

Stock Code: 6278

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# ANNUAL REPORT 2020

Published on April 28, 2021

## **I. Spokesperson and Deputy Spokesperson**

### **Spokesperson**

Name: Wang, Chia-Chen

Title: Vice President

Telephone: 886-3-2189988

E-mail: jane-wang@tsmt.com

### **Deputy Spokesperson**

Name: Lin, Hung-Sen

Title: Vice President

Telephone: 886-3-2189988

E-mail: dysanlin@tsmt.com

## **II. Addresses and Telephone Numbers of Headquarters, Branches and Plants**

Headquarter: No.437, Taoying Rd., Taoyuan Dist., Taoyuan City 330, Taiwan (R.O.C.)

Telephone: 886-3-2189988

Branch: None

Taoying Plant: No.437, Taoying Rd., Taoyuan Dist., Taoyuan City 330, Taiwan (R.O.C.)

Telephone: 886-3-2189988

Xinghua Plant: No.7, Xinghua Rd., Taoyuan Dist., Taoyuan City 330, Taiwan (R.O.C.)

Telephone: 886-3-2189988

## **III. Stock Transfer Agent**

Name: CTBC Bank Transfer Agency

Address: 5F, No. 83, Sec. 1, Chongqing S. Rd., Zhongzheng Dist., Taipei City, Taiwan (R.O.C.)

Telephone: 886-2-66365566

Website: <https://www.ctbcbank.com>

## **IV. CPAs Auditing and Certifying the Financial Statements of the Most Recent Year**

CPAs: Chiu, Chao-Hsien and Lee, Hsiu-Ling

Name of Accounting Firm: PricewaterhouseCoopers Taiwan

Address: 27F., No.333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City, Taiwan (R.O.C.)

Telephone: 886-2-27296666

Website: <http://www.pwc.com/tw>

## **V. Information Regarding Overseas Listed or Exchanged Securities**

None.

## **VI. Company Website**

<http://www.tsmt.com.tw>

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# Chapter 1. Letter to Shareholders

## I. 2020 Business Results

(I) The Company's consolidated operating income in 2020 was NT\$41,405,758 thousand, an increase of 9.23% compared with the consolidated operating income of NT\$37,906,373 thousand in 2019, and its after-tax consolidated net profit in 2020 was NT\$2,193,738 thousand, an increase of 7.8% compared with the after-tax consolidated net profit of NT\$2,035,222 thousand in 2019; and its basic EPS in 2020 was NT\$7.50.

### (II) 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 2021 Business Plans

### (I) Business policies

1. Promoting various automated and intelligent manufacturing processes, improving production efficiency and technical capabilities, and implementing various systematic and target management.
2. Improving efficiency and reducing costs to improve 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. Paying close attention to the development trend of electronics industry, making early arrangement and starting business appropriately to drive the development of business.
5. Upholding the spirit of integrity, speed and attitude, and providing customers with more complete services in terms of delivery and quality.

### (II) Important production and sales strategies

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 and advanced process technologies to reduce the operational risks which may arise from the long life cycle and upgrading of consumer electronics.
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. Impacts of External Competition, Regulations, and Overall Business Environment on the Company's Future Development Strategies

In the future, the Company will continue to improve the flexibility and efficiency of its operating methods to provide customers with more complete services. In addition, the Company will continue to invest in the development of emerging markets and the cooperation with foreign companies actively, and develop overseas markets, by virtue of its stable financial system, diversified products and dispersed products, customers and production bases, against the changes in the overall industrial and international environment, to improve its operating and developing strength in the future.

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.

Chairman: Wu, Kai-Yun

## Chapter 2. Company Profile

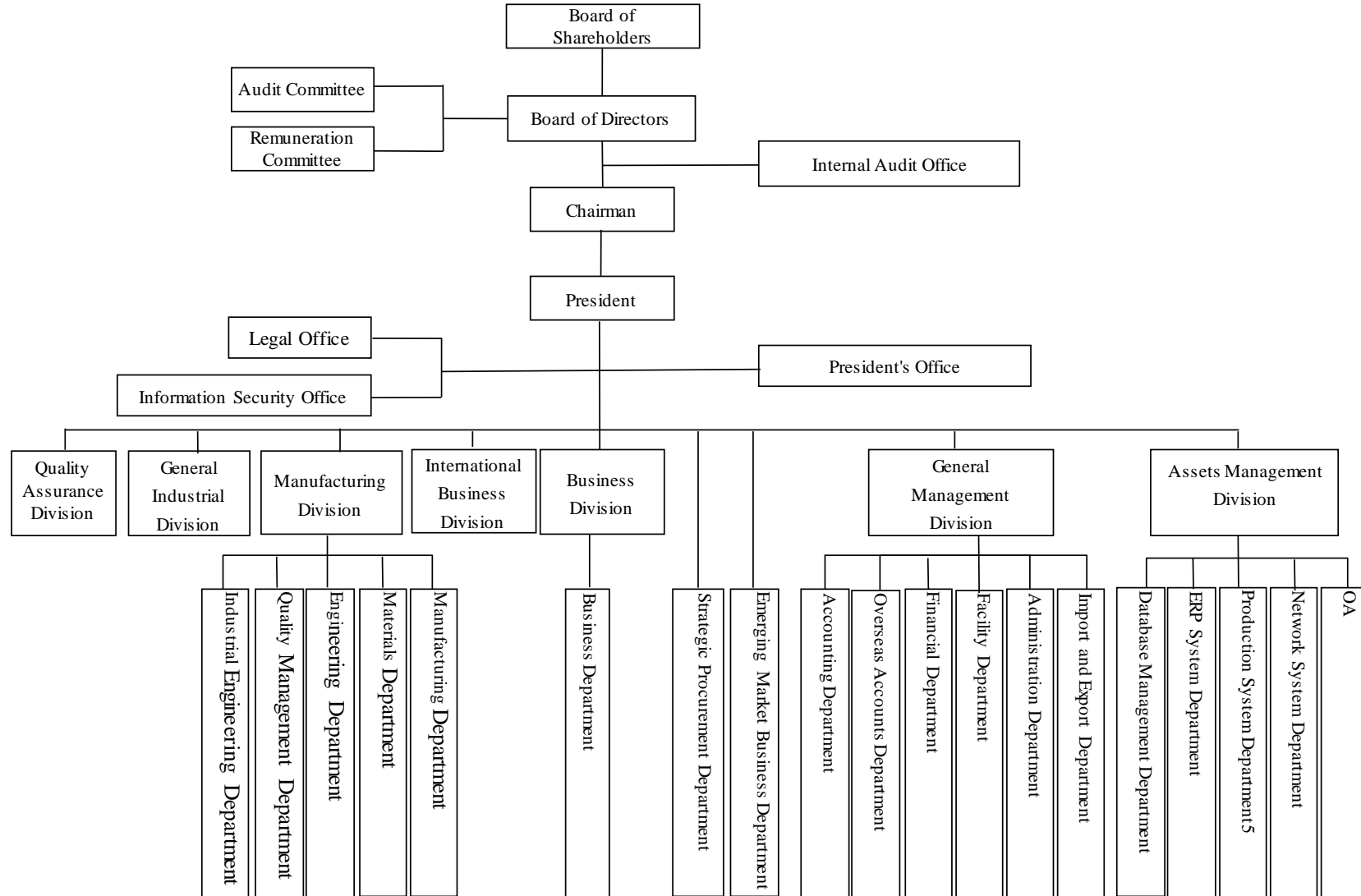
I. Date of Incorporation: March 24, 1990.

II. Company History

1990	March: The Company was formally established for computer mother board processing with a capital of NT\$12,000,000.
1997	The Company was moved to No. 7 Hsinhua Road, Guishan Industrial Park, Taoyuan City.
1997	May: The TSMC Dongguan Plant was formally established.
1998	December: The Company issued TSMC shares to the public.
1999	August: The Company's subsidiary, Regent Electron (Suzhou) Co., Ltd., was established.
2002	June: The Company's subsidiary, Taiwan Surface Mounting Technology (Suzhou) Co., Ltd., was established.
2002	December: The Company registered as a TPEX emerging company.
2004	January: The Company's subsidiary, Taiwan Surface Mounting Technology (Nanjing) Co., Ltd., was established, and then merged with Regent Electron (Suzhou) Co., Ltd. in July 2009, with the latter as the surviving entity.
2004	March 12th: The Company's shares were listed for trading in TPEX formally.
2006	February: The Company's subsidiary, Ningbo Taiwan Surface Mounting Technology Co., Ltd., was established, and then merged with Ningbo Yongfu Trade Co., Ltd. in February 2010, with the latter as the surviving entity.
2006	March: The Company's subsidiary, Regent Electron Co., Ltd. Of Ningbo Free Trade Zone was established, and then merged with Regent Electron (NINGBO) Co., Ltd. in December 2011, with the latter as the surviving entity.
2006	May: The Company's subsidiary, Regent Electron (XIAMEN) Co., Ltd., was established.
2006	June: The Company's subsidiary, Regent Electron (NINGBO) Co., Ltd., was established.
2007	July: The Company's subsidiary, Regent Manner International Holdings Limited, was listed in Hong Kong Stock Exchange, with its stock code of 1997.
2007	December: The Company's subsidiary, High-Toned Opto Technology Corp., was established.
2008	January: The Company's subsidiary, Regent Electron (CHENGDU) Co., Ltd., was established.
2009	June: The Company's subsidiary, High-Toned Opto Technology (Hong Kong) Limited, was established.
2009	September: The Company's subsidiary, Regent Electron (DONGGUAN) Co., Ltd., was established.
2009	September: The Company's subsidiary, High-Toned Opto Technology (Suzhou) Limited, was established.
2009	September: The Company's subsidiary, Ningbo Yongfu Trade Co., Ltd., was established.
2010	January: The Company's subsidiary, Regent Electron (HE FEI) Co., Ltd., was established.
2010	May: The Company's subsidiary, BaiHong Investment Co., Ltd., was established.
2010	July: The Company's subsidiary, Regent Electron (CHONG QING) Co., Ltd., was established.
2010	August: The Company's shares were listed for trading in Taiwan Stock Exchange formally.
2011	August: The Company's new plant was built, and the Company moved to No. 437, Taoying Road, Taoyuan City.
2011	August: The first plant of Taiwan Surface Mounting Technology (SUZHOU) Co., Ltd. was built and started operation.
2011	December: A new plant of Regent Electron (HE FEI) Co., Ltd. was built and started operation.
2013	September: A new plant of Regent Electron (CHONG QING) Co., Ltd. was built and started operation.
2014	August: The Company acquired 100% shares of Regent Manner International Holdings Limited which became de-listed in Hong Kong.
2014	September: The second plant of Taiwan Surface Mounting Technology (SUZHOU) Co., Ltd. was built and started operation.
2016	September: TSMC Technology (India) Pvt. Ltd. was established.
2017	December: A plant of TSMC India started operation.
2018	January: The Company's subsidiary, Regent Electron (XIANYANG) Co., Ltd., was established.
2019	January: The bonded factory of the Company's Taoying subsidiary was established.

# Chapter 3. Corporate Governance Report

- I. Organization
- (I) Organization chart



## (II) Duties of major departments

Department	Duties
President's Office	Planning and management of corporate strategies, evaluation on investment plans, analysis on corporate operations, draft and implementation of Board of Directors' resolutions.
Legal Office	Review on corporate contracts, and legal-related affairs.
Internal Audit Office	Audit on the continuous and effective operating of internal control system, evaluation on the soundness and effectiveness of internal control system, as well as the accuracy of corporate financial and accounting data.
Information Security Office	Planning and implementation of information security projects, information security risk management, handling, audit of information security incidents, and follow-up on vulnerabilities.
Accounting Department Overseas Accounts Department	Preparation of accounting, financial, taxation and other statements, and provision of management-related information.
Financial Department	Forecast and management of working capital, long-term financial planning, corporate funding, and notes management, etc.
General Management Division	Administration Department: Personnel recruitment, employee attendance tracking, labor relations maintenance, employee training, and development, etc. Facility Department: Planning and implementation of labor safety and health measures, gate access planning and management, and promotion of general affairs-related work. Import and Export Department: Import and export customs clearance and bonded factory-related matters.
Assets Management Division	ERP System Department: ERP system resources for the Group, customized development, maintenance, and technology transfer. OA System Department: Development and maintenance of electronic process forms and HR management system for the Group. Production System Department: Planning, management and development of applications (SFC) for production line (workshop) data. Network System Department: Planning and management of corporate networks, e-mail, and information security systems. Database Management Department: Integration, planning, and management of the Group's servers and databases.
International Business Division	Serving for overseas customers and promotion of businesses in international market.
Business Division	Confirmation and decision on acceptance of new orders, management of customer's orders, securing delivery and service for customer's projects.
Strategic Procurement Department	Purchase plan based on operation direction, development and improvement of procurement system, evaluation on vendors, management of purchasing costs and product delivery.
Manufacturing Division	Manufacturing Department: Production planning, orders schedule, design and implementation of reasonable and automated production, and promotion of 5S and TQM. Materials Department: Warehouse management, material supplies control, production assistance, and transportation services, etc. Engineering Department: Process engineering and testing engineering. Quality Management Department: IQC, IPQC, FQC(OQC), QA and quality management. Industrial Engineering Department: IE, automation of production, and other duties.
General Industrial Division	Design and implementation of reasonable and automated production.
Quality Assurance Division	Quality management.
Emerging Market Business Department	Development of business in emerging markets.



II. Information of Directors, President, Vice Presidents, Assistant Vice Presidents, and the Heads of Various Departments and Branches:

(I) Directors:

1. Information of directors (I)

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Title	Nationality	Name	Gender	Date Elected	Term	Date of First Elected	Shareholding When Elected		Current Shareholding		Current Shareholding of Spouse and Minor Children		Major Working (Education) Experience	Current Positions in the Company/Other Companies	Other Head, Director or Supervisor Who Is Spouse or Relative within Second-degree Kinship		
							Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Chairman	R.O.C.	Wu, Kai-Yun	Male	2019.06.13	3	1995.02.23	11,931,653	4.08%	11,931,653	4.08%	13,584,152	4.65%	President, Taiwan Surface Mounting Technology Corporation Master of Management, Fudan University, Shanghai Majored in Electrical Engineering from Cheng Shiu College of Technology R&D Engineer, Sampo Corporation Section Chief, MiTAC Computer Associate Manager, Efa Corp.	Chairman and President, TSMT Director and CEO, RMIH Director and President, Regent Manner Limited Director, TSMT (BVI), RM (BVI), TSMT (Singapore), TSMT, Regent Electron (Suzhou), TSMT (Suzhou), Regent Electron (Ningbo), Regent Electron (Xiamen), and HTOT (Hong Kong) Director (Legal Representative), HTOT and Telesystem Communications Pte. Ltd. Chairman (Legal Representative), Fitivision Technology Inc.	Director	Wu, Yun-Chung	Father and son
Director	R.O.C.	Lin, Wen-Ching	Male	2019.06.13	3	1995.02.23	5,905,789	2.02%	5,914,789	2.02%	613,701	0.21%	Mechanical Engineering Department of Taiwan Institute of Technology Engineer, Taiwan Philips R&D Manger, Efa Corp.	Chairman, Hung Ta Plastics, Co., Ltd.	Director	Lin, Wen-Chang	Brothers
Director	R.O.C.	Wang, Chia-Chen	Female	2019.06.13	3	2008.06.13	615,030	0.21%	567,030	0.19%	0	0	Bachelor of Accounting department, Soochow University Senior Auditor, PwC Taiwan	Director and Vice President, TSMT Director, TSMT (Singapore), TSMT (India), Regent (NINGBO), and Regent (XIAMEN) Supervisor, Regent (CHENGDU) Supervisor, High-Toned Opto Technology Corp. Supervisor (Legal Representative), Fitivision Technology Inc. Chairman, BaiHong Investment Co., Ltd. Chairman (Legal Representative), Tai Ming Green Power Co., Ltd.	None.	None.	None.
Director	R.O.C.	Shen, Shian-Ho	Male	2019.06.13	3	2008.06.13	0	0	0	0	0	0	Electronic Engineering Department of Chung Yuan Christian University Director and Vice President, AUO Vice Chairman, Telways Communications Co., Ltd. Manager and Foundry Director, UMC	President and Director, Chemtec Corporation Director, Anpec Electronics Corporation and C Sun Mfg. Ltd. Member of the Remuneration Committee, Ennostar Inc.	None.	None.	None.
Director	R.O.C.	Wu, Yun-Chung	Male	2019.06.13	3	2016.06.15	4,000,470	1.37%	4,000,470	1.37%	0	0	Master of Electrical Engineering and Energy System Engineering from Lehigh University, USA Project manager, Regent Electron (SuZhou) Co., Ltd	Director, Special Assistant of the President's Office, and Division Director, TSMT Director (Legal Representative) of Fitivision Technology Inc., Iweecare Co., Ltd., and Tele System Communications Pte. Ltd. Director of Regent (SUZHOU), TSMT (Suzhou), Regent (NINGBO), Regent (XIAMEN), and Regent (CHENGDU) Executive Director, Regent (CHONG QING), Regent (DONGGUAN), Regent (HE FEI), and Ningbo Yongfu Trade Co., Ltd. President, Fitivision Technology Inc., Regent (HE FEI), Regent (CHONG QING), and Regent (XIAMEN)	Chairman	Wu, Kai-Yun	Father and son
Director	R.O.C.	Lin, Wen-Chang	Male	2019.06.13	3	1997.10.13	2,500,883	0.86%	2,500,883	0.86%	2,000,442	0.68%	Business studies, Yu Da High School of Commerce and Home Economics Responsible Person, Tian Wei Motorcycle Co., Ltd.	Director, Hom Da Plastic Co., Ltd. Director, Jifanni Co., Ltd.	Director	Lin, Wen-Ching	Brothers
Director	R.O.C.	Hsiao, Hsueh-Fong	Female	2019.06.13	3	2003.04.04	0	0	0	0	0	0	Bank Assurance, Ming Chuan University Specialist, First Commercial Bank Financial/Accounting Manager, Yuan Liou Publishing Co., Ltd.	None.	None.	None.	None.
Independent Director	R.O.C.	Hwu, Shoooh-Chyang	Male	2019.06.13	3	2003.04.04	338,888	0.12%	338,888	0.12%	0	0	China Business Administration College Business Manager, Junchang Enterprise Sales Manager, Chun Chang Company President, Chung Hung Industrial Co., Ltd.	Consultant, Chung Hung Industrial Co., Ltd.	None.	None.	None.
Independent Director	R.O.C.	Chang, May-Yuan	Female	2019.06.13	3	2008.06.13	0	0	0	0	0	0	Master of Industrial and Systems Engineering, Ohio State University President, Sheng Yang Co., Ltd. Manager, Kuang Hua Investment Company Manager of Investment, Global Investment Holdings Supervisor, HTC Corporation	None.	None.	None.	None.
Independent Director	R.O.C.	Chen, Meng-Ping	Female	2019.06.13	3	2010.05.14	0	0	0	0	0	0	Bachelor of Accounting department, Chinese Culture University Manager, KPMG in Taiwan	CPA, Dnda Cpa Firm	None.	None.	None.

Note 1: The Company's shares held by directors in other person's name: None.

Note 2: If the Chairman and President or the person holding the equivalent position (top managerial officer) are the same one person, spouse or immediate family, the reason, reasonableness, necessity, corresponding measures (such as increasing the number of independent directors, keeping more than half of the directors not concurrently serving as employees or managerial officers, etc.) and other related information shall be specified:

The Company's Chairman and President are the same one person, and the main reason is the Company's simple organizational structure and for improving its operating efficiency and decision implementation efficiency to achieve its sustainable operating and strategic development plans; In addition, the Chairman usually and sufficiently communicates with directors about the Company's recent operating status, plans and policies and, at present, more than half of its Board of Directors' members are not concurrently serving as its employees or managerial officers, so as to improve the independence of the Board of Directors, and the Company will plan to improve its Board of Directors' functions and enhance its supervision function by increasing the number of independent directors.

2. Major shareholders of corporate shareholders: N/A.
3. Major shareholders of major corporate shareholders: N/A.
4. Information of directors (II):

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Condition Name	Does He or She have Over Five Years of Working Experience or the Following Professional Qualification			Compliance with Independence (Note)												Number of Other Public Companies in Which He or She is Concurrently Serving as an Independent Director
	Instructor or Higher Position in the Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College, or University	Judge, Public Prosecutor, Attorney, CPA, or Other Professional or Technical Specialist Who Has Passed National Examination and Been Awarded with Certificate in a Profession Necessary for the Business of the Company	Working Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Wu, Kai-Yun			✓					✓	✓	✓	✓	✓	✓	✓	✓	0
Lin, Wen-Ching			✓	✓	✓			✓	✓	✓	✓	✓	✓	✓	✓	0
Wang, Chia-Chen			✓			✓		✓	✓	✓	✓	✓	✓	✓	✓	0
Shen, Shian-Ho			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Wu, Yun-Chung			✓					✓	✓	✓	✓	✓	✓	✓	✓	0
Lin, Wen-Chang			✓	✓	✓			✓	✓	✓	✓	✓	✓	✓	✓	0
Hsiao, Hsueh-Fong			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Hwu, Shou-Chyang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Chang, May-Yuan			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Chen, Meng-Ping		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note: If a director meets any of the following conditions during the two years before being elected and during the tenure of office, please tick "✓" in the appropriate corresponding boxes.

- (1) He/she is not an employee of the Company or its affiliates.
- (2) He/she is not a director or supervisor of the Company or its affiliates, except for the concurrent independent director of the company and its parent company, subsidiary, or the subsidiary under the same parent company as appointed in accordance with the Act or with local laws.
- (3) He/she is not a natural-person shareholder who holds shares by him/herself or in the name of his/her spouse, minor children or other person for more than 1% of the Company's total outstanding shares or ranking in the top 10 in terms of shareholding.
- (4) He/she is not the managerial officer specified in item (1), or the spouse or the immediate relative within second-degree or third-degree kinship of the persons specified in items (2) and (3).
- (5) He/she does not directly hold more than 5% of the Company's outstanding shares, is not the top five in terms of shareholding, or the director, supervisor or employee of the corporate shareholder for which the office of director or supervisor is assumed by the representative designated in accordance with Paragraph 1 or 2 of Article 27 of Company Act, except for the concurrent independent director of the Company and its parent company, subsidiary, or the subsidiary under the same parent company as appointed in accordance with the Act or with local laws.
- (6) He/she is not the director, supervisor or employee of another company controlled by the person who serves as the Company's director or holds more than half of the Company's shares with voting rights, except for the concurrent independent director of the Company, its parent company, or the subsidiary under the same parent company as appointed in accordance with the Act or with local laws.
- (7) He/she is not the director, supervisor or employee of other company or organization, the chairman, president or otherwise of which is the Company's Chairman, President or the person holding the equivalent position or his/her spouse, except for the concurrent independent director of the company and its parent company, subsidiary, or the subsidiary under the same parent company as appointed in accordance with the Act or with local laws.
- (8) He/she is not the director, supervisor or managerial officer of, or the shareholder holding over 5% of the shares in, the specific companies or organizations which have financial or business dealings with the Company, except for the concurrent independent director of the company and its parent company, subsidiary, or the subsidiary under the same parent company as appointed in accordance with the Act or with local laws if such specific companies or organizations hold over 20%, but less than 50%, of the Company's outstanding shares.
- (9) He/she is not the owner, partner, director, supervisor, managerial officer or their spouse of the professionals, sole proprietorships, partnerships, companies or organizations providing business, legal, financial, accounting, and other relevant services, who or which provide audit service for the Company or its affiliates, or the accumulative remuneration obtained by whom or which in the most recent two years does not exceed NT\$500,000, except for the members of the Remuneration Committee, Public Acquisition Review Committee or Special M&A Committee which exercise their powers in accordance with the provisions of Securities and Exchange Act or Business Mergers and Acquisitions Act and other relevant regulations.
- (10) He/she is not the spouse of, or relative within second-degree kinship with, any other director.
- (11) None of the circumstances specified in the paragraphs of Article 30 of the Company Act occurs to him/her.
- (12) He/she is not elected as government organization, legal person or their representative as specified in Article 27 of the Company Act.

