

**Stock Code: 6278**



2020 Annual General Shareholders' Meeting

Meeting Agenda

(Translation)

June 19, 2020

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# **Chapter I. Meeting Procedure**

## **Taiwan Surface Mounting Technology Corp.**

### **Meeting Procedure for 2020 Annual General Shareholders' Meeting**

- I. Meeting Called to Order  
(announcing when the quota represented by the attending shareholders satisfies the statutory requirement)
- II. Chairperson Takes the Chair
- III. Chairperson Remarks
- IV. Report Items
- V. Ratification Items
- VI. Extraordinary Motions
- VII. Adjournment

## **Chapter II. Meeting Agenda**

### **Taiwan Surface Mounting Technology Corp.**

#### **Meeting Agenda of 2020 Annual General Shareholders' Meeting**

Time: 9:00 a.m. on Friday, Jun. 19, 2020

Venue: 3F, No. 398, Taoying Rd., Taoyuan Dist., Taoyuan City (3rd Floor Ju-I Hall of Chuto Hotel)

Attendance: All shareholders and representatives

Chairperson: Wu Kai-Yun, Chairman of the Board

#### **I. Chairperson Remarks**

#### **II. Report Items**

(I) 2019 Business Report

(II) Audit Committee's Review Report on the 2019 Financial Statements

(III) Report on 2019 Employees', Directors', and Supervisors' Remuneration Distribution

#### **III. Ratification Items**

Proposal 1 2019 Business Report and Financial Statements.

Proposal 2 2019 Earnings Distribution Proposal.

#### **IV. Extraordinary Motions**

#### **V. Adjournment**

# Report Items

## **(I) 2019 Business Report**

Explanation: Please see Attachment 1 for the 2019 Business Report (#page 6#).

## **(II) Audit Committee's Review Report on the 2019 Financial Statements**

Explanation: Please refer to Attachment 2 for the Audit Committee's Review Report (#page 8#).

## **(III) Report on 2019 Employees', Directors' and Supervisors' Remuneration Distribution**

Explanation:

- I. The Company proposes to distribute NT\$115,200,000 as remuneration for employees and NT\$10,000,000 as remuneration for Directors and Supervisors, both in cash.
- II. This proposal is approved by the 2nd meeting of 4th-term Remuneration Committee on Mar. 20, 2020 and sent to and approved by 5th meeting of the 13th-term Board of Directors on Mar. 20, 2020.

## Ratification items

### Proposal 1

Case: Please adopt the Company's 2019 Business Report and Financial Statements.

(Proposed by the Board)

Explanation:

- (I) The Company's 2019 individual and consolidated financial statements have been audited by CPAs Chiu, Chao-Hsien and Lee, Hsiu-Ling from PricewaterhouseCoopers Taiwan.
- (II) Please refer to Attachment 1 (#page 6#) and Attachment 3 and 4 (#pages 9 to 34#) for the business report, independent auditors' report and financial statements.

Resolution:

### Proposal 2

Case: Please adopt the 2019 Earnings Distribution. (Proposed by the Board)

Explanation:

- (I) Please refer to Attachment 5 for the 2019 Earnings Distribution (#page 35#).
- (II) The proposed cash dividend is NT\$818,715,389, and the cash dividend per share is NT\$2.8, which will be rounded down to NT\$1, and the aggregated amount of bonus less than NT\$1 will be included as other revenue of the Company.
- (III) After the proposal for the distribution of cash dividend has been approved by the annual shareholders' meeting, the Board of Directors will be authorized to stipulate the ex-dividend date and other related matters.
- (IV) If the number of outstanding shares has changed and caused an impact on the dividend yield, it is proposed that the shareholders' meeting should authorize the Chairman of the Board to draft the total amount of earnings subject to distribution based on the number of common shares of the latest shareholders' meeting resolution, and adjust the yield base on the actual number of outstanding shares on the record date.

Resolution:

## **Extraordinary Motions**

## **Adjournment**

# Attachment 1

## Taiwan Surface Mounting Technology Corp. Business Report

### I. 2019 Business Results:

The Company's consolidated operating revenue in 2019 was NT\$37,906,373 thousand, an increase of 23.7% from the NT\$30,634,088 thousand in 2018. The consolidated net profit after tax was NT\$2,035,222 thousand, an increase of 159.3% from the NT\$785,003 thousand in 2018; the earnings per share was NT\$6.96.

#### (I) Research and Development Status:

The Company is committed to the improvement of SMT production processes, the development and introduction of advanced production processes, and the continuous recruitment of excellent talents to enhance the quality and capabilities of hardware and software technology R & D personnel, thereby enhancing the manufacturing capabilities and R & D capabilities of high-end electronic products and key technologies to strive for business opportunities in the processing and manufacturing of various high-end electronic products, and aim for diverse and high value-added product portfolio and production technology capabilities.

### II. Summary of Business Plans for 2020

#### (I) Operating Directives

1. Promote various automated and smart production processes, improve production efficiency and technical capabilities, and implement various systematic management and target management.
2. Improve efficiency and reduce costs, thereby enhancing the overall competitiveness of the enterprise.
3. Committed to global planning, decentralization of products, customers and production bases, thereby improving operational performance and increase the potential for growth.
4. Pay close attention to the development trend of the electronics industry, plan early and timely involvement to drive the growth momentum of the business.
5. Uphold the spirit of integrity, speed and attitude, and provide customers with more complete services in terms of delivery and quality.

#### (II) Important product and sales policies

1. Diversify the development of new customers and new products, and widely distribute the production bases to reduce the risk of centralized production and sales.
2. Continue to invest in the development of new products, advanced production process technology to reduce the operational risks that may arise from the life cycle of consumer electronics products and product rotation.
3. Actively expand the international market outside of Taiwan and continue to make plans



globally.

4. Strengthen supply chain platform management and customer relationship maintenance, thereby enhancing the overall response capability of the enterprise.

III. Impact of external competitive environment, regulatory environment, and macroeconomic environment on the Company's future development strategies:

In the future, the Company will continue to enhance the flexibility and efficiency of its operating methods to provide customers with more complete services. In addition, in the face of uncertainties in the industrial and international environment, with a stable financial constitution, the Company diversifies its product portfolio, distributes its customer and production bases and continues to actively invest in the emerging markets and cooperation with foreign companies to expand overseas markets to enhance the future growth momentum of the Company operations. We hereby sincerely thank all shareholders, customers and suppliers for their support and recognition of the Company. The Company's management team and staff will uphold the spirit of integrity, speed and attitude, and continue to improve the Company's operating efficiency and profitability, and maintain stable and sustainable operations.

## **Attachment 2**

### **Audit Committee's Review Report**

The Board of Directors has prepared and submitted the 2019 business report, financial statements, and earnings distribution proposal. The CPAs from PricewaterhouseCoopers Taiwan have audited and certified the financial statements and issued an audit report. The Audit Committee has reviewed the business report, the financial statements, and the earnings distribution proposal and did not find any instances of noncompliance. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, it is hereby submitted for your review and perusal.

To

2020 Annual General Shareholders' Meeting

Taiwan Surface Mounting Technology Corp.

Convener of the Audit Committee:

Chen,Meng-Ping

Mar. 20, 2020

## **Attachment 3**

# **Independent Auditors' Report and 2019 Parent Company Only Financial Statements**

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Taiwan Surface Mounting Technology Corp.

### ***Opinion***

We have audited the accompanying parent company only balance sheets of Taiwan Surface Mounting Technology Corp. (the “Company”) as at December 31, 2019 and 2018, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as at December 31, 2019 and 2018, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

### ***Basis for opinion***

We conducted our audit of the parent company only financial statements as of and for the year ended December 31, 2019 in accordance with “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants”, “Financial Supervisory Commission Order No. Financial-Supervisory-Securities-Auditing-1090360805 of February 25, 2020” and generally accepted auditing standards in the Republic of China (ROC GAAS); and in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and ROC GAAS for our audit of the parent company only financial statements as of and for the year ended December 31, 2018. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Parent company only Financial Statements section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical

responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Key audit matters***

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the parent company only financial statements of the year ended December 31, 2019. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for Company's parent company only financial statements of the current period are stated as follows:

### **Existence of revenues of the newly top 10 significant customers**

#### Description

Please refer to Note 4(25) for accounting policy on recognition of revenue and Note 6(16) for details of sales revenue.

Considering that the customers' demand has changed, the Company adjusted its product type. There are changes in sales customers resulted from changes in market demand and introduction of new products. As the newly top 10 significant customers are significant to the parent company only financial statements, we consider the existence of sales revenue from the newly top 10 significant customers a key audit matter.

#### How our audit addressed the matter:

We performed the following audit procedures on the above key audit matter:

- A. Obtained the evaluation data of the newly top 10 significant customers, completed an understanding of the Company's transaction counterparties and assessed new transaction counterparties based on the internal controls.
- B. Obtained detailed listing of sales revenue, performed detailed tests for the newly top 10 significant customers and verified relevant evidences including customer sales invoices, purchase orders and delivery documents.
- C. Inspected contents and relevant evidences of the newly top 10 significant customers in relation to sales returns and discounts occurring subsequent to the reporting period and assessed the reasonableness of respective sales revenue recognised.

## **Valuation of allowance for inventory valuation losses**

### Description

For a description of the accounting policy on inventory valuation, please refer to Note 4(11); for accounting estimates and assumption uncertainty in relation to inventory valuation, please refer to Note 5(2); and for information on the allowance for inventory valuation losses, please refer to Note 6(6).

As of December 31, 2019, the Company's inventories and allowance for inventory valuation losses amounted to NT \$641,474 thousand and NT \$30,447 thousand, respectively. The Company is primarily engaged in design, processing, manufacturing and trading of TFT-LCD panels, general electronic information products and PCB surface mount packaging. In addition, the Company also manufactured made-to-order products. Most of the customers designated the Company to purchase and process materials, which were needed to manufacture the electronic products. Taking into consideration that those products have short life spans and are affected by the fluctuating market price of TFT-LCD panels, there is a higher risk of inventory losses due to market value decline or obsolescence. Inventories are stated at the lower of cost and net realisable value. The net realisable value which was used in the individual identification and valuation of allowance for inventory valuation losses, involved subjective judgment and uncertainty of estimation. The Company's inventory and allowance for inventory valuation losses are significant to financial statements, as well as being significant to the Company's subsidiaries, which is recognised as investments accounted for using equity method, we identified inventory valuation loss as a key audit matter.

### How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

- A. Assessed the reasonableness of policies and procedures related to the provision of allowance for inventory valuation losses based on our understanding of the Company's operations and the characteristics of its industry.
- B. Understood the Company's warehousing control procedures. Reviewed the annual physical inventory count plan and observed the annual inventory count in order to assess the effectiveness of the classification of obsolete inventory and internal control over obsolete inventory.
- C. Verified whether the inventory aging report that were used to assess obsolete and slow-moving inventories was correct, including changes in inventories being classified to according inventory aging.
- D. Checked the appropriateness of the estimation basis adopted by the Company for the evaluation of net realisable value, verified accuracy of inventory selling and purchase prices and recalculated

and evaluated the reasonableness of allowance for inventory valuation losses.

## **Subsidiaries accounted for using equity method-fair value measurement of investments in unlisted stocks without active market**

### Description

Please refer to Note 4(12) for accounting policy on investments accounted for using equity method, and Note 6(7) for details of share of other comprehensive income of subsidiaries accounted for using equity method.

Unlisted stocks without active market held by the Company's 100% held subsidiary accounted for using equity method, Taiwan Surface Mounting Technology (B.V.I.) Co. Limited, were recorded in financial assets at fair value through other comprehensive income. The fair value of those financial assets was measured by external appraisers appointed by management. Assessments made by external experts includes the selection of measurement method, the market price information of comparable companies used in valuation model and the discount under the market liquidity and the specified risks. Since the fair value measurement of investments in unlisted stock without active market involved subjective judgment and uncertainty of estimation, and is significant to the Company's investments accounted for using equity method, we determined fair value measurement of investment in unlisted stock without active market as a key audit matter.

