

Stock Code: 6443



TSEC Corporation

AGM Agenda

Handbook, 2023

Time of AGM: 9:00 am, May 24 (Wednesday), 2023

Venue of AGM: No. 335-12, Daxi Road, Pingdong City, Pingdong  
County (Pingdong Plant of the Company)

# TSEC Corporation

## AGM Agenda Handbook, 2023

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TSEC Corporation  
Meeting Procedure of AGM, 2023

- I. Announcing the commencement of the meeting
- II. Chair's Speech
- III. Reports
- IV. Matters to Be Ratified
- V. Discussions
- VI. Extraordinary Motions
- VII. Dismissal

# **TSEC Corporation**

## **AGM Agenda, 2023**

### **I. Reports**

Proposal 1: Business report, 2022.

Proposal 2: Auditing report for settlement of 2022 by the Audit Committee.

Proposal 3: 2022 distribution of employee and director remuneration.

Proposal 4: Director remuneration policy.

Proposal 5: Revision of the Board Meeting Rules of Procedures.

### **II. Matters to Be Ratified**

Proposal 1: Ratifying the business report of 2022 and each financial statement.

Proposal 2: Ratifying the 2022 annual profit distribution.

### **III. Discussions**

Proposal 1: Distribution of cash dividends from capital surplus.

Proposal 2: Amend the provisions of the Shareholder Meeting Rules of Procedures.

Proposal 3: Relieving directors from the non-competition restrictions; please review.

### **IV. Extraordinary Motions**

### **V. Dismissal**

## [Reports]

### Proposal 1

Subject: 2022 Business Report.

Description: Please refer to Attachment 1 of the handbook (Page 7-12) for the business report, 2022.

### Proposal 2

Subject: Audit Committee's Review of the 2022 Year-End Report.

Description: Please refer to Attachment 2 of the handbook (Page 13) for the Audit Committee report.

### Proposal 3

Subject: 2022 Distribution of Employee and Director Remuneration.

Description: I. According to Paragraphs 1 and 2 of Article 24-1 of the Company's Articles of Incorporation, if the Company is profitable in the fiscal year, the board resolves that no less than 5% of the profit shall be offered as employee remuneration, and no more than 5% of the profit shall be allocated as director remuneration.

II. The 2022 net profit before tax was NT\$191,721,515 (reporting currency), of which \$9,586,200 was proposed to be allocated as employee remuneration, accounting for 5.00% of the net profit before tax, and \$6,710,300 was proposed to be allocated as director remuneration, accounting for 3.5% of the net profit before tax. The allocations comply with the provisions of the Articles of Incorporation as specified in the preceding paragraph.

III. The amount of employee remuneration and director remuneration allocated in the preceding paragraph shall be paid in cash, and the chairman is authorized to determine the date of payment and related matters.

### Proposal 4

Subject: 2022 Director Remuneration.

Description: The director remuneration policy is in accordance with the Company's Articles of Incorporation. For relevant policies, individual remuneration content and amounts, please refer to Attachment 3 (Page 14-16).

### Proposal 5

Subject: Revision of the Board Meeting Rules of Procedures.

Description: In response to the amendment of the Regulations Governing Procedure for Board of Directors Meetings of Public Companies and the Company Act, the Board Meeting Rules of Procedures was amended. Please refer to Attachment 4 (Page 17-19) of the handbook for the comparison of articles before and after the amendment.

## [Ratification]

- Proposal 1 (Proposed by the Board of Directors)
- Subject: Please ratify the business report of 2022 and each financial statement.
- Description: I. The business report, parent company-only and consolidated financial statements of 2022 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 Attachment 1 (Page 7) and Attachment 5 (Page 20-41) of the handbook for the business report, auditor's report, and financial statements.

Resolution:

- Proposal 2 (Proposed by the Board of Directors)
- Subject: Present the proposal for 2022 profit distribution for ratification.
- Description: I. The beginning retained earnings were \$0. After adding the 2022 net profit after tax of \$189,649,993 and subtracting other equity -- unrealized evaluation loss of financial assets measured at fair value through other comprehensive income reclassified as retained earnings of \$2,239,000, and allocating legal reserve of \$18,741,099 and special reserve of \$129,362,896, the distributable earnings were \$39,306,998. It is proposed to distribute \$0.075 per share as shareholder dividends, a total of \$37,664,360, which will be paid in cash.
- II. Please see Attachment 6 (Page 42) for the 2022 annual profit distribution table.
- III. The cash dividends distributed in the proposal of the earnings distribution is calculated to the whole number. The sum of the fractional cash dividends less than NT\$1 will be listed as other incomes of the Company.
- IV. After the abovementioned cash dividends distribution is approved at the annual general meeting, the chairman is authorized to set the record date and payment date.
- V. In the event that the aggregate number of outstanding shares is affected by the change of capital of the Company, thereby affecting the distribution percentage of profits to shareholders, it is proposed that the chairman be fully authorized to administer this matter.

Resolution:

## [Discussions]

- Proposal 1 (Proposed by the Board of Directors)
- Subject: Present the cash dividends distribution by capital surplus for deliberation.
- Description: I. The Company plans to distribute the capital surplus of \$12,554,787 from the issuance of shares in excess of the par value to shareholders. According to the shareholding percentage recorded in the shareholder register on the record date, a cash dividend of NT\$0.025 per share will be distributed.
- II. The cash dividends distributed from capital surplus is calculated to the whole number, with the decimals rounded off. The sum of the fractional cash dividends less than NT\$1 will be listed as other incomes of the Company.
- III. In the event that the change of capital of the Company affects the distribution percentage of profits to shareholders, it is proposed that the chairman be fully authorized to administer this matter in accordance with the law.
- IV. After the abovementioned cash dividends distribution from capital surplus is approved at the annual general meeting, the chairman is authorized to set the record date and payment date.
- Resolution:
- 
- Proposal 2 (Proposed by the Board of Directors)
- Subject: Present amendments to provisions of the Company's Rules of Procedure for Shareholder Meetings for deliberation.
- Description: Proposed to amend provisions of the Rules of Procedures for Shareholder Meetings in response to regulatory changes. Please refer to Attachment 7 (Page 45-51) for the comparison of the amendments made.
- Resolution:
- 
- Proposal 3 (Proposed by the Board of Directors)
- Subject: Propose the lifting of restrictions on the non-compete clause of the Company's board of directors for deliberation.
- Description: I. In accordance with Article 209 of the Company Act, a director who acts for himself or on behalf of another person within the Company's scope of business shall explain to shareholders the essential content of the act and obtain their permission.
- 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 Attachment 8 (Page 52) for the content of relieving directors from the non-competition restrictions.
- Resolution:



**[Extraordinary Motions]**

**[Dismissal]**

## **TSEC Corporation 2022 Business Report**

### **I. 2022 Business Results**

#### **1. Achievements of business plan**

Since the successful transformation in 2018, TSEC's business strategy has been changed to focus on domestic module sales. TSEC brand awareness and product sales continue to lead the peers in Taiwan's optoelectronics market. In 2022, the installation progress of Taiwan's solar farm was slightly higher than that in 2021. The main contribution of installation came from public land and private fishery-solar farm hybrid projects. Although it is roughly in line with the government's promotion of green energy in recent years, the overall installation speed of solar energy systems is behind the expectations of the Bureau of Energy. The main reason is that it takes time from development to actual construction. Taking fishery-solar farm hybrid projects as an example. It takes about 2 to 3 years from land development, acquisition of an installation permit, and construction to grid connection. In 2022, the main source of the Company's sales profit comes from small and medium-sized project sites. Large-scale projects tend to be intermediate- and long-term orders. With the fluctuations in exchange rates and chip prices month to month, we tend to bear bigger risks dealing with large-scale project sites. Major operating strategies in 2022 include:

##### **(1) Completed deployment of M6 and introduced the new production line of M10**

At present, most peer solar cell/module manufacturers have not yet completed product transformation, and still rely on G1/M6 production lines. The international market has begun to incorporate the use of larger-sized M10 and G12 wafers since 2020, and since both G1 and M6 wafers come from the same crystal-pulling furnace, the market generally believes that there may be problems with the supply of wafers by the end of 2023. We have taken the initiative to put M6 into mass production to replace the production G1 in response to market demand since 2022. At the end of Q3, we also brought in the latest generation of M10 battery/module equipment to cope with changes in the global market.

##### **(2) Strengthen the collaborative relationship with major international manufacturers**

In 2020, TSEC Corporation began its collaboration with major international firms in battery testing, and the collaboration lasted almost two years. We actively change the test specifications from G1 to the newer M10 battery.

Besides, because some clients in the international market are concerned with the issue of over-reliance on manufacturers in China, they have begun to send their personnel to visit our facilities starting Q4 2022 after the pandemic slowed down and discuss product specifications and shipments.

- (3) Reduced bank lending rates, and completed the first phase of the private placement to strengthen the financial structure

In order to continuously improve the financial structure, reduce the dependence on bank loans, and increase the proportion of our own working capital, we successfully completed the cash capital increase in July 2022. We raised an amount of NT\$808,250 thousands, and the paid-in capital after the fundraising was NT\$ 5,021,915 thousands. The fundraising was based on the amount of loans intended to be repaid and the rate of loans, it is expected that the interest expenditure saved from 2022 and 2023 are NTD 2,728 thousand and NTD 12,670 thousands, respectively.