## (II) Information of President, Vice Presidents, Assistant Vice Presidents, and the heads of various departments

April 28, 2021

Title	Nationality	Name	Gender	Date Elected	Shareholding		Shareholding of Spouse and Minor Children		Major Working (Education) Experience	Current Positions in Other Companies	Managerial Officers Who Are Spouses or the Relatives within Second-degree Kinship		
					Shares	%	Shares	%			Title	Name	Relationship
President	R.O.C.	Wu, Kai-Yun	Male	1991.04.10	11,931,653	4.08%	13,584,152	4.65%	President, Taiwan Surface Mounting Technology Corporation Master of Management, Fudan University, Shanghai Majored in Electrical Engineering from Cheng Shiu College of Technology R&D Engineer, Sampo Corporation Section Chief, MiTAC Computer Associate Manager, Efa Corp.	Chairman and President, TSMT Director and CEO, RMIH Director and President, Regent Manner Limited Director, TSMT (BVI), RM (BVI), TSMT (Singapore), TSMT, Regent Electron (Suzhou), TSMT (Suzhou), Regent Electron (Ningbo), Regent Electron (Xiamen), and HTOT (Hong Kong) Director (Legal Representative), HTOT and Telesystem Communications Pte. Ltd. Chairman (Legal Representative), Fitivision Technology Inc.	None.	None.	None.
Vice President	R.O.C.	Chen, Yuan-Te	Male	1998.07.01	61,808	0.02%	0	0.00%	Master of Industrial Engineering, Chung Yuan Christian University Assistant Vice President, Philips, Taiwan	None.	None.	None.	None.
Vice President	R.O.C.	Lin, Hung-Sen	Male	2006.01.01	5	0.00%	0	0.00%	EMBA, National Central University Team Leader, Production Division, Xu Bang Technology	Chairman (Legal Representative) and President, HTOH Director (Legal Representative), Tai Ming Green Power Co., Ltd. and Fitivision Technology Inc. Director, BaiHong Investment Co., Ltd. and TSMT (India)	None.	None.	None.
Vice President	R.O.C.	Wang, Chia-Chen	Female	2007.11.30	567,030	0.19%	0	0.00%	Bachelor of Accounting department, Soochow University Senior Auditor, PwC Taiwan	Director and Vice President, TSMT Director, TSMT (Singapore), TSMT (India), Regent (NINGBO), and Regent (XIAMEN) Supervisor, Regent (CHENGDU) Supervisor, High-Toned Opto Technology Corp. Supervisor (Legal Representative), Fitivision Technology Inc. Chairman, BaiHong Investment Co., Ltd. Chairman (Legal Representative), Tai Ming Green Power Co., Ltd.	None.	None.	None.
Assistant Vice President	R.O.C.	Lee, Kun-Chen	Male	2010.03.08	9,290	0.00%	0	0.00%	MBA, Royal Roads University, Canada Senior MIS Manager, Meitai Communications Co., Ltd. Director, Technical Services, Coretronic Corporation Director of Sales, Coretronic Display Solution	None.	None.	None.	None.
Financial Officer	R.O.C.	Su, Chia-Ling	Female	2010.05.14	6,355	0.00%	0	0.00%	Master of International Business, Soochow University Finance Officer, Silicon Application Corp.	None.	None.	None.	None.
Accounting Officer	R.O.C.	Chang, Hui-Ling	Female	2010.05.14	3,466	0.00%	0	0.00%	Business Administration Department of Yuan Ze University Section Chief of Finance Department, TMT PCB Co., Ltd.	None.	None.	None.	None.
Chief Internal Auditor	R.O.C.	Cheng, Yun-An	Female	2005.06.10	44,556	0.02%	0	0.00%	Department of Banking and Finance, Tamkang University Audit Specialist, San Lien Technology Corp.	None.	None.	None.	None.

Note 1: Those who currently serve in their respective positions on the publication date of the Annual Report.

Note 2: The Company's shares held in other person's name: None.

Note 3: If the President or the person holding the equivalent position (top managerial officer) and Chairman are the same one person, spouse or immediate family, the reason, reasonableness, necessity, corresponding measures (such as increasing the number of independent directors, keeping more than half of the directors not concurrently serving as employees or managerial officers, etc.) and other related information shall be specified:

The Company's Chairman and President are the same one person, and the main reason is the Company's simple organizational structure and for improving its operating efficiency and decision implementation efficiency to achieve its sustainable operating and strategic development plans; In addition, the Chairman usually and sufficiently communicates with directors about the Company's recent operating status, plans and policies and, at present, more than half of its Board of Directors' members are not concurrently serving as its employees or managerial officers, so as to improve the independence of the Board of Directors, and the Company will plan to improve its Board of Directors' functions and enhance its supervision function by increasing the number of independent Directors.

(III) Remuneration paid to directors, supervisors, President and Vice President in the most recent year

1. Remuneration to directors:

December 31, 2020

Unit: Thousand shares/NT\$ thousands

Title	Name	Remuneration to Directors								Ratio of Total Remuneration (A, B, C, and D) to Net Profit after Tax (%) (Note 10)	Remuneration Paid to Concurrent Employees								Ratio of Total Remuneration (A, B, C, D, E, F and G) to Net Profit after Tax (%) (Note 10)	Remuneration Paid by Parent Company or Invested Companies Other than the Company's Subsidiaries (Note 11)						
		Remuneration (A) (Note 2)		Severance Pay and Pension (B)		Remuneration to Directors (C) (Note 3)		Business Execution Fees (D) (Note 4)			Salaries, Bonuses, and Allowances, etc. (E) (Note 5)		Severance Pay and Pension (F)		Employee Remuneration (G) (Note 6)											
		TSMC	Companies in the Consolidated Financial Statements (Note 7)	TSMC	Companies in the Consolidated Financial Statements (Note 7)	TSMC	Companies in the Consolidated Financial Statements (Note 7)	TSMC	Companies in the Consolidated Financial Statements (Note 7)		TSMC	Companies in the Consolidated Financial Statements (Note 7)	TSMC	Companies in the Consolidated Financial Statements (Note 7)	TSMC	Companies in the Consolidated Financial Statements (Note 7)	TSMC	Companies in the Consolidated Financial Statements (Note 7)			TSMT		Companies in the Consolidated Financial Statements (Note 7)		TSMC	Companies in the Consolidated Financial Statements (Note 7)
																					Cash Amount	Stock Amount	Cash Amount	Stock Amount		
Chairman and President	Wu, Kai-Yun																									
Director	Lin, Wen-Ching																									
Director and Vice President	Wang, Chia-Chen																									
Director	Shen, Shian-Ho	-	686	-	-	11,700	12,386	-	-	0.53	0.56	15,465	29,969	186	186	14,000	-	14,000	-	1.88	2.58	None.				
Director	Wu, Yun-Chung																									
Director	Lin, Wen-Chang																									
Director	Hsiao, Hsueh-Fong																									
Independent Director	Hwu, Shoou-Chyang																									
Independent Director	Chang, May-Yuan	-	-	-	-	3,300	3,300	-	-	0.15	0.15	-	-	-	-	-	-	-	-	0.15	0.15	None.				
Independent Director	Chen, Meng-Ping																									

1. Please specify the policies, systems, standards and structure of and for payment of remuneration to independent directors, and their relevance with the amount of the remuneration based on the duties, risks and, time undertaken and spent by Independent directors and other factors: If the Company makes profits, its Board of Directors will resolve the amount of remuneration to directors in accordance with the Articles of Incorporation, and determine reasonable remuneration by referring the general payment level in the industry and the duties, risks and time undertaken and spent by them and other factors.

2. In addition to the disclosure made in the above table, the remuneration received by the Company's directors for the services provided by them to all the companies listed in the financial statements (such as acting as consultants for non-employees, etc.) in the most recent year: None.

## Table of Remuneration Ranges

Ranges of the Remuneration Paid to the Company's Directors	Name of Directors			
	Total of the First Four Remunerations (A+B+C+D)		Total of the First Seven Remunerations (A+B+C+D+E+F+G)	
	The Company (Note 8)	All Companies in the Financial Statements (Note 9) H	The Company (Note 8)	All Companies in the Financial Statements (Note 9) I
Less than NT\$1,000,000				
NT\$1,000,000 (inclusive)~NT\$2,000,000 (exclusive)	Lin, Wen-Ching Shen, Shian-Ho Wang, Chia-Chen Wu, Yun-Chung Lin, Wen-Chang Hsiao, Hsueh-Fong Hwu, Shoou-Chyang Chang, May-Yuan Chen, Meng-Ping	Lin, Wen-Ching Shen, Shian-Ho Wang, Chia-Chen Wu, Yun-Chung Lin, Wen-Chang Hsiao, Hsueh-Fong Hwu, Shoou-Chyang Chang, May-Yuan Chen, Meng-Ping	Lin, Wen-Ching Shen, Shian-Ho Lin, Wen-Chang Hsiao, Hsueh-Fong Hwu, Shoou-Chyang Chang, May-Yuan Chen, Meng-Ping	Lin, Wen-Ching Shen, Shian-Ho Lin, Wen-Chang Hsiao, Hsueh-Fong Hwu, Shoou-Chyang Chang, May-Yuan Chen, Meng-Ping
NT\$2,000,000 (inclusive)~NT\$3,500,000 (exclusive)				
NT\$3,500,000 (inclusive)~NT\$5,000,000 (exclusive)				
NT\$5,000,000 (inclusive)~NT\$10,000,000 (exclusive)	Wu, Kai-Yun	Wu, Kai-Yun	Wang, Chia-Chen and Wu, Yun-Chung	Wang, Chia-Chen and Wu, Yun-Chung
NT\$10,000,000 (inclusive)~NT\$15,000,000 (exclusive)				
NT\$15,000,000 (inclusive)~NT\$30,000,000 (exclusive)			Wu, Kai-Yun	
NT\$30,000,000 (inclusive)~NT\$50,000,000 (exclusive)				Wu, Kai-Yun
NT\$50,000,000 (inclusive)~NT\$100,000,000 (exclusive)				
NT\$100,000,000 and above				
Total	10 persons	10 persons	10 persons	10 persons

Note 1: Names of directors shall be presented respectively, and the amount of remuneration paid to them shall be disclosed collectively.

Note 2: It means the amount of the remuneration paid to directors in the most recent year (including the salaries, job-related remuneration, separation pay, bonuses, and incentives etc. paid to directors).

Note 3: The amount of the remuneration paid to directors in the most recent year as approved by the Board of Directors shall be filled out.

Note 4: It means the business execution fees paid to directors in the most recent year (including transport allowances, special allowances, various allowances, accommodation and vehicle allowances, and the costs for provision of physical goods and services, etc.). When housing, car or other vehicle, or exclusively individual expenditure is provided, the nature and costs of such provisions, the actual or market-level rent paid, the gasoline expense and other payments shall be disclosed.

Note 5: It means salary, job-related remuneration, separation pay, various bonuses, incentives, and transport, special, various, accommodation and driver allowances, etc. paid to the directors who concurrently serve as employees (including concurrently serving as President, Vice President, other managerial officers and employee) in the most recent fiscal year. When housing, car or other vehicle, or exclusively individual expenditure is provided, the nature and costs of such provisions, the actual or market-level rent paid, the gasoline expense and other payments shall be disclosed. Payroll expenses listed as IFRS 2 "Payment based on shareholdings," including exercisable employee stock options, new restricted employee shares, and capital increase by cash options, shall be counted as remuneration.

Note 6: If employee remuneration (including stocks and cash) was paid to the directors who concurrently serve as employees (including concurrently serving as President, Vice President, other managerial officers and employees) in the most recent year, the amount of the employee remuneration paid in the most recent year as approved by the Board of Directors shall be disclosed.

Note 7: Please disclose the aggregate amount of the remunerations paid to the Company's directors by all the companies listed in the consolidated financial statements (including the Company).

Note 8: The aggregate amount of the remunerations paid to the Company's directors shall be disclosed together with their names in the relevant remuneration range.

Note 9: The aggregate amount of the remunerations paid to the Company's directors by all the companies listed in the consolidated financial statements (including the Company) shall be disclosed together with their names in the relevant remuneration range.

Note 10: Net profit after tax refers to the net profit after tax specified in the individual financial statements of the most recent year.

Note 11: It refers to the amount of the remuneration paid by the invested companies other than the Company's subsidiaries.

2. Remuneration to President and Vice Presidents:

December 31, 2020  
Unit: Thousand shares/NT\$ thousands

Title	Name	Salary (A) (Note 2)		Severance Pay and Pension (B)		Bonus and Allowance (C) (Note 3)		Employee Remuneration (D) (Note 4)				Ratio of Total Remuneration (A, B, C and D) to Net Profit after Tax (%) (Note 8)		Remuneration Paid by Parent Company or Invested Companies Other than the Company's Subsidiaries (Note 9)
		The Company	Companies in the Consolidated Financial Statements (Note 5)	The Company	Companies in the Consolidated Financial Statements (Note 5)	The Company	Companies in the Consolidated Financial Statements (Note 5)	The Company		All Companies in the Financial Statements (Note 5)		The Company	All Companies in the Financial Statements (Note 5)	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
President	Wu, Kai-Yun	12,720	26,202	324	324	3,278	3,278	17,000	-	17,000	-	1.52	2.13	None.
Vice President	Chen, Yuan-Te													
Vice President	Lin, Hung-Sen													
Vice President	Wang, Chia-Chen													

Table of Remuneration Ranges

Ranges of the Remuneration Paid to the Company's President and Vice Presidents	Name of President and Vice President	
	The Company (Note 6)	All Invested Companies E
Less than NT\$1,000,000		
NT\$1,000,000 (inclusive)~NT\$2,000,000 (exclusive)		
NT\$2,000,000 (inclusive)~NT\$3,500,000 (exclusive)		
NT\$3,500,000 (inclusive)~NT\$5,000,000 (exclusive)	Lin, Hung-Sen	Lin, Hung-Sen
NT\$5,000,000 (inclusive)~NT\$10,000,000 (exclusive)	Chen, Yuan-Te and Wang, Chia-Chen	Chen, Yuan-Te and Wang, Chia-Chen
NT\$10,000,000 (inclusive)~NT\$15,000,000 (exclusive)		
NT\$15,000,000 (inclusive)~NT\$30,000,000 (exclusive)	Wu, Kai-Yun	
NT\$30,000,000 (inclusive)~NT\$50,000,000 (exclusive)		Wu, Kai-Yun
NT\$50,000,000 (inclusive)~NT\$100,000,000 (exclusive)		
NT\$100,000,000 and above		
Total	4 persons	4 persons

- Note 1: President and Vice Presidents shall be presented based on their names respectively, and the amount of remuneration paid to them shall be disclosed collectively.
- Note 2: The salaries, job-related remuneration and separation pay paid to President and Vice Presidents in the most recent year shall be filled out.
- Note 3: The bonuses, incentives, transport allowances, other allowances, accommodation and vehicle allowances, the costs for provision of physical goods and services, and other remuneration paid to President and Vice Presidents in the most recent year shall be filled out. When housing, car or other vehicle, or exclusively individual expenditure is provided, the nature and costs of such provisions, the actual or market-level rent paid, the gasoline expense and other payments shall be disclosed. If Company drivers are assigned to these executive officers, please indicate the compensation paid to the drivers, but these payments shall not be counted as remuneration of the executive officers. Payroll expenses listed as IFRS 2 "Payment based on shareholdings," including exercisable employee stock options, new restricted employee shares, and capital increase by cash options, shall be counted as remuneration.
- Note 4: The amount of the remuneration (including stocks and cash) paid to President and Vice Presidents in the most recent year as approved by the Board of Directors shall be filled out. If such remuneration cannot be estimated, an estimation for this year shall be calculated in proportion of the remuneration actually paid in last year, and the amount shall be filled out in the table "Names of the managerial officers who receive employee remuneration and the distribution status."
- Note 5: Please disclose the aggregate of the remuneration paid to the Company's President and Vice Presidents by all companies included in the consolidated financial statements (including the Company).
- Note 6: The aggregate amount of the remunerations paid to the President and Vice Presidents by the Company shall be disclosed together with their names in the relevant remuneration range.
- Note 7: The aggregate amount of the remunerations paid to the Company's President and Vice Presidents by all the companies listed in the consolidated financial statements (including the Company) shall be disclosed together with their names in the relevant remuneration range.
- Note 8: Net profit after tax refers to net profit after tax in the individual or parent company only financial statements of the most recent year.
- Note 9: a. The amount of the remuneration paid to the Company's President and Vice Presidents by the invested companies other than the Company's subsidiaries shall be expressly filled out in this column.  
b. Any amount of remuneration paid to the Company's President and Vice Presidents by the invested companies other than the Company's subsidiaries shall be filled out in Column E of the Table of Remuneration Ranges, and this column shall be renamed as "All Invested Companies."  
c. Remuneration refers to the remuneration, compensation (including employee, director and supervisor remuneration), business execution fee, and other related amount paid to the Company's President and Vice Presidents for serving as the director, supervisor, or managerial officer of the invested companies other than the Company's subsidiaries.

\*The remuneration disclosed in the statements is different in concept from the income defined in the Income Tax Law, therefore, this table is only for the purpose of disclosure, not for taxation.



### 3. Names of the managerial officers who receive employee remuneration and the distribution status:

December 31, 2020

Unit: Thousand shares/NT\$ thousands

	Title (Note 1)	Name (Note 1)	Stock Amount	Cash Amount	Total	Ratio of Total Remuneration to Net Profit after Tax (%)
Managerial officer	President	Wu, Kai-Yun	0	19,050	19,050	0.87%
	Vice President	Chen, Yuan-Te				
	Vice President	Lin, Hung-Sen				
	Vice President	Wang, Chia-Chen				
	Assistant Vice President	Lee, Kun-Chen				
	Financial Officer	Su, Chia-Ling				
	Accounting Officer	Chang, Hui-Ling				

Note 1: The managerial officers who were serving in their respective positions at the end of 2020 shall be filled out in this table, and the amount of remuneration paid to them shall be disclosed collectively.

Note 2: Net profit after tax refers to net profit after tax in the parent company only financial statements of the most recent year.

Note 3: The scope of managerial officers shall be defined in the following manner, as per the Securities and Futures Institute's decree under Tai-Tsai-Cheng-3-Tze No. 0920001301 dated March 27, 2003:

- (1) President and equivalents;
- (2) Vice President and equivalents;
- (3) Assistant Vice President and equivalents;
- (4) Head of Financial Department;
- (5) Head of Accounting Department; or
- (6) Other people managing the Company's affairs and being entitled to sign instruments on behalf of the Company.

(IV) Comparison of and analysis on the ratio of the total remuneration paid to the Company's directors, supervisors, President, and Vice Presidents by the Company and all the companies listed in the consolidated financial statements in the most recent two years in net profit after tax, and description about remuneration payment policies, standards and portfolios, procedures for determining remuneration, and their relevance with performance and future risks

1. Analysis on the ratio of the total remuneration paid to the Company's directors, supervisors, President, and Vice Presidents by the Company and all the companies listed in the consolidated financial statements (including the Company) in the most recent two years in net profit after tax:

Title \ Item	Ratio of Total Remuneration to Net Profit after Tax (%)			
	2020		2019	
	The Company	Companies in the Consolidated Financial Statements	The Company	Companies in the Consolidated Financial Statements
Director	2.03%	2.73%	1.30%	2.05%
Supervisors	-	-	0.04%	0.04%
President and Vice Presidents	1.52%	2.13%	1.33%	1.99%

2. The remunerations to the Company's directors and supervisors are paid from surplus, and the remunerations to the President and Vice Presidents include salaries, bonuses, employee remuneration, and employee warrants, etc.
3. The remunerations to the Company's directors, supervisors, and managerial officers are determined by its Remuneration Committee by referring to the general payment level in the industry, and the time spent, duties assumed and personal goals achieved by them, their performance in other positions, the remuneration paid by the Company to the persons holding equivalent positions in recent years, the achievement of the Company's short-term and long-term business goals, and the Company's financial status, etc., and the Remuneration Committee check their annual and long-term performance goals regularly, and submit its suggestions to the Board of Directors for discussion.

### III. Implementation of Corporate Governance

#### (I) Board of Directors

The meeting of the Board of Directors was held for 6 times (A) in the most recent year (2020), with the attendance by the directors as follows:

Title	Name	Attendance in Person B	Attendance by Proxy	Rate of Attendance in Person (%) [B/A]	Note
Chairman	Wu, Kai-Yun	6	0	100%	
Director	Lin, Wen-Ching	6	0	100%	
Director	Shen, Shian-Ho	6	0	100%	
Director	Wang, Chia-Chen	6	0	100%	
Director	Wu, Yun-Chung	1	3	17%	
Director	Lin, Wen-Chang	6	0	100%	
Director	Hsiao, Hsueh-Fong	6	0	100%	
Independent Director	Hwu, Shoou-Chyang	6	0	100%	
Independent Director	Chang, May-Yuan	6	0	100%	
Independent Director	Chen, Meng-Ping	6	0	100%	

Other required disclosure:

- I. If any of the following conditions occurs to the Board of Directors, the date and session of the meeting of the Board of Directors, contents of proposal(s), all independent directors' opinions, and the Company's reaction response to such opinions shall be specified:
  - (I) For the matters listed in Paragraph 3 of Article 14 of Securities and Exchange Act, please refer to Chapter 3 of the Annual Report, and the important resolutions made by the shareholders' meeting and the Board of Directors as specified in the Corporate Governance Report (#page 29#): They were agreed and approved by all the Independent Directors presented at the meeting.
  - (II) Other resolutions by the Board meetings which were objected to or subject to qualified opinions by independent directors and were recorded or declared in writing: None.
- II. Recusals of directors from voting due to conflicts of interests: Directors avoided themselves from the discussion and voting related to their remuneration.
- III. The evaluation cycles, evaluation periods, scope and method of evaluation, and contents of evaluation for evaluating the performance of the Board members (on themselves or peers): Refer to the table below.

Cycle	Period	Scope	Method	Content
Once a year	January 1, 2020~December 31, 2020	Performance evaluation of the Board as a whole and individual Board members	Internal self-evaluation of the Board as a whole and individual Board members	The performance evaluation of the Board as a whole includes participation in the operation of the Company, quality of the Board's decision making, composition and structure of the Board, election and continuing education of the directors, and internal control. The performance evaluation of individual Board members includes alignment of the goals and missions of the Company, awareness of the duties of a director, participation in the operation of the Company, management of internal relationship and communication, the director's professionalism and continuing education, and internal control.