### How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

- A. We understood and assessed relevant policies and valuation process on the fair value measurement of unlisted stock without active market.
- B. We assessed the independence, objectivity and competence of external appraisers.
- C. We assessed whether external appraisers adopted an adequate measurement method and valuation model which were commonly adopted in the same industry.
- D. We assessed the reasonableness of assumptions on comparable companies and parameters setting, including the relevance and reliability of business nature and financial information between comparable companies and the companies being valued, and reviewed relevant basic data and corroborating documents.
- E. We assessed the sensitivity analysis of inputs prepared by external appraisers, and confirming whether management has adequately managed the possible impact on the estimation uncertainty.

## ***Responsibilities of management and those charged with governance for the parent company only financial statements***

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

In preparing the parent company only financial statements, management is responsible for assessing the 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.

## ***Auditor’s responsibilities for the audit of the parent company only financial statements***

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS 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 parent company only financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the company 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 parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

CHIU,CHAO-HSIEN

LEE,HSIU-LING

For and on behalf of PricewaterhouseCoopers, Taiwan

March 20, 2020

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The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

**TAIWAN SURFACE MOUNTING TECHNOLOGY CORP.**  
**PARENT COMPANY ONLY BALANCE SHEETS**  
**DECEMBER 31, 2019 AND 2018**  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

| Assets                    | Notes                                                                         | December 31, 2019 |                      | December 31, 2018 |                      |            |
|---------------------------|-------------------------------------------------------------------------------|-------------------|----------------------|-------------------|----------------------|------------|
|                           |                                                                               | AMOUNT            | %                    | AMOUNT            | %                    |            |
| <b>Current assets</b>     |                                                                               |                   |                      |                   |                      |            |
| 1100                      | Cash and cash equivalents                                                     | 6(1)              | \$ 662,988           | 3                 | \$ 326,508           | 2          |
| 1136                      | Current financial assets at amortised cost                                    | 6(4)              | 382,626              | 2                 | -                    | -          |
| 1170                      | Accounts receivable, net                                                      | 6(5)              | 1,072,114            | 6                 | 1,030,291            | 5          |
| 1180                      | Accounts receivable - related parties                                         | 7                 | 27,173               | -                 | 3,223                | -          |
| 1200                      | Other receivables                                                             |                   | 117,491              | 1                 | 185,580              | 1          |
| 1210                      | Other receivables - related parties                                           | 7                 | 63,201               | -                 | 134,897              | 1          |
| 130X                      | Inventories                                                                   | 6(6)              | 611,027              | 3                 | 475,013              | 2          |
| 1410                      | Prepayments                                                                   |                   | 37,196               | -                 | 149,317              | 1          |
| 11XX                      | <b>Current Assets</b>                                                         |                   | <u>2,973,816</u>     | <u>15</u>         | <u>2,304,829</u>     | <u>12</u>  |
| <b>Non-current assets</b> |                                                                               |                   |                      |                   |                      |            |
| 1517                      | Non-current financial assets at fair value through other comprehensive income | 6(3)              | 278,171              | 1                 | -                    | -          |
| 1550                      | Investments accounted for under equity method                                 | 6(7)              | 14,494,563           | 75                | 14,785,943           | 80         |
| 1600                      | Property, plant and equipment                                                 | 6(8)              | 1,312,872            | 7                 | 1,051,415            | 6          |
| 1755                      | Right-of-use assets                                                           | 6(9)              | 970                  | -                 | -                    | -          |
| 1840                      | Deferred income tax assets                                                    | 6(22)             | 25,340               | -                 | 27,226               | -          |
| 1920                      | Guarantee deposits paid                                                       |                   | 3,585                | -                 | 3,745                | -          |
| 1990                      | Other non-current assets, others                                              |                   | 319,075              | 2                 | 278,126              | 2          |
| 15XX                      | <b>Non-current assets</b>                                                     |                   | <u>16,434,576</u>    | <u>85</u>         | <u>16,146,455</u>    | <u>88</u>  |
| 1XXX                      | <b>Total assets</b>                                                           |                   | <u>\$ 19,408,392</u> | <u>100</u>        | <u>\$ 18,451,284</u> | <u>100</u> |

(Continued)

**TAIWAN SURFACE MOUNTING TECHNOLOGY CORP.**  
**PARENT COMPANY ONLY BALANCE SHEETS**  
**DECEMBER 31, 2019 AND 2018**

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

| Liabilities and Equity                                                          |                                                                      | Notes | December 31, 2019    |            | December 31, 2018    |            |
|---------------------------------------------------------------------------------|----------------------------------------------------------------------|-------|----------------------|------------|----------------------|------------|
|                                                                                 |                                                                      |       | AMOUNT               | %          | AMOUNT               | %          |
| <b>Current liabilities</b>                                                      |                                                                      |       |                      |            |                      |            |
| 2100                                                                            | Short-term borrowings                                                | 6(10) | \$ 2,150,000         | 11         | \$ 2,856,437         | 16         |
| 2120                                                                            | Financial liabilities at fair value through profit or loss - current | 6(2)  | 254                  | -          | -                    | -          |
| 2150                                                                            | Notes payable                                                        |       | 4,807                | -          | 5,028                | -          |
| 2170                                                                            | Accounts payable                                                     |       | 1,766,774            | 9          | 1,119,646            | 6          |
| 2180                                                                            | Accounts payable - related parties                                   | 7     | 22,284               | -          | 242,050              | 1          |
| 2200                                                                            | Other payables                                                       |       | 396,482              | 2          | 250,148              | 2          |
| 2220                                                                            | Other payables - related parties                                     | 7     | 3,041                | -          | 602,334              | 3          |
| 2230                                                                            | Current income tax liabilities                                       | 6(22) | 159,049              | 1          | 49,683               | -          |
| 2280                                                                            | Current lease liabilities                                            |       | 976                  | -          | -                    | -          |
| 2310                                                                            | Advance receipts                                                     |       | -                    | -          | 2,089                | -          |
| 2399                                                                            | Other current liabilities, others                                    |       | 6,111                | -          | 4,592                | -          |
| 21XX                                                                            | <b>Current Liabilities</b>                                           |       | <u>4,509,778</u>     | <u>23</u>  | <u>5,132,007</u>     | <u>28</u>  |
| <b>Non-current liabilities</b>                                                  |                                                                      |       |                      |            |                      |            |
| 2540                                                                            | Long-term borrowings                                                 | 6(11) | 1,100,000            | 6          | 500,000              | 3          |
| 2570                                                                            | Deferred income tax liabilities                                      | 6(22) | 895,760              | 5          | 1,022,901            | 5          |
| 2640                                                                            | Net defined benefit liability, non-current                           | 6(12) | 64,447               | -          | 61,413               | -          |
| 2645                                                                            | Guarantee deposits received                                          |       | 30                   | -          | 30                   | -          |
| 2650                                                                            | Credit balance of investments accounted for using equity method      | 6(7)  | 106,488              | -          | 153,792              | 1          |
| 25XX                                                                            | <b>Non-current liabilities</b>                                       |       | <u>2,166,725</u>     | <u>11</u>  | <u>1,738,136</u>     | <u>9</u>   |
| 2XXX                                                                            | <b>Total Liabilities</b>                                             |       | <u>6,676,503</u>     | <u>34</u>  | <u>6,870,143</u>     | <u>37</u>  |
| <b>Equity</b>                                                                   |                                                                      |       |                      |            |                      |            |
| <b>Share capital</b>                                                            |                                                                      |       |                      |            |                      |            |
| 3110                                                                            | Share capital - common stock                                         | 6(13) | 2,923,984            | 15         | 2,923,984            | 16         |
| <b>Capital surplus</b>                                                          |                                                                      |       |                      |            |                      |            |
| 3200                                                                            | Capital surplus                                                      | 6(14) | 2,515,001            | 13         | 2,529,156            | 14         |
| <b>Retained earnings</b>                                                        |                                                                      |       |                      |            |                      |            |
| 3310                                                                            | Legal reserve                                                        | 6(15) | 1,416,844            | 8          | 1,338,344            | 7          |
| 3320                                                                            | Special reserve                                                      |       | 827,907              | 4          | 1,008,812            | 5          |
| 3350                                                                            | Unappropriated retained earnings                                     |       | 6,063,207            | 31         | 4,308,752            | 23         |
| <b>Other equity interest</b>                                                    |                                                                      |       |                      |            |                      |            |
| 3400                                                                            | Other equity interest                                                |       | (1,015,054)          | (5)        | (527,907)            | (2)        |
| 3XXX                                                                            | <b>Total equity</b>                                                  |       | <u>12,731,889</u>    | <u>66</u>  | <u>11,581,141</u>    | <u>63</u>  |
| <b>Significant contingent liabilities and unrecognised contract commitments</b> |                                                                      |       |                      |            |                      |            |
| <b>Significant events after the balance sheet date</b>                          |                                                                      |       |                      |            |                      |            |
| 3X2X                                                                            | <b>Total liabilities and equity</b>                                  |       | <u>\$ 19,408,392</u> | <u>100</u> | <u>\$ 18,451,284</u> | <u>100</u> |

The accompanying notes are an integral part of these parent company only financial statements.