We are now actively cultivating the Taiwan market. Under the guidance of the government's green energy policy, large-scale project sites have continued to emerge, production and sales are relatively stable, and the average production and sales success rate is almost more than 90%. In 2022, however, the cost of large-scale project sites was affected by costs of raw materials and exchange rates, and the continuous rise of prices in upstream partners in the first three quarters caused us to turn in less-than-expected results. After the exchange rates and chip prices stabilized, the increase in sales volume helped turn Q4 into the best quarter in 2022 in terms of profit.

2. Budget implementation: According to the current laws and regulations, the Company does not disclose the 2022 financial budget.
3. Financial income and expenses and profitability analysis (IFRS)

#### (1) Financial income

Unit: NTD thousand

Item/Year	2021	2022
Pre-tax net income	46,249	175,425
Net cash generated by operating activities (outflow)	500,909	172,794
Net cash used in investing activities	(1,331,287)	(1,451,047)
Net cash inflow used in financing activities	259,749	1,063,542
Effect of exchange rate changes on cash and cash equivalents	(3,843)	(4,867)
Net outflow of cash and cash equivalents	(574,472)	(219,578)
Beginning of the year cash and cash equivalents	1,631,854	1,057,382
End-of-year cash and cash equivalents	1,057,382	837,804

## (2) Profitability analysis

Unit: %

Item/Year	2021	2022
Return on assets	1.06	2.28
Return on shareholders' equity	0.96	3.36
Operating Income to paid-in capital ratio	1.27	5.20
Profit margin	0.77	2.11
After-tax earnings per share (NT\$)	0.10	0.41

## 4. Status of research and development

The Bureau of Energy of the Ministry of Economic Affairs has organized the nomination of high-quality solar products (Taiwan Excellent PV Awards) since 2013, and the Company has won awards for 8 consecutive years (2014 to 2021). In response to the domestic VPC demand, we are committed to improving the production quality of monocrystalline v-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. We have actively developed various niche solar cell products, such as those used in space in response to the needs of low-orbit satellites. We have also conducted studies on spectral dispersion to develop solar cell products with an appearance that has lower visual stimulation. For the space environment, we have developed technologies to manufacture solar cells with a passivation surface that can withstand high radiation. In addition, we have introduced equipment for large-sized batteries and M10-sized batteries to increase the total battery wattage. Regarding the output wattage of 108-cell, 120-cell, 132-cell and 144-cell M10 modules, we have also introduced new materials to optimize the module packaging, further increasing the output wattage of modules.

## II. Summary of 2023 Business Plan

### 1. Business Guidelines

In order to achieve the goals of energy transition and build Taiwan into a safe, clean and sustainable smart energy island, Executive Yuan launched the Green Energy Technology Industry Innovation Promotion Plan 2.0. in 2021. The plan has four major visions, “Green energy promotion”, “Industry development”, “Technological innovation” and “Green finance”. The relevant policies under the four topics of energy conservation, energy creation, energy storage and system integration adopt strategies to further coordinate energy use and develop market resilience in order to make Taiwan the Asia-Pacific Green Energy Center. In response to the government’s policy on green energy and carbon reduction, TSEC, as the largest photovoltaic manufacturer in Taiwan, has formulated six operating goals for 2023, including market, production, procurement, quality, R&D and finance, to build cohesion of employees for the achievement of the goals.

2. Expected sales and its basis: The Company has not disclosed the 2023 financial forecasts.

### 3. Important manufacturing and sales policies

#### (1) Full implementation of product differentiation

In response to the changes in mainstream battery/module products in the international market, TSEC has taken the lead in introducing a new generation of production lines in Taiwan which can manufacture larger sizes of M10 and G12 wafers. A few Taiwanese manufacturers have recently begun to update their production lines, but being ahead in the learning curve, we have the first-mover advantage with our products. Taking the current average output efficiency of M10 batteries as an example, we have improved it to 23%, which can greatly increase the return on investment at project sites. They are now able to stand out from the existing products of other manufacturers, and the advantages of the products will benefit our overall profitability.

#### (2) Increase capacity utilization and reduce production costs with economies of scale

Maintaining the capacity utilization rate above 80% will help further reduce production costs and lead the industry.

#### (3) Improve procurement pricing power

In Q2 2022, we were affected by the shortage of material supply caused by the pandemic overseas. Fortunately, the problems with material procurement only lasted one to two months. The main reason was that our production management and purchase units were able to plan to cope with the ever-changing international market, and maintain a good relationship with our suppliers. We are already the leader in Taiwan’s optoelectronics manufacturing industry in terms of production capacity, and we have a relatively strong presence with our upstream suppliers. With the expansion of our production capacity, our materials units should be able to develop more confidence in negotiating for more competitive prices with our upstream suppliers and maintain good partnerships.

(4) Strive for the highest market share in Taiwan's module market and continue to expand overseas markets.

We are already the leader in Taiwan's solar optoelectronics manufacturing in terms of production capacity of the latest products, and our market share of modules sold has increased from 25% in 2020 to more than 35% now. 2024 will be the year of the presidential election in Taiwan, and the government's efforts in accelerating the promotion of solar energy are expected to continue unabated. Our large-scale orders in progress will help us further increase our market share. In addition, with the international turmoil, Taiwanese manufacturers are relatively a good option for overseas markets, so TSEC will not be absent in the international market, and has conducted numerous international partnerships and certifications, waiting to show its strengths.

### III. Future Development Strategies

TSEC will continue to focus on improving product quality and promoting streamlined management. It will conduct diversified developments in terms of product strategy. From solar power generation, and communication applications to energy storage systems, these options will be the key pillars in the Company's medium and long-term product development strategy. Other than product planning, more attention was paid to ESG and corporate governance internationally than in the past. On the one hand, the Company will continue to implement corporate governance policies, enhance and improve the performance of operation management, to shape and deepen corporate governance culture. The goal is not lower than the second level of corporate governance evaluation; on the other hand, a carbon risk and carbon asset management system will be established to meet the ultimate goal of carbon neutrality. For the carbon footprints generated by related units, products, services and other activities, the management will be established for inquiry, carbon reduction and offset, and thus the sustainable development of a low-carbon environment is promoted.

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

The competition in 2023 will be much more complicated than that in 2022, including the competition from imports of overseas modules, the transition from old to new products, the impact of global inflation and rising interest rates, and the supply and demand of Taiwan's optoelectronics market. The relevant analysis is carried out as follows:

#### 1. Competition from imports of modules made overseas

The government launched the optoelectronic pioneer VPC program in 2016, providing a protective umbrella for photovoltaic and batteries, effectively preventing overseas manufacturers from entering the Taiwanese market through unfair competition.

#### 2. Transition from old to new products

In 2022, the international optoelectronics market was dominated by PERC monocrystalline cells M10 (182mm side length) and G12 (210mm side length). Taiwan has the most complete lines of wafer cell/module products to supply the world,

while other manufacturers tend to focus on the specifications of G1 (158.75mm side length) and M6 (166mm side length) chips. As most Taiwanese manufacturers modify their machinery for manufacturing, from the original G1 to M6, the performance is lower than that of brand-new machinery, so many of them are deliberately offering a reduced price per watt to compete for the market in Taiwan. We are facing the pain of transitioning from old to new generations of products with M10. The main reasons are that there is price competition from older products, and the lack of familiarity with new products in the market. These all go to show that we must make corresponding adjustments in our marketing strategy.

### 3. Opportunities in Taiwan's photovoltaic and energy storage markets

According to the estimation of the on-grid capacity of photovoltaic systems in 2022, there is still room for improvement for the goal of 20 GW in 2025. The number of on-grid photovoltaic systems in 2023 should be at least 3.3 GW, and the government will definitely be more active with installation in the next three years. In addition to the photovoltaic market, the government has begun to push for the strengthening of the resilience of domestic power systems in the last two years in response to the development of renewable energy, further expanding the goal of energy storage installations.

## V. Conclusion

For 2023, the Company will continue to 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: Wei Jen Investment Co Ltd.

Representative: Kuo-Ron, Liao

President: Cheng-Jen, Hung

Accounting Manager: Wei-Che, Chang

April 30, 2023

# **TSEC Corporation**

## **Audit Committee Report**

<b>Attachment 2</b>
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The board of directors has produced the Company's 2022 business report, financial statements and annual profit distribution table, 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 audited 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 2023 Annual General Meeting

Convener of the Audit Committee: Gu-Tong, Lin

March 8, 2023



## Report on Director Remuneration Policy

The Company's policy, system, standards and structure of remuneration payments to directors and independent directors, and the relationship between the responsibility, risk, time committed to the organization and other factors and the amount of remuneration to them are described as follows:

- I. In accordance with the provisions of the Articles of Incorporation, 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 standard among industry peers. The Company may offer a salary and remuneration standard for independent directors that is different from that for regular directors.
- II. The Company's Articles of Incorporation also clearly stipulated that no more than 5% of the annual profit shall be distributed as director remuneration. According to the Management Measures for Director and Managerial Officer Remuneration, the rules for the remuneration payment is as follows:
  - (I) The salary of directors is determined based on the standard of industry peers and each director's participation in and contribution to the Company's operations. The Office of the Chairman proposes to have the Remuneration Committee evaluate the Company's financial position and operating performance, which submits the deliberation results to the board meeting for payment.
  - (II) For general directors who concurrently work as employees, the amount of the director's salary is adjusted in consideration of the employee salary received.
  - (III) In addition to the abovementioned director salary, the achievement of the set business performance goals and special contribution to the Company's operation may be eligible for bonus distribution. The Salary and Remuneration Committee evaluates the rationality of the set business performance goals and the special contribution to the Company's operations, and takes into account the annual financials and operating performance, before submitting the evaluation results to the board for approval.