- IV. Evaluation on the achievement of the goal of enhancing the function of the Board of Directors (such as establishing Audit Committee and increasing information transparency) in the current year and the most recent year:
1. The Company has the "Rules and Procedures of Board of Director Meetings," and announces the important resolutions made by its Board of Directors, in real time, in the website designated by competent authority, in accordance with competent authority's relevant orders and regulations, and discloses its latest business and financial status in its website, with a good implementation.
  2. The Company established Remuneration Committee on October 25, 2011 to assist the Board of Directors to regularly evaluate and determine the remuneration for Directors and Managerial Officers, and regularly review the evaluation on the performance of Directors and Managerial Officers, as well as the remuneration policies, systems, standards, and structures. Please see #page 22# of the Annual Report for the operation of the Remuneration Committee.
  3. The Company established the Audit Committee on June 13, 2019 to exercise the powers and assume the duties specified in the Company Act, the Securities and Exchange Act, and other laws and regulations. Please see #page 15# of the Annual Report for the operation of the Audit Committee.
  4. The Company comprehensively reelected its directors at the regular meeting of its shareholders' meeting held on June 13, 2019, with 10 directors (including 3 independent directors) elected, to improve the Board of Directors' function and corporate governance.
  5. Evaluation on the Board of Directors' performance: The Company formulated the "Board of Directors Performance Self-Assessment Regulations" on April 27, 2020, and it plans to issue performance self-evaluation questionnaires to all the members of the Board of Directors in the December of each year from 2020 to facilitate self-evaluation, in addition to evaluation on the overall operation of the Board of Directors.

(II) Operation of Audit Committee

The meeting of the Audit Committee was held for 5 times (A) in the most recent year (2020), with the attendance as follows:

Title	Name	Attendance in Person B	Attendance by Proxy	Rate of Attendance in Person (%) [B/A]	Note
Convener	Chen, Meng-Ping	5	0	100%	
Member	Chang, May-Yuan	5	0	100%	
Member	Hwu, Shouu-Chyang	5	0	100%	

Other required disclosure:

- I. If any of the following conditions occurs to Audit Committee, the date and session of the meeting of the Board of Directors, contents of proposal(s), Audit Committee's resolution(s) and the Company's reaction response to such opinions shall be specified:
  - (I) For the matters listed in Paragraph 5, Article 14 of Securities and Exchange Act, please refer to Chapter 3 of the Annual Report, and the important resolutions made by the shareholders' meeting and the Board of Directors as specified in the Corporate Governance Report (#page 29#): They were submitted to the Board of Directors for resolution and approval after they have been agreed by over half of all members of the Audit Committee, and there is no agreement by over two-thirds of all directors without approval by the Audit Committee.
  - (II) In addition to the aforementioned matters, other matters not approved by the Audit Committee but approved by more than two-thirds of all directors: None.
- II. Regarding recusals of independent directors from voting due to conflicts of interests, the names of the independent directors, contents of proposals, reasons for recusal, and participation in voting shall be specified: None.
- III. Communication by independent directors with the Internal Audit Manager and CPAs (including significant matters, methods, and results of the communication about the Company's financial and business conditions)

(I) Communication by independent directors with the Internal Audit Manager Policies for communication by independent directors with the Internal Audit Manager:

The Company's Internal Audit Manager regularly makes quarterly internal audit report, on the implementation of audit, internal operation, auditor's training, its major opinions on external and internal audit and their improvement, at the meeting of the Audit Committee in each quarter. In case of any significant abnormality, the meeting will be convened at any time.

Summary on the past communication between independent directors and the Internal Audit Manager

Date	Method of Communication	Contents of Communication	Result of Communication
April 27, 2020	Audit Committee	Report on the implementation of the Company's 2020 Q1 Audit Plan by its Internal Audit Office.	Independent Directors did not express any opinion.
August 7, 2020	Audit Committee	Report on the implementation of the Company's 2020 Q2 Audit Plan by its Internal Audit Office.	Independent Directors did not express any opinion.
October 30, 2020	Audit Committee	Report on the implementation of the Company's 2020 Q3 Audit Plan by its Internal Audit Office.	Independent Directors did not express any opinion.
December 30, 2020	Audit Committee	Report on the implementation of the Company's 2020 Q4 Audit Plan by its Internal Audit Office.	Independent Directors did not express any opinion.
		Preparation of Internal Audit Office's 2021 Audit Plan for the Company.	Submitted to the Board of Directors after adoption.

(II) Communication by the Company's independent directors with CPAs

Policies for communication by independent directors with CPAs:

The Company's Audit Committee is composed of all independent directors. CPAs communicate with independent directors about the Company's financial status, major adjustments, and the impact brought by the amendment to laws, in each quarter, and report the audit on internal control to independent directors once a year at the least.

Summary on the past communication between independent directors and CPAs:

Date	Contents of Communication	Result of Communication
March 20, 2020	<ol style="list-style-type: none"> <li>1. Completion by CPAs of audit on the Company's 2019 financial statements in accordance with financial rules, and explanation about the issues related to audit by sending the letter to independent directors.</li> <li>2. Communication about the major issues in the Audit Report.</li> <li>3. Explanation by CPAs to independent directors about major adjustments.</li> </ol>	The independent directors made reply and did not express any other opinions on the communicated matters. 2020 financial statements were approved by the Audit Committee, submitted to and approved by the Board of Directors, and announced and reported to the competent authority as scheduled.
April 27, 2020	<ol style="list-style-type: none"> <li>1. Completion by CPAs of audit on the Company's 2020 Q1 financial statements, and explanation about that by sending letter.</li> <li>2. Explanation by CPAs to independent directors about major adjustments.</li> </ol>	The independent directors made reply and did not express any other opinions on the communicated matters. Q1 financial statements were approved by the Audit Committee, submitted to and approved by the Board of Directors, and announced and reported to the competent authority as scheduled.

	August 7, 2020	<ol style="list-style-type: none"> <li>1. Completion by CPAs of audit on the Company's 2020 Q2 financial statements, and explanation about that by sending letter.</li> <li>2. Explanation by CPAs to independent directors about major adjustments.</li> </ol>	<p>The independent directors made reply and did not express any other opinions on the communicated matters. Q2 financial statements were approved by the Audit Committee, submitted to and approved by the Board of Directors, and announced and reported to the competent authority as scheduled.</p>
	October 30, 2020	<ol style="list-style-type: none"> <li>1. Completion by CPAs of audit on the Company's 2020 Q3 financial statements, and explanation about that by sending letter.</li> <li>2. Explanation by CPAs to independent directors about major adjustments.</li> </ol>	<p>The independent directors made reply and did not express any other opinions on the communicated matters. Q3 financial statements were approved by the Audit Committee, submitted to and approved by the Board of Directors, and announced and reported to the competent authority as scheduled.</p>

(III) Implementation of corporate governance and deviation from the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons thereof

Items of Evaluation	Implementation Status			Deviation from the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons Thereof
	Yes	No	Summary	
I. Does the Company have its own governance principles based on the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and make public these principles?	✓		The Company has established "Corporate Governance Principles" in order to protect shareholders' rights, strengthen the effectiveness of the Board of Directors, value stakeholders' rights and improve information transparency. For more information, please visit the corporate website.	No deviation
II. Shareholding structure and shareholders' interests				
(I) Does the Company have its internal operating procedures to deal with shareholders' suggestions, doubts, disputes and litigations and follow the procedures faithfully?	✓		The Company's stockholder services section is responsible for dealing with shareholders' suggestions, doubts, disputes and litigations. There is also a special webpage and an email box on the Company's website to receive questions or suggestions from shareholders.	No deviation
(II) Does the Company maintain a list of its major shareholders who actually control the Company and the ultimate owners of those controlling shares?	✓		The Company keeps track of the latest shareholding record of insiders (directors, managers, and major shareholders holding more than 10% of the shares of the Company).	No deviation
(III) Does the Company establish and implement a risk control system and a firewall mechanism for relationship with its affiliates?	✓		The Company has drawn up "Guidelines for Supervision and Governance of Subsidiaries" and "Guidelines for Financial Operation Procedures with Stakeholders, Group Corporations and Specific Companies" to control the risks and maintain the firewalls.	No deviation
(IV) Does the Company establish internal rules against insider trading of securities taking advantage of undisclosed information?	✓		The Company has set up "Preventive Rules Against Insider Trading" to regulate all the Company's insiders and employees as well as anyone who gets to know important internal information because of his/her identity, work or controlling relations, in order to forbid any possible insider trading. The Company also does relevant internal training and propagation from time to time.	No deviation
III. Composition and responsibilities of the Board of Directors				
(I) Does the Board develop and implement a diversity policy for the composition of its members?	✓		The members of the Company's Board of Directors have already been diversified in professional background, gender, and work field, which makes the Board's structure robust. The Company has four female members in the Board of Directors, in order to implement and promote the policy of gender equality in China, and increase female participation in decision-making and improve the structure of the Board of Directors. Please refer to Note 1 for details of the diversity policy of the members of the Board of Directors and its implementation.	No deviation
(II) Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?		✓	In terms of functional committee, the Company at present only sets up the Remuneration Committee and the Audit Committee and has the "Organic Regulations of the Company Remuneration Committee" and the "Organic Regulations of the Company Audit Committee." It will set up other functional committees in the future in accordance with laws and regulations and depending on operating needs.	Same as Summary
(III) Does the Company have the measures for evaluating the performance of the Board of Directors and the evaluation method, and evaluate performance regularly each year, report the evaluation results to the Board of Directors, and use the results for reference for each individual director's remuneration and nomination for election?	✓		The Company has the "Board of Directors Performance Self-Assessment Regulations" and, from 2020, implements evaluations on the performance of directors in accordance with such Regulation, reports the evaluation results to the Board of Directors, and uses the results for reference for each individual director's remuneration and nomination for election.	No deviation
(IV) Does the Company regularly evaluate the independence of CPAs?	✓		The Company evaluates the independence of CPAs annually, not only by the self-evaluation on independence submitted by CPAs themselves, but also by a "written statement of impartiality," in order to make sure if they meet the independence requirements. For the criteria for evaluation on CPAs' independence, please refer to Note 2.	No deviation

Items of Evaluation	Implementation Status			Deviation from the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons Thereof
	Yes	No	Summary	
IV. Is the TWSE/TPEX Listed Company configured with appropriate number of qualified personnel for corporate governance, and does it appoint Corporate Governance Manager to be responsible for its governance-related affairs, including but not limited to providing the data required by directors and supervisors for execution of business, assisting directors and supervisors to comply with laws and decrees, dealing with the affairs related to the meetings of the Board of Directors and the shareholders' meeting in accordance with laws, and making minutes of the meetings of the Board of Directors and the shareholders' meeting?	✓		The President of the Company supervises corporate governance affairs. The stock affairs section takes care of all related matters, including organizing Board meetings and shareholders' meetings, compiling meeting minutes, changing corporate registrations, periodically reviewing and modifying "Corporate Governance Principles," providing necessary data for directors and supervisors to meetings and shareholder meetings. fulfill their duties, and arranging training programs for directors and supervisors from time to time.	No deviation
V. Does the Company have the channel for communication with stakeholders (including but not limited to shareholders, employees, clients, and suppliers, etc.), set a dedicated section on its website for stakeholders, and appropriately respond to the important issues about corporate social responsibility that stakeholders are concerned about?	✓		The Company has established a spokesperson system and designate a "Stakeholders Section" on its website to provide the latest corporate news/information and make proper responses to important issues regarding corporate social responsibilities which concern the Company's discloses.	No deviation
VI. Does the Company entrust any professional stock affairs agency to manage the affairs of the shareholders' meeting?	✓		The Company entrusts CTBC Bank Transfer Agency for dealing with shareholder affairs and organizing the shareholders' meetings.	No deviation
VII. Disclosure of Information (I) Does the Company have a website to disclose information about its financial status and corporate governance?	✓		The Company timely discloses its relevant information on its website ( <a href="http://www.tsmt.com.tw/">http://www.tsmt.com.tw/</a> ).	No deviation
(II) Does the Company have other methods for disclosure of information (such as developing an English website, appointing designated people to be responsible for collection and disclosure of its information, implementing a spokesman system, and placing corporate meeting procedures on its website)?	✓		The Company has assigned the stock affairs section for collecting and disclosing corporate information. In order to implement the spokesman system, the Company designates a spokesperson and a deputy spokesperson. Investor conference information is disclosed on the MOPS and the corporate website.	No deviation
(III) Does the Company publish annual financial statements within the last two months at the end of the fiscal year, and publish its financial statements of the first, second, and third quarters as well as its operating status of each month before the specified deadline?	✓		The Company publishes and reports its annual financial statements within two months after the end of a fiscal year, and publishes and reports its financial statements of the first, second, and third quarters as well as its operating status of each month before the specified deadline.	No deviation
VIII. Does the Company have other important information which can help others to understand the implementation status of corporate governance (including but not limited to employees' rights and interests, staff care, relations with investors and suppliers, stakeholders' rights, training for directors and supervisors, the implementation of risk management policies, risk measurement standards, customer policies, and purchase of liability insurances by the Company for directors and supervisors)?	✓		<ol style="list-style-type: none"> <li>1. For the system and measures adopted and taken by the Company for employees' rights and interests, staff care, relations with investors and suppliers, and stakeholders' rights, etc., please refer to "Chapter 5. Operation Overview" of the Annual Report.</li> <li>2. For the training of directors and supervisors: Please refer to "Note 3: Training for Directors and Supervisors in 2020."</li> <li>3. Implementation of risk management policies and risk measurement standards: Please refer to "Chapter 7. Review, Analysis and Risk Assessment on Financial Status and Financial Performance" of the Annual Report.</li> <li>4. Implementation of customer policies: The Company is committed to improving quality and professional technologies to provide customers with the best services and products.</li> <li>5. The Company has purchased liability insurance for its Directors, Supervisors and important officers, with the limit for each compensation request and the cumulative compensation limit for the whole year of USD3,000 thousand.</li> </ol>	No deviation
IX. Please describe improvements made according to the corporate governance evaluation made in the latest fiscal year by the Corporate Governance Center of the Taiwan Stock Exchange Corporation (TWSE), and provide priority improvements and measures to be taken for improvements that have yet to be carried out: (Not required if it is not a valuated company) Improvements in 2020: The "Board of Directors Performance Self-Assessment Regulations" was formulated and approved by the Board of Directors. Evaluations will be made once every year in the future at least, and the evaluation results will be disclosed on the Company's website or in its annual report. Priority improvements and measures: The Company shall appoint the Corporate Governance Officer.				

Note 1: Implementation of the Diversity Policy of the Members of the Board of Directors:

Title	Name	Gender	Diversification Item				
			Management	Industry Knowledge	Information Technology	Accounting & Finance	Leadership & Decision-Making
Chairman	Wu, Kai-Yun	Male	v	v	v		v
Director	Lin, Wen-Ching	Male	v	v			v
Director	Wang, Chia-Chen	Female	v			v	
Director	Shen, Shian-Ho	Male	v	v	v	v	v
Director	Wu, Yun-Chung	Male	v	v	v		
Director	Lin, Wen-Chang	Male	v	v			v
Director	Hsiao, Hsueh-Fong	Female		v		v	
Independent Director	Hwu, Shou-Chyang	Male	v	v			v
Independent Director	Chang, May-Yuan	Female	v	v		v	
Independent Director	Chen, Meng-Ping	Female	v			v	

Note 2: Criteria for Evaluation on CPAs' Independence:

Items of Evaluation	Results of Evaluation	Compliance with Independence
1. The CPA is employed by the Company for a regular position, receives a fixed salary, or is its director or supervisor.	No	Yes
2. The CPA served as the Company's director, supervisor, managerial officer, or any office which has significant influence on auditing work, and it is less than two years after he/she leaves his/her job.	No	Yes
3. The CPA is the spouse, immediate blood relative, relative in-law, or other collateral blood relative within second-degree kinship of the Company's owners or managerial officers.	No	Yes
4. The CPA or his/her spouse, minors is a the Company's investor or enjoys a profit-sharing relation with the Company.	No	Yes
5. The CPA or his/her spouse, minors has made loans to the Company or vice-versa.	No	Yes
6. The CPA performs management consultations or other none-auditing services which affects his/her independence.	No	Yes
7. The CPA refuses to accept the arrangement made by the authority in charge of the business event, deals with any accounting affairs on behalf of others, or fails in meeting any specification, which is sufficient to affect his/her independence.	No	Yes



Note 3: Training for Directors and Supervisors in 2020:

Name	Organizer	Name of Course	Training Hours
Shen, Shian-Ho	Taiwan Institute of Directors	Corporate Transformation in the Era of Change	3
	Taiwan Institute of Directors	Business Opportunities and Challenges under the US-China Trade Conflict	3
Wang, Chia-Chen	Taiwan Independent Director Association	Practical Operation and Case Study of Audit Committee and other Functional Committees	3
	Securities and Futures Institute	Equity Planning and Tactics in the Board Meetings and Shareholders' Meetings - A Case Study of Management Rights	3
Chen, Meng-Ping	CPA Associations R.O.C. (Taiwan)	Latest Securities Company Laws and Regulations	3
	CPA Associations R.O.C. (Taiwan)	Accounting Sci-Tech Innovation Theory and Application - Blockchain Accounting	3
Chang, May-Yuan	Taiwan Stock Exchange (TWSE)	Corporate Governance 3.0 - Blueprint of Sustainable Development	3
Hwu, Shoou-Chyang	Taiwan Stock Exchange (TWSE)	2020 Promotions of Corporate Governance and Ethical Business Conduct to Directors and Supervisors	3
Hsiao, Hsueh-Fong	Taiwan Stock Exchange (TWSE)	Corporate Governance 3.0 - Blueprint of Sustainable Development	3
	Securities and Futures Institute	2020 Seminar on Insider Trading Prevention and Insider Equity Trading	3

(IV) If the Company has the Remuneration Committee, the Remuneration Committee's composition, duties and operation shall be disclosed:

1. Profiles of the members of the Remuneration Committee:

Identity (Note 1)	Name	Condition	Does He or She have Over Five Years of Working Experience and the Following Professional Qualification			Compliance with Independence (Note 2)										Number of Other Public Companies in Which the Individual Is Concurrently Serving as a Remuneration Committee Member	Note	
			Instructor or Higher Position in the Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College, or University	Judge, Public Prosecutor, Attorney, CPA, or Other Professional or Technical Specialist Who Has Passed National Examination and Been Awarded with Certificate in a Profession Necessary for the Business of the Company	Working Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10			
Independent Director	Hwu, Shoou-Chyang			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Chen, Meng-Ping		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Chang, May-Yuan			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note 1: Please indicate the role of each member as director, independent director, or others.

Note 2: If any member meets any of the following conditions during the two years before being elected and during the tenure of office, please tick "✓" on the appropriate number of the condition(s).

- (1) He/she is not an employee of the Company or its affiliates.
- (2) He/she is not a director or supervisor of the Company or its affiliates, except for the concurrent independent director of the company and its parent company, subsidiary, or the subsidiary under the same parent company as appointed in accordance with the Act or with local laws.
- (3) He/she is not a natural-person shareholder who holds shares by him/herself or in the name of his/her spouse, minor children or other person for more than 1% of the Company's total outstanding shares or ranking in the top 10 in terms of shareholding.
- (4) He/she is not the managerial officer specified in item (1), or the spouse or the immediate relative within second-degree or third-degree kinship of the persons specified in items (2) and (3).
- (5) He/she is not the director, supervisor or employee of the corporate shareholder holding more than 5% of the Company's outstanding shares, or of the top five corporate shareholders in terms of shareholding, or that designates its representative to serve as a director or supervisor of the Company under Paragraph 1 or 2, Article 27 of the Company Act (except for an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
- (6) He/she is not the director, supervisor or employee of another company controlled by the person who serves as the Company's director or holds more than half of the Company's shares with voting rights, except for the concurrent independent director of the Company, its parent company, or the subsidiary under the same parent company as appointed in accordance with the Act or with local laws.
- (7) He/she is not the director, supervisor or employee of other company or organization, the chairman, president or otherwise of which is the Company's Chairman, President or the person holding the equivalent position or his/her spouse, except for the concurrent independent director of the company and its parent company, subsidiary, or the subsidiary under the same parent company as appointed in accordance with the Act or with local laws.
- (8) He/she is not a director, supervisor, managerial officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company (except for a specific company or institution holding more than 20% but less than 50% of the total issued shares of the Company and concurrently serving as an independent director, as appointed in accordance with the Act or the laws and regulations of the local country, at the Company and its parent or subsidiary or a subsidiary of the same parent).
- (9) He/she is not a professional individual, sole proprietorship, partnership, owner of a company or institution, partner, director, supervisor, managerial officer or spouse thereof that provides auditing service for the Company or any of its affiliates, or provides commercial, legal, financial, or accounting service with cumulative remuneration less than NT\$500,000 in the past two years, except for the members of the Remuneration Committee, Public Acquisition Review Committee or Special M&A Committee which exercise their powers in accordance with the provisions of Securities and Exchange Act or Business Mergers and Acquisitions Act and other relevant regulations.
- (10) The conditions specified in Article 30 of Company Act did not occur to him/her.

2. Duties of Remuneration Committee

The Company established the Remuneration Committee on October 25, 2011, which is responsible for implementing suggestions, evaluating and supervising the remuneration to the Company's directors, supervisors, and managerial officers, etc. and their remuneration policies, so as to assist the Board of Directors in managing remuneration. The Company's Remuneration Committee determines the remunerations to the highest-ranking members of the corporate governance team and executive officers in accordance with their professional qualifications and the Company's performance.

3. Information about the operation of the Remuneration Committee

(1) There are three members in the Company's Remuneration Committee.

(2) The tenure of the current members of Remuneration Committee is from June 13, 2019 to June 12, 2022. The Remuneration Committee held 2 meetings (A) in 2020, with the qualification and attendance of its members as follows:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Rate of Attendance in Person (%) [B/A]	Note
Convener	Hwu, Shoou-Chyang	2	0	100%	
Member	Chen, Meng-Ping	2	0	100%	
Member	Chang, May-Yuan	2	0	100%	

Other required disclosure:

I. If the Board of Directors does not adopt, or wishes to amend, the proposals of the Remuneration Committee, please state the date and session of the meeting of the Board of Directors, the contents of proposal(s), the resolutions made by the Board of Directors, and the Company's response to the Remuneration Committee's opinions (if the remuneration approved by the Board of Directors is higher than the Remuneration Committee's suggested amount, please state the difference and reasons): None.

II. For the decisions made by the Remuneration Committee, if any member has objection or qualified opinions which are recorded or stated in writing, the date and session of the meeting of the Remuneration Committee, the contents of proposal(s), all member's opinions, and the response to such opinions shall be specified: None.

III. The reason for the discussion and the results of the resolutions made by the Remuneration Committee, and the Company's response to the Committee member's opinions

The 2nd meeting of the 4th-term Remuneration Committee held on March 20, 2020:

1. The proposal to approve managerial officers' remuneration payment policies, systems, standards and structure. This proposal was consulted by the chairman of the Remuneration Committee, and approved, as proposed, by all the members present at the meeting without objection, and submitted to the Board of Directors for resolution.
2. The proposal to approve the remuneration to managerial officers. This proposal was consulted by the chairman of the Remuneration Committee, and approved, as proposed, by all the members present at the meeting without objection, and submitted to the Board of Directors for resolution.
3. The proposal to approve the remuneration to employees, directors and supervisors in 2019. This proposal was consulted by the chairman of the Remuneration Committee, and approved, as proposed, by all the members present at the meeting without objection, and submitted to the Board of Directors for resolution.
4. The proposal to approve the payment standards of the remuneration to directors and supervisors. This proposal was consulted by the chairman of the Remuneration Committee, and approved, as proposed, by all the members present at the meeting without objection, and submitted to the Board of Directors for resolution.