**TAIWAN SURFACE MOUNTING TECHNOLOGY CORP.**  
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

| Items | Notes                                                                                                                                                                                            | Year ended December 31 |                      |             |                   |             |
|-------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|----------------------|-------------|-------------------|-------------|
|       |                                                                                                                                                                                                  | 2019                   |                      | 2018        |                   |             |
|       |                                                                                                                                                                                                  | AMOUNT                 | %                    | AMOUNT      | %                 |             |
| 4000  | <b>Sales revenue</b>                                                                                                                                                                             | 6(16) and 7            | \$ 6,536,043         | 100         | \$ 3,341,227      | 100         |
| 5000  | <b>Operating costs</b>                                                                                                                                                                           | 6(6)(20)(21) and 7     | ( 5,430,984)         | ( 83)       | ( 3,002,792)      | ( 90)       |
| 5900  | <b>Net operating margin</b>                                                                                                                                                                      |                        | <u>1,105,059</u>     | <u>17</u>   | <u>338,435</u>    | <u>10</u>   |
|       | <b>Operating expenses</b>                                                                                                                                                                        | 6(17)(18)              |                      |             |                   |             |
| 6100  | Selling expenses                                                                                                                                                                                 |                        | ( 55,337)            | ( 1)        | ( 45,598)         | ( 1)        |
| 6200  | General and administrative expenses                                                                                                                                                              |                        | ( 297,257)           | ( 5)        | ( 202,475)        | ( 6)        |
| 6300  | Research and development expenses                                                                                                                                                                |                        | ( 71,300)            | ( 1)        | ( 31,014)         | ( 1)        |
| 6000  | <b>Total operating expenses</b>                                                                                                                                                                  |                        | <u>( 423,894)</u>    | <u>( 7)</u> | <u>( 279,087)</u> | <u>( 8)</u> |
| 6900  | <b>Operating profit</b>                                                                                                                                                                          |                        | <u>681,165</u>       | <u>10</u>   | <u>59,348</u>     | <u>2</u>    |
|       | <b>Non-operating income and expenses</b>                                                                                                                                                         |                        |                      |             |                   |             |
| 7010  | Other income                                                                                                                                                                                     | 6(17) and 7            | 86,808               | 1           | 76,187            | 2           |
| 7020  | Other gains and losses                                                                                                                                                                           | 6(18)                  | 177,028              | 3           | 27,490            | 1           |
| 7050  | Finance costs                                                                                                                                                                                    | 6(19)                  | ( 33,949)            | -           | ( 31,100)         | ( 1)        |
| 7070  | Share of profit of associates and joint ventures accounted for using equity method, net                                                                                                          | 6(7)                   | <u>1,261,103</u>     | <u>19</u>   | <u>703,125</u>    | <u>21</u>   |
| 7000  | <b>Total non-operating income and expenses</b>                                                                                                                                                   |                        | <u>1,490,990</u>     | <u>23</u>   | <u>775,702</u>    | <u>23</u>   |
| 7900  | <b>Profit before income tax</b>                                                                                                                                                                  |                        | <u>2,172,155</u>     | <u>33</u>   | <u>835,050</u>    | <u>25</u>   |
| 7950  | Income tax expense                                                                                                                                                                               | 6(22)                  | ( 136,933)           | ( 2)        | ( 50,047)         | ( 1)        |
| 8000  | <b>Profit for the year from continuing operations</b>                                                                                                                                            |                        | <u>2,035,222</u>     | <u>31</u>   | <u>785,003</u>    | <u>24</u>   |
| 8200  | <b>Profit for the year</b>                                                                                                                                                                       |                        | <u>\$ 2,035,222</u>  | <u>31</u>   | <u>\$ 785,003</u> | <u>24</u>   |
|       | <b>Other comprehensive income</b>                                                                                                                                                                |                        |                      |             |                   |             |
|       | <b>Components of other comprehensive income that will not be reclassified to profit or loss</b>                                                                                                  |                        |                      |             |                   |             |
| 8311  | Gains (losses) on remeasurements of defined benefit plans                                                                                                                                        | 6(12)                  | ( \$ 3,054)          | -           | \$ 827            | -           |
| 8316  | Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income                                                                       | 6(3)                   | ( 12,725)            | -           | -                 | -           |
| 8330  | Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss | 6(7)                   | <u>( 114,913)</u>    | <u>( 2)</u> | <u>( 129,178)</u> | <u>( 4)</u> |
| 8310  | <b>Components of other comprehensive loss that will not be reclassified to profit or loss</b>                                                                                                    |                        | <u>( 130,692)</u>    | <u>( 2)</u> | <u>( 128,351)</u> | <u>( 4)</u> |
|       | <b>Components of other comprehensive loss that will be reclassified to profit or loss</b>                                                                                                        |                        |                      |             |                   |             |
| 8361  | Other comprehensive (loss) income, before tax, exchange differences on translation                                                                                                               | 6(7)                   | <u>( 359,509)</u>    | <u>( 5)</u> | <u>310,083</u>    | <u>9</u>    |
| 8360  | <b>Components of other comprehensive (loss) income that will be reclassified to profit or loss</b>                                                                                               |                        | <u>( 359,509)</u>    | <u>( 5)</u> | <u>310,083</u>    | <u>9</u>    |
| 8300  | <b>Other comprehensive (loss) income for the year</b>                                                                                                                                            |                        | <u>( \$ 490,201)</u> | <u>( 7)</u> | <u>\$ 181,732</u> | <u>5</u>    |
| 8500  | <b>Total comprehensive income for the year</b>                                                                                                                                                   |                        | <u>\$ 1,545,021</u>  | <u>24</u>   | <u>\$ 966,735</u> | <u>29</u>   |
|       | <b>Basic earnings per share</b>                                                                                                                                                                  | 6(23)                  |                      |             |                   |             |
| 9750  | <b>Total basic earnings per share</b>                                                                                                                                                            |                        | <u>\$ 6.96</u>       |             | <u>\$ 2.68</u>    |             |
|       | <b>Diluted earnings per share</b>                                                                                                                                                                | 6(23)                  |                      |             |                   |             |
| 9850  | <b>Total diluted earnings per share</b>                                                                                                                                                          |                        | <u>\$ 6.93</u>       |             | <u>\$ 2.67</u>    |             |

The accompanying notes are an integral part of these parent company only financial statements.

**TAIWAN SURFACE MOUNTING TECHNOLOGY CORP.**  
**PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**  
(Expressed in thousands of New Taiwan dollars)

|                                                            | Notes     | Share capital -<br>common stock | Capital surplus,<br>additional paid-in<br>capital | Retained earnings |                 |                                     | Other equity interest                                                          |                                                                                                                                |                                                                         | Treasury stocks | Total equity  |
|------------------------------------------------------------|-----------|---------------------------------|---------------------------------------------------|-------------------|-----------------|-------------------------------------|--------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------|-----------------|---------------|
|                                                            |           |                                 |                                                   | Legal reserve     | Special reserve | Unappropriated<br>retained earnings | Financial<br>statements<br>translation<br>differences of<br>foreign operations | Unrealised gains<br>(losses) from<br>financial assets<br>measured at fair<br>value through<br>other<br>comprehensive<br>income | Unrealized gain or<br>loss on<br>available-for-sale<br>financial assets |                 |               |
| <b>2018</b>                                                |           |                                 |                                                   |                   |                 |                                     |                                                                                |                                                                                                                                |                                                                         |                 |               |
| Balance at January 1, 2018                                 |           | \$ 2,953,984                    | \$ 2,569,764                                      | \$ 1,261,253      | \$ 300,000      | \$ 4,691,498                        | (\$ 563,161)                                                                   | \$ -                                                                                                                           | (\$ 145,651)                                                            | (\$ 83,953)     | \$ 10,983,734 |
| Effects of retrospective application                       |           | -                               | -                                                 | -                 | -               | ( 2,555)                            | -                                                                              | ( 145,651)                                                                                                                     | 145,651                                                                 | -               | ( 2,555)      |
| Balance at 1 January after adjustments                     |           | 2,953,984                       | 2,569,764                                         | 1,261,253         | 300,000         | 4,688,943                           | ( 563,161)                                                                     | ( 145,651)                                                                                                                     | -                                                                       | ( 83,953)       | 10,981,179    |
| Profit for the year                                        |           | -                               | -                                                 | -                 | -               | 785,003                             | -                                                                              | -                                                                                                                              | -                                                                       | -               | 785,003       |
| Other comprehensive income (loss) for the year             |           | -                               | -                                                 | -                 | -               | 827                                 | 310,083                                                                        | ( 129,178)                                                                                                                     | -                                                                       | -               | 181,732       |
| Total comprehensive income (loss) for the year             |           | -                               | -                                                 | -                 | -               | 785,830                             | 310,083                                                                        | ( 129,178)                                                                                                                     | -                                                                       | -               | 966,735       |
| Appropriation and distribution of 2017 retained earnings:  | 6(13)     |                                 |                                                   |                   |                 |                                     |                                                                                |                                                                                                                                |                                                                         |                 |               |
| Legal reserve                                              |           | -                               | -                                                 | 77,091            | -               | ( 77,091)                           | -                                                                              | -                                                                                                                              | -                                                                       | -               | -             |
| Special reserve                                            |           | -                               | -                                                 | -                 | 708,812         | ( 708,812)                          | -                                                                              | -                                                                                                                              | -                                                                       | -               | -             |
| Cash dividends                                             |           | -                               | -                                                 | -                 | -               | ( 380,118)                          | -                                                                              | -                                                                                                                              | -                                                                       | -               | ( 380,118)    |
| Unclaimed dividends past due                               | 6(12)     | -                               | 51                                                | -                 | -               | -                                   | -                                                                              | -                                                                                                                              | -                                                                       | -               | 51            |
| Changes in equity of associates accounted for under equity | 6(6)(12)  | -                               | 13,294                                            | -                 | -               | -                                   | -                                                                              | -                                                                                                                              | -                                                                       | -               | 13,294        |
| Retirement of treasury share                               | 6(11)(12) | ( 30,000)                       | ( 53,953)                                         | -                 | -               | -                                   | -                                                                              | -                                                                                                                              | -                                                                       | 83,953          | -             |
| Balance at December 31, 2018                               |           | \$ 2,923,984                    | \$ 2,529,156                                      | \$ 1,338,344      | \$ 1,008,812    | \$ 4,308,752                        | (\$ 253,078)                                                                   | (\$ 274,829)                                                                                                                   | \$ -                                                                    | \$ -            | \$ 11,581,141 |
| <b>2019</b>                                                |           |                                 |                                                   |                   |                 |                                     |                                                                                |                                                                                                                                |                                                                         |                 |               |
| Balance at January 1, 2019                                 |           | \$ 2,923,984                    | \$ 2,529,156                                      | \$ 1,338,344      | \$ 1,008,812    | \$ 4,308,752                        | (\$ 253,078)                                                                   | (\$ 274,829)                                                                                                                   | \$ -                                                                    | \$ -            | \$ 11,581,141 |
| Profit for the year                                        |           | -                               | -                                                 | -                 | -               | 2,035,222                           | -                                                                              | -                                                                                                                              | -                                                                       | -               | 2,035,222     |
| Other comprehensive loss for the year                      |           | -                               | -                                                 | -                 | -               | ( 3,054)                            | ( 359,509)                                                                     | ( 127,638)                                                                                                                     | -                                                                       | -               | ( 490,201)    |
| Total comprehensive income (loss) for the year             |           | -                               | -                                                 | -                 | -               | 2,032,168                           | ( 359,509)                                                                     | ( 127,638)                                                                                                                     | -                                                                       | -               | 1,545,021     |
| Appropriation and distribution of 2018 retained earnings:  | 6(13)     |                                 |                                                   |                   |                 |                                     |                                                                                |                                                                                                                                |                                                                         |                 |               |
| Legal reserve                                              |           | -                               | -                                                 | 78,500            | -               | ( 78,500)                           | -                                                                              | -                                                                                                                              | -                                                                       | -               | -             |
| Reversal of special reserve                                |           | -                               | -                                                 | -                 | ( 180,905)      | 180,905                             | -                                                                              | -                                                                                                                              | -                                                                       | -               | -             |
| Cash dividends                                             |           | -                               | -                                                 | -                 | -               | ( 380,118)                          | -                                                                              | -                                                                                                                              | -                                                                       | -               | ( 380,118)    |
| Disposal of associates accounted for using equity method   | 6(6)      | -                               | ( 14,219)                                         | -                 | -               | -                                   | -                                                                              | -                                                                                                                              | -                                                                       | -               | ( 14,219)     |
| Unclaimed dividends past due                               | 6(12)     | -                               | 64                                                | -                 | -               | -                                   | -                                                                              | -                                                                                                                              | -                                                                       | -               | 64            |
| Balance at December 31, 2019                               |           | \$ 2,923,984                    | \$ 2,515,001                                      | \$ 1,416,844      | \$ 827,907      | \$ 6,063,207                        | (\$ 612,587)                                                                   | (\$ 402,467)                                                                                                                   | \$ -                                                                    | \$ -            | \$ 12,731,889 |

The accompanying notes are an integral part of these parent company only financial statements.