III. The breakdown of 2022 remuneration to each director is detailed in the following table.

Unit: NTD thousand; %

Designation	Name	Remunerations to directors						Sum of A, B, C, and D as a percentage of net income after tax (%)		Remuneration from concurrently servings as employees								Sum of A, B, C, D, E, F, and G as a percentage of net income after tax		Remuneration from investees other than subsidiaries	
		Wages (A)		Pension upon retirement (B)		Compensation for director (C)				Service Expense (D)		Wages, bonuses, special allowances, etc. (E)		Pension upon retirement (F)		Employee Compensation (G)					
		Companies included in the financial statements		The Company		Companies included in the financial statements		The Company		Companies included in the financial statements		The Company		Companies included in the financial statements		The Company		Companies included in the financial statements			The Company
Chairman	Wei Jen Investment Co Ltd. Representative: Kuo-Ron, Liao	1,266	1,266	—	—	1,491	1,491	25	2,782 (1.47%)	2,782 (1.47%)	7,152	7,152	—	—	20	—	20	—	9,954 (5.25%)	9,954 (5.25%)	—
Director	An Chuang Industrial Corporation Representative: Wei-Jan, Liao	1,034	1,034	—	—	746	746	30	1,810 (0.95%)	1,810 (0.95%)	3,858	3,858	108	108	20	—	20	—	57,923 (3.06%)	57,923 (3.06%)	—
Director (Note)	Farglory International Investment Corporation Representative: Li-Chiang, Lin	584	584	—	—	325	325	30	939 (0.50%)	939 (0.50%)	—	—	—	—	—	—	—	—	939 (0.50%)	939 (0.50%)	—
Director (Note)	Yu Sheng Energy Corporation Representative: Weng-Cheng, Liu	1,034	1,034	—	—	746	746	30	1,810 (0.95%)	1,810 (0.95%)	—	—	—	—	—	—	—	—	1,810 (0.95%)	1,810 (0.95%)	—
Director	Cheng Hsi Investment Corporation Representative: Cheng-Ji, Hsu	1,034	1,034	—	—	746	746	30	1,810 (0.95%)	1,810 (0.95%)	—	—	—	—	—	—	—	—	1,810 (0.95%)	1,810 (0.95%)	—
Independent Director	Chia-En, Wu	1,120	1,120	—	—	325	325	120	1,565 (0.83%)	1,565 (0.83%)	—	—	—	—	—	—	—	—	1,565 (0.83%)	1,565 (0.83%)	—

Independent Director	Huai-De, Chiang	1,173	1,173	—	—	325	325	120	1,618 (0.85%)	1,618 (0.85%)	—	—	—	—	—	—	—	1,618 (0.85%)	1,618 (0.85%)	—
Independent Director	Gu-Tong, Lin	1,137	1,137	—	—	746	746	120	2,003 (1.06%)	2,003 (1.06%)	—	—	—	—	—	—	—	2,003 (1.06%)	2,003 (1.06%)	—
Director	National Development Fund Management Committee of the Executive Yuan	408	408	—	—	420	420	—	828 (0.44%)	828 (0.44%)	—	—	—	—	—	—	—	828 (0.44%)	828 (0.44%)	—
Director	National Development Fund Management Committee of the Executive Yuan Representative: Yang Shu-Ling	43	43	—	—	—	—	—	43 (0.02%)	43 (0.02%)	—	—	—	—	—	—	—	43 (0.02%)	43 (0.02%)	—
Independent Director(note)	Zheng,Xian-Zhi	500	500	—	—	420	420	—	920 (0.49%)	920 (0.49%)	—	—	—	—	—	—	—	920 (0.49%)	920 (0.49%)	—
Independent Director(note)	Shen,Qian-Ru	500	500	—	—	420	420	—	920 (0.49%)	920 (0.49%)	—	—	—	—	—	—	—	920 (0.49%)	920 (0.49%)	—

1. Please state the remuneration policies, systems, standards and packages for independent directors, and the connection of the factors, such as responsibilities and spent hours, with the amount of remuneration: The remuneration to the Company's independent directors receive fixed monthly remunerations based on the "Procedures for Management of Remunerations and Compensations to Directors and Managerial Officers."
2. Other than the remuneration disclosed in said table, the remuneration received by any of the Company's directors for providing services to any companies included in the financial statement, e.g., as an advisor other than an employee in the most recent year: 0

Note: Due to the expiration of their term of office during the board of directors' election on June 9th, 2022, directors Yuan Shin International, Wu Jia-En, and Chiang Huai-De have been relieved of their duties. Meanwhile, the National Development Fund of the Executive Yuan, Zheng,Xian-Zhi, and Shen Qian-Ru have been newly appointed and assumed their positions on the same day.

## TSEC Corporation

## Comparison of Amendments to Board Meeting Rules of Procedures

Article	After Amendment	Before Amendment	Description
Article 3	<p>Convening board meetings and meeting notice</p> <p>The Company's board meetings are convened once a quarter.</p> <p>A notice of the reasons for convening a board meeting shall be given to each director at least 7 days before the meeting is convened. In the event of an emergency, however, a board meeting may be called on short notice.</p> <p>The meeting notice can be made electronically if agreed upon by the counterparty.</p> <p>All matters set forth under Paragraph 1, Article 12 of these Rules shall be specified in the notice of the reasons for convening a board meeting. None of those matters may be raised by an extraordinary motion.</p>	<p>Convening board meetings and meeting notice</p> <p>The Company's board meetings are convened once a quarter.</p> <p>A notice of the reasons for convening a board meeting shall be given to each director at least 7 days before the meeting is convened. In the event of an emergency, however, a board meeting may be called on short notice.</p> <p>The meeting notice can be made electronically if agreed upon by the counterparty.</p> <p>All matters set forth under Paragraph 1, Article 12 of these Rules shall be specified in the notice of the reasons for convening a board meeting. None of those matters may be raised by an extraordinary motion <del>except in the case of an emergency or for other legitimate reasons.</del></p>	Amended in accordance with Article 3 of the Regulations Governing Procedure for Board of Directors Meetings of Public Companies.
Article 12	<p>Matters to be discussed by the board of directors</p> <p>The following matters shall be discussed in the Company's board meetings:</p> <p>I. The Company's business plan.</p> <p>II. Annual financial report signed or stamped by the chairman, executive and accounting supervisor, and the Q2 financial report to be audited and certified by the accountant.</p> <p>III. Establish or amend the internal control protocols, and the evaluation of the effectiveness of the internal control protocols in accordance with Article 14-1 of the Securities and Exchange Act.</p> <p>IV. Establish or amend procedures for major financial or operational actions, such as acquisition or disposal of assets, engaging in derivatives trading, lending funds to others, endorsements or guarantees to others, in accordance with Article 36-1 of the Securities and Exchange Act.</p> <p>V. The offering, issuance, or private</p>	<p>Matters to be discussed by the board of directors</p> <p>The following matters shall be discussed in the Company's board meetings:</p> <p>I. The Company's business plan.</p> <p>II. Annual financial report signed or stamped by the chairman, executive and accounting supervisor, and the Q2 financial report to be audited and certified by the accountant.</p> <p>III. Establish or amend the internal control protocols, and the evaluation of the effectiveness of the internal control protocols in accordance with Article 14-1 of the Securities and Exchange Act.</p> <p>IV. Establish or amend procedures for major financial or operational actions, such as acquisition or disposal of assets, engaging in derivatives trading, lending funds to others, endorsements or guarantees to others, in accordance with Article 36-1 of the Securities and Exchange Act.</p> <p>V. The offering, issuance, or private</p>	<p>1. Added in accordance with Article 7 of the Regulations Governing Procedure for Board of Directors Meetings of Public Companies.</p> <p>2. Order adjustment.</p>

Article	After Amendment	Before Amendment	Description
	<p>placement of equity-type securities.</p> <p><u>VI. Appointment or dismissal of the chairman</u></p> <p><u>VII. Assignment and discharge of finance, accounting, or internal audit officers.</u></p> <p><u>VIII. A donation to a related party, or a major donation to a non-related party.</u> However, public welfare donations for the emergency relief of major natural disasters may be ratified in the next board meeting.</p> <p><u>IX. Matters to be resolved by shareholder meetings or board meetings or significant matters specified by the authority in accordance with Article 14-3 of the Securities and Exchange Act, other laws and regulations or the Articles of Incorporation.</u></p> <p>The term “related party” in Subparagraph 8 of the preceding paragraph means a related party as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The term “major donation to a non-related party” means an individual donation, or cumulative donations within a 1-year period to a single recipient, at an amount of NT\$100 million or more, or at an amount equal to or greater than 1% of net operating revenue or 5% of paid-in capital as stated in the CPA-attested financial report for the most recent year.</p> <p>The “one-year” timeframe mentioned in the preceding paragraph dates back one year from the date of the board meeting.</p> <p>Transactions that have already been passed by the board resolution can be excluded.</p> <p>At least one independent director shall attend the meeting in person. With respect to the matters which must be approved by the board resolution as provided in Paragraph 1, all independent directors shall attend the meeting. If an independent director is unable to</p>	<p>placement of equity-type securities.</p> <p>VI. The appointment or dismissal of financial, accounting, or internal audit officers.</p> <p>VII. A donation to a related party, or a major donation to a non-related party. However, public welfare donations for the emergency relief of major natural disasters may be ratified in the next board meeting.</p> <p>VIII. Matters to be resolved by shareholder meetings or board meetings or significant matters specified by the authority in accordance with Article 14-3 of the Securities and Exchange Act, other laws and regulations or the Articles of Incorporation.</p> <p>The term “related party” in Subparagraph 7 of the preceding paragraph means a related party as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The term “major donation to a non-related party” means an individual donation, or cumulative donations within a 1-year period to a single recipient, at an amount of NT\$100 million or more, or at an amount equal to or greater than 1% of net operating revenue or 5% of paid-in capital as stated in the CPA-attested financial report for the most recent year.</p> <p>The “one-year” timeframe mentioned in the preceding paragraph dates back one year from the date of the board meeting.</p> <p>Transactions that have already been passed by the board resolution can be excluded.</p> <p>At least one independent director shall attend the meeting in person. With respect to the matters which must be approved by the board resolution as provided in Paragraph 1, all independent directors shall attend the meeting. If an independent director is unable to attend the meeting, that independent director shall appoint another independent director to attend the</p>	