The 3rd meeting of the 4th-term Remuneration Committee held on October 30, 2020:

1. The proposal to approve the amendment to the "Organic Regulations of the Company Remuneration Committee." This proposal was consulted by the chairman of the Remuneration Committee, and approved, as proposed, by all the members present at the meeting without objection, and submitted to the Board of Directors for resolution.
2. The proposal to approve the payment of employee cash remuneration to managerial officers in 2019. This proposal was consulted by the chairman of the Remuneration Committee, and approved, as proposed, by all the members present at the meeting without objection, and submitted to the Board of Directors for resolution.
3. The proposal to approve the evaluation and payment standards of year-end bonuses to managerial officers in 2020. This proposal was consulted by the chairman of the Remuneration Committee, and approved, as proposed, by all the members present at the meeting without objection, and submitted to the Board of Directors for resolution.

(V) Fulfillment of corporate social responsibility and deviation from the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons thereof:

Items of Evaluation	Implementation Status			Deviation from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons Thereof
	Yes	No	Summary	
I. Does the Company evaluate the environmental, social, and corporate governance risks related to the company's operation based on the materiality, and formulate related risk management policies or strategies?	✓		In order to promise that the Company can strengthen and continuously improve its corporate social responsibility, the Company makes and sets corresponding corporate social responsibility management plans and objectives to ensure that the impact and risks related to its labor, health and safety, environment and corporate ethics can be managed effectively. The scope of the Company's corporate social responsibility is mainly determined based on the RBA code of conduct, therefore, all the major impacts and risks related to the Company's labor, health and safety, environment and corporate ethics are included in the code.	No deviation
II. Does the Company establish any full time (or part-time) dedicated unit for promoting corporate social responsibility, and is it handled by the senior managements authorized by the Board of Directors, and is the handling status reported to the Board of Directors?	✓		The General Management Division and the management team promote the Company's corporate social responsibility (CSR) activities by designing and implementing CSR programs to be participated by each department. The Company plans to establish a Corporate Social Responsibility Committee which will regularly report to the Board of Directors about CSR policies, programs and implementation progress.	No deviation
III. Environmental issues				
(I) Does the Company establish suitable environmental management system based on the characteristics of its industry?	✓		The Company's manufacturing processes are lead-free and without water, air and noise pollutions, and the Company has obtained ISO 14001 and OHSAS 18001 certifications, and has been designated as a Green Partner by Sony.	No deviation
(II) Is the Company committed to increasing the utilization efficiency of various resources, and using the renewable materials with low impact on environment?	✓		The Company emphasizes recycling of resources and the energy saving of lighting equipment, in order to realize the win-win goal of economic development and environmental protection.	No deviation
(III) Does the Company evaluate the potential risks and opportunities for enterprises arising from climate changes at present and in the future, and take countermeasures related thereto?	✓		In recent years, due to the impact of global climate changes, the development and allotment of water resources become an important issue for the countries all over the world. Therefore, the management of water resources, saving water, and emergency response to water shortage become an important part of corporate management against climate change risks and disasters. In view of that, TSMT continues to promote water-saving to improve water-saving efficiency. And it formulates (air, water, waste) pollution prevention plans. Air pollution control TSMT's process is mainly based on electricity consumption, thus, it does not emit nitrogen oxides (NOx), sulfides (SOx), and other air pollutants from boiler combustion or chemical reaction, nor substances which damage ozonosphere.	No deviation
(IV) Does the Company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on energy efficiency and carbon dioxide reduction, greenhouse gas reduction, water reduction, or waste management?	✓		The Company's all newly-built plants use energy-saving lighting and air-conditioning facilities to implement energy-saving and carbon reduction policies.	No deviation
IV. Social issues				
(I) Does the Company formulate appropriate management policies and procedures in accordance with relevant	✓		The Company complies with local regulations and international standards of human rights	No deviation

Items of Evaluation	Implementation Status			Deviation from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons Thereof
	Yes	No	Summary	
regulations and the International Convention of Human Rights?			when drawing up work rules. The Company's protection for employees covers age, gender, working hours, and leaves. The Company learns employee needs through labor meetings. The Company regards highly of employee rights. The execution status is very good.	
(II) Does the Company have and offer proper employee benefits (including remuneration, leave, and other benefits), and reflect the business performance or results in employee remuneration appropriately?	✓		The Company established the Remuneration Committee on October 25, 2011, which is responsible for implementing suggestions, evaluating and supervising the remuneration to the Company's directors, supervisors, and managerial officers, etc. and their remuneration policies, so as to assist the Board of Directors in managing remuneration. And it holds labor meeting regularly to reflect the business performance or results in employee remuneration appropriately.	No deviation
(III) Does the Company provide a healthy and safe working environment and organize training on health and safety for employees on a regular basis?	✓		With an OHSAS18001 certification, the Company enables its employees to work in a healthy and safe environment by following the occupational safety and health management system.	No deviation
(IV) Does the Company have effective career and competence development and training plans for its employees?	✓		The Company provides appropriate training programs and funds every year depending on employees' needs for current work as well as for career and competence development.	No deviation
(V) Does the Company comply with relevant laws, regulations and international guidelines regarding the health and safety, privacy, marketing and labeling of and for the customers of its products and services, and have related policies and compliant procedures to protect consumer's rights and interests?	✓		Not applicable as the Company is not a manufacturer of end products.	No deviation
(VI) Does the Company have supplier management policies requiring suppliers to comply with the regulations related to environment protection, occupational safety and health or labor rights etc., and supervise their compliance?	✓		The Company already adds such a clause that "the contract shall be terminated or cancelled at any time, in case of violation by supplier of the Company's corporate social responsibility policy which causes significant impact on environment and society" in its standard contracts when signing new contracts or renewing contracts.	No deviation
V. Does the Company prepare reports, such as its corporate social responsibility report, in accordance with internationally recognized rules and guidelines, to disclose its non-financial information? Has the Company received assurance or certification on the aforesaid reports from a third party accreditation institution?	✓		The Company prepares the corporate social responsibility report by referring GRI (Global Report Initiative) rules as guidelines and structure to disclose the performance in terms of economy, corporate governance, staff care, and environment protection etc., in addition to relevant significant data.	No deviation
VI. If the Company has its own "Corporate Social Responsibility Best Practice Principles" formulated in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies," please specify the deviation of its implementation from its "Corporate Social Responsibility Best Practice Principles":				
The Company has formulated its "Corporate Social Responsibility Best Practice Principles," without major deviation of its implementation from the "Corporate Social Responsibility Best Practice Principles."				
VII. Other important information which can help to understand the implementation status of corporate social responsibility:				
(I) The Company pays much attention to waste management and resource recycling in order to meet the requirements of green environmental conservation.				
(II) The Company uses energy-saving lighting and air-conditioning facilities in all of its newly-built plants in an effort to help protect the environment.				
(III) The Company has passed ISO14001 and OHSAS18001 certifications. They are very helpful for setting up wholesome systems for environmental protection and labor health and safety.				

(VI) Implementation of ethical corporate management and deviation from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and reasons thereof.

Items of Evaluation	Implementation Status			Deviation from the "Ethical Corporate Management Best-Practice for TWSE/TPEX Listed Companies" and Reasons Thereof
	Yes	No	Summary	
I. Formulation of ethical corporate management policy and plan				
(I) Does the Company have an ethical corporate management policy approved by the Board of Directors, and disclose, in its rules and external documents, its ethical corporate management policies and practices, as well as the commitment of the Board of Directors and senior management to implement management policy?	✓		The "Ethical Corporate Management Best Practice Principles" are approved by the resolution made by the Company's Board of Directors, and the Board of Directors and senior managements undertake to implement ethical corporate management policy actively and supervise its implementation.	No deviation
(II) Does the Company have risk evaluation mechanism against unethical conduct, regularly analyze and evaluate the business activities with high risks of unethical conduct within its business scope, and plan to make unethical conduct prevention scheme, at least covering the measures for prevention of the acts specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?	✓		The Company has the "Ethical Corporate Management Best Practice Principles" and "Corporate Codes of Conduct," specifically specifying the matters that the Company's staff should care about at work, and prohibiting staff from receiving and offering bribes and directly or indirectly providing or receiving any unreasonable gifts, entertainment, or other improper benefits to establish business relationships or influence business transactions.	No deviation
(III) Does the Company specify the procedures, guidelines, punishment for violation and compliant system in unethical conduct prevention scheme, and implement them, and regularly review the scheme before amendment?	✓		The Company has the "Ethical Corporate Management Best Practice Principles" and "Corporate Codes of Conduct," specifically specifying the matters that the Company's staff should care about at work, and prohibiting staff from receiving and offering bribes and directly or indirectly providing or receiving any unreasonable gifts, entertainment, or other improper benefits to establish business relationships or influence business transactions.	No deviation
II. Implementation of ethical corporate management				
(I) Does the Company evaluate business partners' ethical corporate management records, and specify ethical corporate management-related clauses in the business contracts signed with trading partner?	✓		The Company has mechanisms for reviewing business customers and contractors. Rights and obligations of the two sides are always stipulated in the contracts The Company signs with them. There will also be a confidentiality clause.	No deviation
(II) Does the Company have dedicated unit under the Board of Directors to promote ethical corporate management, and regularly (at least once every year) report its ethical corporate management policy and unethical conduct prevention scheme to the Board of Directors, and supervise their implementation?	✓		The Company's Internal Audit Office is responsible for designing policies and preventive measures in relation to corporate integrity. It also supervises and reports to the Board of the Company regularly regarding the implementation.	No deviation
(III) Does the Company have interest conflict prevention policy, provides appropriate channel for statement, and implement them?	✓		The Company has the "Procedures for Employee Reporting." In case of interest conflict or any other related matters, the Company's employees may report it through employee whistle-blowing mailbox, in addition to report to their immediate leaders.	No deviation
(IV) Does the Company have effective accounting and internal control systems established to implement ethical corporate management, and draft internal audit plan based on the results of the evaluation made by internal audit unit on the risk of unethical conduct, and check the implementation of the unethical conduct prevention scheme according to the audit plan, or entrust CPAs to conduct the same?	✓		The Company has its internal management measures, and its internal control system operates in a good condition, and its internal audit unit indeed implements various audits properly.	No deviation
(V) Does the Company regularly conduct internal and external training on ethical corporate management?	✓		During new employee training sessions, the Company's ethical principles are declared emphatically. From time to time the procurement units would promote these principles to suppliers so as to eliminate unethical business conducts. The Company regularly conducts general training for its staff each year, with the courses for advocating the Corporate Codes of Conduct for employees, the contents of which promoting ethical corporate management. A total of 1,152 persons accepted the training in 2020.	No deviation
III. Status of the internal reporting system				
(I) Does the Company have specific whistle-blowing and rewarding system, as well as accessible whistle-blowing channel, and designate appropriate and dedicated acceptance person against the whistle-blowing object?	✓		The Company has the "Procedures for Employee Reporting." In case of interest conflict or any other related matters, the Company's employees may report it through employee whistle-blowing mailbox, which will be accepted and dealt with by the Company's HR unit, in addition to report to their immediate leaders.	No deviation

Items of Evaluation	Implementation Status			Deviation from the "Ethical Corporate Management Best-Practice for TWSE/TPEX Listed Companies" and Reasons Thereof
	Yes	No	Summary	
(II) Does the Company have the standards for investigating, and the procedures for accepting, the whistle-blowing issues, and subsequent measures to be made after investigation, and related confidentiality mechanism?	✓		The Company has the "Procedures for Employee Reporting," specifying the standards for investigating, and the procedures for accepting, the whistle-blowing issues, as well as related confidentiality mechanism.	No deviation
(III) Does the Company take measures to protect whistleblowers from suffering bad things due to whistle-blowing?	✓		The Company has the "Procedures for Employee Reporting," specifying the standards for investigating, and the procedures for accepting, the whistle-blowing issues, as well as related confidentiality mechanism.	No deviation
IV. Enhancing disclosure of information Does the Company disclose the contents of its Ethical Corporate Management Best Practice Principles and its implementation results on its website and MOPS?	✓		The Company have posted its "Ethical Corporate Management Best Practice Principles" and "Corporate Codes of Conduct" on its website, and discloses the results of their implementation in Corporate Social Responsibility Report.	No deviation
V. If the Company has its own "Ethical Corporate Management Best Practice Principles" formulated in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies," please specify the deviation of its implementation from the "Ethical Corporate Management Best Practice Principles": The Company has the "Ethical Corporate Management Best Practice Principles," without major deviation of its implementation from the "Ethical Corporate Management Best Practice Principles."				
VI. Other important information which can help others to understand the implementation status of the Company's ethical corporate management: (e.g., the Company reviews and amends its "Ethical Corporate Management Best Practice Principles") The Company promotes its ethical corporate management policy to its business partners every year, and rejects any improper benefits.				

(VII) If the Company has Corporate Governance Principles, the method for inquiring the Principles shall be disclosed:

The Company has "Corporate Governance Principles," specifying the relevant provisions for safeguarding shareholders' rights and interests, strengthening the functions of the Board of Directors, valuing stakeholders' interests, and increasing information transparency, etc. For the implementation of the Company's corporate governance, please refer to Chapter 3 of the Annual Report and the "Implementation of Corporate Governance" specified in the Corporate Governance Report (#page 14 to 30#). The Company's "Corporate Governance Principles" is available on the Company's website (<http://www.tsmc.com.tw>).

(VIII) Other important information which can help others to understand the implementation status of the corporate governance:

1. Safeguarding shareholders' rights and interests:  
The Company emphasizes shareholders' right to know, and complies with the relevant rules for disclosure of information by frequently and timely informing shareholders of its financial, business, insiders' shareholding and corporate governance status on its website or the MOPS.
2. Strengthening the functions of the Board of Directors:  
The Company has equal, fair and open procedures for electing Directors, and adopts a cumulative voting system to adequately reflect shareholders' opinions. In addition, the Company has three Independent Directors, whose professional qualifications, restriction on shareholding and concurrent position, verification on independence, nomination and other matters all meet the requirements stipulated in the "Securities and Exchange Act," the "Regulations Governing Appointment of Independent Directors and Compliance Matters of Public Companies," and the rules of Taiwan Stock Exchange.
3. Valuing stakeholders' interests:  
The Company maintains smooth channels for communication with correspondent banks and other creditors, employees, suppliers, and stakeholders, and values and protects their legitimate rights and interests.
4. Increasing information transparency:  
The Company follows relevant laws and regulations and faithfully fulfills its obligations. It has established an online reporting system for publication of information, designated staffers responsible for information collection and disclosure, and a spokesperson system in order to ensure timely and appropriate disclosure of information which may affect shareholders and stakeholders.

(IX) For implementation of internal control system, the following shall be disclosed:

1. Statement of internal control:

Taiwan Surface Mounting Technology Corp.  
Statement of Internal Control

Date: March 19, 2021

Based on the findings of a self-evaluation, the Company states the following with regard to its internal control system during the year of 2020:

- I. The Company knows that its Board of Directors and Managerial Officers shall be responsible for establishing, implementing and maintaining internal control system (ICS), and the Company has established the system. This control system is designed to provide reasonable assurance over the effectiveness and efficiency of operations (including profitability, performance and safeguarding of the assets); The reliability, timeliness, transparency, and regulatory compliance of financial reporting and other related reports; and The compliance with applicable laws, regulations and rulings.
- II. Internal control system has its inherent limitation, and effective internal control system can only provide reasonable guarantee for achievement of the aforementioned three objectives, no matter how perfect its design is, and the effectiveness of internal control system may change due to the changes in the environment and circumstances. Nevertheless, there is a built-in self-monitoring mechanism in the Company's internal control system. Once a deficiency is identified, The Company will take remedial actions immediately.
- III. The Company evaluates, according to the items for evaluating the effectiveness of internal control system specified in the "Rules for Public Companies to Establish Internal Control System" (hereinafter referred to as "Rules"), that whether its ICS design and implementation are effective. The criteria adopted by the Rules identify five key components of an internal control system: a) control environment, b) risk assessment, c) control activities, d) information and communication, and e) monitoring activities. There are several items under each component. They can be found in the Rules.
- IV. The Company adopts aforementioned ICS evaluation items to evaluate the effectiveness of ICS design and implementation.
- V. V. Based on the results of the determination in the preceding paragraph, the Company is of the opinion that, as of December 31, 2020, the internal control system (including the supervision and management of subsidiaries), including the design and implementation of the internal control system relating to the effectiveness and efficiency of the operations, reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations, is effective and can reasonably assure the achievement of the foregoing goals.
- VI. This statement will be the main contents of the Company's annual report and prospectus, and will be disclosed. If the aforementioned disclosure is false or concealed or otherwise illegal, it will subject to the legal liability specified in Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This statement was approved by the Board of Directors of the Company on March 19, 2021. Among the ten directors present, zero held opposing opinions, and the rest agreed with the contents of this statement and made this statement.

Taiwan Surface Mounting Technology Corp.  
Chairman: Wu, Kai-Yun  
President: Wu, Kai-Yun



2. If the company entrusts CPAs to audit internal control system, CPAs' audit report shall be disclosed: N/A.

(X) If the Company or its any internal person was punished according to law, or the Company punished due to violation of internal control system by its internal person, in the most recent year and in the current year as of the publication date of the Annual Report, and the punishment result may have a significant impact on shareholders' interests or securities prices, please specify the contents of the punishment, the main deficiencies and its correction: None.

(XI) Major resolutions made by the shareholders' meeting and the Board of Directors in the most recent year and in the current year as of the publication date of the Annual Report:

1. Important resolutions made by the Board of Directors:

Date of Resolution	Board of Directors' Important Resolutions
5th meeting of 13th-term 2020.03.20	<ol style="list-style-type: none"> <li>1. The proposal for the remuneration to employees, directors and supervisors in 2019 was approved.</li> <li>2. 2019 individual financial statements and consolidated financial statements were recognized. (Note)</li> <li>3. 2019 annual business report was approved.</li> <li>4. The 2019 profit distribution proposal was approved.</li> <li>5. 2019 statement of internal control was approved. (Note)</li> <li>6. The proposal for determining the date, agenda and proposal period of and for shareholders' regular meeting in 2020 was approved.</li> <li>7. The proposal for making increase in the registered capital of Regent Electron (He Fei) Co., Ltd. was approved. (Note)</li> <li>8. The proposal for making increase in the registered capital of Regent Electron (Suzhou) Co., Ltd. was approved. (Note)</li> <li>9. The proposal for making an increase in the registered capital of TSMT Technology (Singapore) Pte. Ltd. was approved. (Note)</li> <li>10. The proposal for the Company and Regent Manner Limited to engage in derivatives trading was approved. (Note)</li> <li>11. The proposal for the amendment to the "Internal Control System" was approved. (Note)</li> <li>12. The proposal for the Company to entrust CPAs and for regularly reviewing the independence of CPAs was approved. (Note)</li> <li>13. The proposal for managerial officers' remuneration payment policies, systems, standards and structure was approved.</li> <li>14. The proposal for the remuneration to managerial officers was approved.</li> <li>15. The proposal for the payment standards of the remuneration to directors and supervisors was approved.</li> </ol>
6th meeting of 13th-term 2020.04.27	<ol style="list-style-type: none"> <li>1. 2020 Q1 financial statements were approved.</li> <li>2. The proposal for making an increase in the registered capital of Regent Electron (Suzhou) Co., Ltd. was approved. (Note)</li> <li>3. The proposal for the Company and Regent Manner Limited to engage in derivatives trading was approved. (Note)</li> <li>4. The proposal for the enactment of the "Board of Directors Performance Self-Assessment Regulations" was approved.</li> </ol>
7th meeting of 13th-term 2020.06.19	<ol style="list-style-type: none"> <li>1. The proposal for determining the base date for distributing dividends was approved.</li> <li>2. The proposal for making an increase in the registered capital of Regent Electron (Suzhou) Co., Ltd. was approved. (Note)</li> <li>3. The proposal for the Company and Regent Manner Limited to engage in derivatives trading was approved. (Note)</li> </ol>
8th meeting of 13th-term 2020.08.07	<ol style="list-style-type: none"> <li>1. 2020 Q2 financial statements were approved.</li> <li>2. The proposal for the Company and Regent Manner Limited to engage in derivatives trading was approved. (Note)</li> </ol>
9th meeting of 13th-term 2020.10.30	<ol style="list-style-type: none"> <li>1. 2020 Q3 financial statements were approved.</li> <li>2. The proposal for the Company and Regent Manner Limited to engage in derivatives trading was approved. (Note)</li> <li>3. The proposal for making an increase in the registered capital of Regent Electron (Suzhou) Co., Ltd. was approved. (Note)</li> <li>4. The proposal for acquiring land-use rights and leasing land for the plant construction of Regent Electron (Suzhou) Co., Ltd. was approved. (Note)</li> <li>5. The proposal to amend the "Organic Regulations of the Company Remuneration Committee" was approved.</li> <li>6. The proposal for approving payment of employee cash remuneration to managerial officers in 2019 was approved. (Note)</li> <li>7. The proposal for the method of evaluating the year-end bonus in 2020 to managerial officers and its payment standards was approved. (Note)</li> </ol>
10th meeting of 13th-term 2020.12.30	<ol style="list-style-type: none"> <li>1. The proposal to make the audit plan for 2021 was approved. (Note)</li> <li>2. The proposal for the amendment to the "Internal Control System" was approved. (Note)</li> </ol>

Date of Resolution	Board of Directors' Important Resolutions
	3. The proposal to set the standards for determining whether accounts receivable over the normal credit period of three months is a loan and whether "the amount is significant" was approved. (Note) 4. The proposal for Regent Manner Limited to engage in derivatives trading was approved. (Note) 5. The proposal to acquire right-of-use assets for Regent Manner Limited from Taiwan Surface Mounting Technology (Suzhou) Co., Ltd. was approved. (Note)
11th meeting of 13th-term 2021.03.19	1. The proposal to distribute remuneration for employees and directors in 2020 was approved. 2. 2020 individual financial statements and consolidated financial statements were recognized. (Note) 3. 2020 business report was approved. 4. 2020 earnings distribution proposal was approved. 5. 2020 statement of internal control was approved. (Note) 6. The proposal for determining the date, agenda and proposal period of and for shareholders' regular meeting in 2021 was approved. 7. The proposal for making an increase in the registered capital of TSMT Technology (Singapore) Pte. Ltd. was approved. (Note) 8. The proposal for the appointment of CPAs and evaluation of their independence was approved. (Note) 9. The proposal for the policies, systems, standards, and structures of managerial officers' remuneration was approved. 10. The proposal for the remuneration to managerial officers was approved. 11. The proposal for the payment standards of the remuneration to directors was approved. 12. The proposal for the amendment to the "Rules and Procedures of Shareholders' Meeting" was approved. 13. The proposal for the Company's provision of endorsement and guarantee for Tele System Communications Pte. Ltd. was approved. (Note) 14. The proposal for the Company's provision of endorsement and guarantee to TSMT Technology (India) Pvt. Ltd. was approved. (Note)

Note: The matters listed in Article 14-5 of the Securities and Exchange Act.

2. Implementation of the resolutions made at the 2020 regular shareholders' meeting:

(1) Recognition on 2019 financial statements

Implementation status: It was approved by the resolution made at the 2020 regular shareholders' meeting.

