generation businesses to create a foundation for sustainable operations with low-risk electricity revenue. Corporate governance will continuously be improved, and the performance of operations management will be enhanced, which will help shape the culture of corporate governance.

## IV. Impact of the Competitive Environment, Regulatory Environment, and Macroeconomic Environment

Many countries around the world have stipulated through the Paris Agreement that 2050 is the year of net zero carbon emissions to fight against unusual changes in the climate. As one of the member states, Taiwan must defend the line that the temperature rise should not exceed 1.5℃. In order to keep this promise of long-term carbon emissions reduction, our government is committed to the adjustment of national renewable energy rate, green transformation of industries, zero-carbon buildings and carbon-negative technology (the above does not include the use of nuclear power to generate electricity).

With the issue of global warning heating up year by year, countries around the world will face an unprecedented carbon tax trade war. Especially for Taiwan, which is manufacturing- and export-oriented, this is a new type of trade war. Faced with the pressures of international regulations on carbon emissions reduction and carbon tax trade, the development of 20GW renewable energy by 2025 is just a beginning. The government and all political parties in Taiwan will shoulder the responsibility and continue to commit themselves to the development and transformation of green energy.

At present, the government of Taiwan has prioritized the coexistence of aquaculture and electricity for sites used for solar energy generation, and limited the use of other small agricultural land, with the intention of protecting the integrity of agricultural land. However, as most farmers in Taiwan are small-scale farmers, and the labor required for developing industries further reduces the farming popluation, the solar industry players generally believe that the government should lead the efforts of quality agriculture to conduct large-scale restructuring of land to grow high-value crops, and promote coexistence of agriculture and power generation to encourage young people to take on farming, so that farmers can have another substantial and stable source of income.

## V. Conclusion

For 2021, the Company will make every effort to increase its domestic market share of modules and continue to develop project sites to meet the domestic demand, and then expand into the overseas market to live up to the expectation of all shareholders.

Best wishes to all valued shareholders.

TSEC Corporation

Chairman: Weiren Investment

President: Cheng-Jen Hung

Head of Accounting Department: Shu-Kai Chang

February 25, 2021

**Appendix 2**

# TSEC Corporation
# Audit Committee Report

The board of directors has produced the Company's 2020 business report, financial statements and proposals for offsetting losses, and the financial statements (both consolidated and standalone) have been audited by certified accountants Alice Huang and Connie Chen of Deloitte Taiwan, with the auditing report attached. The abovementioned documents have been reviewed and determined to be correct and accurate by the audit committee. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report for review.

Sincerely,

The 2021 Annual General Meeting

Convener of the Audit Committee: Gu-Tong Lin

February 25, 2021

**Appendix 3**

# Status Report of Robust Operation Program Execution

I. Summary of Robust Operation Program

(1) Research, Development, and Procurement:

1. Deepening the Partnerships: providing stable and quality sources of batteries and modules, such as silicon chips, gel materials, tedlars, and EVA, to ensue the technology leadership and material sourcing for the Company's product R&D.
2. During the process of converting specifications, supplies of both new and old specifications are ensured to be stable. The procurement function closely monitor the supply of G1 sized chips as the reference to the time of upgrading machines. Secure short-term material supply contracts with the major suppliers in the market, to ensure stable sources of chips. For gels, new vendors are continuously introduced for achieve a better cost/performance ratio.
3. Cultivation of R&D Talents: partnering with the scholars in the solar energy field at colleges in Taiwan. Not only developing innovative process technologies, many talents in the solar energy field are also cultivated. It is also expected to engage them for the Company, to establish an outstanding model of industry-academy partnership.

(2) Business Development

The short term plan for the Company is to root the down-stream models, and this is also TSEC's core of operation. Competitive module companies are lacking in Taiwan. However, the high-performance solar batteries and modules of TSEC have obtained certain market share. To adapt with the active promotion of the domestic solar power system and green energy policies by Taiwanese government, TSEC takes Taiwan as the major selling base for its solar modules, and looks to position the overseas sales.

In the future, to promote the renewable energies, the government has the law to stipulate these power users whose power contract exceeding certain capacity shall participate the installation of renewable energy related equipment, and purchase certificates of renewable energies; breaching this law results in penalties. For long-run, the operation approach will actively shift from manufacturing to expanding and building power plants on land, to embrace the liberalization of power and carbon right trading business. It is expected to facilitate the major domestic power users to build and operate solar power plants, while integrating the solar photovoltaic manufacturing-related industries to develop the smart energy.

(3) Financial Structure.

While maintaining robust financial structure is always the prerequisite, the funds required for operation are raised timely, to serve as the momentum for the Company's production and sales growth, and finally the sustainable operation.

II. Execution Status of 2020 (Unit: Thousand NTD)

| Year | 2020 | 2019 | Difference | % |
|---|---|---|---|---|
| Operating Revenue | 4, 623, 829 | 4, 440, 874 | 182, 955 | 4. 12% |
| Operating Gross Income | 488, 933 | 219, 233 | 269, 700 | 123. 02% |
| Net Operating Income (Loss) | (295, 041) | (96, 424) | (198, 617) | -205. 98% |
| Pre-Tax Net Income (Loss) | (325, 403) | (182, 928) | (142, 475) | -77. 89% |
| After-Tax Net Income (Loss) | (284, 866) | (200, 415) | (84, 451) | -42. 14% |

(1) In 2019, the major product for sale was shifted to the solar module, and the overall performance has been greatly improved from the previous year; consequently, the operating revenue is generated. Currently, as the adaption to the government's green energy policies, and the release of the domestic solar fields, the Company's module sales tends to the stable growth.

(2) For the operating gross income, since the sales approach shifted, solar batteries have become one of the materials for solar modules. The module products closely follow the market, and thus the price is steadier than batteries. As the utilization rate is maintained at a certain level, and various manufacturing costs are under good control, the gross income has performer

much better than 2019.

(3) The operating strategies ahead will still focus on the high-performance solar module, and the development of product mix such as solar power plants, and seek to create the best condition to improve profit for the best interests of shareholders.

Appendix 4

Deloitte.

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
TSEC Corporation

### Opinion

We have audited the accompanying consolidated financial statements of TSEC Corporation (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019 and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

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, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS"), Interpretations of IFRS ("IFRIC"), and Interpretations of IAS ("SIC") endorsed and issued into effect by the Financial Supervisory Commission ("FSC") of the Republic of China.

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of 2020 consolidated financial statements of the Group is stated as follows:

Occurrence and Authenticity of Revenue from New Customers in Top Ten Revenue-Contributing

During 2020, the operating revenue from new customers in top ten revenue-contributing was $2,325,025 thousand, which constitutes 50% of the Group’s operating revenue. The amount is material to the Group’s consolidated financial statements. In addition, as the management may be under pressure to achieve the expected financial goals, the inherent risk of fraud in revenue recognition has increased. Thus, was the risk in revenue recognition related to the actual occurrence of the sales transactions with the new customers in top ten revenue-contributing identified as a key audit matter. For related accounting policies, refer to Note 4 of the consolidated financial statements.

We conducted control tsets to understand the internal controls over sales transactions with new customers in top ten revenue-contributing and designed corresponding audit procedures to confirm and assess the effectiveness of the design and implementation thereof. We also performed substantive testing on the transactions with new customers in top ten revenue-contributing on a sample basis by inspecting third-party shipping documents, the customers’ receipts of delivery, cash payments and whether there’s a material sales return in subsequent period in order to confirm the transactions are free from material misstatement.

**Other Matter**

We have also audited the parent company only separate financial statements of TSEC Corporation as of and for the years ended December 31, 2020 and 2019 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 International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Group’s financial reporting process.

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group 's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient 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 audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 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 Hai-Yueh Huang and Chiang-Hsun Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 26, 2021

*Notice to Readers*

*The accompanying consolidated financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.*

**TSEC CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS**
**DECEMBER 31, 2020 AND 2019**
**(In Thousands of New Taiwan Dollars)**