TAIWAN SURFACE MOUNTING TECHNOLOGY CORP.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2019 AND 2018  
(Expressed in thousands of New Taiwan dollars)

|                                                                            | Notes   | Year ended December 31 |                |
|----------------------------------------------------------------------------|---------|------------------------|----------------|
|                                                                            |         | 2019                   | 2018           |
| <b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>                         |         |                        |                |
| Profit before tax                                                          |         | \$ 2,172,155           | \$ 835,050     |
| Adjustments                                                                |         |                        |                |
| Adjustments to reconcile profit (loss)                                     |         |                        |                |
| Gain on valuation of financial assets at fair value through profit or loss |         | 254                    | -              |
| Depreciation expense (including right-of-use assets)                       | 6(8)(9) | 107,243                | 71,121         |
| Share of profit of subsidiaries and associates accounted for under equity  | 6(7)    | ( 1,261,103 )          | ( 703,125 )    |
| Disposal of associates accounted for using equity method                   | 6(7)    | ( 185,892 )            | -              |
| Gain (loss) on disposal of property, plant and equipment                   | 6(18)   | ( 6,786 )              | 3,066          |
| Interest income                                                            | 6(17)   | ( 7,527 )              | ( 4,563 )      |
| Interest expense                                                           | 6(19)   | 33,949                 | 31,100         |
| Impairment loss on investments accounted for using equity method           | 6(7)    | -                      | 7,222          |
| Changes in operating assets and liabilities                                |         |                        |                |
| Changes in operating assets                                                |         |                        |                |
| Financial assets at fair value through profit or loss                      |         | -                      | 253            |
| Accounts receivable, net                                                   |         | ( 41,823 )             | ( 198,201 )    |
| Accounts receivable - related parties                                      |         | ( 23,950 )             | 1,129          |
| Other receivables                                                          |         | 68,933                 | ( 180,085 )    |
| Other receivables - related parties                                        |         | 71,696                 | ( 62,476 )     |
| Inventories                                                                |         | ( 136,014 )            | ( 264,773 )    |
| Prepayments                                                                |         | 112,121                | ( 120,617 )    |
| Changes in operating liabilities                                           |         |                        |                |
| Notes payable                                                              |         | ( 221 )                | ( 1,678 )      |
| Accounts payable                                                           |         | 647,128                | 491,309        |
| Accounts payable - related parties                                         |         | ( 219,766 )            | ( 18,040 )     |
| Advance receipts                                                           |         | ( 2,089 )              | 66             |
| Other payables                                                             |         | 141,732                | 61,580         |
| Other current liabilities, others                                          |         | 1,519                  | ( 495 )        |
| Accrued pension liabilities                                                |         | ( 20 )                 | 2              |
| Cash inflow (outflow) generated from operations                            |         | 1,471,539              | ( 52,155 )     |
| Interest received                                                          |         | 6,683                  | 4,563          |
| Dividends received                                                         | 6(7)    | 1,011,524              | 237,330        |
| Interest paid                                                              |         | ( 34,920 )             | ( 30,587 )     |
| Income taxes paid                                                          |         | ( 152,822 )            | ( 21,928 )     |
| Net cash flows from operating activities                                   |         | <u>2,302,004</u>       | <u>137,223</u> |

(Continued)

TAIWAN SURFACE MOUNTING TECHNOLOGY CORP.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2019 AND 2018  
(Expressed in thousands of New Taiwan dollars)

|                                                                                  | Notes | Year ended December 31 |               |
|----------------------------------------------------------------------------------|-------|------------------------|---------------|
|                                                                                  |       | 2019                   | 2018          |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>                                      |       |                        |               |
| Acquisition of investments accounted for using equity method                     | 6(7)  | (\$ 99,990 )           | (\$ 292,440 ) |
| Acquisition of financial assets at amortised cost                                | 6(4)  | ( 382,626 )            | -             |
| Proceeds from capital reduction of investments accounted for using equity method | 6(7)  | -                      | 1,460,000     |
| Acquisition of property, plant and equipment                                     | 6(24) | ( 138,341 )            | ( 305,435 )   |
| Proceeds from disposal of property, plant and equipment                          | 6(8)  | 29,770                 | 5,021         |
| Decrease in refundable deposits                                                  |       | 160                    | -             |
| Increase in other non-current assets                                             |       | ( 287,056 )            | ( 275,273 )   |
| Net cash flows (used in) from investing activities                               |       | ( 878,083 )            | 591,873       |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES</u>                                      |       |                        |               |
| Repayments of short-term borrowings                                              |       | 4,147,492              | 4,936,437     |
| Decrease in short-term borrowings                                                |       | ( 4,853,929 )          | ( 5,250,000 ) |
| (Decrease) increase in other payables to related parties                         |       | ( 599,293 )            | 1,500         |
| Proceeds from long-term borrowings                                               |       | 1,500,000              | 500,000       |
| Repayments of long-term borrowings                                               |       | ( 900,000 )            | ( 500,000 )   |
| Cash dividends paid                                                              | 6(15) | ( 380,118 )            | ( 380,118 )   |
| Unclaimed dividends past due                                                     | 6(14) | 64                     | 51            |
| Repayments of principal portion of lease liabilities                             |       | ( 1,657 )              | -             |
| Net cash flows used in financing activities                                      |       | ( 1,087,441 )          | ( 692,130 )   |
| Net increase in cash and cash equivalents                                        |       | 336,480                | 36,966        |
| Cash and cash equivalents at beginning of year                                   |       | 326,508                | 289,542       |
| Cash and cash equivalents at end of year                                         |       | \$ 662,988             | \$ 326,508    |

The accompanying notes are an integral part of these parent company only financial statements.

## **Attachment 4**

# **Independent Auditors' Report and 2019 Consolidated Financial Statements**

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Taiwan Surface Mounting Technology Corp.

### ***Opinion***

We have audited the accompanying consolidated balance sheets of Taiwan Surface Mounting Technology Corp. and subsidiaries (the “Group”) as at December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

### ***Basis for opinion***

We conducted our audit of the consolidated financial statements as of and for the year ended December 31, 2019 in accordance with “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants”, “Financial Supervisory Commission Order No. Financial-Supervisory-Securities-Auditing-1090360805 of February 25, 2020” and generally accepted auditing standards in the Republic of China (ROC GAAS); and in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and ROC GAAS for our audit of the consolidated financial statements as of and for the year ended December 31, 2018. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical



responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Key audit matters***

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the consolidated current period. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements of the current period are stated as follows:

### **Existence of revenues of the newly top 10 significant customers**

#### Description

Please refer to Note 4(28) for accounting policy on recognition of revenue and Note 6(17) for details of sales revenue.

Considering that the customers' demand has changed, the Group adjusted its product type. There are changes in sales customers resulted from changes in market demand and introduction of new products. As the newly top 10 significant customers are significant to the consolidated financial statements, we consider the existence of sales revenue from the newly top 10 significant customers a key audit matter.

#### How our audit addressed the matter:

We performed the following audit procedures on the above key audit matter:

- A. Obtained the evaluation data of the newly top 10 significant customers, completed an understanding of the Group's transaction counterparties and assessed new transaction counterparties based on the internal controls.
- B. Obtained detailed listing of sales revenue, performed detailed tests for the newly top 10 significant customers and verified relevant evidences including customer sales invoices, purchase orders and delivery documents.
- C. Inspected contents and relevant evidences of the newly top 10 significant customers in relation to sales returns and discounts occurring subsequent to the reporting period and assessed the reasonableness of respective sales revenue recognised.

## **Valuation of allowance for inventory valuation losses**

### Description

For a description of the accounting policy on inventory valuation, please refer to Note 4(13); for accounting estimates and assumption uncertainty in relation to inventory valuation, please refer to Note 5(2); and for information on the allowance for inventory valuation losses, please refer to Note 6(6).

As of December 31, 2019, the Group's inventories and allowance for inventory valuation losses amounted to NT\$3,199,123 thousand and NT\$181,481 thousand, respectively. The Group is primarily engaged in design, processing, manufacturing and trading of TFT-LCD panels, general electronic information products and PCB surface mount packaging. In addition, the Group also manufactured made-to-order products. Most of the customers designated the Group to purchase and process materials, which were needed to manufacture the electronic products. Taking into consideration that those products have short life spans and are affected by the fluctuating market price of TFT-LCD panels, there is a higher risk of inventory losses due to market value decline or obsolescence. Inventories are stated at the lower of cost and net realisable value. The net realisable value which was used in the individual identification and valuation of allowance for inventory valuation losses, involved subjective judgment and uncertainty of estimation. The Group's inventory and allowance for inventory valuation losses are significant to the consolidated financial statements. Thus, we identified the valuation of allowance for inventory valuation loss as a key audit matter.

### How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

- A. Assessed the reasonableness of policies and procedures related to the provision of allowance for inventory valuation losses based on our understanding of the Group's operations and the characteristics of its industry.
- B. Understood the Group's warehousing control procedures. Reviewed the annual physical inventory count plan and observed the annual inventory count in order to assess the effectiveness of the classification of obsolete inventory and internal control over obsolete inventory.
- C. Verified whether the inventory aging report that were used to assess obsolete and slow-moving inventories was correct, including changes in inventories being classified to according inventory aging.
- D. Checked the appropriateness of the estimation basis adopted by the Group for the evaluation of net realisable value, verified accuracy of inventory selling and purchase prices and recalculated and evaluated the reasonableness of allowance for inventory valuation losses.

## **Fair value measurement of investments in unlisted stocks without active market**

### Description

Please refer to Note 4(8) for accounting policy on financial assets at fair value through other comprehensive income; Note 5(2) for accounting estimation and assumptions on fair value measurement; Note 6(3) for details of financial assets at fair value through other comprehensive income; and Note 12 (3) for information on fair value.

As of December 31, 2019, the Group recognised unlisted stocks without active market in financial assets at fair value through other comprehensive income amounting to NT\$6,446 thousand, and the effect on other comprehensive income (loss) due to fair value changes amounted to NT(\$114,913) thousand. The fair value of those financial assets was measured by external appraisers appointed by management. Assessments made by external experts is including the selection of measuring method, the market price information of comparable companies used in valuation model and the discount under the market liquidity and the specified risks. Due to the fair value measurement of investment in unlisted stock without active market involved subjective judgment and uncertainty of estimation, and is significant to the Group's consolidated financial statements, we determined the fair value measurement of unlisted stocks without active market as a key audit matter.

### How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

- A. We understood and assessed relevant policies and valuation process on the fair value measurement of unlisted stock without active market.
- B. We assessed the independence, objectivity and competence of external appraisers.
- C. We assessed whether external appraisers adopted an adequate measurement method and valuation model which were commonly adopted in the same industry.
- D. We assessed the reasonableness of assumptions on comparable companies and parameters setting, including the relevance and reliability of business nature and financial information between comparable companies and the companies being valued, and reviewed relevant basic data and corroborating documents.
- E. We assessed the sensitivity analysis of inputs prepared by external appraisers, and confirming whether management has adequately managed the possible impact on the estimation uncertainty.

### ***Other matter – Parent company only financial reports***

We have audited and expressed an unqualified opinion on the parent company only financial statements of Taiwan Surface Mounting Technology Corp. as at and for the years ended December 31, 2019 and 2018.

## ***Responsibilities of management and those charged with governance for the consolidated financial statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission”, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

## ***Auditor’s responsibilities for the audit of the consolidated financial statements***

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

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

CHIU, CHAO-HSIEN

LEE, HSIU-LING

For and on behalf of PricewaterhouseCoopers, Taiwan

March 20, 2020

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The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

**TAIWAN SURFACE MOUNTING TECHNOLOGY CORP. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2019 AND 2018**  
(Expressed in thousands of New Taiwan dollars)

| Assets                    | Notes                                                                         | December 31, 2019 |                      | December 31, 2018 |                      |            |
|---------------------------|-------------------------------------------------------------------------------|-------------------|----------------------|-------------------|----------------------|------------|
|                           |                                                                               | AMOUNT            | %                    | AMOUNT            | %                    |            |
| <b>Current assets</b>     |                                                                               |                   |                      |                   |                      |            |
| 1100                      | Cash and cash equivalents                                                     | 6(1)              | \$ 6,193,861         | 19                | \$ 4,990,461         | 17         |
| 1110                      | Financial assets at fair value through profit or loss - current               | 6(2)              | 962,644              | 3                 | 644,551              | 2          |
| 1136                      | Current financial assets at amortised cost                                    | 6(4)              | 1,296,672            | 4                 | -                    | -          |
| 1150                      | Notes receivable, net                                                         | 6(5)              | 2,002                | -                 | 24,913               | -          |
| 1170                      | Accounts receivable, net                                                      | 6(5)              | 12,504,014           | 38                | 12,232,008           | 41         |
| 1180                      | Accounts receivable - related parties                                         | 7                 | 10                   | -                 | 44                   | -          |
| 1200                      | Other receivables                                                             |                   | 297,146              | 1                 | 330,013              | 1          |
| 130X                      | Inventories                                                                   | 6(6)              | 3,017,642            | 9                 | 2,829,791            | 10         |
| 1410                      | Prepayments                                                                   |                   | 509,718              | 1                 | 599,199              | 2          |
| 1479                      | Other current assets, others                                                  |                   | 687                  | -                 | 684                  | -          |
| 11XX                      | <b>Current Assets</b>                                                         |                   | <u>24,784,396</u>    | <u>75</u>         | <u>21,651,664</u>    | <u>73</u>  |
| <b>Non-current assets</b> |                                                                               |                   |                      |                   |                      |            |
| 1517                      | Non-current financial assets at fair value through other comprehensive income | 6(3)              | 284,617              | 1                 | 117,749              | -          |
| 1550                      | Investments accounted for under equity method                                 | 6(7)              | 1,726                | -                 | 167,787              | 1          |
| 1600                      | Property, plant and equipment                                                 | 6(8)              | 6,881,715            | 21                | 6,529,981            | 22         |
| 1755                      | Right-of-use assets                                                           | 6(10)             | 325,479              | 1                 | -                    | -          |
| 1840                      | Deferred income tax assets                                                    | 6(23)             | 74,316               | -                 | 81,473               | -          |
| 1900                      | Other non-current assets                                                      | 6(9)              | 814,165              | 2                 | 1,138,382            | 4          |
| 15XX                      | <b>Non-current assets</b>                                                     |                   | <u>8,382,018</u>     | <u>25</u>         | <u>8,035,372</u>     | <u>27</u>  |
| 1XXX                      | <b>Total assets</b>                                                           |                   | <u>\$ 33,166,414</u> | <u>100</u>        | <u>\$ 29,687,036</u> | <u>100</u> |