(2) Recognition on 2019 profit distribution proposal

Implementation status: 2020 cash dividends distribution, NT\$818,715,389, to shareholders was approved at the 2020 regular shareholders' meeting, and payment of the cash dividends on August 14, 2020 is approved at the meeting of the Board of Directors on June 19, 2020.

(XII) If any director or supervisor has different opinions, recorded or stated in writing, on any important resolution approved at the meeting of the Board of Directors in the most recent year and in the current year as of the publication date of the Annual Report, the main contents of the opinions shall be specified: None.

(XIII) Summary on the resignation or dismissal of the Company's Chairman, President, Accounting Manager, Financial Manager, Internal Audit Manager, Corporate Governance Manager, and R&D Manager: None.

#### IV. Information Regarding CPAs' Audit Fees

Unit: NT\$ thousands

Name of Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Note
			System of Design	Company Registration	Human Resource	Others	Subtotal		
PricewaterhouseCoopers Taiwan	Chiu,Chao-Hsien Lee, Hsiu-Ling	8,090	-	-	-	1,100	1,100	2020	(Note)

Note: Others are transfer fee and services fee for enterprise mater data and reports.

(I) The amount of non-audit fees paid to the CPAs, the accounting firm and its affiliates which accounts for more than one-fourth of audit fees: None.

(II) The accounting firm that is replaced and the audit fee paid in the replacement year which is lower than those paid in the previous year before the replacement: None.

(III) Where the audit fee paid for a year was 10% (or above) less than that of the previous year, the sum, proportion, and cause of the reduction shall be disclosed: None.

- V. Replacement of CPAs: None.
- VI. The Company's Chairman, President, or Managerial Officers in Charge of Finance or Accounting Holding Any Post in the CPAs' Accounting Firm or Its Affiliated Enterprises in the Most Recent Year: None.
- VII. Equity Transfer and Change in Equity Pledge by Directors, Supervisors, Managerial Officers, and the Shareholders Holding over 10% of the Company's Shares in the Most Recent Year and in the Current Year as of the Publication Date of the Annual Report

- (I) Changes in the shareholding of directors, supervisors, managerial officers, and the shareholders holding over 10% of the Company's shares:

Title	Name	2020		As of April 28, 2021	
		Increase (or Decrease) in the Shares Held	Increase (or Decrease) in the Shares Pledged	Increase (or Decrease) in the Shares Held	Increase (or Decrease) in the Shares Pledged
Chairman and President	Wu, Kai-Yun	-	-	-	-
Director	Lin, Wen-Ching	9,000	-	-	-
Director	Shen, Shian-Ho	-	-	-	-
Director and Vice President	Wang, Chia-Chen	(48,000)	-	-	-
Director and Division Director	Wu, Yun-Chung	-	-	-	-
Director	Lin, Wen-Chang	-	-	-	-
Director	Hsiao, Hsueh-Fong	-	-	-	-
Independent Director	Hwu, Shoou-Chyang	-	-	-	-
Independent Director	Chang, May-Yuan	-	-	-	-
Independent Director	Chen, Meng-Ping	-	-	-	-
Managerial officer	Chen, Yuan-Te	-	-	-	-
Managerial officer	Lin, Hung-Sen	-	-	-	-
Managerial officer	Lee, Kun-Chen	-	-	-	-
Financial Officer	Su, Chia-Ling	-	-	-	-
Accounting Officer	Chang, Hui-Ling	-	-	-	-

- (II) Equity transfer with related parties: None.

- (III) Shares pledge with related Parties: None.

## VIII. Relationship among the Top Ten Shareholders

April 27, 2021

Name	Shares Held by Him/herself		Shareholding of Spouse and Minor Children		Shares Held in the Name of Other Persons		Names of and Relations between/among the Top 10 Shareholders who Are Related Parties, or Spouse, or the Relatives within Second-degree Kinship		Note
	Shares	%	Shares	%	Shares	%	Name	Relationship	
New Labor Pension Funds	13,325,402	4.56	-	-	-	-	-	-	
Yu Chieh Investment Limited Representative: Chou, Kuo-Tai	12,340,471	4.22	-	-	-	-	-	-	
Wu, Kai-Yun	11,931,653	4.08	13,584,152	4.65	-	-	Wang, Ying-Nien Wu, Yun-Chung	Spouse Son	
Wang, Ying-Nien	11,421,085	3.91	14,094,720	4.82	-	-	Wu, Kai-Yun Wu, Yun-Chung	Spouse Son	
Cathay Life Insurance Co., Ltd. Representative: Huang, Tiao-Kuei	9,207,000	3.15	-	-	-	-	-	-	
Old Labor Pension Funds	6,258,402	2.14	-	-	-	-	-	-	
Lin, Wen-Ching	5,914,789	2.02	613,701	0.21	-	-	-	-	
Management Board of Public Service Pension Fund	5,796,000	1.98	-	-	-	-	-	-	
Vanguard Emerging Markets Stock Index Fund, A series of Vanguard International Equity Index Funds	4,331,110	1.48	-	-	-	-	-	-	
Wu, Yun-Chung	4,000,470	1.37	-	-	-	-	Wu, Kai-Yun Wang, Ying-Nien	Father Mother	

## IX. Number of Shares of Invested Enterprises Held by the Company, the Company's Directors, Supervisors, Managerial Officers, or the Entities Directly or Indirectly Controlled by the Company and Calculation of Consolidated Shareholding Ratio

December 31, 2020, Unit: Shares

Invested Company (Note)	Investment by the Company		Investment by Directors, Supervisors, Managerial Officers, or the Entities Directly or Indirectly Controlled by the Company		Total Investment	
	Shares	%	Shares	%	Shares	%
TSMT (BVI)	104,000,000	100.00	-	-	104,000,000	100.00
Taiwan Surface Mounting Technology Co., Ltd.	9,999	99.99	1	0.01	10,000	100.00
TSMT (SINGAPORE)	21,000,000	100.00	-	-	21,000,000	100.00
High-Toned Opto Technology Corp.	26,423,291	85.24	1,934,142	6.24	28,357,433	91.48
BaiHong Investment Co., Ltd.	10,999,000	99.99	-	-	10,999,000	99.99
Fitivision Technology Inc.	20,000,000	100.00	-	-	20,000,000	100.00
Tele System Communications Pte. Ltd.	4,700,000	31.33	5,300,000	35.34	10,000,000	66.67

Note: The investment made by the Company by adopting equity method.

## Chapter 4. Capital Overview

### I. Capital and Shares

#### (I) Source of capital:

Unit: Thousand shares; NT\$ thousand

MM/YY	Price for Issuance (NT\$)	Authorized Stock		Paid-up Capital		Note		
		Shares	Amount	Shares	Amount	Source of Capital	Payment by using other Properties Instead of Cash	Other
Mar. 1900	10	1,200	12,000	1,200	12,000	NT\$12,000 thousand of cash increase in capital	None	-
Oct. 1991	10	2,000	20,000	2,000	20,000	NT\$8,000 thousand of cash increase in capital	None	-
Aug. 1994	10	2,500	25,000	2,500	25,000	NT\$5,000 thousand of cash increase in capital	None	-
Mar. 1995	10	3,700	37,000	3,700	37,000	NT\$12,000 thousand of cash increase in capital	None	-
Nov. 1997	10	14,500	145,000	14,500	145,000	NT\$108,000 thousand of cash increase in capital	None	-
Jul. 1998	10	19,900	199,000	19,900	199,000	NT\$54,000 thousand of cash increase in capital	None	-
Sep. 1999	10	40,000	400,000	25,500	255,000	NT\$21,250 thousand of capital transferred from capital reserves NT\$19,750 thousand of capital transferred from surplus reserves NT\$15,000 thousand of cash increase in capital	None	Note 1
Aug. 2000	10	40,000	400,000	33,000	330,000	NT\$50,000 thousand of capital transferred from surplus reserves NT\$25,000 thousand of cash increase in capital	None	Note 2
Aug. 2001	10	40,000	400,000	40,000	400,000	NT\$70,000 thousand of capital transferred from surplus reserves	None	Note 3
Aug. 2002	10	60,000	600,000	49,000	490,000	NT\$90,000 thousand of capital transferred from surplus reserves	None	Note 4
Jun. 2003	10	66,000	660,000	60,000	600,000	NT\$110,000 thousand of capital transferred from surplus reserves	None	Note 5
Aug. 2004	10	130,000	1,300,000	66,600	666,000	NT\$66,000 thousand of capital transferred from surplus reserves	None	Note 6
Aug. 2005	10	130,000	1,300,000	73,810	738,100	NT\$72,100 thousand of capital transferred from surplus reserves	None	Note 7
Nov. 2005	10	130,000	1,300,000	83,810	838,100	NT\$100,000 thousand of cash increase in capital	None	Note 8
Jan. 2006	10	130,000	1,300,000	85,019	850,190	NT\$12,090 thousand converted from employee warrants	None	Note 9
Feb. 2006	10	130,000	1,300,000	86,748	867,480	NT\$17,290 thousand converted from employee warrants	None	Note 10
Aug. 2006	10	200,000	2,000,000	99,748	997,480	NT\$130,000 thousand of cash increase in capital	None	Note 10
Oct. 2006	10	200,000	2,000,000	116,660	1,166,602	NT\$169,122 thousand of capital transferred from surplus reserves	None	Note 11
Dec. 2006	10	200,000	2,000,000	116,890	1,168,902	NT\$2,300 thousand converted from employee warrants	None	Note 12
Jan. 2007	10	200,000	2,000,000	117,948	1,179,482	NT\$10,580 thousand converted from employee warrants	None	Note 12
Feb. 2007	10	200,000	2,000,000	117,968	1,179,682	NT\$200 thousand converted from employee warrants	None	Note 12
Mar. 2007	10	200,000	2,000,000	118,110	1,181,102	NT\$1,620 thousand converted from employee warrants	None	Note 12
Jun. 2007	10	200,000	2,000,000	140,142	1,401,417	NT\$220,315 thousand of capital transferred from surplus reserves	None	Note 12
Dec. 2007	10	200,000	2,000,000	141,245	1,412,447	NT\$11,030 thousand converted from employee warrants	None	Note 13
Jan. 2008	10	200,000	2,000,000	141,531	1,415,307	NT\$2,860 thousand converted from employee warrants	None	Note 13
Jul. 2008	10	200,000	2,000,000	167,245	1,672,445	NT\$257,137 thousand of capital transferred from surplus reserves	None	Note 13
Aug. 2009	10	200,000	2,000,000	178,777	1,787,766	NT\$115,321 thousand of capital transferred from surplus reserves	None	Note 14
Feb. 2010	10	250,000	2,500,000	198,777	1,987,766	NT\$200,000 thousand of cash increase in capital	None	Note 15
Jul. 2010	10	250,000	2,500,000	218,444	2,184,442	NT\$196,668 thousand of capital transferred from surplus reserves	None	Note 16
Aug. 2011	10	300,000	3,000,000	240,289	2,402,887	NT\$218,444 thousand of capital transferred from surplus reserves	None	Note 17
Aug. 2012	10	300,000	3,000,000	257,109	2,571,089	NT\$168,202 thousand of capital transferred from surplus reserves	None	Note 18
Nov. 2012	10	300,000	3,000,000	257,173	2,571,729	NT\$640 thousand converted from employee warrants	None	Note 19
Aug. 2013	10	300,000	3,000,000	270,032	2,700,315	NT\$128,586 thousand of capital transferred from surplus reserves	None	Note 20
Aug. 2014	10	300,000	3,000,000	280,833	2,808,328	NT\$108,013 thousand of capital transferred from surplus reserves	None	Note 21
Nov. 2014	10	300,000	3,000,000	281,308	2,813,078	NT\$4,750 thousand converted from employee warrants	None	Note 22
Mar. 2015	10	300,000	3,000,000	281,332	2,813,318	NT\$240 thousand converted from employee warrants	None	Note 23
Aug. 2015	10	500,000	5,000,000	295,398	2,953,984	NT\$140,666 thousand of capital transferred from surplus reserves	None	Note 24
Nov. 2018	10	500,000	5,000,000	292,398	2,923,984	NT\$30,000 thousand of decrease in capital from treasury stocks	None	Note 25

- Note 1: The registration is changed as approved by J(088)SZ No. 135586 Document on September 28, 1999.  
 Note 2: The registration is changed as approved by J(089)SZ No. 129918 Document issued on August 17, 2000.  
 Note 3: The registration is changed as approved by J(090)SZ No. 09001319320 Document on August 23, 2002.  
 Note 4: The registration is changed as approved by JSSZ No. 09101327810 Document on August 13, 2002.  
 Note 5: The registration is changed as approved by JSSZ No. 09201178740 Document on June 6, 2003.  
 Note 6: The registration is changed as approved by JSSZ No. 09301132390 Document on August 3, 2004.  
 Note 7: The registration is changed as approved by JSSZ No. 09401166360 Document on August 24, 2005.  
 Note 8: The registration is changed as approved by JSSZ No. 09401235430 Document on November 25, 2005.  
 Note 9: The registration is changed as approved by JSSZ No. 09501004700 Document on January 11, 2006.  
 Note 10: The registration is changed as approved by JSSZ No. 09501175090 Document on August 10, 2006.  
 Note 11: The registration is changed as approved by JSSZ No. 09501223980 Document on October 3, 2006.  
 Note 12: The registration is changed as approved by JSSZ No. 09601157430 Document on July 12, 2007.  
 Note 13: The registration is changed as approved by JSSZ No. 09701206420 Document on August 15, 2008.  
 Note 14: The registration is changed as approved by JSSZ No. 09801183170 Document on August 14, 2009.  
 Note 15: The registration is changed as approved by JSSZ No. 09901030660 Document on February 10, 2010.  
 Note 16: The registration is changed as approved by JSSZ No. 09901149400 Document on July 15, 2010.  
 Note 17: The registration is changed as approved by JSSZ No. 10001180590 Document on August 8, 2011.  
 Note 18: The registration is changed as approved by JSSZ No. 10101157490 Document on August 3, 2012.  
 Note 19: The registration is changed as approved by JSSZ No. 10101231840 Document on November 8, 2012.  
 Note 20: The registration is changed as approved by JSSZ No. 10201158960 Document on August 6, 2013.  
 Note 21: The registration is changed as approved by JSSZ No. 10301159450 Document on August 8, 2014.  
 Note 22: The registration is changed as approved by JSSZ No. 10301228930 Document on November 7, 2014.  
 Note 23: The registration is changed as approved by JSSZ No. 10401056110 Document on March 31, 2015.  
 Note 24: The registration is changed as approved by JSSZ No. 10401163710 Document on August 7, 2015.  
 Note 25: The registration is changed as approved by JSSZ No. 10701141320 Document on November 16, 2018.

Unit: Shares

Type of Shares	Authorized Stock				Note
	Outstanding Shares (Listed)		Unissued Shares	Total	
	Registration Changed	Registration Yet to Be Changed			
Ordinary shares	292,398,353	0	207,601,647	500,000,000	

### Information about Shelf Registration System

Type of Securities	Planned Issuing Number		Number of Issued Shares		Purpose of and Predicted Benefit of Issued Shares	Scheduled Issuance Period of Shares Not Issued	Note
	Total Shares	Authorized Amount	Shares	Price			
None							

### (II) Status of shareholders:

April 27, 2021

Status of Shareholders Quantity	Government Agencies	Financial Institutions	Other Juridical Persons	Foreign Institution and Natural Persons	Individuals	Treasury Stock	Total
Number of shareholders	0	24	144	195	32,136	0	32,499
Number of shares held	0	20,432,002	61,083,274	40,095,416	170,787,661	0	292,398,353
Shareholding ratio	0.00%	6.99%	20.89%	13.71%	58.41%	0.00%	100.00%

## (III) Dispersion of equity:

April 27, 2021

Classification of Shareholding	Number of Shareholders	Number of shares held	Shareholding ratio
1-999	5,766	1,243,408	0.43%
1,000-5,000	22,909	41,291,808	14.12%
5,001-10,000	2,041	16,136,679	5.52%
10,001-15,000	536	6,923,625	2.37%
15,001-20,000	336	6,267,165	2.14%
20,001-30,000	297	7,729,401	2.64%
30,001-40,000	153	5,522,693	1.89%
40,001-50,000	96	4,570,774	1.56%
50,001-100,000	173	12,013,431	4.11%
100,001-200,000	68	9,970,839	3.41%
200,001-400,000	46	13,670,874	4.68%
400,001-600,000	16	7,559,030	2.59%
600,001-800,000	11	7,533,453	2.58%
800,001-1,000,000	12	10,796,065	3.69%
1,000,001 and more	39	141,169,108	48.27%
Total	32,499	292,398,353	100.00%

Preferred Shares

April 27, 2021

Classification of Shareholding	Number of Shareholders	Number of shares held	Shareholding ratio
Classification made depending on actual situation	None		
Total			

## (IV) List of major shareholders: Shareholders who hold more than 5% of the total shares or whose proportion of equity is in the top 10:

April 27, 2021

Name of Major Shareholders	Shareholding	Number of shares held	%
New Labor Pension Funds		13,325,402	4.56
Yu Chieh Investment Limited		12,340,471	4.22
Wu, Kai-Yun		11,931,653	4.08
Wang, Ying-Nien		11,421,085	3.91
Cathay Life Insurance Co., Ltd.		9,207,000	3.15
Old Labor Pension Funds		6,258,402	2.14
Lin, Wen-Ching		5,914,789	2.02
Management Board of Public Service Pension Fund		5,796,000	1.98
Vanguard Emerging Markets Stock Index Fund, A series of Vanguard International Equity Index Funds		4,331,110	1.48
Wu, Yun-Chung		4,000,470	1.37

(V) Market price per share, book value, earnings, dividends and relevant information in the most recent two years:

Item		Year	2019	2020	As of April 28, 2021
Market price per share (Note 1)	Highest		120.50	152.00	139.00
	Lowest		36.10	51.70	102.00
	Average		70.57	111.85	120.97
Net worth per share (Note 2)	Before distribution		43.54	46.14	-
	After distribution		40.74	Yet to be distributed	-
Earnings per share	Weighted average shares		292,398 thousand shares	292,398 thousand shares	-
	Earnings per share (before adjustment) (Note 3)		6.96	7.50	-
	Earnings per share (after adjustment) (Note 3)		6.96	Yet to be distributed	-
Dividends per share	Cash dividends		2.8	3.3	-
	Unpaid dividends	Dividends from earnings	-	-	-
		Dividends from capital surplus	-	-	-
	Accumulated unpaid dividends (Note 4)		-	-	-
Return on investment	Price/earnings ratio (Note 5)		9.99	14.76	-
	Price/dividend ratio (Note 6)		24.83	33.55	-
	Cash dividends yield (Note 7)		4.03%	2.98%	-

\* If retained earnings or capital reserves are used for capital increase, market prices and cash dividends that are retroactively adjusted based on the number of shares after distribution shall be disclosed.

Note 1: The highest and lowest market price of ordinary shares in each year shall be presented, and average market prices in each year shall be calculated based on the transaction value and volume in each year.

Note 2: It shall be filled out, based on the number of shares that have been issued at the end of the year, in accordance with the resolutions made on the distribution at the shareholders' meeting in the next year.

Note 3: Retroactive adjustment is required due to stock dividend distribution and so on. It shall list diluted and adjusted diluted earnings per share.

Note 4: Where the conditions for issuance of equity securities are stipulated that the dividends having yet to pay are accumulated to the earnings year, the accumulated dividends shall be disclosed as of current year, respectively.

Note 5: Price/earnings ratio = Average market price / Earnings per share.

Note 6: Price/dividend ratio = Average market price / Cash dividends per share.

Note 7: Cash dividends yield = Cash dividend per share / Average closing price per share of current year.

Note 8: 2020 dividends distribution was approved by the Board of Directors on March 19, 2021, and planned to be recognized at the regular shareholders' meeting on June 25, 2021.

(VI) The Company's dividend policy and implementation status

1. Dividend policy formulated as per the Articles of Incorporation

- (1) After the profit before the employees' and directors' remuneration is deducted from the current income before tax offset prior accumulated unappropriated earnings, if there are still the remaining net earnings, the Company shall allot not less than 5% as the remuneration for employees and not more than 1% as the remuneration for directors.

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.

- (2) If there is any profits in the Company's annual final accounts, taxes shall be paid and the accumulated losses in the past years shall be covered firstly, and 10% shall be withdrawn as statutory surplus reserve, and special surplus reserve shall be withdrawn or written off in accordance with laws or regulations and, if there is any profits thereafter, a distribution proposal shall be made by the Board of Directors for such balance and the accumulated undistributed profits of previous years, and they shall be distributed after it is resolved by the shareholders' meeting.
- (3) The Company adopts the policy of remaining dividends, and profit distribution proposal will be made by the Board of Directors, depending on the profits obtained by the Company and its funds status in the current year, according to the Company's future operation planning, business development, capital expenditure budget, capital requirements and other factors, and distribution shall be made after it is resolved by the shareholders' meeting. The issuance of stock dividends takes precedence over the payment of cash dividends or stock dividends. In principle, cash shall not be less than 20% of total dividends distributed.

2. The dividend distribution proposal made at the shareholders' meeting this year



- (1) The proposal of withdrawing NT\$964,914,565 from undistributed profits as cash dividends (NT\$3.3 per share) to shareholders was approved at the meeting of the Board of Directors held on March 19, 2021, and submitted for approval at the regular shareholders' meeting to be held in 2021.
  - (2) In this case, the dividend ratio is calculated based on the share capital of 292,398,353 shares already issued by the Company.
- (VII) Impact on the Company's business performance and EPS resulting from unpaid dividends distribution proposed at the shareholders' meeting: The Company did not distribute unpaid dividends this year, so it is not applicable.
- (VIII) Remuneration to employees and directors
1. Percentage or range of the remuneration of employees and directors as set forth in the Articles of Incorporation
 

After the profit before the employees' and directors' remuneration is deducted from the current income before tax offset prior accumulated unappropriated earnings, if there are still the remaining net earnings, the Company shall allot not less than 5% as the remuneration for employees and not more than 1% as the remuneration for directors.

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.
  2. The basis for estimating the amount of the remuneration to employees and directors for calculating the number of shares to be distributed as employee remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated amount, for the current period
    - (1) The basis for estimating the amount of the remuneration to employees and directors: After the profit before the employees' and directors' remuneration is deducted from the current income before tax offset prior accumulated unappropriated earnings, the Company shall estimate and present the remunerations within the amount stipulated in the Articles of Incorporation by referring the allotment and withdrawal condition of previous years.
    - (2) Basis for calculating the number of shares to be distributed as employee rewards: N/A.
    - (3) Accounting treatment for any difference between the actually distributed amount and estimated amount: It shall be treated as changes in estimation, and adjusted and recorded in the account of its payment year.
  3. The distribution of remuneration approved by the Board of Directors
    - (1) The proposal for distributing NT\$149,560 thousand of employee remuneration and NT\$15,000 thousand of directors' remuneration in cash in 2020 was approved by the Board of Directors on March 19, 2021.
    - (2) If there is any discrepancy between the abovementioned amount and current estimated amount of recognized expenses, the amount, causes and treatment of such discrepancy shall be disclosed: None.
    - (3) The amount of any employee remuneration distributed by shares, and its ratio in the sum of the after-tax net profit and employee remuneration as stated in current individual financial statements: N/A.
  4. Actual distribution of remuneration to employees and directors (including the number, amount, and price of shares distributed), and where there was a difference with the recognized remuneration for employees and directors, the amount, cause, and treatment shall be described:
    - (1) The Company actually distributed NT\$115,200 thousand of employee remuneration and NT\$10,000 thousand of directors' remuneration in 2020 from the profits of 2019.
    - (2) Difference with the recognized remuneration for employees and directors, the amount, cause, and treatment: There is no difference with the recognized remuneration, thus it is not applicable.
- (IX) Buyback of the Company's shares: The Company did not buy back its shares in the most recent year and in the current year as of the publication of the Annual Report.
- II. Corporate Bonds: None.
- III. Preferred Shares: None.
- IV. Global Depository Receipts: None.
- V. Employee Warrants: None.
- VI. New Shares Issued for M&A or Acceptance of Other Company's Shares: None
- VII. Implementation Status of Capital Utilization Plan: None.