| | 2020 | | 2019 | |
|---|---|---|---|---|
| **ASSETS** | **Amount** | **%** | **Amount** | **%** |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Notes 4 and 6) | $ 1,631,854 | 17 | $ 433,772 | 6 |
| Financial assets at fair value through profit or loss (Notes 4 and 7) | 60,006 | 1 | - | - |
| Accounts receivable (Notes 4, 8 and 23) | 686,323 | 7 | 172,119 | 2 |
| Accounts receivable from related parties (Notes 4, 23 and 31) | 74,606 | 1 | - | - |
| Other receivables (Notes 4 and 8) | 29,097 | - | 29,287 | - |
| Other receivables from related parties (Notes 4 and 31) | 170 | - | 170 | - |
| Current tax assets (Notes 4 and 24) | 223 | - | 111 | - |
| Inventories (Notes 4 and 9) | 806,611 | 9 | 480,565 | 6 |
| Other current assets (Notes 17 and 32) | 161,290 | 2 | 196,666 | 3 |
| Total current assets | 3,450,180 | 37 | 1,312,690 | 17 |
| NON-CURRENT ASSETS | | | | |
| Financial assets at fair value through other comprehensive income (Notes 4 and 10) | 6,455 | - | 5,212 | - |
| Investments accounted for using the equity method (Notes 4 and 12) | 114,252 | 1 | 119,775 | 1 |
| Property, plant and equipment (Notes 4, 13, 18, 28 and 32) | 4,951,333 | 53 | 6,009,318 | 77 |
| Right-of-use assets (Notes 4 and 14) | 10,144 | - | 19,522 | - |
| Investment properties (Notes 4, 15 and 32) | 187,789 | 2 | - | - |
| Other intangible assets (Notes 4 and 16) | 1,436 | - | 3,047 | - |
| Deferred tax assets (Notes 4 and 24) | 220,252 | 2 | 181,050 | 2 |
| Other non-current assets (Notes 16, 28 and 32) | 476,604 | 5 | 200,568 | 3 |
| Total non-current assets | 5,968,265 | 63 | 6,538,492 | 83 |
| TOTAL | $ 9,418,445 | 100 | $ 7,851,182 | 100 |
| **LIABILITIES AND EQUITY** | | | | |
| CURRENT LIABILITIES | | | | |
| Short-term borrowings (Notes 18, 28 and 32) | $ 514,431 | 5 | $ 725,148 | 9 |
| Short-term bills payable (Notes 18, 28 and 32) | 304,155 | 3 | 27,846 | - |
| Financial liabilities at fair value through profit or loss (Notes 4 and 7) | 1,464 | - | - | - |
| Contract liabilities (Notes 4 and 23) | 46,708 | 1 | 84,645 | 1 |
| Accounts payable (Note 19) | 616,254 | 7 | 386,398 | 5 |
| Other payables (Notes 20 and 28) | 223,980 | 2 | 269,090 | 4 |
| Current tax liabilities (Notes 4 and 24) | - | - | 229 | - |
| Lease liabilities - current (Notes 4, 14 and 28) | 8,658 | - | 10,867 | - |
| Current portion of long-term borrowings (Notes 18, 28 and 32) | 379,434 | 4 | 1,425,945 | 18 |
| Other current liabilities | 11,020 | - | 6,051 | - |
| Total current liabilities | 2,106,104 | 22 | 2,936,219 | 37 |
| NON-CURRENT LIABILITIES | | | | |
| Long-term borrowings (Notes 18, 28 and 32) | 2,516,435 | 27 | 1,663,725 | 22 |
| Provisions (Note 4) | 12,374 | - | 7,844 | - |
| Deferred tax liabilities (Notes 4 and 24) | 1,054 | - | 2,469 | - |
| Lease liabilities - non-current(Notes 4, 14 and 28) | 1,809 | - | 8,894 | - |
| Guarantee deposits received (Note 28) | 2,335 | - | 2,335 | - |
| Total non-current liabilities | 2,534,007 | 27 | 1,685,267 | 22 |
| Total liabilities | 4,640,111 | 49 | 4,621,486 | 59 |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY | | | | |
| Share capital | 4,457,967 | 48 | 3,790,167 | 48 |
| Capital surplus | 1,154,811 | 12 | 5,460 | - |
| Accumulated deficits | (681,541) | (7) | (395,691) | (5) |
| Other equity | (174,592) | (2) | (175,516) | (2) |
| Total equity attributable to owners of the Company | 4,756,645 | 51 | 3,224,420 | 41 |
| NON-CONTROLLING INTERESTS | 21,689 | - | 5,276 | - |
| Total equity | 4,778,334 | 51 | 3,229,696 | 41 |
| TOTAL | $ 9,418,445 | 100 | $ 7,851,182 | 100 |

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

# TSEC CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
## FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
## (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | Amount | % | Amount | % |
| OPERATING REVENUE (Notes 4, 23, 31 and 37) | $ 4,623,829 | 100 | $ 4,440,874 | 100 |
| OPERATING COSTS (Notes 9, 21 and 23) | 4,134,896 | 89 | 4,221,641 | 95 |
| GROSS PROFIT | 488,933 | 11 | 219,233 | 5 |
| UNREALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES | (1,582) | - | - | - |
| REALIZED GROSS PROFIT | 487,351 | 11 | 219,233 | 5 |
| OPERATING EXPENSES (Notes 21, 23 and 31) | | | | |
| Selling and marketing | 90,861 | 2 | 89,009 | 2 |
| General and administrative | 262,532 | 6 | 177,481 | 4 |
| Research and development | 47,685 | 1 | 50,441 | 1 |
| Expected credit loss reversed on accounts receivables (Note 8) | (2,534) | - | (1,270) | - |
| Total operating expenses | 398,544 | 9 | 315,661 | 7 |
| OTHER OPERATING INCOME AND EXPENSES (Notes 13 and 23) | (383,848) | (8) | 4 | - |
| LOSS FROM OPERATIONS | (295,041) | (6) | (96,424) | (2) |
| NON-OPERATING EXPENSES | | | | |
| Finance costs (Note 23) | (116,047) | (3) | (152,032) | (3) |
| Share of profit or loss of associates (Note 12) | (3,941) | - | (28) | - |
| Interest income | 646 | - | 2,129 | - |
| Rental income | 18,525 | - | - | - |
| Other income (Note 31) | 23,618 | 1 | 7,939 | - |
| Gain on disposal of investments, net (Notes 4 and 12) | - | - | 44,094 | 1 |
| Foreign exchange gain, net (Note 23) | 48,234 | 1 | 11,346 | - |
| Gains or losses on financial assets (liabilities) at fair value through profit or loss | (1,397) | - | 48 | - |
| Total non-operating expenses | (30,362) | (1) | (86,504) | (2) |
| LOSS BEFORE INCOME TAX FROM CONTINUING OPERATIONS | (325,403) | (7) | (182,928) | (4) |

(Continued)

## TSEC CORPORATION AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**
**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | **Amount** | **%** | **Amount** | **%** |
| INCOME TAX BENEFIT (EXPENSE) (Notes 4 and 24) | 40,537 | 1 | (17,487) | - |
| NET LOSS | (284,866) | (6) | (200,415) | (4) |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | |
| Unrealized gain on investments in equity instruments at fair value through other comprehensive income (Note 22) | 1,243 | - | 689 | - |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Exchange differences on translating the financial statements of foreign operations (Note 22) | (399) | - | (195) | - |
| Income tax relating to items that may be reclassified subsequently to profit or loss (Note 24) | 80 | - | 39 | - |
| Other comprehensive loss for the year, net of income tax | 924 | - | 533 | - |
| TOTAL COMPREHENSIVE LOSS | $ (283,942) | (6) | $ (199,882) | (4) |
| NET PROFIT (LOSS) ATTRIBUTABLE TO: | | | | |
| Owners of the Company | $ (285,850) | (6) | $ (200,616) | (5) |
| Non-controlling interests | 984 | - | 201 | - |
| | $ (284,866) | (6) | $ (200,415) | (5) |
| TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO: | | | | |
| Owners of the Company | $ (284,926) | (6) | $ (200,083) | (4) |
| Non-controlling interests | 984 | - | 201 | - |
| | $ (283,942) | (6) | $ (199,882) | (4) |
| LOSS PER SHARE (Note 25) | | | | |
| Basic | $ (0.74) | | $ (0.60) | |
| Diluted | $ (0.74) | | $ (0.60) | |

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

## TSEC CORPORATION AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**
**(In Thousands of New Taiwan Dollars)**

| | Equity Attributable to Owners of the Company (Note 23) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | Retained Earnings (Accumulated Deficits) | | Other Equity | | | | |
| | Share Capital | Capital Surplus | Legal Reserve | Accumulated Deficits | Exchange Differences on Translating the Financial Statements of Foreign Operations | Unrealized Gain (Loss) on Investments in Equity Instruments | Total | Non-controlling Interests (Note 22) | Total Equity |
| BALANCE AT JANUARY 1, 2019 | $ 4,768,550 | $ 332,205 | $ 78 | $ (1,960,666) | $ (225) | $ (175,824) | $ 2,964,118 | $ - | $ 2,964,118 |
| Legal reserve used to offset accumulated deficits | - | - | (78) | 78 | - | - | - | - | - |
| Capital surplus used to offset accumulated deficits | - | (332,205) | - | 332,205 | - | - | - | - | - |
| Capital reduction used to offset accumulated deficits | (1,628,383) | - | - | 1,628,383 | - | - | - | - | - |
| Issuance of ordinary shares for cash | 650,000 | - | - | (195,000) | - | - | 455,000 | - | 455,000 |
| Recognition of employee share options by the Company (Note 26) | - | 5,460 | - | - | - | - | 5,460 | - | 5,460 |
| Changes in percentage of ownership interests in subsidiaries | - | - | - | (75) | - | - | (75) | 75 | - |
| Increase in non-controlling interests, net | - | - | - | - | - | - | - | 5,000 | 5,000 |
| Net profit (loss) for the year ended December 31, 2019 | - | - | - | (200,616) | - | - | (200,616) | 201 | (200,415) |
| Other comprehensive loss for the year ended December 31, 2019, net of income tax | - | - | - | - | (156) | 689 | 533 | - | 533 |
| Total comprehensive income (loss) for the year ended December 31, 2019 | - | - | - | (200,616) | (156) | 689 | (200,083) | 201 | (199,882) |
| BALANCE AT DECEMBER 31, 2019 | 3,790,167 | 5,460 | - | (395,691) | (381) | (175,135) | 3,224,420 | 5,276 | 3,229,696 |
| Issuance of ordinary shares for cash | 667,800 | 1,055,124 | - | - | - | - | 1,722,924 | - | 1,722,924 |
| Recognition of employee share options by the Company (Note 26) | - | 94,227 | - | - | - | - | 94,227 | - | 94,227 |
| Increase in non-controlling interests, net | - | - | - | - | - | - | - | 15,429 | 15,429 |
| Net profit (loss) for the year ended December 31, 2020 | - | - | - | (285,850) | - | - | (285,850) | 984 | (284,866) |
| Other comprehensive loss for the year ended December 31, 2020, net of income tax | - | - | - | - | (319) | 1,243 | 924 | - | 924 |
| Total comprehensive income (loss) for the year ended December 31, 2020 | - | - | - | (285,850) | (319) | 1,243 | (284,926) | 984 | (283,942) |
| BALANCE AT DECEMBER 31, 2020 | $ 4,457,967 | $ 1,154,811 | $ - | $ (681,541) | $ (700) | $ (173,892) | $ 4,756,645 | $ 21,689 | $ 4,778,334 |