(Continued)

**TAIWAN SURFACE MOUNTING TECHNOLOGY CORP. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2019 AND 2018**  
(Expressed in thousands of New Taiwan dollars)

| Liabilities and Equity                                    | Notes                                                                | December 31, 2019 |                      | December 31, 2018 |                      |            |
|-----------------------------------------------------------|----------------------------------------------------------------------|-------------------|----------------------|-------------------|----------------------|------------|
|                                                           |                                                                      | AMOUNT            | %                    | AMOUNT            | %                    |            |
| <b>Current liabilities</b>                                |                                                                      |                   |                      |                   |                      |            |
| 2100                                                      | Short-term borrowings                                                | 6(11)             | \$ 2,150,000         | 7                 | \$ 2,856,437         | 10         |
| 2120                                                      | Financial liabilities at fair value through profit or loss - current | 6(2)              | 254                  | -                 | 896                  | -          |
| 2150                                                      | Notes payable                                                        |                   | 5,122                | -                 | 5,211                | -          |
| 2170                                                      | Accounts payable                                                     |                   | 12,595,997           | 38                | 10,434,076           | 35         |
| 2180                                                      | Accounts payable - related parties                                   | 7                 | 110,033              | -                 | 126,013              | -          |
| 2200                                                      | Other payables                                                       |                   | 1,441,675            | 4                 | 1,333,284            | 4          |
| 2230                                                      | Current income tax liabilities                                       | 6(23)             | 900,295              | 3                 | 880,088              | 3          |
| 2280                                                      | Current lease liabilities                                            |                   | 3,641                | -                 | -                    | -          |
| 2300                                                      | Other current liabilities                                            | 6(12)             | 177,769              | 1                 | 166,033              | 1          |
| 21XX                                                      | <b>Current Liabilities</b>                                           |                   | <u>17,384,786</u>    | <u>53</u>         | <u>15,802,038</u>    | <u>53</u>  |
| <b>Non-current liabilities</b>                            |                                                                      |                   |                      |                   |                      |            |
| 2540                                                      | Long-term borrowings                                                 | 6(12)             | 1,596,769            | 5                 | 884,922              | 3          |
| 2570                                                      | Deferred income tax liabilities                                      | 6(23)             | 1,364,365            | 4                 | 1,327,502            | 5          |
| 2580                                                      | Non-current lease liabilities                                        |                   | 1,471                | -                 | -                    | -          |
| 2600                                                      | Other non-current liabilities                                        |                   | 76,611               | -                 | 71,731               | -          |
| 25XX                                                      | <b>Non-current liabilities</b>                                       |                   | <u>3,039,216</u>     | <u>9</u>          | <u>2,284,155</u>     | <u>8</u>   |
| 2XXX                                                      | <b>Total Liabilities</b>                                             |                   | <u>20,424,002</u>    | <u>62</u>         | <u>18,086,193</u>    | <u>61</u>  |
| <b>Equity attributable to owners of parent</b>            |                                                                      |                   |                      |                   |                      |            |
| <b>Share capital</b>                                      |                                                                      |                   |                      |                   |                      |            |
| 3110                                                      | Share capital - common stock                                         | 6(14)             | 2,923,984            | 9                 | 2,923,984            | 10         |
| <b>Capital surplus</b>                                    |                                                                      |                   |                      |                   |                      |            |
| 3200                                                      | Capital surplus                                                      | 6(15)             | 2,515,001            | 7                 | 2,529,156            | 8          |
| <b>Retained earnings</b>                                  |                                                                      |                   |                      |                   |                      |            |
| 3310                                                      | Legal reserve                                                        | 6(16)             | 1,416,844            | 4                 | 1,338,344            | 5          |
| 3320                                                      | Special reserve                                                      |                   | 827,907              | 3                 | 1,008,812            | 3          |
| 3350                                                      | Unappropriated retained earnings                                     |                   | 6,063,207            | 18                | 4,308,752            | 15         |
| <b>Other equity interest</b>                              |                                                                      |                   |                      |                   |                      |            |
| 3400                                                      | Other equity interest                                                |                   | ( 1,015,054 )        | ( 3 )             | ( 527,907 )          | ( 2 )      |
| 31XX                                                      | <b>Equity attributable to owners of the parent</b>                   |                   | <u>12,731,889</u>    | <u>38</u>         | <u>11,581,141</u>    | <u>39</u>  |
| 36XX                                                      | <b>Non-controlling interest</b>                                      |                   | <u>10,523</u>        | <u>-</u>          | <u>19,702</u>        | <u>-</u>   |
| 3XXX                                                      | <b>Total equity</b>                                                  |                   | <u>12,742,412</u>    | <u>38</u>         | <u>11,600,843</u>    | <u>39</u>  |
| <b>Significant commitments and contingent liabilities</b> |                                                                      |                   |                      |                   |                      |            |
| <b>Significant events after the balance sheet date</b>    |                                                                      |                   |                      |                   |                      |            |
| 3X2X                                                      | <b>Total liabilities and equity</b>                                  |                   | <u>\$ 33,166,414</u> | <u>100</u>        | <u>\$ 29,687,036</u> | <u>100</u> |

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



**TAIWAN SURFACE MOUNTING TECHNOLOGY CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**  
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

| Items | Notes                                                                                                                                                                                        | Year ended December 31 |                      |             |                     |             |
|-------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|----------------------|-------------|---------------------|-------------|
|       |                                                                                                                                                                                              | 2019                   |                      | 2018        |                     |             |
|       |                                                                                                                                                                                              | AMOUNT                 | %                    | AMOUNT      | %                   |             |
| 4000  | <b>Sales revenue</b>                                                                                                                                                                         | 6(17) and 7            | \$ 37,906,373        | 100         | \$ 30,634,088       | 100         |
| 5000  | <b>Operating costs</b>                                                                                                                                                                       | 6(6)(21)(22) and 7     | ( 33,176,648)        | ( 87)       | ( 27,256,290)       | ( 89)       |
| 5900  | <b>Net operating margin</b>                                                                                                                                                                  |                        | <u>4,729,725</u>     | <u>13</u>   | <u>3,377,798</u>    | <u>11</u>   |
|       | <b>Operating expenses</b>                                                                                                                                                                    | 6(21)(22)              |                      |             |                     |             |
| 6100  | Selling expenses                                                                                                                                                                             |                        | ( 280,229)           | ( 1)        | ( 306,994)          | ( 1)        |
| 6200  | General and administrative expenses                                                                                                                                                          |                        | ( 1,091,050)         | ( 3)        | ( 923,360)          | ( 3)        |
| 6300  | Research and development expenses                                                                                                                                                            |                        | ( 643,912)           | ( 2)        | ( 633,181)          | ( 2)        |
| 6450  | Impairment (loss) gain determined in accordance with IFRS 9                                                                                                                                  | 12(2)                  | ( 123,613)           | -           | 42,496              | -           |
| 6000  | <b>Total operating expenses</b>                                                                                                                                                              |                        | <u>( 2,138,804)</u>  | <u>( 6)</u> | <u>( 1,821,039)</u> | <u>( 6)</u> |
| 6900  | <b>Operating profit</b>                                                                                                                                                                      |                        | <u>2,590,921</u>     | <u>7</u>    | <u>1,556,759</u>    | <u>5</u>    |
|       | <b>Non-operating income and expenses</b>                                                                                                                                                     |                        |                      |             |                     |             |
| 7010  | Other income                                                                                                                                                                                 | 6(18)                  | 346,542              | 1           | 214,559             | -           |
| 7020  | Other gains and losses                                                                                                                                                                       | 6(19)                  | ( 76,068)            | -           | ( 374,266)          | ( 1)        |
| 7050  | Finance costs                                                                                                                                                                                | 6(20)                  | ( 79,220)            | ( 1)        | ( 44,580)           | -           |
| 7060  | Share of loss of associates and joint ventures accounted for under equity method                                                                                                             | 6(7)                   | ( 56,530)            | -           | ( 86,592)           | -           |
| 7000  | <b>Total non-operating income and expenses</b>                                                                                                                                               |                        | <u>134,724</u>       | <u>-</u>    | <u>( 290,879)</u>   | <u>( 1)</u> |
| 7900  | <b>Profit before income tax</b>                                                                                                                                                              |                        | <u>2,725,645</u>     | <u>7</u>    | <u>1,265,880</u>    | <u>4</u>    |
| 7950  | Income tax expense                                                                                                                                                                           | 6(23)                  | ( 696,067)           | ( 2)        | ( 510,205)          | ( 2)        |
| 8000  | <b>Profit for the year from continuing operations</b>                                                                                                                                        |                        | <u>2,029,578</u>     | <u>5</u>    | <u>755,675</u>      | <u>2</u>    |
|       | <b>Components of other comprehensive income that will not be reclassified to profit or loss</b>                                                                                              |                        |                      |             |                     |             |
| 8311  | Actuarial (loss) gain on defined benefit plan                                                                                                                                                | 6(13)                  | ( 3,054)             | -           | 827                 | -           |
| 8316  | Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income                                                                           | 6(3)                   | ( 127,638)           | -           | ( 129,178)          | -           |
| 8310  | <b>Components of other comprehensive income that will not be reclassified to profit or loss</b>                                                                                              |                        | <u>( 130,692)</u>    | <u>-</u>    | <u>( 128,351)</u>   | <u>-</u>    |
|       | <b>Components of other comprehensive income that will be reclassified to profit or loss</b>                                                                                                  |                        |                      |             |                     |             |
| 8361  | Financial statements translation differences of foreign operations                                                                                                                           |                        | ( 353,352)           | ( 1)        | 319,739             | 1           |
| 8370  | Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss |                        | ( 9,692)             | -           | ( 2,860)            | -           |
| 8360  | <b>Components of other comprehensive (loss) income that will be reclassified to profit or loss</b>                                                                                           |                        | <u>( 363,044)</u>    | <u>( 1)</u> | <u>316,879</u>      | <u>1</u>    |
| 8300  | <b>Total other comprehensive (loss) income for the year</b>                                                                                                                                  |                        | <u>( \$ 493,736)</u> | <u>( 1)</u> | <u>\$ 188,528</u>   | <u>1</u>    |
| 8500  | <b>Total comprehensive income for the year</b>                                                                                                                                               |                        | <u>\$ 1,535,842</u>  | <u>4</u>    | <u>\$ 944,203</u>   | <u>3</u>    |
|       | <b>Profit (loss), attributable to:</b>                                                                                                                                                       |                        |                      |             |                     |             |
| 8610  | Owners of the parent                                                                                                                                                                         |                        | \$ 2,035,222         | 5           | \$ 785,003          | 2           |
| 8620  | Non-controlling interest                                                                                                                                                                     |                        | ( 5,644)             | -           | ( 29,328)           | -           |
|       |                                                                                                                                                                                              |                        | <u>\$ 2,029,578</u>  | <u>5</u>    | <u>\$ 755,675</u>   | <u>2</u>    |
|       | <b>Comprehensive income (loss) attributable to:</b>                                                                                                                                          |                        |                      |             |                     |             |
| 8710  | Owners of the parent                                                                                                                                                                         |                        | \$ 1,545,021         | 4           | \$ 966,735          | 3           |
| 8720  | Non-controlling interest                                                                                                                                                                     |                        | ( 9,179)             | -           | ( 22,532)           | -           |
|       |                                                                                                                                                                                              |                        | <u>\$ 1,535,842</u>  | <u>4</u>    | <u>\$ 944,203</u>   | <u>3</u>    |
|       | <b>Basic earnings per share</b>                                                                                                                                                              | 6(24)                  |                      |             |                     |             |
| 9750  | <b>Total basic earnings per share</b>                                                                                                                                                        |                        | <u>\$ 6.96</u>       |             | <u>\$ 2.68</u>      |             |
|       | <b>Diluted earnings per share</b>                                                                                                                                                            | 6(24)                  |                      |             |                     |             |
| 9850  | <b>Total diluted earnings per share</b>                                                                                                                                                      |                        | <u>\$ 6.93</u>       |             | <u>\$ 2.67</u>      |             |