## Chapter 5. Operation Overview

### I. Business Activities

#### (I) Business scope

1. Major contents of business activities
  - (1) Design, processing, manufacturing and trading of general electronic products and circuit board surface structure.
  - (2) Import and export of the commodities referred to in the preceding items.
  - (3) The businesses that are not prohibited or restricted by law, except for those which are subject to special approval.
  - (4) For the main business scope of the Company's subsidiaries, please refer to the basic information of the affiliates in Chapter 8. Special Disclosures of the Annual Report (#pages 68-69#).
2. Operating proportion:

Unit: NT\$ thousands

Item	Large-sized Optoelectronics Products		Small-sized Optoelectronics Products		LED Bulbs		Others		Total	
	Operating Revenue	Percentage (%)	Operating Revenue	Percentage (%)	Operating Revenue	Percentage (%)	Operating Revenue	Percentage (%)	Operating Revenue	Percentage (%)
2019	16,390,938	43.24	656,849	1.73	8,079,667	21.32	12,778,919	33.71	37,906,373	100.00
2020	17,676,819	42.69	469,978	1.13	8,142,584	19.67	15,116,377	36.51	41,405,758	100.00

3. The Company's current products (services)
  - (1) The design, processing and manufacturing of circuit board SMT for the electronic products such as the control panel of thin film liquid crystal display, the audio/video home appliance information products such as LED LIGHT BAR, LCD TVs motherboards, digital camera FPCB, home appliance control panel, and information products such as Wireless network.
  - (2) The design, processing and manufacturing of substrate for automotive electronics products.
  - (3) The design, processing and manufacturing for the products such as LED lighting for general consumer electronic, LED lighting and FPCB-COF related.
  - (4) The design, processing and manufacturing for intelligence home appliance products.
  - (5) The processing and manufacturing for touch module substrates.
  - (6) The assembly and manufacturing for electric motorcycles module.
  - (7) The design, processing and manufacturing for intelligence wearable devices products.
  - (8) The assembly, processing and manufacturing for source / communication products.
  - (9) The processing and manufacturing for medical equipment module.
  - (10) The processing and manufacturing for intelligence electronic whiteboard modules.
  - (11) The processing and manufacturing for smart phone modules.
  - (12) The assembly, processing and manufacturing for Dashcam of OE.
4. New products (services) that plan to develop
  - (1) The design, processing and manufacturing for IOT related applied devices
  - (2) The processing and manufacturing for Mini LED LB.

#### (II) Industry overview

##### 1. Current status and future development of industry

The processing and manufacturing of PCB substrate is a process that processing and assembling microprocessor, memory and other related electronic components on substrate through SMT technique by using high-speed machines in order to interconnect distributing circuit on the substrate to utilize the design function of PCB substrate. Moreover, the current SMT technique has been widely applied in different kinds of electronic products such as communication, optoelectronics and consumer electronics. The Company is mainly engaged in PCB substrate processing and manufacturing as well as LED light bar production and sale. Therefore, the company's business is part of the electronic hardware industry, and its processing services cover information, optoelectronics and information appliances, etc.

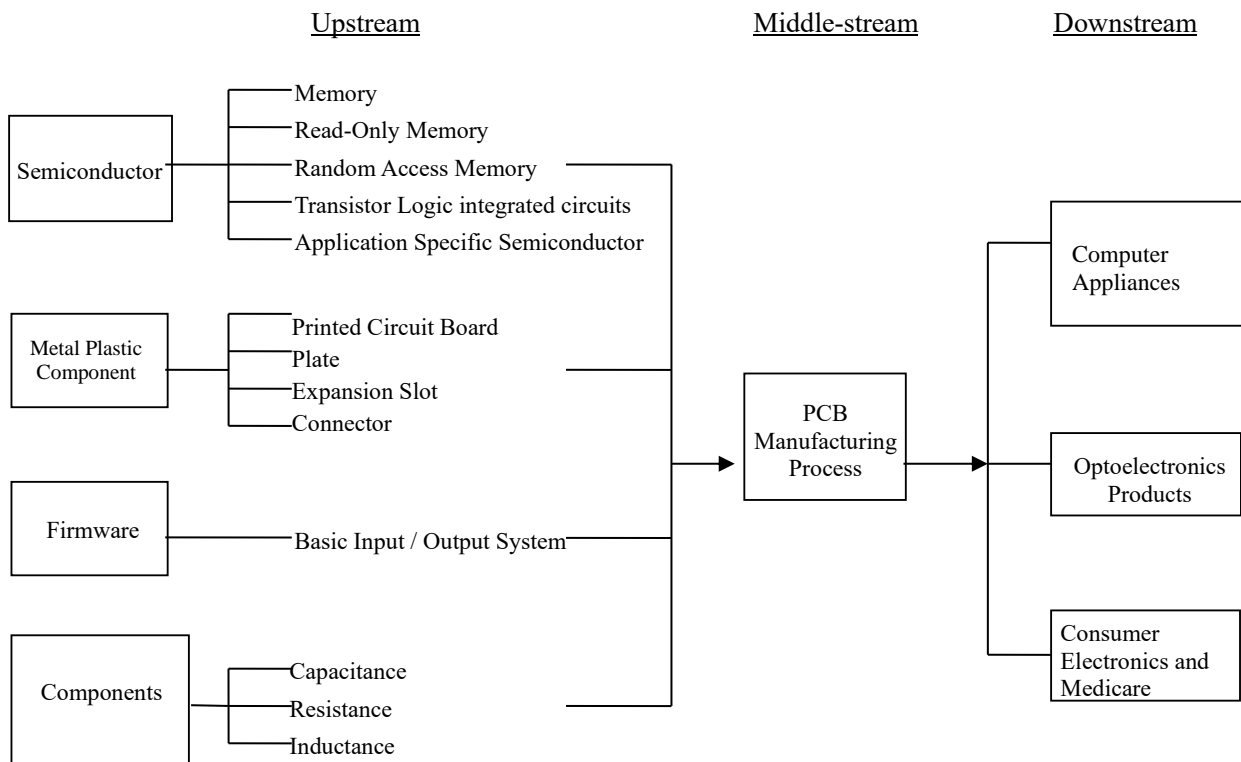
When electronic hardware products are manufactured from design, components manufacturing, assembly to shipment, the PCB substrate processing is an important manufacturing process. If the process is not handled properly, it is bound to affect product quality. In the past, information and electronics manufacturers built up their own processing line to process and manufacture PCB substrates. Only those with insufficient capacity could

be outsourced and passed to professional processing manufacturers to undertake those sporadic orders, hence the size of this industry is generally small. Consequently, most of small professional processing manufacturers for PCB substrates are limited by their size and equipment. They can only work on the substrate surface mounting in the beginning stage or manual DIP in the following manufacturing process. In recent years, information and electronics manufacturers gradually outsource PCB processing and manufacturing as the increasingly fine division of labor in the electronics industry as well as seeking for rapid expansion of production capacity and minimizing the investment and risk of equipment. As a consequence, providing specialized assembly foundry to have more potential growing space.

2. Relations among up-, middle- and downstream industries

A. The relation among PCB with up-, middle- and downstream

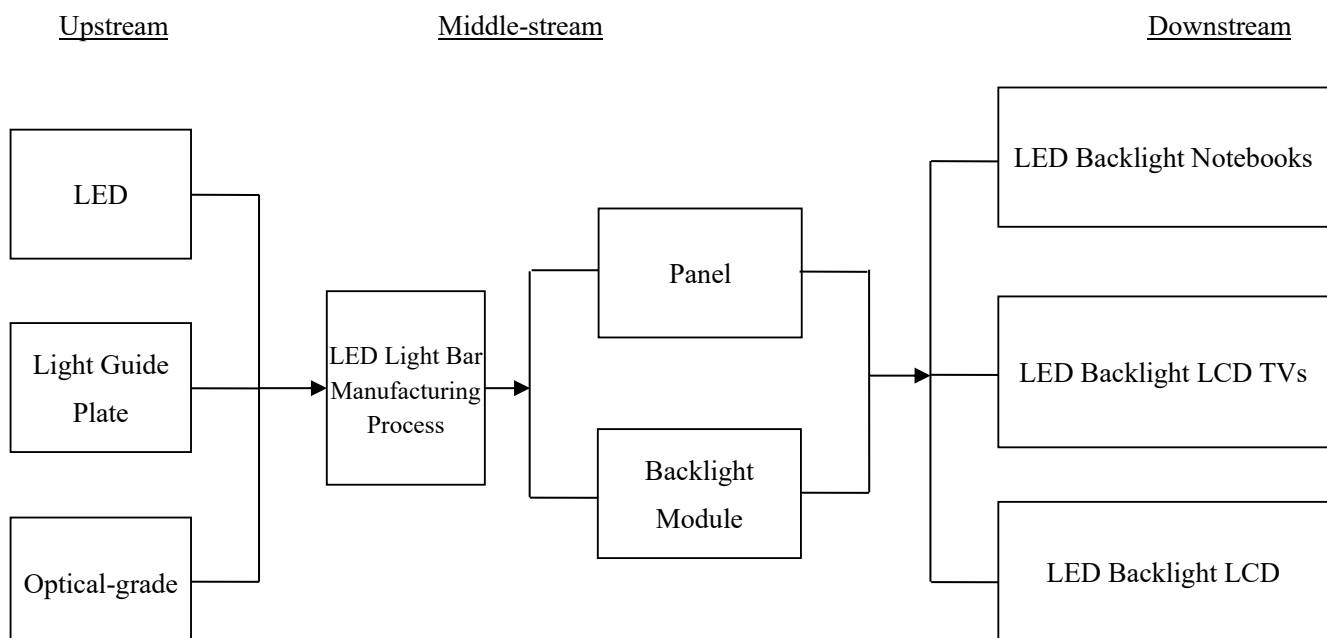
In terms of the upstream and downstream linkages in the PCB assembly and manufacturing industry, the upstream is suppliers of semiconductors, metal plastic components, firmware and components, and the downstream is manufacturers of computers and peripherals, photoelectric products and consumer electronics. Due to the electronic hardware industry in Taiwan relies on the professional of division of labor system, up-, middle- and downstream of industries have cooperated together very well. At present, most of the major semiconductor, metal plastic component, and component products can be independently supplied by Taiwan's manufacturers. Furthermore, with the development of upstream and downstream techniques, the industry is becoming more mature. The relations among up-, middle- and downstream companies for the Company's PCB substrate assembly and processing industry are summarized as followed:



Source: Sorted by Mega Securities

B. Relations among LED light bar and up-, middle- and downstream

The LED light bar products produced by the Company are the main components needed by mid-stream manufacturers for the panel, backlight module, and so on. The up-stream is LED, light guide plate and optical-grade suppliers and the down-stream is LED backlight notebooks and LCD products manufacturers. The relations among Up- and Downstream are summarized as follows:



Source: Sorted by Mega Securities

3. Product trends

In recent years, as the development trend of electronics are light, thin, short, small, high function and low cost, the strategy of specialized foundry management is constantly developing new manufacture process and developing new technology as well as improving manufacturing process in yield quality, focusing on the develop trend of product market and striving for stable customers with high quality.

4. Competition in market

The electronic industry has outsourced PCB substrate assembly, processing and manufacturing process. Considering that the outsourced manufacturers mainly focus on their SMT capacity, manufacturing technology, product quality and delivery speed, PCB substrate assembly and processing not only need to invest huge funds to purchase machines, but also need to cultivate a number of professionals and technical personnel to develop new manufacturing process, so that PCB substrate assembly and processing manufacturers have the trend of large-scale and capital-intensive. At present, there are many manufacturers entering into this industry in Taiwan, so it is very competitive. The orders of electronic products are all in the hands of well-known domestic and overseas manufacturers at the moment, so we can maintain long-term cooperative relationship with customers. In addition to productivity, technology and delivery speed, the quality of employees and the high stability of yield quality would be important competitive advantages.

(III) R&D overview

- R&D expenses invested in the most recent year and in the current year as of the publication date of the Annual Report:

Unit: NT\$ thousands

Year	2019	2020
R&D expenses	643,912	1,038,095
Operating Revenue	37,906,373	41,405,758
Ratio of R&D expenses to operating revenue	1.70%	2.51%

2. Technologies and products developed successfully
  - (1) In 2012, entering the foundry business of LED Lighting.
  - (2) In 2012, entering the foundry business of SSD due to the quality and technology has been recognized by the international manufacturers, and a variety of applications in the field of international well-known manufacturers attention and cooperation. Future prospects.  
TSMT will continuously endeavor to produce SSD products with leading technology and quality, and it also provides customers with more complete product lines and services.
  - (3) In 2012, TSMT began to engage in touch product OEM businesses:  
In response to the trend of "touch whirlwind," making consumers all over the world experience how convenient and amazing it is that user-friendly touch panel bring to us, to that end, the Company pro-actively invests SMT production in touch panels related field as well as focuses on the R&D and innovation of SMT production technology related field, including smart phone touch panel FPC assembly + under fill manufacturing process and tablet touch control panel and windows 8 touch control panel assembly + UV resin production technology, which makes the Company successfully enter this new industry.
  - (4) In 2012, entering the foundry business of 2nd Lens full LED array back-lit LB products:  
From traditional LED LB assembly evolving into second manufacturing process, 2nd Lens SMT, meanwhile, introducing automatic dispenser to conduct thermosetting adhesives attached and Lens assembly production technology.
  - (5) In 2012, entering the foundry business of 3D panels and 4K2K high-resolution panels:  
With the coming digital family generation in new 3D digital media, in response to the rise and breakthrough in TV application aspect specifications in production technology, the Company thus has dedicated to R&D technology of related manufacturing process. In order to meet customers' need, the development of the display technology towards naked eye 3D and polarization 3D and of the SMT production technology towards 4K2K high-resolution panels. The production technology has been perfect and can provide customers completed SMT production line service.
  - (6) In 2013, entering the foundry business of electric scooter module:
    1. The R&D technology that the Company has put into related manufacturing process towards the development of module assembly and production technology. In 2014, in addition to being perfect production technology and setting up one person with direct line and phone, the Company also passed TS16949 certification to increase the product value-added, improve the market reputation and competitiveness of manufacturers and distributors, and affirm product quality. The Company obtained certification from customers and became a qualified supplier, successfully entering the new industry.
    2. In 2014, the Company dedicated itself to the electric scooter production-related field more pro-actively. In view of meeting the customer's needs, the Company continuously improves manufacturing process and invests in the related equipment R&D technology, which is used in BMS, ECU, Light control and vending machine module. The current production technology is perfect, which can provide customers completed SMT production line service.
    3. In 2015, in order to meet customers' needs, the Company continuously invests the R&D technology and equipment manufacturing process, which is home charging electrical changing station module used in electric scooter production. The current production technology is perfect, which has passed customers' certification. It can provide customers completed SMT and module assembly production line service.
  - (7) In 2015, entering the foundry business of lighting and intelligence home appliance products assembly:  
In response to these future world current trends in energy conservation, the Company involves in the technology of relevant lighting products from the aspects of R&D, manufacturing process, assembly and testing, in the meantime, meets customers' needs and has improving production technology. Besides, the Company has set up a post-assembly production line and a laboratory for improving product experiments. Moreover, the laboratory has passed relevant RA, FA, UL, UL and Energy Star Certification.  
In response to the "Internet of Things," the consumers experience the intelligent convenience of life brought by the boundless. The Company proactively invests the field of Internet of Things related products manufacturing process as well as keeps focusing on the R&D and innovation of production technology related fields in new products, including smart watch (precision assembly and waterproof testing), wristband (ultrasonic plastic

welding and waterproof testing), scale (using ultrasonic welding, which utilizes SUS solder wire and glass surface ITO to weld). The Company has successfully in this new industry.

- (8) In 2016, entering the Bonding business of smart phone chip module:

The Company pro-actively keeps investing the R&D technology and jig equipment in ACF Bonding manufacturing process, plus it has capability of the diversified and innovative SMT manufacturing process and COF Bonding technology. It current has passed pass the international electric telecommunication certification and become a qualified supplier. The current telecommunication chip module production technology is perfect enough to provide customers of all related fields complete back-end processes and assembly services.

In 2016, entering the foundry business of fingerprint recognition module:

As the fingerprint recognition development has been a fad again these years, there is a breakthrough in the optical and capacitive sensing technology. The Company not only has perfect leading SMT technology, but also keeps investing the R&D technology and jig equipment in fingerprint recognition module related manufacturing process. It was finally recognized by the international manufacturers in 2016 and successfully introduced into mass production in 2017, which accelerates the penetration of fingerprint identification into the consumer electronics market to provide users a safer and more convenient certificated mechanism than password.

In 2016, entering the foundry business of medical module:

The Company not only keeps improving manufacturing process, but also invests R&D technology and equipment without considering cost. In 2016, except for being perfect production technology, the Company has been assigned by customers to do foundry of human apparent temperature patch module. Furthermore, it has passed ISO13485 certification in 2017Q4, which has made the products have value-added and the quality of product are also gaining recognition from ISO.

In 2016, entering the foundry business of vehicle module Dashcam:

Since 2014, it has entered the electric scooter-related field. In addition to keep improving the manufacturing process and investing in the related equipment R&D technology, it also passed TS16949 certification in the same year. With the advantage of leading SMT manufacturing process, Dashcam products have obtained recognition from customers in 2016. It is not only a big success in entering new industry, but it also starts a new milestone.

- (9) In 2017, entering the foundry business of fingerprint recognition vehicle module:

As the fingerprint recognition development has been a fad again these years, the Company not only has perfect leading SMT technology, but also keeps investing fingerprint recognition module related manufacturing process. Expanding from mature electronic devices and mobile phone products to vehicle products, the Company keeps investing fingerprint recognition vehicle module manufacturing process. From R&D development to jig equipment related manufacturing process. It is expected to be successfully introduced into mass production through customer certification in 2019Q4, bringing a faster, safer and more convenient mechanism for car drivers than keys.

- (10) In 2017, entering the foundry business of electric vehicle module:

Since in 2014, the Company has invested related manufacturing process R&D technology of vehicle product module, and it has been developing assembly manufacturing process of vehicle product module. Moreover, passing TS16949 certification has made the products have more value-added, higher market reputation and competitiveness among manufacturers and distributors. In 2017, the Company in module manufacturing has expanded from electric scooter components to electric vehicle. The electric vehicle module was in progress on obtaining IATF16949 revision certification in the same year and passed the certification in 2018Q2, which made the quality of products of car recognized.

- (11) In 2018, entering the foundry business of smart phone module:

In 2017, the Group established a factory in India in order to cooperate with local Indian mobile phone brands and international ODM factories and enter the assembly and production manufacturing process of smart phone module.

In 2018, expanding capacity and entering the foundry business of high-class DRAM module.

In 2018, entering the foundry business of electric vehicle peripheral product module:

Since the Company entered the manufacturing process of electric scooter module in 2013, it has been focusing on the development of production technology in new module products.

In 2018, the Company entered the manufacturing process of four-wheels electric vehicle peripheral product module. It is expected to pass the international electric vehicle

certification in 2019 and then introduce to produce in 2019. Apart from the quality of vehicle products has been recognized by the international manufacturers, the Company will be more capable of providing customers of all related fields complete back-end processes and assembly services.

- (12) In 2019, successfully entering the foundry business of electric vehicle module and Mini LED SMT process

After entering the development field of manufacturing process for the peripheral product modules of four-wheel electric vehicles for the first time in 2018, the Company continued to improve its manufacturing and process planning, and applied them in vehicle door handle sensors, and its vehicle door handle sensors were finally accepted by major international customers in the fourth quarter of 2019, and it is expected to be put into mass production in the first quarter of 2020. In the future, the Company will cooperate with customers in their demands for diversified product, and continue to actively invest in the R&D of the modules related to electric vehicles to provide customers with more comprehensive services.

In 2019, entering the foundry business of Mini LED SMT process

The Company invested in the research of the manufacturing process of Mini LED in 2017, and continued to invest in the development of manufacturing process and equipment in 2018, and continued to cooperate with customers to optimize the manufacturing process and made a breakthrough in respect of technology in 2019, and it is expected to be put into mass production in 2020, which will enable the Company to enter another new milestone regarding its manufacturing process.

- (13) In 2020, Continue to improve the manufacturing process of electric vehicle induction modules

In 2020, the Company continued perfecting the processes and quality and improving the yield on the sensor module for electric vehicle doors. Recognized by the world's leading electric vehicle makers, the Company put the electric vehicle module into mass production in the second quarter. In the future, the Company will develop relevant electric vehicle modules in hopes of setting a new milestone for its manufacturing processes.

- (14) In 2020, successfully entering the foundry business of GPU module

In 2020, the Company started to develop the graphics card module. In addition to continuously improving the processes and purchasing equipment, the Company cooperated with customers to develop high-end graphics cards. The Company successfully presented samples in the fourth quarter. Recognized by the leading graphics card manufacturers, the Company expects to put the module into mass production in the first quarter of 2021, setting a new milestone for its manufacturing processes.

The electronic products have changed quickly, and the production process has kept upgrade. Since its establishment, the Company has been adhering to the spirit of service by utilizing state-of-the-art production technology to satisfy customers' needs. The Company also has been recognized by the world's major electronics factories. From the past cornerstone, looking forward to the future.

The Company specializes in the professional manufacturing technology of electronic products, the improvement and upgrading of test fixture and other related engineering technology. It also engages in the manufacturing process of automated production and intelligent process to meet the customers' needs and conform to the market trends, and then enhances the competitiveness of the Company in the overall industry and achieves a win-win goal.