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

## TSEC CORPORATION AND SUBSIDIARIES
### CONSOLIDATED STATEMENTS OF CASH FLOWS
### FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
### (In Thousands of New Taiwan Dollars)

| | 2020 | 2019 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Loss before income tax | $ (325,403) | $ (182,928) |
| Adjustments for: | | |
| Depreciation | 579,435 | 711,036 |
| Amortization | 1,803 | 4,287 |
| Expected credit loss reversed on accounts receivable | (2,534) | (1,270) |
| Net (gain) loss on fair value changes of financial instrument at fair value through profit or loss | 1,397 | (48) |
| Finance costs | 116,047 | 152,032 |
| Interest income | (646) | (2,129) |
| Shared-based payment expenses recognized | 94,227 | 5,460 |
| Share of loss (profit) of subsidiaries and associates | 3,941 | 28 |
| Loss (gain) on disposal of property, plant and equipment | 2,196 | (4) |
| Profit on disposal of associates | - | (44,094) |
| Impairment losses recognized on property, plant and equipment | 381,652 | - |
| Unrealized gain on transactions with associates | 1,582 | - |
| Net gain on foreign currency exchange | (1,737) | (11,227) |
| Net changes in operating assets and liabilities | | |
| Financial assets mandatorily classified as at fair value through profit or loss | (59,939) | 10,048 |
| Accounts receivable | (518,313) | 147,807 |
| Accounts receivable from related parties | (77,222) | - |
| Other receivables | (60) | (2,439) |
| Other receivables from related parties | - | (170) |
| Inventories | (326,046) | 81,569 |
| Other current assets | (123,301) | (13,379) |
| Contract liabilities | (37,937) | (25,822) |
| Notes payable | - | (2,115) |
| Accounts payable | 232,903 | (253,224) |
| Other payables | 18,899 | 2,807 |
| Provisions | 4,530 | 4,093 |
| Other current liabilities | 4,969 | 210 |
| Cash (used in) generated from operations | (29,557) | 580,528 |
| Interest received | 430 | 1,410 |
| Finance costs paid | (113,857) | (155,286) |
| Income tax paid | (341) | (45) |
| Net cash (used in) generated from operating activities | (143,325) | 426,607 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of associates | - | (120,000) |
| Net cash inflow on disposal of associates | - | 46,357 |
| Net cash inflow on disposal of subsidiaries | - | 30,000 |
| Payments for property, plant and equipment (Note 28) | (429,657) | (225,493) |
| Proceeds from disposal of property, plant and equipment | 9,758 | 4 |

(Continued)

# TSEC CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS
## FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
## (In Thousands of New Taiwan Dollars)

| | 2020 | 2019 |
|---|---|---|
| Increase in refundable deposits | - | (10,314) |
| Decrease in refundable deposits | 21,801 | - |
| Payments for intangible assets | (192) | (366) |
| Increase in other financial assets - restricted assets | - | (52,874) |
| Decrease in other financial assets - restricted assets | 139,694 | - |
| Net cash used in investing activities | (258,596) | (332,686) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Decrease in short-term borrowings | (202,453) | (152,579) |
| Increase in short-term bills payable | 276,309 | - |
| Decrease in short-term bills payable | - | (2,143) |
| Proceeds from long-term borrowings | 1,946,880 | 318,649 |
| Repayments of long-term borrowings | (2,140,681) | (453,332) |
| Increase in guarantee deposits received | - | 2,335 |
| Repayments of the principal portion of lease liabilities | (16,989) | (17,204) |
| Proceeds from issuance of ordinary shares | 1,722,924 | 455,000 |
| Increase in non-controlling interests, net | 15,429 | 5,000 |
| Net cash generated from financing activities | 1,601,419 | 155,726 |
| EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES | (1,416) | (1,070) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 1,198,082 | 248,577 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | 433,772 | 185,195 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | $ 1,631,854 | $ 433,772 |

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

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# INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
TSEC Corporation

## Opinion

We have audited the accompanying financial statements of TSEC Corporation (the "Company"), which comprise the balance sheets as of December 31, 2020 and 2019 and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

## Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a opinion on these matters.

The key audit matter of 2020 financial statements of TSEC Corporation is stated as follows:

Occurrence and Authenticity of Revenue from New Customers in Top Ten Revenue-Contributing

During 2020, the operating revenue from new customers in top ten revenue-contributing was $2,325,025 thousand, which constitutes 49% of the Company's operating revenue. The amount is material to the Company's financial statements. In addition, as the management may be under pressure to achieve the expected financial goals, the inherent risk of fraud in revenue recognition has increased. Thus, was the risk in revenue recognition related to the actual occurrence of the sales transactions with the new customers in top ten revenue-contributing identified as a key audit matter. For related accounting policies, refer to Note 4 of the financial statements.

We conducted control tsets to understand the internal controls over sales transactions with new customers in top ten revenue-contributing and designed corresponding audit procedures to confirm and assess the effectiveness of the design and implementation thereof. We also performed substantive testing on the transactions with new customers in top ten revenue-contributing on a sample basis by inspecting third-party shipping documents, the customers' receipts of delivery, cash payments and whether there's a material sales return in subsequent period in order to confirm the transactions are free from material misstatement.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

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

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2020 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 Hai-Yueh Huang and Chiang-Hsun Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 26, 2021

*Notice to Readers*

*The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.*

**TSEC CORPORATION**

**BALANCE SHEETS**
**DECEMBER 31, 2020 AND 2019**
**(In Thousands of New Taiwan Dollars)**

| | 2020 | | 2019 | |
|---|---|---|---|---|
| **ASSETS** | **Amount** | **%** | **Amount** | **%** |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Notes 4 and 6) | $ 1,616,670 | 17 | $ 422,888 | 6 |
| Financial assets at fair value through profit or loss (Notes 4 and 7) | 60,006 | 1 | - | - |
| Accounts receivable (Notes 4, 8 and 22) | 685,147 | 7 | 171,646 | 2 |
| Accounts receivable from related parties (Notes 4, 22 and 30) | 153,981 | 2 | - | - |
| Other receivables (Notes 4 and 8) | 29,097 | - | 29,287 | - |
| Other receivables from related parties (Notes 4 and 30) | 235 | - | 297 | - |
| Current tax assets (Notes 4 and 23) | 108 | - | 111 | - |
| Inventories (Notes 4 and 9) | 806,611 | 8 | 480,565 | 6 |
| Other current assets (Notes 16 and 31) | 157,347 | 2 | 194,394 | 3 |
| Total current assets | 3,509,202 | 37 | 1,299,188 | 17 |
| NON-CURRENT ASSETS | | | | |
| Financial assets at fair value through other comprehensive income (Notes 4 and 10) | 6,455 | - | 5,212 | - |
| Investments accounted for using the equity method (Notes 4 and 11) | 157,469 | 2 | 139,123 | 2 |
| Property, plant and equipment (Notes 4, 12, 17, 27 and 31) | 4,851,851 | 52 | 5,970,526 | 76 |
| Right-of-use assets (Notes 4 and 13) | 10,144 | - | 19,522 | - |
| Investment properties (Notes 4, 14 and 31) | 187,789 | 2 | - | - |
| Other intangible assets (Notes 4 and 15) | 1,436 | - | 3,047 | - |
| Deferred tax assets (Notes 4 and 23) | 220,050 | 2 | 181,050 | 2 |
| Other non-current assets (Notes 16, 27 and 31) | 426,115 | 5 | 199,968 | 3 |
| Total non-current assets | 5,861,309 | 63 | 6,518,448 | 83 |
| TOTAL | $ 9,370,511 | 100 | $ 7,817,636 | 100 |
| **LIABILITIES AND EQUITY** | | | | |
| CURRENT LIABILITIES | | | | |
| Short-term borrowings (Notes 17, 27 and 31) | $ 514,431 | 5 | $ 725,148 | 9 |
| Short-term bills payable (Notes 17 and 31) | 279,366 | 3 | - | - |
| Financial liabilities at fair value through profit or loss (Notes 4 and 7) | 1,464 | - | - | - |
| Contract liabilities (Notes 4, 22 and 30) | 46,708 | 1 | 84,645 | 1 |
| Accounts payable (Note 18) | 616,254 | 7 | 386,398 | 5 |
| Other payables (Notes 19 and 27) | 223,330 | 2 | 268,895 | 4 |
| Lease liabilities - current (Notes 4, 13 and 27) | 8,658 | - | 10,867 | - |
| Current portion of long-term borrowings (Notes 17, 27 and 31) | 379,434 | 4 | 1,425,945 | 18 |
| Other current liabilities | 11,020 | - | 6,051 | - |
| Total current liabilities | 2,080,665 | 22 | 2,907,949 | 37 |
| NON-CURRENT LIABILITIES | | | | |
| Long-term borrowings (Notes 17, 27 and 31) | 2,516,435 | 27 | 1,663,725 | 22 |
| Provisions (Note 4) | 12,374 | - | 7,844 | - |
| Deferred tax liabilities (Notes 4 and 23) | 248 | - | 2,469 | - |
| Lease liabilities - non-current (Notes 4, 13 and 27) | 1,809 | - | 8,894 | - |
| Guarantee deposits received (Note 27) | 2,335 | - | 2,335 | - |
| Total non-current liabilities | 2,533,201 | 27 | 1,685,267 | 22 |
| Total liabilities | 4,613,866 | 49 | 4,593,216 | 59 |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY | | | | |
| Share capital | 4,457,967 | 48 | 3,790,167 | 48 |
| Capital surplus | 1,154,811 | 12 | 5,460 | - |
| Accumulated deficits | (681,541) | (7) | (395,691) | (5) |
| Other equity | (174,592) | (2) | (175,516) | (2) |
| Total equity | 4,756,645 | 51 | 3,224,420 | 41 |
| TOTAL | $ 9,370,511 | 100 | $ 7,817,636 | 100 |