Article	After Amendment	Before Amendment	Description
	attend the meeting, that independent director shall appoint another independent director to attend the meeting as a proxy. An independent director who cannot attend the board meeting in person to express objections or reservations shall provide a written opinion before the board meeting, unless there are some legitimate reasons to do otherwise. The opinion shall be specified in the minutes of the board of directors meeting.	meeting as a proxy. An independent director who cannot attend the board meeting in person to express objections or reservations shall provide a written opinion before the board meeting, unless there are some legitimate reasons to do otherwise. The opinion shall be specified in the minutes of the board of directors meeting.	
Article 18	<p>Implementation and revision</p> <p>The formulation and amendment of these Rules of Procedures shall have the board's approval and shall be reported to the shareholder meeting. The Rules were formulated on July 27, 2010.</p> <p>The 1st revision was conducted on June 20, 2013.</p> <p>The 2nd revision was conducted on December 21, 2018.</p> <p>The 3rd revision was conducted on November 10, 2021.</p> <p><u>The 4th revision was conducted on March 8, 2023.</u></p>	<p>Implementation and revision</p> <p>The formulation and amendment of these Rules of Procedures shall have the board's approval and shall be reported to the shareholder meeting. The Rules were formulated on July 27, 2010.</p> <p>The 1st revision was conducted on June 20, 2013.</p> <p>The 2nd revision was conducted on December 21, 2018.</p> <p>The 3rd revision was conducted on November 10, 2021.</p>	Added revision dates.

## **TSEC Corporation**

**Financial Statements for the  
Years Ended December 31, 2022 and 2021 and  
Independent Auditors' Report**

## **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, 2022 and 2021 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, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

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



The key audit matter of the Company's financial statements for the year ended December 31, 2022 is described as follows:

**Validity of Occurrence of Revenue from New Customers in the  
Top Ten Revenue - Contributing Section**

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The sales revenue from new customers in the top ten revenue-contributing sections for the year ended December 31, 2022 was \$3,091,645 thousand, which accounted for 34.33% of the Company's operating revenue, and is material to the Company's financial statements. Since management may be under pressure to achieve financial goals, there is an increased inherent risk of fraud in revenue recognition. Thus, we identified the risk of revenue recognition related to the actual occurrence of the sales transactions with new customers in the top ten revenue-contributing sections as a key audit matter. For the related accounting policies, refer to Note 4 of the financial statements.

We obtained an understanding of the Company's internal controls over sales transactions with new customers in the top ten revenue-contributing sections and designed the corresponding audit procedures to confirm and assess the operating effectiveness of the related controls. We also performed substantive testing by selecting samples on the transactions with new customers in the top ten revenue-contributing sections and inspecting third-party shipping documents, the customers' receipts of delivery, cash payments and material sales returns after the reporting period. We confirmed that sales revenue from the new customers in the top ten revenue-contributing sections 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 the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and 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, 2022 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 audits resulting in this independent auditors' report are Hai-Yueh Huang and Chiang-Hsun Chen.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 8, 2023

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, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

ASSETS	2022		2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 825,478	7	\$ 1,048,598	10
Accounts receivable (Notes 4, 8 and 23)	1,164,930	11	754,026	7
Accounts receivable from related parties (Notes 4, 8, 23 and 31)	9,498	-	88,484	1
Other receivables (Notes 4 and 8)	15,449	-	12,418	-
Other receivables from related parties (Notes 4 and 31)	1,416	-	196	-
Current tax assets (Notes 4 and 24)	382	-	55	-
Inventories (Notes 4 and 9)	1,699,321	15	1,572,140	15
Other current assets (Notes 16 and 32)	288,595	3	243,739	3
Total current assets	4,005,069	36	3,719,656	36
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income (Notes 4 and 10)	-	-	6,063	-
Investments accounted for using the equity method (Notes 4, 11 and 32)	454,054	4	332,461	3
Property, plant and equipment (Notes 4, 12, 17, 28 and 32)	5,442,722	49	4,873,104	48
Right-of-use assets (Notes 4 and 13)	10,770	-	10,356	-
Investment properties (Notes 4, 14 and 32)	163,159	1	175,260	2
Other intangible assets (Notes 4 and 15)	4,708	-	4,254	-
Deferred tax assets (Notes 4 and 24)	236,844	2	223,392	2
Other non-current assets (Notes 16, 28 and 32)	907,263	8	885,283	9
Total non-current assets	7,219,520	64	6,510,173	64
TOTAL	\$ 11,224,589	100	\$ 10,229,829	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 17, 28 and 32)	\$ 856,613	8	\$ 598,972	6
Short-term bills payable (Notes 17, 28 and 32)	329,513	3	-	-
Financial liabilities at fair value through profit or loss (Notes 4 and 7)	637	-	243	-
Financial liabilities for hedging - current (Notes 4 and 30)	218	-	-	-
Contract liabilities (Notes 4, 23 and 31)	117,745	1	294,232	3
Notes payable	24	-	-	-
Accounts payable (Note 18)	898,218	8	1,001,106	10
Other payables (Notes 19 and 28)	393,141	3	327,686	3
Lease liabilities - current (Notes 4, 13 and 28)	5,473	-	9,178	-
Current portion of long-term borrowings (Notes 17, 28 and 32)	218,604	2	412,623	4
Other current liabilities	7,569	-	6,428	-
Total current liabilities	2,827,755	25	2,650,468	26
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 17, 28 and 32)	1,931,346	17	2,140,785	21
Provisions (Note 4)	17,140	-	14,695	-
Deferred tax liabilities (Notes 4 and 24)	628	-	1,242	-
Preferred stock liabilities (Notes 4, 21 and 28)	287,949	3	287,949	3
Lease liabilities - non-current (Notes 4, 13 and 28)	5,396	-	1,533	-
Guarantee deposits received (Note 28)	3,705	-	3,705	-
Total non-current liabilities	2,246,164	20	2,449,909	24
Total liabilities	5,073,919	45	5,100,377	50
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 22)				
Share capital	4,762,967	42	4,457,967	44
Capital surplus	1,325,024	12	800,321	8
Retained earnings				
Legal reserve	4,632	-	-	-
Special reserve	41,685	-	-	-
Unappropriated earnings	187,411	2	46,317	-
Total retained earnings	233,728	2	46,317	-
Other equity	(171,049)	(1)	(175,153)	(2)
Total equity attributable to owners of the company	6,150,670	55	5,129,452	50
TOTAL	\$ 11,224,589	100	\$ 10,229,829	100

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

# TSEC CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 23 and 31)	\$ 9,005,063	100	\$ 6,253,966	100
OPERATING COSTS (Notes 9, 20 and 23)	<u>8,328,524</u>	<u>92</u>	<u>5,852,878</u>	<u>93</u>
GROSS PROFIT	676,539	8	401,088	7
UNREALIZED LOSS (GAIN) ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	2,425	-	(1,418)	-
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	<u>50</u>	<u>-</u>	<u>1,018</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>679,014</u>	<u>8</u>	<u>400,688</u>	<u>7</u>
OPERATING EXPENSES (Notes 20, 23 and 31)				
Selling and marketing	104,289	1	94,290	2
General and administrative	233,540	3	197,990	3
Research and development	49,839	1	44,555	1
Expected credit loss reversed (reversal of credit loss) (Note 8)	<u>18,714</u>	<u>-</u>	<u>16,449</u>	<u>-</u>
Total operating expenses	<u>406,382</u>	<u>5</u>	<u>353,284</u>	<u>6</u>
OTHER OPERATING INCOME AND EXPENSES (Note 23)	<u>(24,541)</u>	<u>-</u>	<u>1,386</u>	<u>-</u>
GAIN FROM OPERATIONS	<u>248,091</u>	<u>3</u>	<u>48,790</u>	<u>1</u>
NON-OPERATING EXPENSES				
Finance costs (Note 23)	(79,300)	(1)	(79,125)	(1)
Share of profit or loss of subsidiaries and associates (Notes 4 and 11)	256	-	(5,386)	-
Interest income (Note 23)	6,434	-	1,162	-
Rental income (Note 31)	22,702	-	22,702	-
Other income (Note 31)	13,069	-	16,006	-
Loss on disposal of investments, net (Notes 4 and 11)	-	-	(975)	-
Foreign exchange (loss) gain, net (Note 23)	(20,382)	-	45,070	1
Gains or losses on financial assets (liabilities) at fair value through profit or loss	<u>(15,445)</u>	<u>-</u>	<u>(4,233)</u>	<u>-</u>
Total non-operating expenses	<u>(72,666)</u>	<u>(1)</u>	<u>(4,779)</u>	<u>-</u>

(Continued)