(IV) Long-term and short-term development plans

1. Short-term development plans:

Production management and technology development	<ol style="list-style-type: none"> <li>1. Actively engaging in the improvement of manufacturing process, and improving producing efficiency by enhancing process-related capability.</li> <li>2. Promoting quality control for the overall process, improving quality inspection capability and quality, and reducing defect rate.</li> <li>3. Introducing new manufacturing process and curtailing production and delivery time to increase customer's satisfaction.</li> <li>4. Increasing investment in equipment, replacing old equipment with new ones, and improving production and sales process as well as the configuration of production lines to reduce material wastes and improve production capacity and efficiency.</li> <li>5. Introducing automated production equipment and optimizing manufacturing process to boost production efficiency and reduce cost of production.</li> </ol>
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Marketing	<ol style="list-style-type: none"> <li>1. Establishing strategic alliance with customers and achieve positive interaction.</li> <li>2. Continuing to develop well-known customers both at home and abroad, and striving for getting orders from major international companies, in order to improve the Company's producing and technical capabilities as well as its reputation.</li> <li>3. Keeping abreast of the market trend for product planning.</li> </ol>
Operation and development strategy	<ol style="list-style-type: none"> <li>1. Strengthening the management team, expanding business scale, and dispersing sales risk.</li> <li>2. Actively cultivating backbone officers to meet the Company's needs for management talents for its future growth.</li> <li>3. Implementing ISO, internal control and other relevant system to enable the Company to develop steadily under systematic operation.</li> <li>4. Strengthening the relationship with major banks to enhance funding capability.</li> </ol>

2. Long-term development plans:

Production management and technology development	<ol style="list-style-type: none"> <li>1. Recruiting top-notch talents and strengthening organization's capability in research and development</li> <li>2. Cultivating production technology team and improving the Company's ability of coping with production issues effectively and efficiently.</li> <li>3. Actively cooperating with domestic and foreign manufacturers in the development of technologies to improve the Company's ability to research and develop key technologies.</li> <li>4. Investing in the research and development of dust-free manufacturing process and expanding the fields of products produced.</li> </ol>
Marketing	<ol style="list-style-type: none"> <li>1. Seeking for cooperating with major overseas companies and striving for orders with huge quantity but less variety, in order to increase the effect of economies of scale.</li> <li>2. Planning for overall marketing strategy, and actively developing international market, in addition to existing customers.</li> </ol>
Operation and development strategy	<ol style="list-style-type: none"> <li>1. Dispersing customers and production locations in order to minimize the risk of concentrated sales.</li> <li>2. Continuously developing and producing different types of products for reducing the risk of product life cycle succession, and diversifying operation to improve the Company's competitiveness to ensure sustainable development.</li> <li>3. Exploring the overseas markets outside Taiwan to enhance future operating growth momentum.</li> </ol>



## II. Market, Production and Sales Overview

### (I) Market analysis

#### 1. Sales regions of major products

The Company is engaged in the processing and assembly of consumer electronics, and mainly provides products and services by getting close to customers' production bases. In recent years, the Company's production base has moved overseas to keep up with downstream manufacturers. At present, the main areas that the Company sells its products are Taiwan, the United States, Japan, India, and mainland China.

Unit: NT\$ thousands

Year Item	2018		2019		2020	
	Amount	%	Amount	%	Amount	%
China	24,435,632	79.77	31,280,812	82.52	33,958,321	82.01
Taiwan	2,996,934	9.78	2,825,616	7.45	1,832,669	4.43
Europe	785,456	2.56	562,358	1.48	783,947	1.89
Asia	1,941,553	6.34	2,586,921	6.83	3,290,683	7.95
Americas	413,204	1.35	625,910	1.65	1,471,079	3.55
Others	61,309	0.20	24,756	0.07	69,059	0.17
Total	30,634,088	100.00	37,906,373	100.00	41,405,758	100.00

#### 2. Market share

The Company is engaged in the assembly and processing business of PCB substrates and the production and sale of LED Light Bars. Since the Company was founded in 1990, it has been dedicating itself to managing its core business and, in addition to endeavoring to develop production technologies and improve manufacturing processes, the Company catches the opportunities in market, and proactively enters the mainstream information electronics market, therefore, it is not only able to quickly get customers and orders, but also establish a good cooperative relationship with customers. PCB substrate assembly and processing service is widely used in all electronics-related products. There are numerous suppliers, and there is no relevant comparison basis to estimate market share, however, according to the member list provided by Taiwan Electrical and Electronic Manufacturers' Association, small-and-medium-sized enterprises account for more than half of all the companies engaged in PCB substrate processing and assembly industry and, in addition to the Company, Global Brands Manufacture Ltd. and Universal Scientific Industrial (Shanghai) Co., Ltd. are the companies with a large scale.

#### 3. Supply, demand and growth in future market

The Company is currently mainly engaged in the processing and manufacturing of PCB substrates used for TFT-LCDs, therefore, TFT-LCD panel industry has significant influence on the Company. TFT-LCD panels are classified into large, medium, and small sizes based on their size, large-sized TFT-LCD panels are mainly used in LCD TVs, LCDs, notebooks and other products, whereas medium-and small-sized portable displays are mainly used in mobile phones and digital cameras at present. In addition, in consideration of the trend that LED backlight will replace CCFL, the Company, since 2008, started the production and sale of LED light bars used for TFT-LCD, the application and development of which are mainly based on LED backlight tablets, notebooks, LCD TVs, and LCDs. The future market demand growth of the TFT-LCD is described as follows:

According to WitsView research, international brands will continue to strengthen the arrangement for the application of 8K, QLED, OLED, and other high-end TVs, while, Chinese brands will continue to develop in overseas markets further and increase the proportion of large-sized TVs, in the circumstances of shrinking market size and insufficient demands. Brand factories can show their brand-related technologies only by improving specifications or promoting different products, in order to drive performance growth.

The overall demand for TFT-LCDs is slowing down, and the demands from the end product manufacturers reduce, thus panel manufacturers may maintain utilization rate only by adjusting their product portfolio; In addition, because Korean and Japanese panel manufacturers reduce their LCD production lines, supply chain and the market share of the panels may change at a future time, and there may be an increase in the market share of the panels manufactured in mainland China in global market.

4. Competitive niches, favorable and unfavorable factors for long-term development, and countermeasures

(1) Competitive niches

A. All-round layout of production lines to meet customer's needs

TFT-LCD panel products have a wide range of application, and can be applied in laptops, computer monitors, TVs and other small-and-medium-sized portable displays, etc. In view of this, the Company focuses on the manufacturing and processing of PCB boards for TFT-LCD panels and electronic products and, since it has got various engineering capabilities and practical experience on an accumulated basis for a long time, it can provide complete solutions for various sizes of products. In addition, the Company is committed to providing customers with complete and high-quality services to meet customer's needs, with its service scope including the procurement and management of raw materials, process engineering design, SMT processing, quality assurance and after-sales service.

B. Production with scale economies effect, and maintenance of cost competitiveness

In general, a large amount of investment is required for manufacturing and processing industry, so it is necessary to maintain a high utilization of equipment and mass production to reduce unit fixed costs, so as to achieve scale economies effect. In terms of processing and manufacturing of PCB substrates, generally speaking, it is difficult for electronics manufacturers to reduce unit producing costs by maintaining a high utilization of equipment due to the seasonal fluctuations of their downstream products and the unique characteristics and specifications of each product. The Company has been engaged in the processing and manufacturing of PCB substrates for a long term, and has accumulated technical expertise and experience on a continuous basis, which enables it to adjust its equipment in a short period of time depending on different products, and to optimize its producing process and reduce equipment using time, which further improves the overall utilization rate of its equipment. In addition, the Company attaches great importance to its product quality, and adopts strict quality control during its producing process. Therefore, the Company can maintain production with a scale economies effect, while providing high producing efficiency and high-quality services, to achieve cost competitiveness.

C. Setting producing bases near customers, and appropriate location strategy

The Company has been engaged in the industry for more than 30 years, and it keeps close and stable cooperation with major international manufacturers, and it has producing bases in Taiwan, Dongguan, Suzhou, Ningbo, Xiamen, Hefei, Chongqing, Xianyang, India, etc., by following its strategy of being adjacent to customer's producing sites, to meet customer's increasing demands, so as to keep a good long-term interaction relation with customers, grasp business opportunities, and expand its capacity timely to meet customer's needs for timely supply.

D. Continuously innovation of process technologies

Since its establishment, the Company proactively researches and develops new technologies, improves producing processes, and introduces new processes by following the development trend of technologies and products to improve its competitiveness. In addition, the Company also continues to improve its ability to increase the accuracy of components and the thickness of PCB substrates by following the development trend of light, thin and short electronic products, and it invests in the development of the manufacturing process of Mini LED in recent years, from which it can be obviously seen that the Company has grasped advanced processes, and can provide customers with excellent services.

(2) Favorable factors

A. Good prospects and great development space in the industry

PCBs are the main supports for the installation and interconnection of and between/among various electronic components, and also the indispensable basic parts for all electronic products, thus, the products of PCB substrate manufacturers can be used in all the electronic products, and memory modules and electric vehicles are also the main fields in which substrate processing-related major products are applied, therefore, there are development spaces for PCB substrate processing and manufacturing as driven by the future growth of the downstream industry.

B. Trusted technologies, and good interaction with customers

The Company is engaged in PCB substrate processing and manufacturing, so the arrangement capability in respect of its technology and manufacturing process is the key factors for customers to place orders and, if the orders can be supplied by a stable delivery time, the Company would be able to become the long-term business partner of downstream customers. As far as the Company is concerned, since it has been established for a long time, its R&D personnel has accumulated abundant experience in the improvement of manufacturing process, and it can meet downstream customers' demands and rapidly develop the efficient manufacturing process required for new products. Furthermore, the main management personnel of the Company all have rich experience in management of PCB substrate processing and manufacturing companies, thus, they can coordinate business and manufacturing departments in an efficient way, and adjust production schedule flexibly, in order to ensure delivery by the time required by customers to meet customer's demands.

C. Establishment of production bases near customers

For PCB substrate processing and manufacturing companies, being adjacent to downstream customers not only can reduce delivery costs and shorten delivery time, but also can supply products to customers timely with Bill to Order (BTO) services, and establish relationship of solidarity with customers. For this reason, the Company has established production sites in Dongguan, Suzhou, Ningbo, Xiamen, Hefei, Chongqing, and Xianyang in mainland China one by one to serve for local customers in a short distance and obtain real-time information, in order to establish long-term strategic cooperative relation with customers.

(3) Unfavorable factors

A. Business centralized in a single industry, and centralized risk of sales

The Company's revenue from the processing and manufacturing business of PCB substrates for TFT-LCD fluctuates depending on its downstream TFT-LCD panel market, and its business performance will be affected indirectly in case of oversupply or decreasing demands in the market, and its operating income sources are centralized on major customers.

**The Company's countermeasures:**

The Company maintains a good business development foundation by virtue of long-term cooperation with customers, and places its manufacturing equipment at the locations closing to customer's locations, by keeping a long-term cooperation relations with customers and a good business development basis and adopting the strategy of common location, so as to keep a good business cooperation relation, and it provides flexible, fast and effective product solutions as per customers' requirements, and strives to deliver proper quantity of proper products to customers in a proper time, in order to maintain a high degree of trust from customers, and the Company has rich experience in PCB substrate processing and assembly, and it is highly sensitive to any changes in the industry, and it actively develops towards other fields, by taking advantage of its rich experience and technical ability, in addition to adjustment to its strategies by following the development trend of the industry, for the purpose of reducing any risks to be brought by centralized customers.

B. Fierce competition among information electronic products, and less profits from processing

Due to the short life cycle of information electronic products and the rapid changes in product technologies, there is a trend of decrease in product sales price, thus, the electronic hardware manufacturers in the downstream, due to their decreasing profits, reduces the profits of PCB substrate manufacture.

**The Company's countermeasures:**

Facing the rapid changes in information electronics industry, the Company actively keeps long-term cooperative relation with existing information electronics manufacturers, so as to obtain orders on a long-term and stable basis, in addition to continuing to strengthen its manufacturing capabilities to reduce producing costs and improve its competitiveness; Besides, the Company seeks the opportunities to purchase raw materials for customers, and obtain electronic components at a relatively preferential price, by taking advantage of the major manufacturing region of the components in Taiwan and of its convenience, in order to increase processing profits.

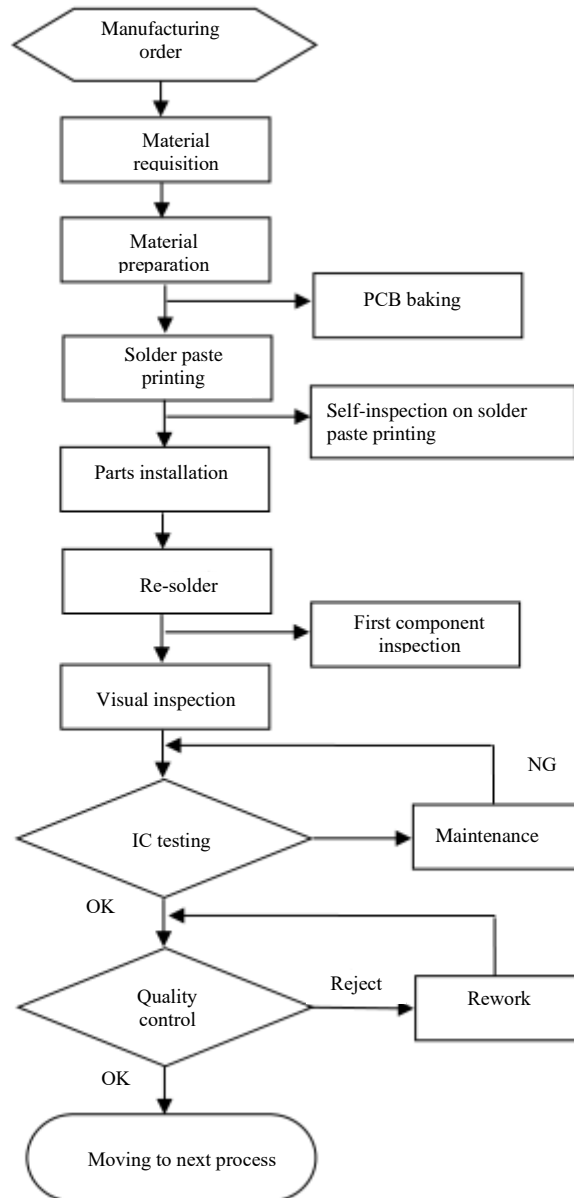
(II) Main use and manufacturing process of major products

1. Main use:

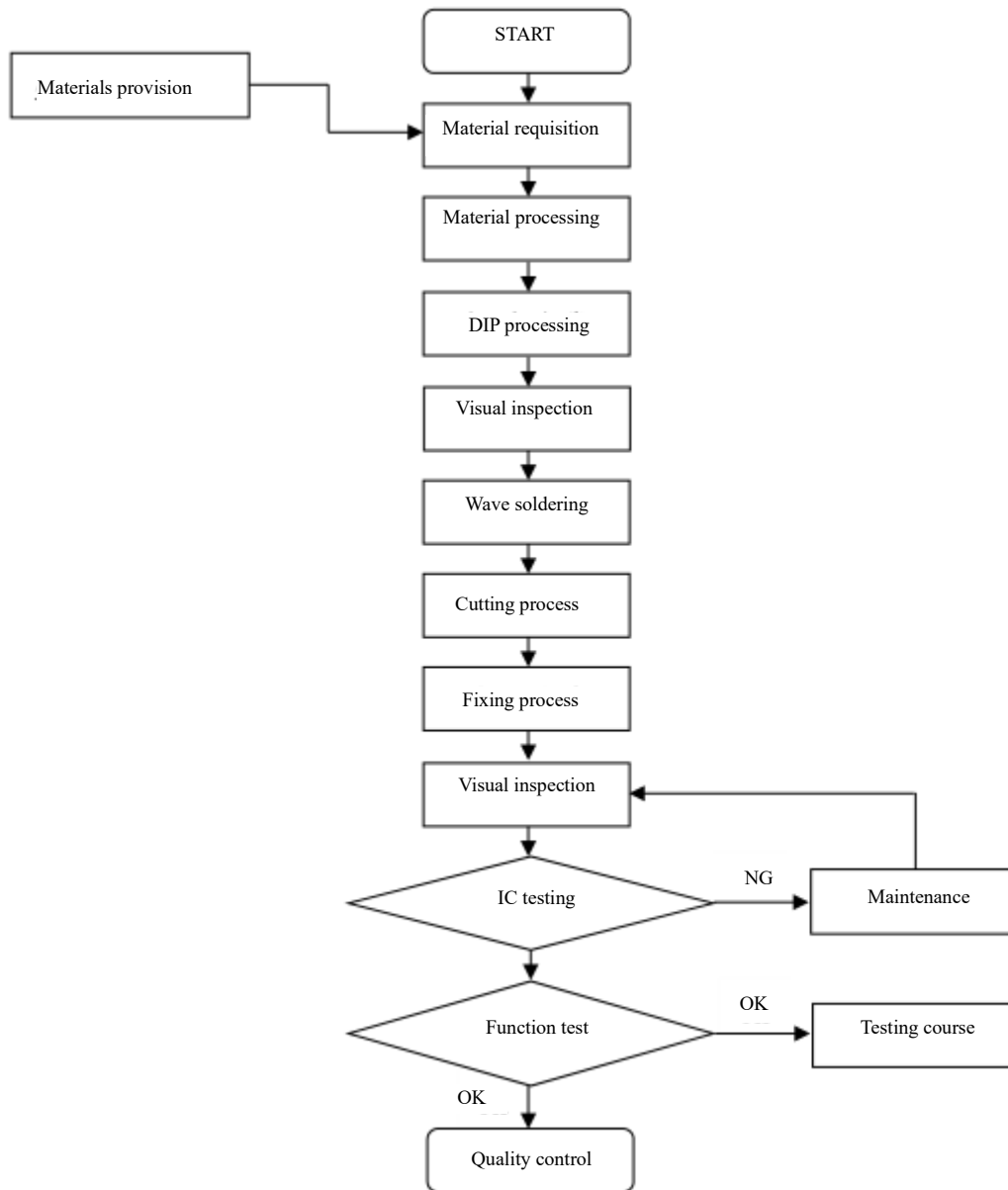
Major Products	Main Use
Peripherals motherboards	Used for Desktop monitors, Notebooks, Tablets and other peripherals of motherboards
Optoelectronics products control panel	Used for Liquid crystal display panel, LCD TVs, Mobile phones, Tablet, Digital camera and Notebooks
LED Light Bar	Light source for LCD panels, LCD TVs, tablet PCs, laptops and mobile phones.

2. Major manufacturing process:

(1) Manufacturing process of SMT:



(2) Manufacturing process of DIP:



(III) Supply status of major materials

Major Raw Materials	Major Suppliers	Supply Status
IC	MONTAGE, RAMBUS, RENESAS, MAXTEK, and AVNET	Good
PCB	TRIPOD, KCC, SIMMTECH, TPT, and HANNSTAR	
Resistance	AVNET, WALSIN, PODAK, QUANTEK, and DAH HSING	
Capacitance	MURATA, HUNG JIN, AVNET, TAIYO, and WALSIN	
LED	TOYODA, TE, LIGITEK, SANAN, and LEXTAR	
DIODE	YUBAN, LISION, WEIKENG, GLOBE, and MORRIHAN	

## (IV) Major suppliers and customers in the most recent two years

1. Names of the suppliers who accounted for more than 10% of the total purchase of the Company in either year of the most recent two years, their purchase amount and proportion:

Unit: NT\$ thousands

Item	2019				2020			
	Name	Amount	Proportion to the Net Purchase of the Entire Year (%)	Relation with Issuer	Name	Amount	Proportion to the Net Purchase of the Entire Year (%)	Relation with Issuer
1	-	-	-	-	-	-	-	-
2	Others	30,178,608	100.00	-	Others	33,371,508	100.00	-
	Net purchase	30,178,608	100.00		Net purchase	33,371,508	100.00	

2. Names of the customers who accounted for more than 10% of the total sales of the Company in either year of the most recent two years, their sales amount and proportion:

Unit: NT\$ thousands

Item	2019				2020			
	Name	Amount	Proportion to the Net Sales of the Entire Year (%)	Relation with Issuer	Name	Amount	Proportion to the Net Sales of the Entire Year (%)	Relation with Issuer
1	A	7,278,851	19.20	-	A	7,002,953	16.91	-
2	B	5,292,726	13.96	-	B	5,068,294	12.24	-
3	C	1,171,629	3.09	-	-	-	-	-
	Others	24,163,167	63.75	-	Others	29,334,511	70.85	-
	Net sales	37,906,373	100.00		Net sales	41,405,758	100.00	

The main sellers of the Company are the manufacturers of electronic products. Those products that are original equipment manufactured are adjusted depending on the selling of main products in the market. In addition to long-term cooperation with customers, the company also actively develops its business and strives for opportunities to cooperate with new customers.

## (V) Output in the most recent two years

Unit: NT\$ thousand; thousand units

Major Products	2019			2020		
	Capacity	Output	Output Value	Capacity	Output	Output Value
Manufacturing	450,000	428,758	44,032,911	550,000	547,728	43,747,869
Others	69,425	69,425	1,117,824	79,556	79,556	1,254,958
Total	519,425	498,183	45,150,735	629,556	627,284	45,002,827

(VI) Sales in the most recent two years

Unit: NT\$ thousand; thousand units

Major Products	2019				2020			
	Domestic Sales		Overseas Sales		Domestic Sales		Overseas Sales	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Manufacturing	33,485	2,802,009	374,671	33,189,282	16,961	1,856,390	512,211	37,430,286
Others	25	23,584	87,081	1,891,498	37	29,648	73,063	2,089,434
Total	33,510	2,825,593	461,752	35,080,780	16,998	1,886,038	585,274	39,519,720

III. Employee Information in the Most Recent Two Years

Item	2019	2020	As of April 28, 2021	
Total number of employees	11,718	10,093	10,108	
Average age	34	35	35	
Average years of service	4.9	5.8	5.8	
Education (%)	Above masters	3%	3%	3%
	Bachelor's degree	59%	60%	60%
	Senior high school	29%	28%	28%
	Below senior high school	9%	9%	9%

IV. Environmental Protection Expenditures

- (I) Any loss caused by environmental pollution in the most recent two years and in the current year as of the publication date of the Annual Report  
None. Based on the Company's industry characteristics, it does not involve the impact of the European Union's Restriction of Hazardous Substances (RoHS).
- (II) Future countermeasures: N/A.

V. Labor Relations

- (I) The Company's employee benefit policies, continuing education, training, retire systems and implementation status, the agreement between employees and employer, and employees' rights and interests
- Benefit measures:
    - Employees are entitled to labor insurance, National Health Insurance, and group insurance at the first day of work.
    - The Company allots benefit funds to Staff Benefit Committee in accordance with laws, provides gifts for Chinese new year and holidays, and offers marriage and funeral allowances, as well as domestic and overseas traveling activities and allowances. The Company has employee restaurant, convenience store, medical office, breast-feeding room, employee training room, large-sized indoor and outdoor parking spaces, and other facilities.
    - The Company provides staff with annual health check-ups, and arranges doctors to offer consulting services on site, to allow its staff to feel the care, thus, the Company has a harmonious labor relation since its establishment.
  - Training for employee:

In order to allow all employees to discover their potential and to fully take advantage of their expertise at work, the Company provides a variety of learning courses to help them to get knowledge, skills and innovation ability, for the Company's use.