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

## TSEC CORPORATION

**STATEMENTS OF COMPREHENSIVE INCOME**
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**
**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | **Amount** | **%** | **Amount** | **%** |
| OPERATING REVENUE (Notes 4, 22 and 30) | $ 4,702,866 | 100 | $ 4,454,956 | 100 |
| OPERATING COSTS (Notes 9, 20 and 22) | 4,218,263 | 90 | 4,237,489 | 95 |
| GROSS PROFIT | 484,603 | 10 | 217,467 | 5 |
| UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES | (1,630) | - | (72) | - |
| REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES | 19 | - | - | - |
| REALIZED GROSS PROFIT | 482,992 | 10 | 217,395 | 5 |
| OPERATING EXPENSES (Notes 20, 22 and 30) | | | | |
| Selling and marketing | 90,861 | 2 | 89,009 | 2 |
| General and administrative | 261,730 | 5 | 177,019 | 4 |
| Research and development | 47,685 | 1 | 50,441 | 1 |
| Expected credit loss reversed on accounts receivables (Note 8) | (2,534) | - | (1,270) | - |
| Total operating expenses | 397,742 | 8 | 315,199 | 7 |
| OTHER OPERATING INCOME AND EXPENSES (Notes 12 and 22) | (383,848) | (8) | 4 | - |
| LOSS FROM OPERATIONS | (298,598) | (6) | (97,800) | (2) |
| NON-OPERATING EXPENSES | | | | |
| Finance costs (Note 22) | (115,379) | (2) | (151,814) | (3) |
| Share of profit or loss of subsidiaries and associates (Notes 4 and 11) | (2,628) | - | 549 | - |
| Interest income | 636 | - | 2,110 | - |
| Rental income (Note 30) | 19,020 | - | 189 | - |
| Other income (Note 30) | 23,629 | - | 7,920 | - |
| Gain on disposal of investments, net (Notes 4 and 11) | - | - | 44,094 | 1 |
| Foreign exchange gain, net (Note 22) | 47,726 | 1 | 11,346 | - |
| Gains or losses on financial assets (liabilities) at fair value through profit or loss | (1,397) | - | 48 | - |
| Total non-operating expenses | (28,393) | (1) | (85,558) | (2) |

(Continued)

## TSEC CORPORATION

**STATEMENTS OF COMPREHENSIVE INCOME**
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**
**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | **Amount** | **%** | **Amount** | **%** |
| LOSS BEFORE INCOME TAX FROM CONTINUING OPERATIONS | (326,991) | (7) | (183,358) | (4) |
| INCOME TAX BENEFIT (EXPENSE) (Notes 4 and 23) | 41,141 | 1 | (17,258) | - |
| NET LOSS | (285,850) | (6) | (200,616) | (4) |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | |
| Unrealized gain on investments in equity instruments at fair value through other comprehensive income (Note 21) | 1,243 | - | 689 | - |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Exchange differences on translating the financial statements of foreign operations (Note 21) | (399) | - | (195) | - |
| Income tax relating to items that may be reclassified subsequently to profit or loss (Note 23) | 80 | - | 39 | - |
| Other comprehensive loss for the year, net of income tax | 924 | - | 533 | - |
| TOTAL COMPREHENSIVE LOSS | $ (284,926) | (6) | $ (200,083) | (4) |
| LOSS PER SHARE (Note 24) | | | | |
| Basic | $ (0.74) | | $ (0.60) | |
| Diluted | $ (0.74) | | $ (0.60) | |

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

# TSEC CORPORATION

**STATEMENTS OF CHANGES IN EQUITY**
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**
**(In Thousands of New Taiwan Dollars)**

| | | | Retained Earnings | | Other Equity | | |
|---|---|---|---|---|---|---|---|
| | **Share Capital** | **Capital Surplus** | **Legal Reserve** | **Accumulated Deficits** | **Exchange Differences on Translating the Financial Statements of Foreign Operations** | **Unrealized Gain (Loss) on Investments in Equity Instruments** | **Total Equity** |
| BALANCE AT JANUARY 1, 2019 | $ 4,768,550 | $ 332,205 | $ 78 | $(1,960,666) | $ (225) | $ (175,824) | $ 2,964,118 |
| Legal reserve used to offset accumulated deficits | - | - | (78) | 78 | - | - | - |
| Capital surplus used to offset accumulated deficits | - | (332,205) | - | 332,205 | - | - | - |
| Capital reduction used to offset accumulated deficits | (1,628,383) | - | - | 1,628,383 | - | - | - |
| Issuance of ordinary shares for cash | 650,000 | - | - | (195,000) | - | - | 455,000 |
| Recognition of employee share options by the Company (Note 25) | - | 5,460 | - | - | - | - | 5,460 |
| Changes in percentage of ownership interests in subsidiaries | - | - | - | (75) | - | - | (75) |
| Net loss for the year ended December 31, 2019 | - | - | - | (200,616) | - | - | (200,616) |
| Other comprehensive loss for the year ended December 31, 2019, net of income tax | - | - | - | - | (156) | 689 | 533 |
| Total comprehensive loss for the year ended December 31, 2019 | - | - | - | (200,616) | (156) | 689 | (200,083) |
| BALANCE AT DECEMBER 31, 2019 | 3,790,167 | 5,460 | - | (395,691) | (381) | (175,135) | 3,224,420 |
| Issuance of ordinary shares for cash | 667,800 | 1,055,124 | - | - | - | - | 1,722,924 |
| Recognition of employee share options by the Company (Note 25) | - | 94,227 | - | - | - | - | 94,227 |
| Net loss for the year ended December 31, 2020 | - | - | - | (285,850) | - | - | (285,850) |
| Other comprehensive loss for the year ended December 31, 2020, net of income tax | - | - | - | - | (319) | 1,243 | 924 |
| Total comprehensive loss for the year ended December 31, 2020 | - | - | - | (285,850) | (319) | 1,243 | (284,926) |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| BALANCE AT DECEMBER 31, 2020 | $ 4,457,967 | $ 1,154,811 | $ - | $ (681,541) | $ (700) | $ (173,892) | $ 4,756,645 |

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

**TSEC CORPORATION**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

**(In Thousands of New Taiwan Dollars)**

| | 2020 | 2019 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Loss before income tax | $ (326,991) | $ (183,358) |
| Adjustments for: | | |
| Depreciation | 576,760 | 710,039 |
| Amortization | 1,803 | 4,287 |
| Expected credit loss reversed on accounts receivable | (2,534) | (1,270) |
| Net (gain) loss on fair value changes of financial instrument at fair value through profit or loss | 1,397 | (48) |
| Finance costs | 115,379 | 151,814 |
| Interest income | (636) | (2,110) |
| Shared-based payment expenses recognized | 94,227 | 5,460 |
| Share of loss (profit) of subsidiaries and associates | 2,628 | (549) |
| Loss (gain) on disposal of property, plant and equipment | 2,196 | (4) |
| Profit on disposal of associates | - | (44,094) |
| Impairment losses recognized on property, plant and equipment | 381,652 | - |
| Unrealized gain on transactions with subsidiaries and associates | 1,630 | 72 |
| Realized gain on transactions with subsidiaries and associates | (19) | - |
| Net gain on foreign currency exchange | (1,737) | (11,227) |
| Net changes in operating assets and liabilities | | |
| Financial assets mandatorily classified as at fair value through profit or loss | (59,939) | 10,048 |
| Accounts receivable | (517,610) | 147,941 |
| Accounts receivable from related parties | (156,597) | - |
| Other receivables | (60) | (2,439) |
| Other receivables from related parties | 62 | (297) |
| Inventories | (326,046) | 81,569 |
| Other current assets | (121,630) | (11,554) |
| Contract liabilities | (37,937) | (25,822) |
| Notes payable | - | (2,115) |
| Accounts payable | 232,903 | (253,224) |
| Other payables | 18,444 | 2,806 |
| Provisions | 4,530 | 4,093 |
| Other current liabilities | 4,969 | 210 |
| Cash (used in) generated from operations | (113,156) | 580,228 |
| Interest received | 420 | 1,391 |
| Finance costs paid | (113,189) | (155,068) |
| Income tax refund (paid) | 3 | (45) |
| Net cash (used in) generated from operating activities | (225,922) | 426,506 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of associates | - | (120,000) |
| Net cash inflow on disposal of associates | - | 46,357 |
| Increase in investment in subsidiaries accounted for using the equity method | (22,984) | (8,500) |

(Continued)