# TSEC CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
GAIN BEFORE INCOME TAX FROM CONTINUING OPERATIONS	\$ 175,425	2	\$ 44,011	1
INCOME TAX BENEFIT (Notes 4 and 24)	<u>14,225</u>	<u>-</u>	<u>2,306</u>	<u>-</u>
NET PROFIT FOR THE YEAR	<u>189,650</u>	<u>2</u>	<u>46,317</u>	<u>1</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income (Note 22)	1,404	-	(392)	-
Loss on hedging instruments subject to basis adjustment (Note 22)	(218)	-	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 24)	44	-	-	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on the translation of the financial statements of foreign operations (Note 22)	794	-	(211)	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 24)	<u>(159)</u>	<u>-</u>	<u>42</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>1,865</u>	<u>-</u>	<u>(561)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 191,515</u>	<u>2</u>	<u>\$ 45,756</u>	<u>1</u>
EARNINGS PER SHARE (Note 25)				
Basic	<u>\$ 0.41</u>		<u>\$ 0.10</u>	
Diluted	<u>\$ 0.41</u>		<u>\$ 0.10</u>	

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, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	Other Equity (Note 22)									
	Share Capital - Ordinary Shares (Note 22)			Retained Earnings (Note 22)			Exchange Differences on the Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Investments in Equity Instruments	Gain or Loss on Hedging Instruments	Total Equity
				Unappropriated Earnings (Accumulated Deficits)	Legal Reserve	Special Reserve				
	Shares (In Thousands)	Amount	Capital Surplus (Notes 22 and 26)							
BALANCE AT JANUARY 1, 2021	445,797	\$ 4,457,967	\$ 1,154,811	\$ -	\$ -	\$ (681,541)	\$ (700)	\$ (173,892)	\$ -	\$ 4,756,645
Capital surplus used to offset accumulated deficits	-	-	(681,541)	-	-	681,541	-	-	-	-
Issuance of preferred stock for cash	-	-	327,051	-	-	-	-	-	-	327,051
Net income for the year ended December 31, 2021	-	-	-	-	-	46,317	-	-	-	46,317
Other comprehensive loss for the year ended December 31, 2021, net of income tax	-	-	-	-	-	-	(169)	(392)	-	(561)
Total comprehensive income for the year ended December 31, 2021	-	-	-	-	-	46,317	(169)	(392)	-	45,756
BALANCE AT DECEMBER 31, 2021	445,797	4,457,967	800,321	-	-	46,317	(869)	(174,284)	-	5,129,452
Legal reserve	-	-	-	4,632	-	(4,632)	-	-	-	-
Special reserve	-	-	-	-	41,685	(41,685)	-	-	-	-
Issuance of ordinary shares for cash	30,500	305,000	503,250	-	-	-	-	-	-	808,250
Recognition of employee share options by the Company (Notes 22 and 26)	-	-	21,442	-	-	-	-	-	-	21,442
Changes in equities recognition of associates in using equity method (Note 22)	-	-	11	-	-	-	-	-	-	11
Disposal of investments in equity instruments at fair value through other comprehensive income (Notes 10 and 22)	-	-	-	-	-	(2,239)	-	2,239	-	-
Net income for the year ended December 31, 2022	-	-	-	-	-	189,650	-	-	-	189,650
Other comprehensive income for the year ended December 31, 2022, net of income tax	-	-	-	-	-	-	635	1,404	(174)	1,865
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	-	189,650	635	1,404	(174)	191,515
BALANCE AT DECEMBER 31, 2022	476,297	\$ 4,762,967	\$ 1,325,024	\$ 4,632	\$ 41,685	\$ 187,411	\$ (234)	\$ (170,641)	\$ (174)	\$ 6,150,670

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

# TSEC CORPORATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) before income tax	\$ 175,425	\$ 44,011
Adjustments for:		
Depreciation	591,358	513,995
Amortization	1,855	1,499
Expected credit loss reversed	18,714	16,449
Net loss on fair value changes of financial instruments at fair value through profit or loss	15,445	4,233
Finance costs	79,300	79,125
Interest income	(6,434)	(1,162)
Shared-based payment expenses recognized	21,442	-
Share of loss (profit) of subsidiaries and associates	(256)	5,386
Loss (gain) on disposal of property, plant and equipment	16,105	(1,386)
Loss on disposal of associates	-	975
Loss on inventories valuation and obsolescence	97,900	44,629
Unrealized (loss) gain on transactions with subsidiaries and associates	(2,425)	1,418
Realized gain on transactions with subsidiaries and associates	(50)	(1,018)
Net gain on foreign currency exchange	(3,029)	(326)
Prepayments for equipment transferred to loss	8,436	-
Net changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(15,051)	54,552
Accounts receivable	(429,168)	(88,616)
Accounts receivable from related parties	78,986	65,497
Other receivables	(1,546)	(1,922)
Other receivables from related parties	(1,220)	39
Inventories	(225,081)	(810,158)
Other current assets	89,572	(90,074)
Contract liabilities	(176,487)	247,524
Notes payable	24	-
Accounts payable	(97,912)	387,315
Other payables	38,062	97,051
Provisions	2,445	2,321
Other current liabilities	1,141	(4,592)
Cash generated from operations	277,551	566,765
Interest received	5,094	1,378
Finance costs paid	(98,367)	(64,515)
Income tax (paid) refunded	(283)	53
Net cash generated from operating activities	183,995	503,681

(Continued)



# TSEC CORPORATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of financial assets at fair value through other comprehensive income	\$ 7,504	\$ -
Increase in investment in subsidiaries accounted for using the equity method	(120,232)	(182,276)
Net cash inflow on disposal of subsidiaries	-	312
Payments for property, plant and equipment (Note 28)	(1,110,888)	(826,262)
Proceeds from disposal of property, plant and equipment	830	1,769
Increase in refundable deposits	(1,981)	(126,047)
Decrease in other receivables	-	17,700
Payments for intangible assets	(2,309)	(4,317)
Increase in other financial assets - restricted assets	(156,708)	(17,634)
Dividends received	<u>2,138</u>	<u>-</u>
Net cash used in investing activities	<u>(1,381,646)</u>	<u>(1,136,755)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term borrowings	257,641	88,673
Increase in short-term bills payable	329,513	-
Decrease in short-term bills payable	-	(279,366)
Proceeds from long-term borrowings	894,000	131,942
Repayments of long-term borrowings	(1,297,458)	(474,403)
Proceeds from issuance of preferred stocks	-	615,000
Increase in guarantee deposits received	-	1,370
Repayments of the principal portion of lease liabilities	(11,753)	(14,697)
Proceeds from issuance of ordinary shares	<u>808,250</u>	<u>-</u>
Net cash generated from financing activities	<u>980,193</u>	<u>68,519</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	<u>(5,662)</u>	<u>(3,517)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(223,120)</b>	<b>(568,072)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u><b>1,048,598</b></u>	<u><b>1,616,670</b></u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u><b>\$ 825,478</b></u>	<u><b>\$ 1,048,598</b></u>

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

(Concluded)

## **TSEC Corporation**

**Financial Statements for the  
Years Ended December 31, 2022 and 2021 and  
Independent Auditors' Report**

## **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, 2022 and 2021 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, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

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

The key audit matter of the Company's financial statements for the year ended December 31, 2022 is described as follows:

**Validity of Occurrence of Revenue from New Customers in the  
Top Ten Revenue - Contributing Section**

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The sales revenue from new customers in the top ten revenue-contributing sections for the year ended December 31, 2022 was \$3,091,645 thousand, which accounted for 34.33% of the Company's operating revenue, and is material to the Company's financial statements. Since management may be under pressure to achieve financial goals, there is an increased inherent risk of fraud in revenue recognition. Thus, we identified the risk of revenue recognition related to the actual occurrence of the sales transactions with new customers in the top ten revenue-contributing sections as a key audit matter. For the related accounting policies, refer to Note 4 of the financial statements.

We obtained an understanding of the Company's internal controls over sales transactions with new customers in the top ten revenue-contributing sections and designed the corresponding audit procedures to confirm and assess the operating effectiveness of the related controls. We also performed substantive testing by selecting samples on the transactions with new customers in the top ten revenue-contributing sections and inspecting third-party shipping documents, the customers' receipts of delivery, cash payments and material sales returns after the reporting period. We confirmed that sales revenue from the new customers in the top ten revenue-contributing sections 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 the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and 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, 2022 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 audits resulting in this independent auditors' report are Hai-Yueh Huang and Chiang-Hsun Chen.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 8, 2023

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, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