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

**TAIWAN SURFACE MOUNTING TECHNOLOGY CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**  
(Expressed in thousands of New Taiwan dollars)

|                  |                                                                   | Equity attributable to owners of the parent |               |                 |                                  |                                                                    |                                                                                                           |                                                                |                 |             |                          |              |               |
|------------------|-------------------------------------------------------------------|---------------------------------------------|---------------|-----------------|----------------------------------|--------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|-----------------|-------------|--------------------------|--------------|---------------|
|                  |                                                                   | Retained earnings                           |               |                 |                                  |                                                                    | Other equity interest                                                                                     |                                                                |                 |             |                          |              |               |
| Notes            | Share capital - common stock                                      | Capital surplus, additional paid-in capital | Legal reserve | Special reserve | Unappropriated retained earnings | Financial statements translation differences of foreign operations | Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income | Unrealized gain or loss on available-for-sale financial assets | Treasury stocks | Total       | Non-controlling interest | Total equity |               |
| <b>Year 2018</b> |                                                                   |                                             |               |                 |                                  |                                                                    |                                                                                                           |                                                                |                 |             |                          |              |               |
|                  | Balance at January 1, 2018                                        | \$ 2,953,984                                | \$ 2,569,764  | \$ 1,261,253    | \$ 300,000                       | \$ 4,691,498                                                       | (\$ 563,161)                                                                                              | \$ -                                                           | (\$ 145,651)    | (\$ 83,953) | \$ 10,983,734            | \$ 42,234    | \$ 11,025,968 |
|                  | Effects of retrospective application                              | -                                           | -             | -               | -                                | ( 2,555)                                                           | -                                                                                                         | ( 145,651)                                                     | 145,651         | -           | ( 2,555)                 | -            | ( 2,555)      |
|                  | Balance at January 1, 2018 after adjustments                      | 2,953,984                                   | 2,569,764     | 1,261,253       | 300,000                          | 4,688,943                                                          | ( 563,161)                                                                                                | ( 145,651)                                                     | -               | ( 83,953)   | 10,981,179               | 42,234       | 11,023,413    |
|                  | Profit (loss) for the year                                        | -                                           | -             | -               | -                                | 785,003                                                            | -                                                                                                         | -                                                              | -               | -           | 785,003                  | ( 29,328)    | 755,675       |
|                  | Other comprehensive income (loss) for the year                    | -                                           | -             | -               | -                                | 827                                                                | 310,083                                                                                                   | ( 129,178)                                                     | -               | -           | 181,732                  | 6,796        | 188,528       |
|                  | Total comprehensive income (loss) for the year                    | -                                           | -             | -               | -                                | 785,830                                                            | 310,083                                                                                                   | ( 129,178)                                                     | -               | -           | 966,735                  | ( 22,532)    | 944,203       |
|                  | Appropriation and distribution of 2017 retained earnings:         | 6(16)                                       |               |                 |                                  |                                                                    |                                                                                                           |                                                                |                 |             |                          |              |               |
|                  | Legal reserve                                                     | -                                           | -             | 77,091          | -                                | ( 77,091)                                                          | -                                                                                                         | -                                                              | -               | -           | -                        | -            | -             |
|                  | Special reserve                                                   | -                                           | -             | -               | 708,812                          | ( 708,812)                                                         | -                                                                                                         | -                                                              | -               | -           | -                        | -            | -             |
|                  | Cash dividends                                                    | -                                           | -             | -               | -                                | ( 380,118)                                                         | -                                                                                                         | -                                                              | -               | ( 380,118)  | -                        | -            | ( 380,118)    |
|                  | Unclaimed dividends past due                                      | 6(15)                                       | 51            | -               | -                                | -                                                                  | -                                                                                                         | -                                                              | -               | 51          | -                        | -            | 51            |
|                  | Changes in equity of associates accounted for under equity method | 6(15)                                       | 13,294        | -               | -                                | -                                                                  | -                                                                                                         | -                                                              | -               | 13,294      | -                        | -            | 13,294        |
|                  | Retirement of treasury shares                                     | ( 30,000)                                   | ( 53,953)     | -               | -                                | -                                                                  | -                                                                                                         | -                                                              | -               | 83,953      | -                        | -            | -             |
|                  | Balance at December 31, 2018                                      | \$ 2,923,984                                | \$ 2,529,156  | \$ 1,338,344    | \$ 1,008,812                     | \$ 4,308,752                                                       | (\$ 253,078)                                                                                              | (\$ 274,829)                                                   | \$ -            | \$ -        | \$ 11,581,141            | \$ 19,702    | \$ 11,600,843 |
| <b>Year 2019</b> |                                                                   |                                             |               |                 |                                  |                                                                    |                                                                                                           |                                                                |                 |             |                          |              |               |
|                  | Balance at January 1, 2019                                        | \$ 2,923,984                                | \$ 2,529,156  | \$ 1,338,344    | \$ 1,008,812                     | \$ 4,308,752                                                       | (\$ 253,078)                                                                                              | (\$ 274,829)                                                   | \$ -            | \$ -        | \$ 11,581,141            | \$ 19,702    | \$ 11,600,843 |
|                  | Profit (loss) for the year                                        | -                                           | -             | -               | -                                | 2,035,222                                                          | -                                                                                                         | -                                                              | -               | -           | 2,035,222                | ( 5,644)     | 2,029,578     |
|                  | Other comprehensive income loss for the year                      | -                                           | -             | -               | -                                | ( 3,054)                                                           | ( 359,509)                                                                                                | ( 127,638)                                                     | -               | -           | ( 490,201)               | ( 3,535)     | ( 493,736)    |
|                  | Total comprehensive income (loss) for the year                    | -                                           | -             | -               | -                                | 2,032,168                                                          | ( 359,509)                                                                                                | ( 127,638)                                                     | -               | -           | 1,545,021                | ( 9,179)     | 1,535,842     |
|                  | Appropriation and distribution of 2018 retained earnings:         | 6(16)                                       |               |                 |                                  |                                                                    |                                                                                                           |                                                                |                 |             |                          |              |               |
|                  | Legal reserve                                                     | -                                           | -             | 78,500          | -                                | ( 78,500)                                                          | -                                                                                                         | -                                                              | -               | -           | -                        | -            | -             |
|                  | Special reserve                                                   | -                                           | -             | -               | ( 180,905)                       | 180,905                                                            | -                                                                                                         | -                                                              | -               | -           | -                        | -            | -             |
|                  | Cash dividends                                                    | -                                           | -             | -               | -                                | ( 380,118)                                                         | -                                                                                                         | -                                                              | -               | ( 380,118)  | -                        | -            | ( 380,118)    |
|                  | Disposal of associates accounted for using equity method          | 6(15)                                       | ( 14,219)     | -               | -                                | -                                                                  | -                                                                                                         | -                                                              | -               | ( 14,219)   | -                        | -            | ( 14,219)     |
|                  | Unclaimed dividends past due                                      | 6(15)                                       | 64            | -               | -                                | -                                                                  | -                                                                                                         | -                                                              | -               | 64          | -                        | -            | 64            |
|                  | Balance at December 31, 2019                                      | \$ 2,923,984                                | \$ 2,515,001  | \$ 1,416,844    | \$ 827,907                       | \$ 6,063,207                                                       | (\$ 612,587)                                                                                              | (\$ 402,467)                                                   | \$ -            | \$ -        | \$ 12,731,889            | \$ 10,523    | \$ 12,742,412 |

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

TAIWAN SURFACE MOUNTING TECHNOLOGY CORP. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2019 AND 2018  
(Expressed in thousands of New Taiwan dollars)

|                                                                                  | Notes           | Year ended December 31 |                |
|----------------------------------------------------------------------------------|-----------------|------------------------|----------------|
|                                                                                  |                 | 2019                   | 2018           |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                      |                 |                        |                |
| Profit before tax                                                                |                 | \$ 2,725,645           | \$ 1,265,880   |
| Adjustments                                                                      |                 |                        |                |
| Adjustments to reconcile profit (loss)                                           |                 |                        |                |
| Loss on valuation of financial liabilities at fair value through profit or loss  | 6(2)            | 254                    | 896            |
| Expected credit loss (gain)                                                      | 6(21) and 12(2) | 123,613                | ( 42,496 )     |
| Depreciation expense (including right-of-use assets)                             | 6(8)(10)(21)    | 790,519                | 672,681        |
| Amortisation on long-term lease prepayments                                      | 6(9)            | -                      | 6,522          |
| Interest income                                                                  | 6(18)           | ( 82,911 )             | ( 66,201 )     |
| Interest expense                                                                 | 6(20)           | 79,220                 | 44,580         |
| Disposal of associates accounted for using equity method                         | 6(19)           | ( 185,924 )            | -              |
| Losses on disposals of property, plant and equipment                             | 6(19)           | 74,593                 | 32,273         |
| Share of loss of associates and joint ventures accounted for using equity method |                 | 56,530                 | 86,592         |
| Impairment loss on non-financial assets                                          | 6(8)(19)        | 40,500                 | 28,607         |
| Unrealized foreign exchange gain                                                 |                 | 12,414                 | 99             |
| Changes in operating assets and liabilities                                      |                 |                        |                |
| Changes in operating assets                                                      |                 |                        |                |
| Notes receivable, net                                                            |                 | 22,911                 | ( 778 )        |
| Accounts receivable, net                                                         |                 | ( 348,313 )            | ( 3,115,315 )  |
| Accounts receivable - related parties                                            |                 | 34                     | 4              |
| Other receivables                                                                |                 | 44,168                 | ( 245,678 )    |
| Inventories                                                                      |                 | ( 171,629 )            | ( 761,241 )    |
| Prepayments                                                                      |                 | 89,481                 | ( 251,388 )    |
| Other current assets, others                                                     |                 | ( 3 )                  | ( 247 )        |
| Changes in operating liabilities                                                 |                 |                        |                |
| Notes payable                                                                    |                 | ( 89 )                 | ( 1,715 )      |
| Accounts payable                                                                 |                 | 2,161,921              | 2,721,448      |
| Accounts payable - related parties                                               |                 | ( 15,980 )             | 10,321         |
| Other payables                                                                   |                 | 54,552                 | 136,334        |
| Other current liabilities                                                        |                 | ( 1,867 )              | 824            |
| Cash inflow generated from operations                                            |                 | 5,469,639              | 522,002        |
| Interest received                                                                |                 | 71,610                 | 70,865         |
| Income taxes paid                                                                |                 | ( 602,696 )            | ( 311,467 )    |
| Interest paid                                                                    |                 | ( 80,254 )             | ( 43,660 )     |
| Net cash flows from operating activities                                         |                 | <u>4,858,299</u>       | <u>237,740</u> |