# TSEC CORPORATION

## STATEMENTS OF CASH FLOWS
## FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
## (In Thousands of New Taiwan Dollars)

| | 2020 | 2019 |
|---|---|---|
| Net cash inflow on disposal of subsidiaries | - | 30,000 |
| Payments for property, plant and equipment (Note 27) | (338,031) | (208,597) |
| Proceeds from disposal of property, plant and equipment | 9,758 | 22,897 |
| Increase in refundable deposits | - | (9,826) |
| Decrease in refundable deposits | 33,974 | - |
| Payments for intangible assets | (192) | (366) |
| Increase in other financial assets - restricted assets | - | (52,874) |
| Decrease in other financial assets - restricted assets | 149,149 | - |
| Net cash used in investing activities | (168,326) | (300,909) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Decrease in short-term borrowings | (202,453) | (152,579) |
| Increase in short-term bills payable | 279,366 | - |
| Decrease in short-term bills payable | - | (29,989) |
| Proceeds from long-term borrowings | 1,946,880 | 318,649 |
| Repayments of long-term borrowings | (2,140,681) | (453,332) |
| Increase in guarantee deposits received | - | 2,335 |
| Repayments of the principal portion of lease liabilities | (16,989) | (17,204) |
| Proceeds from issuance of ordinary shares | 1,722,924 | 455,000 |
| Net cash generated from financing activities | 1,589,047 | 122,880 |
| EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES | (1,017) | (873) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 1,193,782 | 247,604 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | 422,888 | 175,284 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | $ 1,616,670 | $ 422,888 |

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

**Appendix 5**

# TSEC

## Proposal of Covering of Losses

## 31-Dec-20

Unit: NT $

| Items | Amount (NT$) |
|---|---|
| Accumulated losses as of Dec. 31, 2019 | 395,690,760 |
| 2020 Net loss after tax | 285,849,879 |
| Covering of losses: Paid-in-capital from share premium account as of Dec. 31,2020 | -681,540,639 |
| | |
| | |
| Accumulated losses as of Dec. 31, 2020 | 0 |

**Appendix 6**

## Candidate List for Additional Directors

| Designation | Account or Certificate Number | Name | Education Background | Experience | Shares Held |
|---|---|---|---|---|---|
| Director | 7 | Farglory International Investment Corporation | N/A | N/A | 8,908,244 |
| Director | 120957 | Yu Sheng Energy Corporation | N/A | N/A | 20,000 |

**Appendix 7**

# TSEC Corporation
## Comparison Table of Article of Incorporation Before and After Amendment

| Article | Before amendment | After amendment | Reason for amendment |
|---|---|---|---|
| Article 6-1 | The rights and obligations of Company with issuing preferred stocks and the main conditions for issuance are as follows:<br>I. If the final annual accounts have a surplus, the Company should first pay all taxes and make up for the losses of previous years in accordance with the law. If there is still a surplus, the Company shall allocate a legal reserve and a special reserve in accordance with the Articles of Incorporation. The remaining balance will be distributed to as dividends, with the preferred stocks receiving the portion they shall receive for the year.<br>II. Special dividends are capped at an annual interest rate of 6%, calculated based on the issued price and are given out in cash annually. The board specifies a record date to pay the dividends from the previous year after final financial reports are acknowledged at the annual shareholders' meeting. The distribution of dividends for the issue year and the reacquired year is calculated based on the actual issuance date of the year.<br>III. The Company has discretionary powers on the dividend distribution of preferred stocks. If there is no surplus or insufficient surplus in the annual final accounts, and the Company resolves to cancel the dividend distribution for preferred stocks, it will not constitute a default. If the issued preferred stocks are noncumulative, the undistributed or under-distributed dividends will not be accumulated and deferred to future years with a surplus.<br>IV. For shareholders of preferred stocks receiving the dividends described in Paragraph 2, if the issued preferred stocks are non-participating, they shall not participate in the distribution of surplus and capital reserve as cash and capitalization that common shares offer.<br>V. Shareholders of preferred stocks have the priority over the shareholders of common shares to the distribution of the Company's remaining assets. The order of compensation for all shareholders of preferred stocks is the same, but the compensation does not exceed the amount of issuance.<br>VI. Shareholders of preferred stocks have no voting rights and election rights in shareholders meetings, but have voting powers at preferred shareholders meetings and shareholder meetings related to the rights and obligations of preferred shareholders if elected as directors.<br>VII. If the preferred stocks issued by the Company are convertible preferred stocks, they shall not be converted within one year from the date of issuance. The board is authorized to determine the conversion period based on the actual issuance conditions. Shareholders of convertible preferred stocks | The rights and obligations of Company with issuing preferred stocks and the main conditions for issuance are as follows:<br>I. If the final annual accounts have a surplus, the Company should first pay all taxes and make up for the losses of previous years in accordance with the law. If there is still a surplus, the Company shall allocate a legal reserve and a special reserve in accordance with the Articles of Incorporation. The remaining balance will be distributed to as dividends, with the preferred stocks receiving the portion they shall receive for the year.<br>II. Special dividends are capped at an annual interest rate of 6%, calculated based on the issued price and are given out in cash annually. The board specifies a record date to pay the dividends from the previous year after final financial reports are acknowledged at the annual shareholders' meeting. The distribution of dividends for the issue year and the reacquired year is calculated based on the actual issuance date of the year.<br>III. The Company has discretionary powers on the dividend distribution of preferred stocks. If there is no surplus or insufficient surplus in the annual final accounts, and the Company resolves to cancel the dividend distribution for preferred stocks, it will not constitute a default. If the issued preferred stocks are noncumulative, the undistributed or under-distributed dividends will not be accumulated and deferred to future years with a surplus.<br>IV. For shareholders of preferred stocks receiving the dividends described in Paragraph 2, if the issued preferred stocks are participating, they may participate in the distribution of surplus and capital reserve as cash and capitalization that common shares offer.<br>V. Shareholders of preferred stocks have the priority over the shareholders of common shares to the distribution of the Company's remaining assets. The order of compensation for all shareholders of preferred stocks is the same, but the compensation does not exceed the amount of issuance.<br>VI. Shareholders of preferred stocks have voting rights and election rights in shareholders meetings, and have voting powers at shareholder meetings and shareholder meetings related to the rights and obligations of preferred shareholders if elected as directors.<br>VII. If the preferred stocks issued by the Company are convertible preferred stocks, they shall not be converted within one year from the date of issuance. The board is authorized to determine the conversion period based on the actual issuance conditions. Shareholders of convertible preferred stocks | Amendments to the rights and obligations of preferred shares and the major issuance conditions. |

| Article | Before amendment | After amendment | Reason for amendment |
|---|---|---|---|
| | may apply for partial or complete conversion in accordance with the issuance conditions at a ratio of one preferred stock to one common share (conversion ratio at 1:1). After being converted into common shares, their rights and obligations will be the same as common shares. The distribution of dividends for preferred stocks in the conversion year is based on the percentage of actual issue days over the number of days in the whole day. However, the stocks that are converted into common shares before the record date of stock split or dividends for the year will not participate in the distribution of dividends of preferred stocks for the year and the distribution of annual dividends for subsequent years, but will participate in the distribution of surplus and capital reserve for common shares.<br>VIII. Preferred stocks have no maturity date. The shareholders of preferred stocks shall not request the Company to reacquire the shares they hold. However, the Company may reacquire part of or all preferred stocks at the original issue price at any time starting the next day from the day one year after the issuance. Preferred stocks that are not reacquired will retain the rights and obligations of the aforementioned issuance conditions. If the Company resolves to issue dividends for the year, the part of dividends that should be paid before the reacquisition date will be calculated based on the actual number of issue days of the year.<br>IX. When the Company issues new shares by cash capital increase, shareholders of preferred stocks have the same preferred options for new shares as the shareholders of common shares.<br>X. The capital reserve of preferred stocks issued at a premium shall not be capitalized during the period of issuance of such preferred stocks. The board of directors is authorized to determine the name, issue date and specific issuance conditions of preferred stocks which are subject to the Company's articles of incorporation and relevant laws and regulations, depending on the conditions of the capital market and the willingness of investors. | may apply for partial or complete conversion in accordance with the issuance conditions at a ratio of one preferred stock to one common share (conversion ratio at 1:1). After being converted into common shares, their rights and obligations will be the same as common shares. The distribution of dividends for preferred stocks in the conversion year is based on the percentage of actual issue days over the number of days in the whole day. However, the stocks that are converted into common shares before the record date of stock split or dividends for the year will not participate in the distribution of dividends of preferred stocks for the year and the distribution of annual dividends for subsequent years, but will participate in the distribution of surplus and capital reserve for common shares.<br>VIII. Preferred stocks have no maturity date. The shareholders of preferred stocks shall not request the Company to reacquire the shares they hold. However, the Company may reacquire part of or all preferred stocks at the original issue price at any time starting the next day from the day one year after the issuance. Preferred stocks that are not reacquired will retain the rights and obligations of the aforementioned issuance conditions. If the Company resolves to issue dividends for the year, the part of dividends that should be paid before the reacquisition date will be calculated based on the actual number of issue days of the year.<br>IX. When the Company issues new shares by cash capital increase, shareholders of preferred stocks have the same preferred options for new shares as the shareholders of common shares.<br>X. The capital reserve of preferred stocks issued at a premium shall not be capitalized during the period of issuance of such preferred stocks. The board of directors is authorized to determine the name, issue date and specific issuance conditions of preferred stocks which are subject to the Company's articles of incorporation and relevant laws and regulations, depending on the conditions of the capital market and the willingness of investors. | |
| Article 27 | The Articles of Incorporation were established on June 17, 2010.<br>The 1st revision was conducted on June 30, 2011.<br>The 2nd revision was conducted on June 15, 2012.<br>The 3rd revision was conducted on June 20, 2013.<br>The 4th revision was conducted on April 28, 2014.<br>The 5th revision was conducted on May 25, 2015.<br>The 6th revision was conducted on May 9, | The Articles of Incorporation were established on June 17, 2010.<br>The 1st revision was conducted on June 30, 2011.<br>The 2nd revision was conducted on June 15, 2012.<br>The 3rd revision was conducted on June 20, 2013.<br>The 4th revision was conducted on April 28, 2014.<br>The 5th revision was conducted on May 25, 2015.<br>The 6th revision was conducted on May 9, | Added revision dates |

| Article | Before amendment | After amendment | Reason for amendment |
|---|---|---|---|
| | 2016.<br>The 7th revision was conducted on June 15, 2017.<br>The 8th revision was conducted on March 29, 2019.<br>The 9th revision was conducted on June 12, 2020. | 2016.<br>The 7th revision was conducted on June 15, 2017.<br>The 8th revision was conducted on March 29, 2019.<br>The 9th revision was conducted on June 12, 2020.<br>The 9th revision is conducted on April 7, 2021. | |