ASSETS	2022		2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 825,478	7	\$ 1,048,598	10
Accounts receivable (Notes 4, 8 and 23)	1,164,930	11	754,026	7
Accounts receivable from related parties (Notes 4, 8, 23 and 31)	9,498	-	88,484	1
Other receivables (Notes 4 and 8)	15,449	-	12,418	-
Other receivables from related parties (Notes 4 and 31)	1,416	-	196	-
Current tax assets (Notes 4 and 24)	382	-	55	-
Inventories (Notes 4 and 9)	1,699,321	15	1,572,140	15
Other current assets (Notes 16 and 32)	<u>288,595</u>	<u>3</u>	<u>243,739</u>	<u>3</u>
Total current assets	<u>4,005,069</u>	<u>36</u>	<u>3,719,656</u>	<u>36</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income (Notes 4 and 10)	-	-	6,063	-
Investments accounted for using the equity method (Notes 4, 11 and 32)	454,054	4	332,461	3
Property, plant and equipment (Notes 4, 12, 17, 28 and 32)	5,442,722	49	4,873,104	48
Right-of-use assets (Notes 4 and 13)	10,770	-	10,356	-
Investment properties (Notes 4, 14 and 32)	163,159	1	175,260	2
Other intangible assets (Notes 4 and 15)	4,708	-	4,254	-
Deferred tax assets (Notes 4 and 24)	236,844	2	223,392	2
Other non-current assets (Notes 16, 28 and 32)	<u>907,263</u>	<u>8</u>	<u>885,283</u>	<u>9</u>
Total non-current assets	<u>7,219,520</u>	<u>64</u>	<u>6,510,173</u>	<u>64</u>
TOTAL	<u>\$ 11,224,589</u>	<u>100</u>	<u>\$ 10,229,829</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 17, 28 and 32)	\$ 856,613	8	\$ 598,972	6
Short-term bills payable (Notes 17, 28 and 32)	329,513	3	-	-
Financial liabilities at fair value through profit or loss (Notes 4 and 7)	637	-	243	-
Financial liabilities for hedging - current (Notes 4 and 30)	218	-	-	-
Contract liabilities (Notes 4, 23 and 31)	117,745	1	294,232	3
Notes payable	24	-	-	-
Accounts payable (Note 18)	898,218	8	1,001,106	10
Other payables (Notes 19 and 28)	393,141	3	327,686	3
Lease liabilities - current (Notes 4, 13 and 28)	5,473	-	9,178	-
Current portion of long-term borrowings (Notes 17, 28 and 32)	218,604	2	412,623	4
Other current liabilities	<u>7,569</u>	<u>-</u>	<u>6,428</u>	<u>-</u>
Total current liabilities	<u>2,827,755</u>	<u>25</u>	<u>2,650,468</u>	<u>26</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 17, 28 and 32)	1,931,346	17	2,140,785	21
Provisions (Note 4)	17,140	-	14,695	-
Deferred tax liabilities (Notes 4 and 24)	628	-	1,242	-
Preferred stock liabilities (Notes 4, 21 and 28)	287,949	3	287,949	3
Lease liabilities - non-current (Notes 4, 13 and 28)	5,396	-	1,533	-
Guarantee deposits received (Note 28)	<u>3,705</u>	<u>-</u>	<u>3,705</u>	<u>-</u>
Total non-current liabilities	<u>2,246,164</u>	<u>20</u>	<u>2,449,909</u>	<u>24</u>
Total liabilities	<u>5,073,919</u>	<u>45</u>	<u>5,100,377</u>	<u>50</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 22)				
Share capital	4,762,967	42	4,457,967	44
Capital surplus	1,325,024	12	800,321	8
Retained earnings				
Legal reserve	4,632	-	-	-
Special reserve	41,685	-	-	-
Unappropriated earnings	<u>187,411</u>	<u>2</u>	<u>46,317</u>	<u>-</u>
Total retained earnings	<u>233,728</u>	<u>2</u>	<u>46,317</u>	<u>-</u>
Other equity	<u>(171,049)</u>	<u>(1)</u>	<u>(175,153)</u>	<u>(2)</u>
Total equity attributable to owners of the company	<u>6,150,670</u>	<u>55</u>	<u>5,129,452</u>	<u>50</u>
TOTAL	<u>\$ 11,224,589</u>	<u>100</u>	<u>\$ 10,229,829</u>	<u>100</u>

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

# TSEC CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 23 and 31)	\$ 9,005,063	100	\$ 6,253,966	100
OPERATING COSTS (Notes 9, 20 and 23)	<u>8,328,524</u>	<u>92</u>	<u>5,852,878</u>	<u>93</u>
GROSS PROFIT	676,539	8	401,088	7
UNREALIZED LOSS (GAIN) ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	2,425	-	(1,418)	-
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	<u>50</u>	<u>-</u>	<u>1,018</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>679,014</u>	<u>8</u>	<u>400,688</u>	<u>7</u>
OPERATING EXPENSES (Notes 20, 23 and 31)				
Selling and marketing	104,289	1	94,290	2
General and administrative	233,540	3	197,990	3
Research and development	49,839	1	44,555	1
Expected credit loss reversed (reversal of credit loss) (Note 8)	<u>18,714</u>	<u>-</u>	<u>16,449</u>	<u>-</u>
Total operating expenses	<u>406,382</u>	<u>5</u>	<u>353,284</u>	<u>6</u>
OTHER OPERATING INCOME AND EXPENSES (Note 23)	<u>(24,541)</u>	<u>-</u>	<u>1,386</u>	<u>-</u>
GAIN FROM OPERATIONS	<u>248,091</u>	<u>3</u>	<u>48,790</u>	<u>1</u>
NON-OPERATING EXPENSES				
Finance costs (Note 23)	(79,300)	(1)	(79,125)	(1)
Share of profit or loss of subsidiaries and associates (Notes 4 and 11)	256	-	(5,386)	-
Interest income (Note 23)	6,434	-	1,162	-
Rental income (Note 31)	22,702	-	22,702	-
Other income (Note 31)	13,069	-	16,006	-
Loss on disposal of investments, net (Notes 4 and 11)	-	-	(975)	-
Foreign exchange (loss) gain, net (Note 23)	(20,382)	-	45,070	1
Gains or losses on financial assets (liabilities) at fair value through profit or loss	<u>(15,445)</u>	<u>-</u>	<u>(4,233)</u>	<u>-</u>
Total non-operating expenses	<u>(72,666)</u>	<u>(1)</u>	<u>(4,779)</u>	<u>-</u>

(Continued)



# TSEC CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
GAIN BEFORE INCOME TAX FROM CONTINUING OPERATIONS	\$ 175,425	2	\$ 44,011	1
INCOME TAX BENEFIT (Notes 4 and 24)	<u>14,225</u>	<u>-</u>	<u>2,306</u>	<u>-</u>
NET PROFIT FOR THE YEAR	<u>189,650</u>	<u>2</u>	<u>46,317</u>	<u>1</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income (Note 22)	1,404	-	(392)	-
Loss on hedging instruments subject to basis adjustment (Note 22)	(218)	-	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 24)	44	-	-	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on the translation of the financial statements of foreign operations (Note 22)	794	-	(211)	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 24)	<u>(159)</u>	<u>-</u>	<u>42</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>1,865</u>	<u>-</u>	<u>(561)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 191,515</u>	<u>2</u>	<u>\$ 45,756</u>	<u>1</u>
EARNINGS PER SHARE (Note 25)				
Basic	<u>\$ 0.41</u>		<u>\$ 0.10</u>	
Diluted	<u>\$ 0.41</u>		<u>\$ 0.10</u>	

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, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	Other Equity (Note 22)									
	Share Capital - Ordinary Shares (Note 22)			Retained Earnings (Note 22)			Exchange Differences on the Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Investments in Equity Instruments	Gain or Loss on Hedging Instruments	Total Equity
				Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficits)				
	Shares (In Thousands)	Amount	Capital Surplus (Notes 22 and 26)							
BALANCE AT JANUARY 1, 2021	445,797	\$ 4,457,967	\$ 1,154,811	\$ -	\$ -	\$ (681,541)	\$ (700)	\$ (173,892)	\$ -	\$ 4,756,645
Capital surplus used to offset accumulated deficits	-	-	(681,541)	-	-	681,541	-	-	-	-
Issuance of preferred stock for cash	-	-	327,051	-	-	-	-	-	-	327,051
Net income for the year ended December 31, 2021	-	-	-	-	-	46,317	-	-	-	46,317
Other comprehensive loss for the year ended December 31, 2021, net of income tax	-	-	-	-	-	-	(169)	(392)	-	(561)
Total comprehensive income for the year ended December 31, 2021	-	-	-	-	-	46,317	(169)	(392)	-	45,756
BALANCE AT DECEMBER 31, 2021	445,797	4,457,967	800,321	-	-	46,317	(869)	(174,284)	-	5,129,452
Legal reserve	-	-	-	4,632	-	(4,632)	-	-	-	-
Special reserve	-	-	-	-	41,685	(41,685)	-	-	-	-
Issuance of ordinary shares for cash	30,500	305,000	503,250	-	-	-	-	-	-	808,250
Recognition of employee share options by the Company (Notes 22 and 26)	-	-	21,442	-	-	-	-	-	-	21,442
Changes in equities recognition of associates in using equity method (Note 22)	-	-	11	-	-	-	-	-	-	11
Disposal of investments in equity instruments at fair value through other comprehensive income (Notes 10 and 22)	-	-	-	-	-	(2,239)	-	2,239	-	-
Net income for the year ended December 31, 2022	-	-	-	-	-	189,650	-	-	-	189,650
Other comprehensive income for the year ended December 31, 2022, net of income tax	-	-	-	-	-	-	635	1,404	(174)	1,865
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	-	189,650	635	1,404	(174)	191,515
BALANCE AT DECEMBER 31, 2022	476,297	\$ 4,762,967	\$ 1,325,024	\$ 4,632	\$ 41,685	\$ 187,411	\$ (234)	\$ (170,641)	\$ (174)	\$ 6,150,670