(Continued)

**TAIWAN SURFACE MOUNTING TECHNOLOGY CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**  
(Expressed in thousands of New Taiwan dollars)

|                                                                                           | Notes | Year ended December 31 |                     |
|-------------------------------------------------------------------------------------------|-------|------------------------|---------------------|
|                                                                                           |       | 2019                   | 2018                |
| <b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>                                        |       |                        |                     |
| Increase (decrease) in valuation of financial assets at fair value through profit or loss |       | (\$ 318,989 )          | \$ 398,689          |
| Acquisition of investments accounted for using equity method                              |       | -                      | ( 3,000 )           |
| Acquisition of financial assets at fair value through other comprehensive income          |       | ( 6,446 )              | -                   |
| Acquisition of financial assets at amortised cost                                         |       | ( 1,296,672 )          | -                   |
| Acquisition of property, plant and equipment                                              | 6(25) | ( 1,119,179 )          | ( 1,425,769 )       |
| Proceeds from disposal of property, plant and equipment                                   | 6(8)  | 51,210                 | 81,985              |
| Increase in refundable deposits                                                           |       | ( 633 )                | ( 2,641 )           |
| Increase in other non-current assets                                                      |       | ( 393,106 )            | ( 376,980 )         |
| Net cash flows used in investing activities                                               |       | ( 3,083,815 )          | ( 1,327,716 )       |
| <b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>                                        |       |                        |                     |
| Increase in short-term borrowings                                                         |       | 4,279,167              | 4,936,437           |
| Repayments of short-term borrowings                                                       |       | ( 4,983,576 )          | ( 5,320,000 )       |
| Cash dividends paid                                                                       | 6(14) | ( 380,118 )            | ( 380,118 )         |
| Proceeds from long-term borrowings                                                        |       | 1,685,460              | 500,000             |
| Repayments of long-term debt                                                              |       | ( 945,438 )            | ( 500,000 )         |
| Increase in other non-current liabilities                                                 |       | 1,818                  | 1,418               |
| Unclaimed dividends past due                                                              | 6(15) | 64                     | 51                  |
| Repayments of principal portion of lease liabilities                                      |       | ( 10,339 )             | -                   |
| Net cash flows used in financing activities                                               |       | ( 352,962 )            | ( 762,212 )         |
| Effect of exchange rate changes on cash and cash equivalents                              |       | ( 218,122 )            | 483,327             |
| Net increase (decrease) in cash and cash equivalents                                      |       | 1,203,400              | ( 1,368,861 )       |
| Cash and cash equivalents at beginning of year                                            | 6(1)  | 4,990,461              | 6,359,322           |
| Cash and cash equivalents at end of year                                                  | 6(1)  | <u>\$ 6,193,861</u>    | <u>\$ 4,990,461</u> |

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

## Attachment 5

### Taiwan Surface Mounting Technology Corp.

#### 2019 Earnings Distribution

Unit: NT\$

| Item                                                                                   | Sub-total     | Total            |
|----------------------------------------------------------------------------------------|---------------|------------------|
| Retained earnings available for distribution for distribution at the beginning of 2019 |               | \$ 4,031,039,535 |
| Less: 2019 actuarial gains and losses of defined benefit plans                         | (3,053,221)   |                  |
| Retained earnings available for distribution after adjustment                          |               | 4,027,986,314    |
| Plus: Net after tax profit in 2019                                                     | 2,035,222,180 |                  |
| Less: 10% legal capital reserve                                                        | (203,216,896) |                  |
| Less: Amount appropriated as special reserve                                           | (487,147,915) | 1,344,857,369    |
| Accumulated distributable earnings                                                     |               | \$ 5,372,843,683 |
| Allocation items:                                                                      |               |                  |
| Cash dividends of common stock (NT\$2.8 per share)                                     | (818,715,389) | (818,715,389)    |
| Undistributed earnings at the end of the period                                        |               | \$ 4,554,128,294 |

Note 1: For this case, the yield had been calculated in accordance with the current outstanding shares of 292,398,353 shares.

Note 2: If the number of outstanding shares has changed and caused an impact on the dividend yield, it is proposed that the shareholders' meeting should authorize the Chairman of the Board to draft the total amount of earnings subject to distribution based on the number of common shares of the latest shareholders' meeting resolution, and adjust the yield base on the actual number of outstanding shares on the record date.

Note 3: The calculation was rounded down to the closest dollar and the sum of changes was included in other revenue of the Company.

# Appendix 1

## **Taiwan Surface Mounting Technology Corp.**

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

(Amendment passed by the annual shareholders' meeting on Jun. 9, 2006)

- I. Unless otherwise specified by law or the Articles of Incorporation, the Company shall proceed its shareholders' meetings according to the terms of the Rules.
- II. The shareholders' meeting shall furnish the attending shareholders with an attendance log to sign, or attending shareholders may hand in a sign-in cards in lieu of signing in. The number of shares represented during the meeting is calculated based on the total amount registered in the attendance log or the sign-in cards collected, where voting rights are exercised in writing or through electronic means, those numbers shall be added.
- III. Votes and attendance in a shareholders' meeting are determined by the number of shares represented during the meeting.
- IV. The location of shareholders' meetings shall be the Company's current location or such other place that is convenient for shareholders to attend. The meetings shall not commence earlier than 9 a.m. or later than 3 p.m.
- V. If a shareholders' meeting is convened by the Board of Directors, the meeting shall be chaired by the Chairman of the Board. When the Chairman of the Board is on leave or for any reason unable to exercise the powers of the Chairman, the Vice Chairman shall act in place of the Chairman; if there is no Vice Chairman or the Vice Chairman also is on leave or for any reason unable to exercise the powers of the Vice Chairman, the Chairman shall appoint one of the Managing Directors to act as the chair, or, if there are no Managing Directors, one of the Directors shall be appointed to act as the chair. Where the Chairman does not make such a designation, the Managing Directors or the Directors shall select from among themselves one person to serve as the chair.  
For shareholders' meetings convened by any authorized party other than the Board of Directors, the convener will act as the meeting chair.
- VI. The Company's lawyers, certified public accountants, and any relevant personnel may be present at the shareholders' meeting.  
Organizers of the shareholders' meeting must wear proper identification or arm badges.
- VII. Entire proceedings of shareholders' meeting shall be recorded on audio or video tape and preserved for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

- VIII. The chair shall announce the commencement of the meeting as soon as the appointed time arrives. However, if those in attendance represent less than half of the Company's current outstanding shares, the chair may announce to postpone the meeting up to two times, for a period totaling no more than 1 hour. If the quorum is not met after two postponements, but the attending shareholders represent one third or more of the total number of current outstanding shares, a tentative resolution may be adopted pursuant to Paragraph 1, Article 175 of the Company Act.
- When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of current outstanding shares, the chair may resubmit the tentative resolution for a vote by the shareholders' meeting pursuant to Article 174 of the Company Act.
- IX. If the shareholders' meeting is convened by the board of directors, the board of directors shall determine the meeting proceedings. The proceedings shall not be changed unless resolved during the shareholders' meeting.
- The provisions of the preceding paragraph apply *mutatis mutandis* to a shareholders' meeting convened by a party with the power to convene that is not the Board of Directors. The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders' meeting.
- After a meeting adjourned, shareholders may not elect another chair to continue the proceeding of the meeting at the same or a new place, provided that, if the chair declares the adjournment of the meeting in a manner in violation of the rules of procedure, a new chair may be elected by a resolution to be adopted by a majority of the voting rights represented by the shareholders attending the said meeting to continue the proceeding of the meeting.
- X. Shareholders who wish to speak during the meeting must produce a speech note detailing the topics and the shareholder's account number (or the attendance card serial number). The order of shareholders' comments shall be determined by the chair.
- A shareholder who has submitted an opinion slip but does not actually speak shall be deemed to have not spoken. If the contents of speech are inconsistent with the contents of opinion slip, the contents of speech shall prevail.
- When a shareholder attends the shareholders' meeting, 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.
- XI. Each shareholder shall speak no more than twice, for five minutes each, on the same agenda item unless otherwise agreed by the chair.
- The chair may stop shareholders from speaking if they violate the rules or speak outside the agenda item under discussion.
- XII. When a juristic person is appointed to attend the shareholders' meeting, it may designate

only one person to attend on its behalf.

Where a corporate shareholder has appointed two or more representatives to attend the shareholders' meeting, only one representative may speak per agenda item.

- XIII. After the shareholder has finished speaking, the chair may answer to the shareholder's queries personally or appoint any relevant personnel to do so.
- XIV. When the chair at a Board meeting is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed and call a vote.
- XV. The chair will appoint a ballot scrutineer and a ballot counter; the ballot scrutineer must be a shareholder. The outcome of the vote shall be documented and announced on site.
- XVI. The chair may put the meeting in recess at appropriate times.  
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.  
If the meeting venue is no longer available for continued use and not all of the items (including special motions) on the meeting agenda have been addressed, the shareholders' meeting may adopt a resolution to resume the meeting at another venue.  
A resolution may be adopted at a shareholders' meeting to defer or resume the meeting within 5 days in accordance with Article 182 of the Company Act.
- XVII. A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Article 179 of the Company Act. When the Company holds a shareholders' meeting, it may allow the shareholders to exercise voting rights by correspondence or electronic means. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders' meeting notice.  
Matters regarding the shareholders attending the shareholders' meeting by proxy obtained through solicitation and non-solicitation means shall be governed by the Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies propagated by the securities competent authority.  
Unless otherwise regulated by the Company Act or the Articles of Incorporation, an agenda item is passed when supported by shareholders who represent more than half of the total voting rights in the meeting.  
An agenda is considered passed if the chair receives no objections from any attendants. This voting method is as effective as does the conventional ballot method.
- XVIII. When there are any amendments or alternative solutions for the same proposal, the chair shall combine these amendments/alternative solutions with the original proposal and decide their priority for voting. If any resolution is passed, all other proposals shall be deemed rejected and no further voting is necessary.



- XIX. The Chairman may instruct pickets (or security staff) to help maintain order in the meeting. The pickets (or security personnel) shall wear armbands with the word "picket" when trying to maintain order.
- XX. The Rules and any amendments hereto shall be implemented after adoption by shareholders' meetings.

## Appendix 2

### Taiwan Surface Mounting Technology Corp. Articles of Incorporation

#### Chapter I. General Provisions

- Article 1. The Company is organized in accordance with the Company Act and named as Taiwan Surface Mounting Technology Corp.
- Article 2. The Company's business is as follows:
- I. CC01030 Electric Appliance and Audiovisual Electric Products Manufacturing
  - II. CC01040 Lighting Facilities Manufacturing
  - III. CC01060 Wired Communication Equipment and Apparatus Manufacturing
  - IV. CC01070 Telecommunication Equipment and Apparatus Manufacturing
  - V. CC01080 Electronic Parts and Components Manufacturing
  - VI. CC01101 Restrained Telecom Radio Frequency Equipment and Materials Manufacturing
  - VII. CC01110 Computers and Computing Peripheral Equipment Manufacturing
  - VIII. F401010 International Trade
  - IX. IG03010 Energy Technical Services
  - X. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.
- Article 3. The Company set up its headquarters in Taoyuan County. When necessary, it may set up branch offices domestically or abroad with a resolution by the board of directors.
- Article 4. The Company shall be exempt from the restrictions on total investment amount specified in Article 13 of the Company Act. The Company may provide endorsements and guarantees to outside parties as needed to facilitate its business activities.