# Issuance Conditions for Privately Placed Preferred Shares-A

I. The distribution of the Company's earnings is conducted pursuant to the Articles of Incorporation. The distributable earnings shall firstly be distributed to the Preferred Shares-A for the current year, or current season with the accumulated undistributed dividends. In the event of no earning, or insufficient earning to be distributed for all Preferred Shares-A, such distributable earnings shall still firstly distribute to the Preferred Share-A, and the shortage will be made up firstly when annual or quarterly earning is provided.

II. The dividend rate of the Preferred Shares-A is annual rate 2%, and calculated based on the issuance price per share. The dividends are paid in cash. The ex-dividend base date of the preferred shares is authorized to the Board to determined. The distribution of dividends for the issue year/quarter and the reacquired year/quarter is calculated based on the actual issuance date of the year.

III. Share the amount of intended dividends for the common shares exceed the amount of the Preferred Shares-A dividends, the holders of the Preferred Shares-A are entitled for the distribution.

IV. Other than the abovementioned dividends, the Preferred Shares-A are entitled for participating the distribution of earnings and reserves for the common shares.

V. The Preferred Shares-A are entitled to converted to the common shares from the next day of the third anniversary of holding.

VI. The holders of the Preferred Shares-A have right to vote in the general shareholders' meetings, as well as to elect directors (independent directors included. The Preferred Shares-A are also entitled to vote in extraordinary shareholders' meetings and for the matters related to the Preferred Share-A holders' interests.

VII. For distributing the Company's remaining properties, the Preferred Shares-A has higher priority over the common shares, but shall not exceed the sum of issuance priced plus the payable dividends.

VIII. The issuance period of Preferred Shares-A is infinite. The holders of Preferred Shares-A are not entitled to request the Company to reacquire the Preferred Shares-A held by them early. However, the Company may reacquire all or part of the Preferred Shares-A from the next day of the third anniversary since issuance, with the actual issuance price in cash, or other method permitted by laws and regulations. The rights and obligations of the remaining Preferred Shares-A follow the issuances condition until being reacquired. If the Company resolves to issue dividends for the year reacquiring the Preferred Shares-A, the part of dividends that should be paid before the reacquisition date will be calculated based on the actual number of issue days of the year.

IX. When the Company issues new common shares by cash capital increase, shareholders of Preferred Shares-A have the same preferred options for new shares as the shareholders of common shares.

X. Shall the Preferred Shares-A satisfy the conditions for early reacquisition, or the issuance period expire, but the Company is unable to reacquire all or part of such shares due to force majeure or event not attributable to the Company, each of the abovementioned issuance conditions stays in force until all Preferred Shares-A are reacquired. The dividends are calculated at the original rate for the extended period. The rights entitled by Preferred Shares-A pursuant to the Articles of Incorporation shall not be harmed.

XI. Preferred Shares-A are not traded publicly during the issuance period.

**Appendix 9**

Proposal to Relieve Director Candidates from the Non-Competition Restrictions

| Designation | Name of Director | Name of the Competitor and Designation in the Competitor |
|---|---|---|
| Director | Farglory International Investment Corporation | Nil |
| Director | Yu Sheng Energy Corporation | Nil |

**Appendix 1**

# TSEC Corporation
# Articles of Incorporation

## Chapter 1 General

Article 1: The Company is incorporated in accordance with The Company Act, and is named TSEC Corporation.

Article 2: The Company is engaged in the following business activities:

| | | |
|---|---|---|
| 01. | I501010 | Product designing |
| 02. | IG03010 | Energy technical services |
| 03. | F106030 | Wholesale of molds |
| 04. | F113110 | Wholesale of batteries |
| 05. | F119010 | Electronic materials wholesale |
| 06. | F113010 | Wholesale of machinery |
| 07. | F113020 | Wholesale of household appliance |
| 08. | F113030 | Wholesale of precision instruments |
| 09. | F113990 | Wholesale of other machinery and tools |
| 10. | F118010 | Wholesale of computer software |
| 11. | CC01080 | Electronic parts and components manufacturing. |
| 12. | CC01090 | Manufacture of batteries and accumulators |
| 13. | CC01990 | Electrical machinery, supplies manufacturing |
| 14. | CQ01010 | Die manufacturing |
| 15. | D401010 | Thermal energy supply |
| 16. | D101060 | Self-usage power generation equipment utilizing renewable energy industry |
| 17. | E601010 | Electric appliance construction |
| 18. | ZZ99999 | Non-prohibited or non-restricted businesses, in addition to the permitted businesses. |

Article 3: The head office of the Company is located in New Taipei City. If necessary, branch offices both at home and abroad may be established upon the resolution of the board of directors and the approval by the central authority.

Article 4: The total amount of the Company's investment in other businesses is not subject to the 40% limit rule of the paid-in capital as stated in Article 13 of the Company Act.

Article 5: The Company may provide external endorsement for business-related purposes, which are subject to the Company's Operating Procedures for Endorsement and Guarantee.

## Chapter 2 Shares

Article 6: The Company has an authorized capital of seven billion New Taiwan Dollars in seven hundred million shares. Each share has a face value of ten New Taiwan Dollars. The board of directors is authorized to raise share capital in multiple issues, and part of the issued shares may be preferred stocks.

A total of NT$ fifty million in five million shares, with a face value of ten New Taiwan Dollars, is retained for the issuance of employee stock options, which may be distributed in multiple issues in accordance with the board resolution.

Article 6-1: The rights and obligations of Company with issuing preferred stocks and the main conditions for issuance are as follows:

I. If the final annual accounts have a surplus, the Company should first pay all taxes and make up for the losses of previous years in accordance with the law.

If there is still a surplus, the Company shall allocate a legal reserve and a special reserve in accordance with the Articles of Incorporation. The remaining balance will be distributed to as dividends, with the preferred stocks receiving the portion they shall receive for the year.

II. Special dividends are capped at an annual interest rate of 6%, calculated based on the issued price and are given out in cash annually. The board specifies a record date to pay the dividends from the previous year after final financial reports are acknowledged at the annual shareholders' meeting.

The distribution of dividends for the issue year and the reacquired year is calculated based on the actual issuance date of the year.

III. The Company has discretionary powers on the dividend distribution of preferred stocks. If there is no surplus or insufficient surplus in the annual final accounts, and the Company resolves to cancel the dividend distribution for preferred stocks, it will not constitute a default.

If the issued preferred stocks are noncumulative, the undistributed or under-distributed dividends will not be accumulated and deferred to future years with a surplus.

IV. For shareholders of preferred stocks receiving the dividends described in Paragraph 2, if the issued preferred stocks are non-participating,

they shall not participate in the distribution of surplus and capital reserve as cash and capitalization that common shares offer.

V. Shareholders of preferred stocks have the priority over the shareholders of common shares to the distribution of the Company's remaining assets. The order of compensation for all shareholders of preferred stocks is the same, but the compensation does not exceed the amount of issuance.

VI. Shareholders of preferred stocks have no voting rights and election rights in shareholders meetings, but have voting powers at preferred shareholders meetings and shareholders’ meetings related to the rights and obligations of preferred shareholders if elected as directors.

VII. If the preferred stocks issued by the Company are convertible preferred stocks, they shall not be converted within one year from the date of issuance. The board is authorized to determine the conversion period based on the actual issuance conditions. Shareholders of convertible preferred stocks may apply for partial or complete conversion in accordance with the issuance conditions at a ratio of one preferred stock to one common share (conversion ratio at 1:1). After being converted into common shares, their rights and obligations will be the same as common shares. The distribution of dividends for preferred stocks in the conversion year is based on the percentage of actual issue days over the number of days in the whole day. However, the stocks that are converted into common shares before the record date of stock split or dividends for the year will not participate in the distribution of dividends of preferred stocks for the year and the distribution of annual dividends for subsequent years, but will participate in the distribution of surplus and capital reserve for common shares.

VIII. Preferred stocks have no maturity date. The shareholders of preferred stocks shall not request the Company to reacquire the shares they hold. However, the Company may reacquire part of or all preferred stocks at the original issue price at any time starting the next day from the day one year after the issuance. Preferred stocks that are not reacquired will retain the rights and obligations of the aforementioned issuance conditions. If the Company resolves to issue dividends for the year, the part of dividends that should be paid before the reacquisition date will be calculated based on the actual number of issue days of the year.

IX. When the Company issues new shares by cash capital increase, shareholders of preferred stocks have the same preferred options for new shares as the shareholders of common shares.