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

# TSEC CORPORATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) before income tax	\$ 175,425	\$ 44,011
Adjustments for:		
Depreciation	591,358	513,995
Amortization	1,855	1,499
Expected credit loss reversed	18,714	16,449
Net loss on fair value changes of financial instruments at fair value through profit or loss	15,445	4,233
Finance costs	79,300	79,125
Interest income	(6,434)	(1,162)
Shared-based payment expenses recognized	21,442	-
Share of loss (profit) of subsidiaries and associates	(256)	5,386
Loss (gain) on disposal of property, plant and equipment	16,105	(1,386)
Loss on disposal of associates	-	975
Loss on inventories valuation and obsolescence	97,900	44,629
Unrealized (loss) gain on transactions with subsidiaries and associates	(2,425)	1,418
Realized gain on transactions with subsidiaries and associates	(50)	(1,018)
Net gain on foreign currency exchange	(3,029)	(326)
Prepayments for equipment transferred to loss	8,436	-
Net changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(15,051)	54,552
Accounts receivable	(429,168)	(88,616)
Accounts receivable from related parties	78,986	65,497
Other receivables	(1,546)	(1,922)
Other receivables from related parties	(1,220)	39
Inventories	(225,081)	(810,158)
Other current assets	89,572	(90,074)
Contract liabilities	(176,487)	247,524
Notes payable	24	-
Accounts payable	(97,912)	387,315
Other payables	38,062	97,051
Provisions	2,445	2,321
Other current liabilities	1,141	(4,592)
Cash generated from operations	277,551	566,765
Interest received	5,094	1,378
Finance costs paid	(98,367)	(64,515)
Income tax (paid) refunded	(283)	53
Net cash generated from operating activities	183,995	503,681

(Continued)

# TSEC CORPORATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of financial assets at fair value through other comprehensive income	\$ 7,504	\$ -
Increase in investment in subsidiaries accounted for using the equity method	(120,232)	(182,276)
Net cash inflow on disposal of subsidiaries	-	312
Payments for property, plant and equipment (Note 28)	(1,110,888)	(826,262)
Proceeds from disposal of property, plant and equipment	830	1,769
Increase in refundable deposits	(1,981)	(126,047)
Decrease in other receivables	-	17,700
Payments for intangible assets	(2,309)	(4,317)
Increase in other financial assets - restricted assets	(156,708)	(17,634)
Dividends received	<u>2,138</u>	<u>-</u>
Net cash used in investing activities	<u>(1,381,646)</u>	<u>(1,136,755)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term borrowings	257,641	88,673
Increase in short-term bills payable	329,513	-
Decrease in short-term bills payable	-	(279,366)
Proceeds from long-term borrowings	894,000	131,942
Repayments of long-term borrowings	(1,297,458)	(474,403)
Proceeds from issuance of preferred stocks	-	615,000
Increase in guarantee deposits received	-	1,370
Repayments of the principal portion of lease liabilities	(11,753)	(14,697)
Proceeds from issuance of ordinary shares	<u>808,250</u>	<u>-</u>
Net cash generated from financing activities	<u>980,193</u>	<u>68,519</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	<u>(5,662)</u>	<u>(3,517)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(223,120)</b>	<b>(568,072)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u><b>1,048,598</b></u>	<u><b>1,616,670</b></u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u><b>\$ 825,478</b></u>	<u><b>\$ 1,048,598</b></u>

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

(Concluded)

**TSEC Corporation**  
**Annual Profit Distribution Table**  
**2022**

**Attachment 6**

Unit: NT\$

Item	Amount
Beginning undistributed earnings	0
Add: Net income after tax	189,649,993
Less: Other equity -- unrealized evaluation loss of financial assets measured at fair value through other comprehensive income reclassified as retained earnings	(2,239,000)
Subtotal	187,410,993
Less: Legal reserve (10%)	(18,741,099)
Less: Special reserve	(129,362,896)
Earnings available for distribution	39,306,998
Less: Shareholder bonus (NT\$0.075 per share)	(37,664,360)
Accumulated undistributed earnings at the end of the period	1,642,638

Chairman: Wei Jen Investment Co Ltd.  
Head of Accounting: Tai-An, Chen

President: Cheng-Jen, Hung  
Director Representative: Kuo-Ron, Liao

**Comparison of Amendments to the Rules of Procedure for Shareholders' meetings**

Article	Amended Articles	Current Articles	Description
Article 4	<p>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.</p> <p>The shareholder meetings may be held by teleconferencing or other means announced by the Ministry of Economic Affairs.</p> <p>If the shareholder meeting is held by teleconferencing, it is not subject to the restriction on the venue as specified in <u>Paragraph 1</u>.</p> <p><u>Shareholders who would like to attend the teleconferencing shareholder meeting should register with the Company at least two days before the shareholder meeting.</u></p> <p><u>For the shareholder meetings that are video-assisted, shareholders who have already registered to attend the meetings by teleconferencing in accordance with the provisions of the preceding paragraph but wish to attend the physical meetings shall take the procedures same as the registration to cancel their registration at least two days before the meeting. Those who fail to cancel the registration on time can only attend the meetings by teleconference.</u></p> <p><u>Admission of meeting participants shall begin at least 30 minutes before the meeting commences.</u></p> <p><u>Check in to the teleconferencing platform of the shareholder meeting should be completed at least 30 minutes before the meeting starts, and those who complete the check-in are considered to have attended the meeting in person.</u></p> <p><u>For shareholder meetings that are held by teleconferencing, the Company shall upload the number of shares solicited by proxy solicitors, the number of shares and</u></p>	<p>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.</p> <p>The shareholder meetings may be held by teleconferencing or other means announced by the Ministry of Economic Affairs.</p> <p>If the shareholder meeting is held by teleconferencing, it is not subject to the restriction on the venue as specified in the preceding paragraph.</p>	<p>Revised texts and added Paragraphs 4, 5 and 6 in response to that the Company's shareholder meetings may be held by teleconferencing.</p>

Article	Amended Articles	Current Articles	Description
	<u>shareholders represented by delegated proxies to attend the meetings in writing or by electronic means, meeting handbook, annual report and other relevant information to the teleconferencing platform of the shareholder meetings, and keep them disclosed until the end of the meetings.</u>		
Article 6	<p>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.</p> <p><u>The number of shares in attendance is counted based on the submitted attendance cards and the shareholding reported on the teleconferencing platform, together with the shares with written or electronic voting rights.</u></p>	<p>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.</p>	<p>Added Paragraph 2 in response to that the Company's shareholder meetings may be held by teleconferencing.</p>
Article 9	<p>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.</p> <p><u>For the shareholder meetings held by teleconferencing, the Company shall retain records of the shareholders' registration, login, check-in, questioning, voting and vote counting results, etc., and make audio and video recordings of the entire meeting.</u></p> <p><u>The above-mentioned materials and audio and video recordings shall be properly retained by the Company during the period of existence, and they shall be provided to those who are entrusted with handling teleconferencing tasks.</u></p>	<p>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.</p>	<p>Added Paragraphs 2 and 3 in response to that the Company's shareholder meetings may be held by teleconferencing.</p>
Article 10	<p>The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a</p>	<p>The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do</p>	<p>Revised texts and added Paragraphs 4, 5, 6, 7, 8 and 9 in</p>

Article	Amended Articles	Current Articles	Description
	<p>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.</p> <p>The chair is to announce the meeting adjourned if still less than one-third of the total issued shares are presented at the meeting after the postponement twice. <u>For the shareholder meeting held by teleconferencing, the Company shall announce the adjournment of the meeting on the teleconferencing platform.</u> 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.</p> <p>When, prior to the 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. <u>For shareholder meetings that are held by teleconferencing, the chairperson should announce at the start of the meeting that except when there is no need to postpone or continue the meeting in accordance with Paragraph 4, Article 44-20 of the Regulations Governing the Administration of Shareholder Services of Public Companies, the provisions of Article 182 of the Company Act is not applicable to the date of meeting postponement or resumption within 5 days for the interruption to the teleconferencing platform or the meeting lasting more than 30 minutes due to natural disasters, incidents or force majeure, before the chair announces</u></p>	<p>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.</p> <p>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.</p> <p>When, prior to the 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.</p>	<p>response to that the Company's shareholder meetings may be held by teleconferencing.</p>



Article	Amended Articles	Current Articles	Description
	<p>the end of the meeting.</p> <p>In the event of a meeting postponement or resumption in the preceding paragraph, shareholders who have not registered to participate in the shareholder meeting by teleconferencing shall not participate in the postponed or resumption of the meeting.</p> <p><u>In accordance with the provisions of Paragraph 4 for meeting postponement and resumption, shareholders who have registered and completed the check-in to the original meeting by teleconferencing, but do not participate in the postponed or resumed meeting, the shares shown presented at the original shareholder meeting, and the voting rights and election rights already exercised shall be included in the total number of shares, and the number of voting rights and election rights of the postponed or resumed meeting.</u></p> <p><u>For the shareholder meeting that is postponed or resumed in accordance with the provisions of Paragraph 4, it is not necessary to re-discuss or resolve the motions for which voting and counting of votes have been completed and the voting results and the election of directors have been announced.</u></p> <p><u>If the teleconference shareholder meeting cannot resume as described in Paragraph 4, and the total number of shares represented in attendance still meet the statutory quorum for the convening of the meeting after subtracting the number of shares that attended the meeting by teleconferencing, the meeting should continue without needing a postponement or resumption in accordance with Paragraph 4.</u></p> <p><u>In the event of a meeting to be resumed as described in the preceding paragraph, for shareholders who originally choose to attend the shareholder meeting</u></p>		