#### Chapter II. Shares

- Article 5. The Company's capital shall be set at NT\$5 billion, divided into 500 million shares with each share having a par value of NT\$10.
- The unissued shares may be issued in installments at the discretion of the Board of Directors. Among which, the amount of NT\$200 million, 20 million shares in total, may be used to issue share subscription warrant, special shares subscribable under outstanding ancillary special share subscription warrants or shares subscribable under outstanding corporate bonds vested with share subscription rights.
- If the issued subscription price of the Company is lower than the subscription warrant of employees of the closing price of common stock of Japanese companies, they can only be issued after obtaining the consent from more than two thirds of voting power of attending shares at shareholders' meeting to be attended by more than half shareholders representing the total number of issued shares.
- The shares legally bought back by the Company may be transferred to the employees at a price lower than the average price paid for the shares by resolution of the most recent shareholders' meeting prior to the fact. The resolution for such transfer shall be adopted with the concurrence of over two-thirds of votes exercised by the shareholders present

at the shareholders' meeting who represent a majority of the issued shares of the Company.

Where the Company plans to withdraw its stocks from public offering, the Company shall submit such proposal to the shareholders' meeting for resolution. This provision shall not be altered during the listing period.

Article 6. (Deleted)

Article 7. The Company's stock is issued using registered method and is signed and sealed by three or more directors and numbered. It is issued after being legally signed and verified. When issuing the shares, the Company may opt not to print any share certificates, or to print the separately-issued shares on a combined basis. The shares shall however be kept or registered in accordance with the law.

Article 7-1. The Company shall administer all the stock-related affairs in accordance with the relevant regulations.

Article 8. Share transfer shall be suspended within 60 days before the convening of an annual shareholders' meeting and within 30 days prior to the convening of an extraordinary shareholders' meeting, or within 5 days before the base date of the Company's decision to distribute dividends and bonuses or other benefits.

### **Chapter III. Shareholders' Meeting**

Article 9. The shareholders' meetings of the Company are classified into two types. The annual shareholders' meeting shall be annually convened by the Board within 6 months from the end of each fiscal year in accordance with the relevant laws and regulations.

The extraordinary shareholders' meeting shall be convened in accordance with the relevant laws and regulations, whenever is necessary.

Article 10. If a shareholder is unable to attend the shareholders' meeting in person, a proxy can be appointed to attend on his/her behalf by submitting a proxy form in accordance Article 177 of the Company Act.

Article 11. Except where the voting right of the shareholder is restricted or in the circumstances set forth in provisions of Article 179 under the Company Act, a shareholder shall have one voting power in respect of each share in his/her possession.

Article 12. Except otherwise regulated by the Company Act, a shareholders' meeting resolution is passed when more than 50% of all outstanding shares are represented in the meeting, and voted in favor by more than 50% of all voting rights represented at the meeting. In accordance with regulations of the competent authorities, shareholders of this company may exercise their voting rights by way of electronic transmission, exercising such rights by way of electronic transmission shall be deemed to have attended the said shareholders' meeting. Other relevant matters shall be handled in accordance with the laws and regulations.

### **Chapter IV. Directors and Audit Committee**

Article 13. The Company shall have 7 to 11 Directors, who are elected during shareholders' meetings from persons of adequate capacity to serve a term of 3 years. Their terms of service may be renewed if they are re-elected in the following election. The election adopts a candidate nomination system in accordance with the Company Act.

As stipulated in Article 14-2 of the Securities and Exchange Act, there shall be no less than 3 Independent Directors in the aforementioned quota of Directors, and the number of Independent Directors shall not be less than one-fifth of the total Directors. Regulations governing the professional qualifications, restrictions on shareholdings and concurrent positions held, assessment of independence, method of nomination, attendance by proxy and other matters for compliance with respect to Independent Directors shall follow prescriptions of the securities competent authority.

Total registered shares held by the Company's entire Board of Directors shall be in compliance with the regulations propagated by the securities competent authority.

The Company has established an Audit Committee comprising of Independent Directors. The audit committee and the members of the Audit Committee are responsible for executing the authority of the Supervisors according to the Company Act, Securities and Exchange Act and other relevant regulations.

Article 13-1 The Company may purchase liability insurance for the Directors within their terms of office.

Article 14. The Board of Directors is composed of Directors. The directors shall elect a chairman from among themselves in the Board meeting with the consent of the majority of attending Directors, which represents more than two-thirds of all Directors. The Chairman shall have the authority to represent the Company.

The reasons for convening a Board meeting shall be notified to each Director at least 7 days in advance. However, in the event of an emergency, the meeting may be convened at any time.

The Board meetings may be convened in the form of letters, e-mail or fax.

Article 15. If the Chairman of the Board is unable to perform his/her duties due to leave of absence or any reason, a delegate shall be appointed in accordance with Article 208 of the Company Act.

If a Director is unable to attend a Board meeting in person, another Director may be appointed to act on behalf of the absent Director in attending the meeting. The Directors' proxies in attending the Board meeting shall be governed by Article 205 of the Company Act.

Article 16. When the Directors of the Company perform their duties, regardless of the gains and loss of the Company, the Company shall pay remuneration, and the Board of Directors shall be authorized to determine the amount of remuneration with reference to the participation and contribution to the Company's operations and by reference to the standard of the industry domestic or abroad.

## **Chapter V. Managers**

Article 17. The Company shall have one President and several Vice Presidents. The appointment, discharge and remuneration shall be done in accordance with Article 29 of the Company Act.

The competence of managers to manage the Company's affairs and sign on behalf of the Company and the scope of such competence shall be determined by the Board of Directors.

## **Chapter VI. Accounting**

- Article 18. The fiscal year of the Company shall begin on January 1st of each year and end on December 31st of the same year. The Company's Board of Directors shall prepare (1) business report, (2) financial statements and (3) earning distribution or deficit compensation proposal after the end of each fiscal year and forward them to the annual shareholders' meeting for approval.
- Article 19. The Company's net income before tax before deducting the remuneration to employees and Directors should be used to make up for aggregated losses, no less than 5% of any remainder shall be allocated as the employees' remuneration and no more than 1% shall be allocated as the Directors' remuneration.  
Employees' remuneration and Directors' remuneration may be distributed in the form of cash or stocks, subject to a resolution adopted by a majority vote at a Board meeting attended by two-thirds of the total number of Directors and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.  
Those receiving employees' remuneration in stocks or cash include employees of subordinate companies meeting certain criteria.
- Article 19-1 The Company's surplus at the end of the accounting year shall be first subject to taxation and reimbursement of previous losses, followed by a 10% provision for legal capital reserve and special capital reserve by law or reversal. The remainder plus previous retained earnings shall be allocated by the Board's proposal and subject to approval at the shareholders' meeting.
- Article 20. For the Company's dividend policy, the Company adopts the residual dividend policy, the board of directors will draft earnings distribution proposals based in the profitability and the capital status for the current year, taking the Company's future operational planning, business development, capital expenditure budget and capital requirements into consideration and subject to the resolution of the shareholders' meeting. The dividend may be distributed in the form of cash dividend or stock dividend; however, the ratio of cash dividend shall be no less than 20% of the total dividend distributed.

## **Chapter VII. Supplementary Provisions**

- Article 21. Any other issues not covered in the Articles of Incorporation shall be governed by the Company Act.
- Article 22. The Articles of Incorporation were established on March 10, 1990.  
The 1st amendment was made on August 23, 1990.  
The 2nd amendment was made on September 17, 1991.  
The 3rd amendment was made on October 8, 1991.  
The 4th amendment was made on August 1, 1994.  
The 5th amendment was made on March 1, 1995.  
The 6th amendment was made on May 7, 1997.  
The 7th amendment was made on August 11, 1997.  
The 8th amendment was made on September 30, 1997.  
The 9th amendment was made on March 15, 1998.  
The 10th amendment was made on June 17, 1998.  
The 11th amendment was made on July 17, 1998.  
The 12th amendment was made on June 10, 1999.  
The 13th amendment was made on June 15, 2000.

The 14th amendment was made on June 15, 2001.  
The 15th amendment was made on June 24, 2002.  
The 16th amendment was made on April 4, 2003.  
The 17th amendment was made on April 30, 2004.  
The 18th amendment was made on June 14, 2005.  
The 19th amendment was made on June 9, 2006.  
The 20th amendment was made on May 15, 2007.  
The 21st amendment was made on June 13, 2008.  
The 22nd amendment was made on June 19, 2009.  
The 23rd amendment was made on May 14, 2010.  
The 24th amendment was made on Jun. 17, 2011.  
The 25th amendment was made on Jun. 18, 2014.  
The 26th amendment was made on Jun. 15, 2015.  
The 27th amendment was made on Jun. 15, 2016.  
The 28th amendment was made on Jun. 22, 2018. The amendment altering the number of Directors to 7 to 11 Directors shall apply after the approval of the 2018 annual shareholders' meeting, and the rest of the amendments shall apply upon the termination of the terms of office for the current Directors and Supervisors in June 2019.

## Appendix 3

### Shareholding of Directors

Base date: Apr. 21, 2020

| Title                 | Name              | Elected Date | Shareholding when elected |                  |                        | Current shareholding |                  |                        | Note |
|-----------------------|-------------------|--------------|---------------------------|------------------|------------------------|----------------------|------------------|------------------------|------|
|                       |                   |              | Type                      | Number of shares | Shareholding ratio (%) | Type                 | Number of shares | Shareholding ratio (%) |      |
| Chairman of the board | Wu, Kai-Yun       | 2019.06.13   | Ordinary shares           | 11,931,653       | 4.08%                  | Ordinary shares      | 11,931,653       | 4.08%                  |      |
| Director              | Lin, Wen-Ching    | 2019.06.13   | Ordinary shares           | 5,905,789        | 2.02%                  | Ordinary shares      | 5,914,789        | 2.02%                  |      |
| Director              | Wang, Chia-Chen   | 2019.06.13   | Ordinary shares           | 615,030          | 0.21%                  | Ordinary shares      | 615,030          | 0.21%                  |      |
| Director              | Shen, Shian-Ho    | 2019.06.13   | Ordinary shares           | 0                | 0.00%                  | Ordinary shares      | 0                | 0.00%                  |      |
| Director              | Wu, Yun-Chung     | 2019.06.13   | Ordinary shares           | 4,000,470        | 1.37%                  | Ordinary shares      | 4,000,470        | 1.37%                  |      |
| Director              | Lin, Wen-Chang    | 2019.06.13   | Ordinary shares           | 2,500,883        | 0.86%                  | Ordinary shares      | 2,500,883        | 0.86%                  |      |
| Director              | Hsiao, Hsueh-Fong | 2019.06.13   | Ordinary shares           | 0                | 0.00%                  | Ordinary shares      | 0                | 0.00%                  |      |
| Independent Director  | Hwu, Shoou-Chyang | 2019.06.13   | Ordinary shares           | 338,888          | 0.12%                  | Ordinary shares      | 338,888          | 0.12%                  |      |
| Independent Director  | Chang, May-Yuan   | 2019.06.13   | Ordinary shares           | 0                | 0.00%                  | Ordinary shares      | 0                | 0.00%                  |      |
| Independent Director  | Chen, Meng-Ping   | 2019.06.13   | Ordinary shares           | 0                | 0.00%                  | Ordinary shares      | 0                | 0.00%                  |      |
| Total                 |                   |              | Ordinary shares           | 25,292,713       |                        | Ordinary shares      | 25,301,713       |                        |      |

Total number of shares issued on Jun. 13, 2019: 292,398,353 shares

Total number of shares issued on Apr. 21, 2020: 292,398,353 shares

Note: The statutory requirement for the aggregated shareholding of all Directors is: 12,000,000 shares; the aggregated shareholding of all Directors as of Apr. 21, 2020 is 24,962,825 shares.

Note: The Company had established an Audit Committee, so the statutory requirement for the aggregated shareholding of all Supervisors does not apply.

◎The shareholding of Independent Directors are not calculated in the shareholding of Directors.