X. The capital reserve of preferred stocks issued at a premium shall not be capitalized during the period of issuance of such preferred stocks. The board of directors is authorized to determine the name, issue date and specific issuance conditions of preferred stocks which are subject to the Company's articles of incorporation and relevant laws and regulations, depending on the conditions of the capital market and the willingness of investors.

Article 7: The share certificates of the Company shall be name-bearing, and are issued in accordance with the Company Act and other relevant laws and regulations. Shares of the Company is exempted from actual printing but shall be registered with the Taiwan Depository and Clearing Corporation.

Article 8: Matters regarding the Company's shares shall be handled in accordance with the laws and regulations of the government authority.

Article 9: The registration of the transfer of shares is subject to Article 165 of the Company Act.

## Chapter 3 Shareholders' Meeting

Article 10: Meetings of shareholders include the annual general meeting of shareholders (AGM) and the extraordinary general meeting of shareholders (EGM). The former shall be convened at least once a year within six (6) months after the end of each accounting year; and the latter shall be convened by law where necessary.

Meetings for preferred stock shareholders may be convened in accordance with relevant laws and regulations when necessary.

Article 11: Shareholders unable to attend the meetings may offer to show the power of attorney issued by the Company which specifies the scope of authorization, and sign or stamp-seal the power of attorney to authorize their proxies to attend the meetings. Shareholders who authorize their proxies to attend meetings shall comply with the regulations promulgated by the securities authority, unless otherwise specified by Article 177 of the Company Act.

Article 12: Shareholders’ meetings shall be convened by the board of directors, with the chairman being the chair of the meetings. If the chairman is absent for any reason, a person of acting duty shall be appointed. If no person of acting duty is appointed, one shall be appointed among the directors. Shareholder meetings that are convened by other authorized persons shall be chaired by the convener. If there are two or more conveners, one shall be appointed among them to act as the chairperson.

Article 13: Shareholders are entitled to one vote per share, except for shares that are subject to voting restrictions or situations outlined in Paragraph 2, Article 179 of The Company Act.

Article 14: Unless otherwise specified by the Company Act, shareholder meetings shall have the attendance of shareholders with more than half majority of the issued shares and the resolutions shall be represented by more than half majority of the attending shareholders.

Shareholders exercising voting rights by electronic transmission will be deemed to have attended the meeting in person, and related matters are handled in accordance with relevant laws and regulations.

Article 15: The voted issues should be made into a resolution record signed or stamped by the chair and then distributed to each shareholder within twenty days after the meeting. Meeting minutes may also be disseminated by way of public announcements. The minutes shall detail the date and venue of the meeting, the chairperson's name, the method of resolution, the proceeding and results of various motions. Minutes are to be retained together with the sign-in log of the attending shareholders and power of attorney presented by the proxies by the Company.

## Chapter 4 Board of Directors and Audit Committee

Article 16: The Company has seven to eleven directors. They are elected at shareholders' meeting based on their capabilities. The term of service is three years and they can be re-elected. The election of the Company's directors adopts the candidate nomination approach, and the cumulative voting is implemented at the meetings. Shareholders shall make their election choices from the list of candidates. In the election of the Company's directors, every share shall have the same voting power as the elected directors. Votes may be pooled to elect one person or distributed to vote multiple person. Those who obtain more votes are elected as directors.

The Company may purchase liability insurance for its directors during the term of their services in accordance with the law.

There shall be no less than three independent directors, and they shall represent no less than 1/5 of the number of directors. The election adopts a candidate nomination approach, and they are elected from the list of candidates for independent directors. The professional qualifications, shareholding, part-time restrictions, nominations and other rules to be followed shall be handled in accordance with laws and regulations of the securities authority.

Article 17: The directors form a board of directors, and carry out all business tasks in accordance with the laws, articles of incorporation and the resolution of the shareholders' meetings. A chairman is elected from the directors in accordance with Article 208 of the Company Act to represent the Company. A vice chairman may be elected if necessary. The notice of the convening of board meeting can be made in writing, fax or email.

Article 18: The Company establishes an audit committee in accordance with the provisions of Article 14-4 of the Securities and Exchange Act, and the committee shall be composed of all independent directors. The performance of their functions and the related matters shall be determined by the Securities and Exchange Act and the relevant laws and regulations.

Article 19: The remuneration of directors, regardless of the Company's profitability, shall be assessed by the salary and remuneration committee based on the extent of their participation in and contribution to the Company's operations. The board then makes a resolution based on the assessment conducted by the salary and remuneration committee and the standards among industry peers. The Company may offer a salary and remuneration standard for independent directors that is different from that for regular directors.

Article 20: The Company's operating policies and other important matters shall be decided by the board of directors. The chairman should chair the shareholders' and board meetings and represent the Company in public. The chairman is to appoint a director on behalf of himself/herself if he/she cannot exercise the power. In the event where the chairman does not appoint anyone, the directors are to recommend one person from the board.

Article 21: Unless otherwise specified by the Company Act, board meetings shall have the attendance of more than half of directors and the resolutions shall be represented by more than half of the attending directors. The minutes of a board meeting shall bear the signature or seal of both the chair, and a copy of the minutes shall be distributed to each director within 20 days after the meeting. Directors may appoint other directors as their proxies to attend board meetings.

Article 21-1: The board of directors may assemble a Remuneration Committee, Audit Committee or other functional committees as needed to support business activities.

The board is authorized to determine the traveling expenses for directors attending board meetings or other functional committee meetings based on the standards among other industry peers.

## Chapter 5 Managers

Article 22: The Company shall establish positions of one executive officer, one president and several managers, and the appointment, dismissal and remuneration shall comply with Article 29 of the Company Act. The chairman or president may take the concurrent position of the executive officer.

The chief executive officer is responsible for the integration of the Company and all its subsidiaries upstream and downstream and the related strategic planning.

Article 22-1: The Company may purchase liability insurance for its officers during the term of their services in accordance with the law.

## Chapter 6 Accounting

Article 23: At the end of each financial year, the Board of Directors shall prepare the following books, to be submitted to the AGM for ratification.

I. Business report.

II. Financial statements.

III. Proposal for the distribution of surplus or make-up for the loss.

Article 24: The surplus income of the Company after the annual final accounts is distributed to the following accounts in their respective order:

I. Completion of tax payments in accordance with the law.

II. Make up for past losses.

III. Allocate 10% as legal reserve.

IV. Special reserve is allocated or reversed in accordance with the law or regulations of the authority when necessary.

V. If there is a surplus, it is added to the accumulated undistributed surplus of the previous year to become the surplus available for distribution. After the dividends for preferred stock shareholders are paid in accordance with Article 6-I of the Articles of Incorporation, the board proposes a surplus distribution to the shareholders meeting for resolution.

In consideration of maximizing shareholder value, the Company's dividend policy shall appropriately distribute dividends in accordance with the Company's future capital expenditure budget and capital needs.

Dividends can be distributed in cash or stocks. The cash dividend shall not be less than 10% of the total shareholders' dividends. However, if there is a major capital expenditure plan in the future, all dividends may be distributed in the form of stocks upon the approval by the shareholders meeting.

Article 24-1: Shall there be profit for the year, minimum 5% of it shall be contributed as the employees' remunerations. The Board of Directors shall resolve to pay such remunerations in cash or shares to these employees of the companies controlled by the Company or its subsidiaries who meet the certain conditions. These criteria are determined by the board of directors.

The Company may contribute maximum 5% from the abovementioned profit as the directors' remunerations

Employee's and director's remuneration proposals are to be raised for resolution during the shareholders' meetings.

Profits must first be taken to offset against cumulative losses, if any, before the remainder can be distributed as employee/director remuneration in the above percentages.

The transfer of treasury stocks to employees, the issuance of employee stock options, restricted employee shares and new shares through cash capital increase available for subscription by employees may include employees of controlling or affiliated companies that meet certain criteria. These criteria are determined by the board of directors.

## Chapter 7 Bylaws

Article 25: The Company's organizational policies and procedures are separately determined by the board resolution.

Article 25-1: Delisting of the Company's shares is subject to the resolution of shareholder meetings.

Article 26: Any outstanding issues not specified in the Articles of Incorporation are to be handled in accordance with the Company Act and the related regulations.

Article 27: The Articles of Incorporation were established on June 17, 2010.

The 1st revision was conducted on June 30, 2011.

The 2nd revision was conducted on June 15, 2012.

The 3rd revision was conducted on June 20, 2013.

The 4th revision was conducted on April 28, 2014.

The 5th revision was conducted on May 25, 2015.

The 6th revision was conducted on May 9, 2016.

The 7th revision was conducted on June 15, 2017.

The 8th revision was conducted on March 29, 2019.

The 9th revision was conducted on June 12, 2020.

Appendix 2

# TSEC Corporation
# Rules of Procedure for Shareholders' Meetings

Article 1 To establish a strong governance system and sound supervisory capabilities for the Company's shareholders meetings, and to strengthen management capabilities, these Rules are adopted pursuant to the Company Act and related laws and regulations.

Article 2 The rules of procedures for the Compamy's shareholders meetings, except as otherwise provided by law, regulation, or the articles of incorporation, shall be as provided in these Rules.

Article 3 "Shareholder" referred in the Rules are the shareholders and their appointed proxies.

Article 4 The venue for a shareholders meeting shall be the premises of the Company, or a place easily accessible to shareholders and suitable for a shareholders meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m.

Article 5 The Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders meeting. Staff handling administrative affairs of a shareholders meeting shall wear identification cards or arm bands.