Article	Amended Articles	Current Articles	Description
	<u>by teleconferencing, the number of shares is counted in the total of shares of shareholders attending the meeting, but is considered abstention in all the motions presented in the meeting.</u>		
Article 13	<p>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.</p> <p><u>For the shareholder meetings held by teleconferencing, the shareholders who attend the meeting by teleconferencing may raise their questions in the text on the teleconferencing platform after the chair announces the start of the meeting and before the chair announces the ending of the meeting. A shareholder may not raise their questions more than twice for a single motion, and each question is limited to 200 words. These do not apply to the requirements of the preceding paragraph.</u></p> <p><u>For attending shareholders who deliver speeches that are not considered part of the proposals during the extraordinary motion, the provisions of the preceding two paragraphs shall apply to the time, number, method and restrictions of the speeches.</u></p>	<p>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.</p>	<p>Added Paragraphs 2 and 3 in response to that the Company's shareholder meetings may be held by teleconferencing.</p>
Article 17	<p>Unless otherwise provided in the Company Act and the Company's Articles of Incorporation, the approval of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders.</p> <p><u>Shareholders are to conduct voting by ballot.</u></p> <p><u>Shareholders exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person. However, this is also</u></p>	<p>Unless otherwise provided in the Company Act and the Company's Articles of Incorporation, the approval of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. Motions are considered passed if shareholders express no objection after being consulted by the chair, and are considered passed with the same effectiveness as by</p>	<p>Revised texts and added Paragraphs 2, 3, 4, 5 and 6 in response to that the Company's shareholder meetings may be held by teleconferencing.</p>

Article	Amended Articles	Current Articles	Description
	<p><u>considered to have waived his/her rights with respect to the extraordinary motions and amendments to the original proposals of that meeting.</u></p> <p><u>After a shareholder has exercised voting rights by correspondence or electronic means, in the event that the shareholder intends to attend the shareholders' meeting in person or by teleconferencing, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to the Company, by the same means by which the voting rights were exercised 2 business days before the date of the shareholders' meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. If a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders' meeting, the voting rights exercised by the proxy in the meeting shall prevail.</u></p> <p><u>Those who exercise their voting rights by correspondence or by electronic means without withdrawing their declaration of intent and participate in shareholder meetings by teleconferencing shall not exercise their voting rights on the original motion, propose an amendment to the original motion or exercise their voting rights on the revision of the original motion, except for extraordinary motions.</u></p> <p><u>After the chairperson announces the start of the meeting, the shareholders who participate in the meeting through teleconferencing shall conduct voting on various motions and elections through the teleconferencing platform, and must complete the voting before the chairperson announces the close of voting. Those who do not complete the voting before the announced</u></p>	voting.	

Article	Amended Articles	Current Articles	Description
	<p><u>ending time are considered abstention.</u></p> <p><u>For shareholder meetings that are held by teleconferencing, the Company immediately discloses the voting results of motions and election results to the teleconferencing platform of the shareholder meeting in accordance with the regulations, and keeps them disclosed for at least 15 minutes after the chair announces the ending of the meeting.</u></p>		
Article 19	<p>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. <u>The production, distribution and preservation of minutes shall be subject to the provisions of Article 183 of the Company Act</u></p> <p><u>The minutes of the shareholder meeting held by teleconferencing should record the items mentioned in the preceding paragraph, the starting and ending time of the meeting, the convening method of the meeting, the name of the chairperson and the meeting minute taker, and the measures taken when the teleconferencing platform or the teleconference experiences natural disasters, incidents or force majeure.</u></p>	<p>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.</p>	Added the rules for the production and preservation of minutes
Article 25	<p>Article XII: Th Rules, and any amendments hereto, shall be implemented after approval by a shareholders' meeting.</p> <p>The 1st amendment was conducted on May 25, 2015.</p> <p>The 2nd amendment was conducted on March 29, 2019.</p> <p>The 3rd amendment was conducted on June 9, 2022.</p> <p><u>The 4th amendment was conducted on May 24, 2023.</u></p>	<p>Article XII: Th Rules, and any amendments hereto, shall be implemented after approval by a shareholders' meeting.</p> <p>The 1st amendment was conducted on May 25, 2015.</p> <p>The 2nd amendment was conducted on March 29, 2019.</p> <p>The 3rd amendment was conducted on June 9, 2022.</p>	Added the date of the amendment

**Lifted Restrictions on the Non-Compete Clause of Chairman Kuo-Ron, Liao**

<b>Name of Director</b>	<b>Other Companies in Which Concurrent Positions are Held</b>	<b>Positions</b>
Chairman: Kuo-Ron, Liao	Houchang Energy Co., Ltd.	Chairman
	Hengyoung Energy Co., Ltd.	Chairman
	Hengli Energy Co., Ltd.	Chairman
	Youngli Energy Co., Ltd.	Chairman
	Yunxing Optoelectronics Co., Ltd.	Chairman
	Yunsheng Optoelectronics Co., Ltd.	Chairman
	Changyang Optoelectronics Co., Ltd.	Chairman
	Holdgood Energy Co., Ltd.	Chairman
	An Chuang Industrial Corporation	Director
	Wei Jen Investment Co Ltd.	Director
	Aurora Corp.	Independent Director

**TSEC Corporation**  
**Articles of Incorporation**  
**Chapter 1 General Provisions**

**Appendix 1**

- 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:
1. I501010 Product Designing
  2. IG03010 Energy Technical Services
  3. F106030 Wholesale of Molds
  4. F113110 Wholesale of Batteries
  5. F119010 Wholesale of Electronic Materials
  6. F113010 Wholesale of Machinery
  7. F113020 Wholesale of Electrical Appliances
  8. F113030 Wholesale of Precision Instruments
  9. F113990 Wholesale of Other Machinery and Tools
  10. F118010 Wholesale of Computer Software
  11. CC01080 Electronics Components Manufacturing
  12. CC01090 Manufacture of Batteries and Accumulators
  13. CC01990 Other Electrical Engineering and Electronic Machinery Equipment Manufacturing
  14. CQ01010 Mold and 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 All business activities that are not prohibited or restricted by law, except those that are subject to special approval.
- 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 Ownership**

- 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 the 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 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 issued 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 participating, they may participate in the distribution of surplus and capital reserve as cash and capitalization that common shares offer.
- V. Shareholders of preferred stocks have priority over the shareholders of common shares in 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 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.
- 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 are 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 Shareholder 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.  
The shareholder meetings may be held by teleconferencing or other means announced by the Ministry of Economic Affairs.
- 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 the majority of the issued shares and the resolutions shall be represented by more than half the 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 of the Company.

### **Chapter 4 Directors and Audit Committee**

- Article 16: The Company has seven to eleven directors. They are elected at shareholders' meetings 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 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 for multiple people. Those who obtain more votes are elected as directors.  
The Company may purchase liability insurance for its directors during the term of its 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 in Paragraph 1. 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 the 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 the 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 that 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 the 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 Officers**

- 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 are 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 a 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 6-1 of the Articles of Incorporation, the board proposes a profit 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.

The dividends to shareholders are not lowered than 20% of the distributable earnings of the Year. 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 approval by the shareholders' meeting.

Article 24-1: Shall there be profit for the year, a minimum of 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 certain conditions. These criteria are determined by the board of directors.

The Company may contribute a maximum of 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 Supplementary Provisions**

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.

The 10th revision is conducted on April 7, 2021.

The 11th revision was conducted on June 9, 2022.

## TSEC Corporation

### Rules of Procedure for Shareholders' Meetings (Before Amendment)

- 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 Company'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 to 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.  
The shareholder meetings may be held by teleconferencing or other means announced by the Ministry of Economic Affairs.  
If the shareholder meeting is held by teleconferencing, it is not subject to the restriction on the venue as specified in the preceding paragraph.
- 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 armbands.
- 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 the number 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 the 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 and 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 the c, 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 the 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 violation 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 venues.

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 a 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 the proposal are deemed approved when the majority of the attending voting rights are 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 Article XII: Th 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.  
The 3rd amendment was conducted on June 9, 2022.

# TSEC Corporation

## Directors' Shareholding

Appendix 3

- I. Shares already issued by the Company: 502,191,466 shares.
- II. Class A preferred shares already issued: 25,894,736 shares.
- III. 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 number of total shares shall be held by all directors of the Company are 16,070,126 shares.
- IV. As the Audit Committee has replaced the supervisors, there is no applicable share for the supervisors.
- V. As of the date of transfer suspension for the AGM (March 26, 2023), the shares held by the directors are as the following:

Designation	Name	Types of Shares	Shares Held	% of Total Issued Shares
Chairman	Wei Jen Investment Co Ltd. Representative: Kuo-Ron, Liao	Common shares	2,800,327	0.59%
		A-Preferred shares	0	0.00%
Director	An Chuang Industrial Corporation Representative: Wei-Jan, Liao	Common shares	45,328	0.01%
		A-Preferred shares	0	0.00%
Director	Cheng Hsi Investment Corporation Representative: Cheng-Ji, Hsu	Common shares	1,561,542	0.33%
		A-Preferred shares	0	0.00%
Director	Yu Sheng Energy Corporation Representative: Weng-Cheng, Liu	Common shares	20,000	0.00%
		A-Preferred shares	17,684,210	68.29%
Director	National Development Fund Management Committee of the Executive Yuan Representative: Yang Shu-Ling	Common shares	424,720	0.09%
		A-Preferred shares	8,210,526	31.71%
Independent Director	Zheng,Xian-Zhi	Common shares	0	0.00%
		A-Preferred shares	0	0.00%
Independent Director	Shen,Qian-Ru	Common shares	0	0.00%
		A-Preferred shares	0	0.00%
Independent Director	Gu-Tong, Lin	Common shares	0	0.00%
		A-Preferred shares	0	0.00%
Total shares for all directors		Common shares	4,851,917	1.02%
		A-Preferred shares	25,894,736	100.00%