Article 6 Attending shareholders may hand in a sign-in card in lieu of signing in, and the shares are counted accordingly. Once the sign-in card is submitted to the Company, it is deemed the shareholder indicated on the sign-in card attend the meeting in person.

Article 7 Attendance and votes at shareholders meetings shall be calculated based on numbers of shares. The chair may reject any shareholder's proposal to count attendants.

Article 8 If a shareholders meeting is convened by the board of directors, the meeting shall be chaired by the chairperson of the board. When the chairperson of the board is on leave or for any reason unable to exercise the powers of the chairperson, the chairperson shall designate one director as the deputy. Where the chairperson does not make such a designation, the directors shall select from among themselves one person to serve as chair. If a shareholders meeting is convened by a party with power to convene but other than the board of directors, the convening party shall chair the meeting.

Article 9 The process of shareholders' meetings shall be recorded in audio an video format uninterruptedly from beginning to the end, and retained for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.

Article 10 The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than one hour, may be made.

If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the chair shall declare the meeting adjourned. If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act.

When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders meeting pursuant to Article 174 of the Company Act.

Article 11 If a shareholders meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. Votes shall be cast on each separate proposal in the agenda (including extraordinary motions and amendments to the original proposals set out in the agenda). The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting.

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

The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders meeting. If the chair declares the meeting adjourned in 6olation of the rules of procedure, the other members of the board of directors shall promptly assist the attending shareholders in electing a new chair pursuant to paragraph 2, Article 182-1, to continue the meeting.

If a meeting is adjourned pursuant to this article, shareholders must not elect another chair to continue the meeting on site or at other 5enue.

Article 12 Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair.

A shareholder in attendance 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 shall prevail.

When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor; the chair shall stop any violation.

Article 13 Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed five minutes.

If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.

Article 14 When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.

When a juristic person shareholder appoints two or more representatives to attend a shareholders meeting, only one of the representatives so appointed may speak on the same proposal.

Article 15 After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.

Article 16 No discussion or vote will be conducted if the amendment, replacement, or extraordinary motion is made other than the scheduled proposals or raised by shareholders.

When the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed, call for a vote, and schedule sufficient time for voting.

Article 17 Unless the related laws and regulations and Articles of Incorporation set forth otherwise, the votes for proposal are deemed approved when the majority of the attending voting rights is achieved. When voting, if no objection following an inquiry by the chair, the proposal will be deemed approved, with the same effect as voting.

Article 18 When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.

Article 19 Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders. The results of the voting shall be announced on-site at the meeting, and a record made of the vote.

Article 20 The election of directors at a shareholders meeting shall be held in accordance with the applicable election and appointment rules adopted by the Company, and the voting results shall be announced on-site immediately, including the names of those elected as directors and the numbers of votes with which they were elected.

The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.

Article 21 When a meeting is in progress, the chair may announce a break based on time considerations.

Article 22 The chair may direct the proctors or security personnel to help maintain order at the meeting place. This article is applied mutatis mutandis in case of disobeying the decision or stop made by the chair pursuant to the Rules or related laws and regulations; in addition, the chair may direct the proctors (or security staff) to remove the disobeying persons from the meeting venue.

When proctors or security personnel help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor."

Article 23 If a force majeure event occurs, the chair may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.

Article 24 Any matter not set forth in the Rules shall be dealt with pursuant to the Company Act, related laws and regulations, and the Company's Articles of Incorporation.

Article 25 The Rules, and any amendments hereto, shall be implemented after approval by a shareholders meeting.

The 1st amendment was conducted on May 25, 2015.

The 2nd amendment was conducted on March 29, 2019.

Appendix 3

# TSEC Corporation
# Procedures for Election of Directors

Article 1 Purpose and Foundation

To ensure a just, fair, and open election of directors, these Procedures are adopted pursuant to Article 21, the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies by the Company.

Article 2 Applicable Scope:

Except as otherwise provided by law and regulation or by this Corporation's articles of incorporation, elections of directors shall be conducted in accordance with these Procedures.

Article 3 Election of Directors

I. The overall composition of the board of directors shall be taken into consideration in the selection the Company's directors. The composition of the board of directors shall be determined by taking diversity into consideration, and applying the criteria including the basic conditions, values, and professional knowledge and skills.

II. Each board member shall have the necessary knowledge, skill, and experience to perform their duties, such as operation decisions, accounting and financial analysis, operational management, risk management, industrial knowledge, insights to international markets, leadership and decision-making, among other capabilities.

III. More than half of the directors shall be persons who have neither a spousal relationship nor a relationship within the second degree of kinship with any other director.

Article 4 Election of Independent Directors

I. The qualifications and election for the independent directors of the Company, shall comply with the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies", and conducted pursuant to the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies."

II. Elections of independent directors at the Company shall be conducted in accordance with the candidate nomination system and procedures set out in Article 192-1 of the Company Act.

Article 5 Voting System

I. Elections of directors at the Company shall be conducted in accordance with the candidate nomination system, and pursuant to the single disclosed cumulative voting method. Each share will have voting rights in number equal to the directors to be elected. The Board shall prepared the ballots equals to the numbers directors to be elected for shareholders.

II. The said votes may be pooled to elect one person or distributed to vote multiple person. Those who obtain more votes are elected as directors. Attendance card numbers printed on the ballots may be used instead of recording the names of voting shareholders.

III. The elections of directors at the Company may be opted in casting vote digitally or in person by shareholders.

IV. In case a shareholder opts to cast the votes digitally, no hard-copy ballot will be prepared; the shareholder shall cast the votes via the e-voting platform designated by the Company.

Article 6 Vote Counting Principles

I. The number of directors will be as specified in the Company's Articles of Incorporation, with voting rights separately calculated for independent and non-independent director positions. Those receiving ballots representing the highest numbers of voting rights will be elected sequentially according to their respective numbers of votes. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the chair drawing lots on behalf of any person not in attendance.

II. The number of the abovementioned voting rights, are calculated as the voting rights casted at the site of the shareholders' meeting plus the voting rights casted digitally.

III. For the result of the abovementioned digital poll, the identities and the voting rights of voting shareholders shall be verified pursuant to Article 44-6, the Regulations Governing the Administration of Shareholder Services, and complete the statistics and verification before the shareholders' meetings.

Article 7 Monitoring and Examination

Before the election begins, the chair shall appoint a number of persons to perform the respective duties of vote monitoring and counting personnel. Ballot examiners must be with shareholder status.

Article 8 Filling Ballots

If a candidate is a shareholder, the voters must fill in the name and shareholder account number in the "Candidate" column on the ballots; for non-shareholder candidate, his/her name and ID number shall be filled in. However, if the candidate is a governmental or juristic person shareholder, the name of the government agency or the juristic person shall be filled in the Candidate column, or name of the government agency or the juristic person, and the representative. In case of multiple representatives, the representatives shall be added, respectively.

Article 9 Invalid Ballots

A ballot at the site of shareholder meeting is invalid under any of the following circumstances:

1. The ballots set forth in the Procedures are not used.
2. A blank ballot is placed in the ballot box.
3. The writing is unclear and indecipherable or has been altered.

4.In case the selected candidate is a shareholder, but his/her account name and account number are inconsistent to the shareholder register;
In case the selected candidate is not a shareholder, and his/her name and ID number do not match after verification.
5. The selected candidate's name is identical to another shareholder, but no shareholder account number or ID number for identification.
6. Other than the name, shareholder account number or ID number of the selected candidate, other signs, graphs, or texts are also written.
7. The part of the voting rights indicated on the ballots exceeding the record in the shareholder registry.

Article 10 Calculating Votes

I. The voting rights shall be calculated on site immediately after the end of the poll, and the results of the calculation, including the list of persons elected as directors (independent directors) and the numbers of votes with which they were elected, shall be announced by the chair on the site.

II. The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

Article 11: Any matter not set forth in the Procedures shall be dealt with pursuant to the Company Act, related laws and regulations, and the Company's Articles of Incorporation.

Article 12: The Procedures, and any amendments hereto, shall be implemented after approval by a shareholders meeting.

The Procedure is established on October 12, 2000.
The 1st amendment was conducted on March 29, 2019.
The 2nd amendment was conducted on June 12, 2020.

**Appendix 4**

# TSEC Corporation
# Directors' Shareholding

I. Total issued shares of the Company: 445,796,730 shares.

II. Pursuant to "Article 26, Securities and Exchange Act" and the "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies," the minimum total shares shall be held by all directors of the Company are 16,000,000 shares.

III. As the Audit Committee has replaced the supervisors, there is no applicable shares to the supervisors.

III. As of the date of transfer suspension for the AGM (February 7, 2021), the shares held by the directors are as the following:

| Designation | Name | Shares Held | Shareholding proportion |
|---|---|---|---|
| Chairman | Weiren Investment | 6,325,538 | 1.42% |
| | Representative: Liao, Kuo-Ron | | |
| Director | An Chuang Industrial Corporation | 43,099 | 0.01% |
| | Representative: Liao, Wei-Jan | | |
| Director | Farglory Land Corporation | 26,520,764 | 5.95% |
| | Representative: Hsu, Hung-Chang | | |
| Director | Cheng Hsi Investment Corporation | 1,822,919 | 0.41% |
| | Representative: Hsu, Cheng-Ji | | |
| Independent Director | Wu, Chia-En | 6,495 | 0.00% |
| Independent Director | Chiang, Huai-De | 0 | 0.00% |
| Independent Director | Lin, Gu-Tong | 0 | 0.00% |
| Total shares for all directors | | 34,718,815 | 7.79% |