(1) Information about training:

2020	Internal Training	External Training
Number of trainees	22,491	9,025
Name of Course	Function Training for New Employees, Function Training for the Employees in Service, General Function Training, Labor Safety and Health, Fire Prevention Drills, ESD Static Prevention and Protection on Production Lines, ESD Measurement Equipment Training, On-site Training for Equipment Manufacturers, Courses for Seven IE Skills, Design of DOE Experiment, Courses for Seven QC Skills, 8D Problem Analysis and Resolving Steps, Training Courses for Officers, Training Courses for Managers, Supplier Quality Management and Guidance, Personnel Laws Series 1 - Prevention of Sexual Harassment, Fundamental Courses for Five Core Tools, Internal Auditor Training, Training on Production Planning, Scheduling, and Control, Customer Complaints Handling and Emotion Management, Fundamental English Courses, Employee Communication and Care in Daily Operations, Basic Soldering in Electronics Industry and IPC-A-610G International Standards for Acceptance of Electronic Components, SPC System Training, Operation of Wire Machines, Specifications for Inspection on Products, and Specifications for Testing Products	AIAG.VDA FMEA: Failure Mode and Effect Analysis, IATF 16949: 2016 Quality Management System for Organizations in the Automotive Industry - Internal Auditor Training, MSA Measurement System Analysis, 8D Problem Analysis and Resolving Steps, Basic Soldering in Electronics Industry and IPC-A-610G International Standards for Acceptance of Electronic Components, PCB Inter-Factory Visit, CQE Quality Practice Engineers, CQT Quality Technicians, Accounting Foundation and Smart Series Courses, Retraining for the Occupational Safety and Health Managers in Service, Training for Stacker Operators, Crash Course on Import/Export Practices, Seminar on Laws and Business Practices for Corporate Accountants, High-Pressure Gas Supply and Consumption Operations Managers, Supplier Quality Management and Guidance, Training for Ionizing Radiation Equipment Operator, Work and Pay Cut and Relief Measures, OBU and Key Risks Analysis, Government Policy on the Preparation of Financial Statements and Internal Control Practices, Training on Production Planning, Scheduling, and Control, Compliance with the Statutory Requirements for Appointment of Corporate Governance Officer, Training for Stacker Operators Loading More than One Ton, Laboratory Management and Practices, Reduction in Manufacturing Costs and Prevention of Possible Fraud, Interpretation of Financial Information and Financial Statements Fraud, and SMT and DIP and Problem Analysis

(2) Personnel related to the transparency of financial information, and the certificates or licenses designated by competent authority obtained by them:

- A. International Internal Auditor License: 1 person in Internal Audit Office.
- B. ROC Domestic Auditor: 1 person in Internal Audit Office.
- C. ROC CPA: 1 person in Financial Department.

3. Retirement system and its implementation

- (1) Subject to the "Labor Standards Act," the Company has formulated the measures for retirement, which applies to all formal employees before the "Labor Pension Act" is implemented on July 1, 2005. The Company engages actuary to evaluate and calculate labor retirement pension reserve in accordance with ROC Financial and Accounting Rules - No. 18 Announcement, makes



actuarial evaluation report, establishes Labor Retirement Reserve Supervision Committee, and allots retire funds on monthly basis in the amount equaling to 2% to 15% of the total salaries of each month, which are deposited in the special account Trust Department Bank of Taiwan in the name of Labor Retirement Reserve Supervision Committee.

- (2) Since July 1, 2005, new labor pension system is be implemented in accordance with law. The Company has established a defined contribution retirement plan in accordance with the "Labor Pension Act," which is applicable to the employees with ROC nationality. The Company withdraws labor pension in the amount no lower than 6% of salary for each month for the employees to whom the retirement system stipulated by "Labor Pension Act" applies.
4. Labor contract  
The Company attaches importance to humanized management, considers that employees and employer co-exist and develop together, thus, it provides various channels for employees to make suggestions and comments, such as setting reporting mailbox for employees, and regularly holding communication and coordination meetings and labor meetings, etc., to get to know the degree of employees' satisfaction with the Company's systems and management, so as to keep a good labor relation.
  5. Protective measures at work environment and for employees' personal safety
    - (1) The Company has obtained OHSAS18001 certification, and it carries out protection in terms of working environment and staff's personal safety, and has detailed procedures and management measures.
    - (2) The Company implements safety and health management, complies with safety and health laws and regulations and other requirements, undertakes to make improvement continuously by following the ideas of prevention of danger and participation by staff, and strives to create a safe and healthy working environment.
    - (3) The Company provides trainings.
    - (4) There are 24-hour security personnel in the factory, and safety management is carried out for the personnel entering and going out of factory.
    - (5) The Company has formulated a set of specifications for electronics industry or the industries with electronics as their main components and for its or their supply chain in accordance with Responsible Business Alliance's (RBA) Code of Conduct, so as to ensure the safety in the working environment, that workers are respected with dignity, and that business operation is environmentally friendly and ethical. The Company adopts the Code of Conduct basically for the purpose that all of its business and operating activities must comply with the laws, rules and regulations of the state where it operates. In addition to compliance with laws, the Code of Conduct encourages participants to pro-actively use internationally recognized standards to promote social and environmental protection responsibilities as well as business ethics. The Code of Conduct is based on UN Guiding Principles on Business and Human Right, and its contents are taken from different key international human right standards, including the International Labor Organization's ("ILO") "Declaration on Fundamental Principles and Rights at Work" and "UN Universal Declaration of Human Rights." RBA undertakes to regularly collect feedback from stakeholders, and implementing and continuously developing its Code of Conduct.  
The Code of Conduct is composed of five parts. Chapters A, B, and C respectively outline labor, health, and safety issues, as well as environmental standards. Standards on business ethics are provided in Part D; Part E outlines the elements necessary for an appropriate management system to implement the guidelines.
- (II) Any losses suffered by the company due to labor-management disputes in the most recent year and in the current year as of the publication date of the Annual Report (including any violations of the Labor Standards Act as found in labor inspection, the penalty dates, penalty documents numbers, the articles of laws violated, and the contents of penalty shall be disclosed), and an estimate of possible expenses that could be incurred currently and in the future as well as countermeasures shall be disclosed. If a reasonable estimate cannot be made, an explanation about the fact that why it cannot be estimated shall be provided:

1. Loss due to labor disputes:

Name	Description	Amount of Penalty or Compensation (NT\$ Ten Thousand)	Countermeasures and Improvement
Taiwan Surface Mounting Technology Corp.	1. Date of penalty: October 22, 2020 2. Penalty document number: 2020 FLJZ No. 1090266521 3. Violation of: Paragraph 2, Article 32 of the Labor Standards Act 4. Contents of violation: Extending labor's working hours by a number exceeding the limit stipulated by law. 5. Contents of penalty: Overtime work exceeding stipulated hours is detected by Taoyuan municipal government upon the labor inspection carried by it.	55	Implementation of and compliance with relevant laws and regulations.
	1. Date of penalty: March 31, 2021 2. Penalty document number: 2021 FLJZ No. 1100071248 3. Violation of: Paragraph 2, Article 32 of the Labor Standards Act 4. Contents of violation: Extending labor's working hours by a number exceeding the limit stipulated by law. 5. Contents of penalty: Overtime work exceeding stipulated hours is detected by Taoyuan municipal government upon the labor inspection carried by it.	80	Implementation of and compliance with relevant laws and regulations.

2. Except for the above matters, the Company and its subsidiaries are not fined for any other violations against the relevant regulations in the most recent year and in the current year as of the publication date of the Annual Report.

(III) Estimated amount against current and possible future occurrence, and countermeasures

In the future, under the circumstances that the Company continuously and pro-actively promotes and implements various employee benefits, there will be no losses that occurred due to labor disputes.

VI. Important Contracts

Type of Contract	Parties	Contract Duration	Contract Content	Restrictions
General medium-and-long-term unsecured loan	KGIBank Co., Ltd	2020.08.25-2023.08.25	Unsecured loan	None.
General medium-and-long-term unsecured loan	CTBC Bank Co., Ltd.	2019.06.17~2022.06.17	Unsecured loan	None.
General medium-and-long-term unsecured loan	CTBC Bank Co., Ltd.	2016.11.14~2021.11.14	External commercial borrowing	None.
General medium-and-long-term unsecured loan	Taipei Fubon Commercial Bank Co., Ltd.	2021.01.06~2022.12.31	Unsecured loan	None.
General medium-and-long-term unsecured loan	E.Sun Commercial Bank, Ltd.	2018.03.19~2023.06.14	Unsecured loan	None.
General medium-and-long-term unsecured loan	E.Sun Commercial Bank, Ltd.	2020.08.17-2025.08.17	Unsecured loan	None.
General medium-and-long-term unsecured loan	DBS Bank (Taiwan) Ltd.	2019.06.28~2022.06.28	Unsecured loan	None.
General medium-and-long-term unsecured loan	HSBC	2020.10.20~2023.10.20	External commercial borrowing	None.

## Chapter 6. Financial Overview

I. Condensed Balance Sheets and Comprehensive Income Statements of the Most Recent Five Years  
 (I) Condensed consolidated balance sheets - based on IFRSs

Unit: NT\$ thousands

Item	Year	Financial Information of the Most Recent Five Years				
		2016	2017	2018	2019	2020
Current assets		21,804,135	19,036,648	21,651,664	24,784,396	26,449,603
Property, plant and equipment		6,656,338	5,739,255	6,529,981	6,881,715	8,738,159
Intangible assets		0	0	0	0	0
Other assets		1,240,567	1,403,222	1,505,391	1,500,303	2,841,924
Total assets		29,701,040	26,179,125	29,687,036	33,166,414	38,029,686
Current liabilities	Before distribution	16,342,696	12,877,516	15,802,038	17,384,786	20,173,638
	After distribution	16,635,094	13,257,634	16,182,156	17,764,904	Yet to be distributed
Non-current liabilities		1,754,504	2,275,641	2,284,155	3,039,216	4,360,694
Total liabilities	Before distribution	18,097,200	15,153,157	18,086,193	20,424,002	24,534,332
	After distribution	18,389,598	15,533,275	18,466,311	20,804,120	Yet to be distributed
Equity attributable to the owners of parent company		11,592,576	10,983,734	11,581,141	12,731,889	13,490,482
Capital stock		2,953,984	2,953,984	2,923,984	2,923,984	2,923,984
Capital surplus		2,569,697	2,569,764	2,529,156	2,515,001	2,515,059
Retained earnings	Before distribution	5,799,126	6,252,751	6,655,908	8,307,958	9,664,575
	After distribution	5,506,728	5,872,633	6,275,790	7,927,840	Yet to be distributed
Others equity		353,722	(708,812)	(527,907)	(1,015,054)	(1,613,136)
Treasury stock		(83,953)	(83,953)	0	0	0
Non-controlling interests		11,264	42,234	19,702	10,523	4,872
Total equity	Before distribution	11,603,840	11,025,968	11,600,843	12,742,412	13,495,354
	After distribution	11,311,442	10,645,850	11,220,725	12,362,294	Yet to be distributed

Note 1: The above financial information has been audited or verified by CPAs, and there is no asset revaluation and appreciation.

Note 2: The distribution of earnings for 2020 has not been approved by the annual general meeting of the shareholders.

## (II) Condensed consolidated comprehensive income statements - based on IFRSs

Unit: NT\$ thousands

Item	Year				
	Financial Information of the Most Recent Five Years				
	2016	2017	2018	2019	2020
Operating Revenue	30,046,297	26,330,034	30,634,088	37,906,373	41,405,758
Gross profit	2,691,407	2,112,893	3,377,798	4,729,725	5,009,349
Operating profit (loss)	1,137,839	442,389	1,556,759	2,590,921	2,500,065
Total non-operating income and expenses	(275,265)	579,899	(290,879)	134,724	387,812
Net profit before tax	862,574	1,022,288	1,265,880	2,725,645	2,887,877
Current net profit from continued operations	541,205	758,114	755,675	2,029,578	2,188,249
Losses from discontinued operations	0	0	0	0	0
Current net profit (loss)	541,205	758,114	755,675	2,029,578	2,188,249
Other comprehensive income (loss) (income after tax)	(442,282)	(1,043,536)	188,528	(493,736)	(616,651)
Total current comprehensive income (loss)	98,923	(285,422)	944,203	1,535,842	1,571,598
Profit attributable to owners of parent company	571,249	770,907	785,003	2,035,222	2,193,738
Profit attributable to non-controlling interests	(30,044)	(12,793)	(29,328)	(5,644)	(5,489)
Total comprehensive income (loss) attributable to the owners of parent company	129,149	(302,333)	966,735	1,545,021	1,577,249
Total comprehensive income (loss) attributable to non-controlling interests	(30,226)	16,911	(22,532)	(9,179)	(5,651)
Earnings per share	1.95	2.64	2.68	6.96	7.50

Note 1: The above financial information has been audited or verified by CPAs.

Note 2: There is no capitalization of interest in the years presented above.

Note 3: The loss from discontinued operation, extraordinary gain or loss, and the accumulative amount affected by the changes in accounting policy shall be presented by net amount after deducting income tax.

Note 4: Earnings per share shall be calculated based on the shares after adjustment.

## (III) Condensed balance sheets - based on IFRSs

Unit: NT\$ thousands

Item	Year	Financial Information of the Most Recent Five Years				
		2016	2017	2018	2019	2020
Current assets		2,125,453	1,443,342	2,304,829	2,973,816	4,412,312
Property, plant and equipment		854,944	804,131	1,051,415	1,312,872	1,644,218
Intangible assets		0	0	0	0	0
Other assets		15,717,073	15,280,431	15,095,040	15,121,704	16,049,962
Total assets		18,697,470	17,527,904	18,451,284	19,408,392	22,106,492
Current liabilities	Before distribution	5,976,917	4,874,097	5,132,007	4,509,778	5,754,788
	After distribution	6,269,315	5,254,215	5,512,125	4,889,896	Yet to be distributed
Non-current liabilities		1,127,977	1,670,073	1,738,136	2,166,725	2,861,222
Total liabilities	Before distribution	7,104,894	6,544,170	6,870,143	6,676,503	8,616,010
	After distribution	7,397,292	6,924,288	7,250,261	7,056,621	Yet to be distributed
Equity attributable to the owners of parent company		11,592,576	10,983,734	11,581,141	12,731,889	13,490,482
Capital stock		2,953,984	2,953,984	2,923,984	2,923,984	2,923,984
Capital surplus		2,569,697	2,569,764	2,529,156	2,515,001	2,515,059
Retained earnings	Before distribution	5,799,126	6,252,751	6,655,908	8,307,958	9,664,575
	After distribution	5,506,728	5,872,633	6,275,790	7,927,840	Yet to be distributed
Others equity		353,722	(708,812)	(527,907)	(1,015,054)	(1,613,136)
Treasury stock		(83,953)	(83,953)	0	0	0
Non-controlling interests		0	0	0	0	0
Total equity	Before distribution	11,592,576	10,983,734	11,581,141	12,731,889	13,490,482
	After distribution	11,300,178	10,603,616	11,201,023	12,351,771	Yet to be distributed

Note 1: The annual financial information above has been audited by CPA, and asset revaluation increment did not proceed.

Note 2: The distribution of earnings for 2020 has not been approved by the annual general meeting of the shareholders.

## (IV) Condensed comprehensive income statements - based on IFRSs

Unit: NT\$ thousands

Item	Year	Financial Information of the Most Recent Five Years				
		2016	2017	2018	2019	2020
Operating Revenue		4,072,734	2,666,666	3,341,227	6,536,043	6,770,049
Gross profit		265,336	123,502	338,435	1,105,059	771,361
Operating profit (loss)		12,280	(154,834)	59,348	681,165	241,178
Total non-operating income and expenses		601,459	906,647	775,702	1,490,990	2,072,467
Net profit before tax		613,739	751,813	835,050	2,172,155	2,313,645
Current net profit from continued operations		571,249	770,907	785,003	2,035,222	2,193,738
Losses from discontinued operations		0	0	0	0	0
Current net profit (loss)		571,249	770,907	785,003	2,035,222	2,193,738
Other comprehensive income (loss) (income after tax)		(442,100)	(1,073,240)	181,732	(490,201)	(616,489)
Total current comprehensive income (loss)		129,149	(302,333)	966,735	1,545,021	1,577,249
Profit attributable to owners of parent company		571,249	770,907	785,003	2,035,222	2,193,738
Profit attributable to non-controlling interests		0	0	0	0	0
Total comprehensive income (loss) attributable to the owners of parent company		129,149	(302,333)	966,735	1,545,021	1,577,249
Total comprehensive income (loss) attributable to non-controlling interests		0	0	0	0	0
Earnings per share		1.95	2.64	2.68	6.96	7.50

Note 1: The above financial information has been audited or verified by CPAs.

Note 2: There is no capitalization of interest in the years presented above.

Note 3: The loss from discontinued operation, extraordinary gain or loss, and the accumulative amount affected by the changes in accounting policy shall be presented by net amount after deducting income tax.

Note 4: Earnings per share shall be calculated based on the shares after adjustment.

## (V) Names and opinions of the CPAs for the most recent five years:

Year	Name of Accounting Firm	Name of CPA	Audit Opinion
2016	PricewaterhouseCoopers Taiwan	Lee, Hsiu-Ling and Chang, Ming-Hui	Unqualified opinion
2017	PricewaterhouseCoopers Taiwan	Chiu, Chao-Hsien and Lee, Hsiu-Ling	Unqualified opinion
2018	PricewaterhouseCoopers Taiwan	Chiu, Chao-Hsien and Lee, Hsiu-Ling	Unqualified opinion
2019	PricewaterhouseCoopers Taiwan	Chiu, Chao-Hsien and Lee, Hsiu-Ling	Unqualified opinion
2020	PricewaterhouseCoopers Taiwan	Chiu, Chao-Hsien and Lee, Hsiu-Ling	Unqualified opinion

II. Financial Analysis for the Most Recent Five Years  
(I) IFRSs - consolidated financial analysis

Item of Analysis		Financial Analysis for the Most Recent Five Years				
		2016	2017	2018	2019	2020
Financial structure (%)	Liability-to-asset ratio	60.93	57.88	60.92	61.58	64.51
	Long-term capital-to-property, plant and equipment ratio	200.69	231.77	212.63	229.33	204.35
Solvency (%)	Current ratio	133.42	147.83	137.02	142.56	131.11
	Quick ratio	110.56	120.84	115.31	122.27	112.57
	Interest coverage ratio	20.36	22.10	29.40	35.41	55.46
Operating performance	Accounts receivable turnover (times)	2.51	2.43	2.81	3.00	3.20
	Average collection days	145.41	150.20	129.89	121.66	114.06
	Inventory turnover (times)	10.90	9.86	10.30	10.70	10.93
	Accounts payable turnover (times)	2.77	2.66	2.97	2.85	2.84
	Average days in sales	33.48	37.01	35.43	34.11	33.39
	Property, plant and equipment turnover (times)	4.30	4.25	4.99	5.65	5.30
	Total assets turnover (times)	1.03	0.94	1.10	1.21	1.16
Profitability	Return on total assets (%)	1.98	2.86	2.83	6.66	6.27
	Return on stockholders' equity (%)	4.60	6.70	6.68	16.67	16.68
	Pre-tax net profit-to-paid-in capital ratio (%) (Note 7)	29.20	34.61	43.29	93.22	98.77
	Profit ratio (%)	1.80	2.88	2.47	5.35	5.28
	Earnings per share (NT\$)	1.95	2.64	2.68	6.96	7.50
Cash flow	Cash flow ratio (%)	7.21	13.31	1.50	27.95	17.00
	Cash flow adequacy ratio (%)	132.76	158.21	83.90	132.28	115.94
	Cash reinvestment ratio (%)	4.38	8.70	(0.83)	24.12	12.62
Leverage	Operating leverage	1.75	2.67	1.49	1.34	1.40
	Financial leverage	1.04	1.12	1.03	1.03	1.02

Reason for the changes in the financial ratio in the most recent two years:

1. Interest coverage ratio (%): Change in the ratio is 56.62%, which was caused by the increase in the net profit before tax.
2. Cash flow ratio decreased by 39.18% mainly due to a decrease in net cash flows generated from operating activities.
3. Cash reinvestment ratio (%): Change in the ratio is -47.68%, which was mainly due to a decrease in net cash flows generated from operating activities and an increase in prepayments for equipment.

Note 1: The above financial information has been audited or verified by CPAs.

Note 2: Earnings per share shall be calculated based on the shares after adjustment.

Note 3: Please refer to the following sheet (II) for the calculation formula for financial analysis.

## (II) IFRSs - individual financial analysis

Item of Analysis		Financial Analysis for the Most Recent Five Years				
		2016	2017	2018	2019	2020
Financial structure (%)	Liability-to-asset ratio	38.00	37.34	37.23	34.40	38.98
	Long-term capital-to-property, plant and equipment ratio	1,487.88	1,573.60	1,266.80	1,134.81	994.50
Solvency (%)	Current ratio	35.56	29.61	44.91	65.94	76.67
	Quick ratio	30.77	24.71	32.75	51.57	65.44
	Interest coverage ratio	14.38	19.45	27.85	64.98	67.44
Operating performance	Accounts receivable turnover (times)	2.87	2.44	3.56	6.11	6.91
	Average collection days	127.18	149.59	102.53	59.74	52.82
	Inventory turnover (times)	12.15	9.07	7.63	9.39	9.30
	Accounts payable turnover (times)	2.86	2.37	2.66	3.45	3.39
	Average days in sales	30.04	40.24	47.84	38.87	39.25
	Property, plant and equipment turnover (times)	4.63	3.21	3.60	5.53	4.58
	Total assets turnover (times)	0.22	0.15	0.19	0.35	0.33
Profitability	Return on total assets (%)	3.23	4.44	4.50	10.89	10.70
	Return on stockholders' equity (%)	4.86	6.83	6.96	16.74	16.73
	Pre-tax net profit-to-paid-in capital ratio (%) (Note 7)	20.78	25.45	28.56	74.29	79.13
	Profit ratio (%)	14.03	28.91	23.49	31.14	32.40
	Earnings per share (NT\$)	1.95	2.64	2.68	6.96	7.50
Cash flow	Cash flow ratio (%)	8.96	12.12	2.67	51.04	17.99
	Cash flow adequacy ratio (%)	34.19	37.86	30.57	116.37	101.73
	Cash reinvestment ratio (%)	0.57	1.81	(1.47)	11.65	1.22
Leverage	Operating leverage	8.39	0.47	2.33	1.18	1.65
	Financial leverage	(0.37)	0.79	2.10	1.05	1.17

Reason for the changes in the financial ratio in the most recent two years:

- Quick ratio (%): Change in the ratio is 26.90%, which was mainly caused by the increase in current assets and current liabilities.
- The cash flow ratio (%) decreased by 64.75% mainly due to a decrease in net cash flows generated from operating activities and an increase in current liabilities.
- Cash reinvestment ratio (%): Change in the ratio is -89.53%, which was mainly caused by the decrease in net cash flows generated from operating activities and an increase in property, plant and equipment.
- Operating leverage: Change in the ratio is 39.83%, which was mainly caused by the increase in operating revenue and a decrease in operating profit.

Note 1: The above financial information has been audited or verified by CPAs.

Note 2: Earnings per share shall be calculated based on the shares after adjustment.

Note 3: The calculation formula for financial analysis is presented as follows:

1. Financial structure

(1) Liability-to-asset ratio = Total liabilities / Total assets.

(2) Long-term capital-to-property, plant and equipment ratio = (Total equity + Non-current liabilities) / Net property, plant and equipment.



2. Solvency
    - (1) Current ratio = Current assets / Current liabilities.
    - (2) Quick ratio = (Current assets - Inventory - Prepayments) / Current liabilities.
    - (3) Interest coverage ratio = Net profit before income tax and interest cost / Current interest costs.
  3. Operating performance
    - (1) Accounts receivable (including receivables, and the notes receivable from operating) turnover = Net sales / Balance of average accounts receivable (including receivables, and the notes receivable from operating).
    - (2) Average collection days = 365 / Accounts receivable turnover.
    - (3) Inventory turnover = Sales costs / Average inventory value.
    - (4) Accounts payable (including payables, and the notes payable from operating) turnover = Sales costs / Balance of average accounts payable (including payables, and the notes payable from operating).
    - (5) Average days in sales = 365 / Inventory turnover.
    - (6) Property, plant and equipment turnover = Net sales / Average net property, plant and equipment.
    - (7) Total assets turnover = Net sales / Average total assets.
  4. Profitability
    - (1) Return on assets (ROA) = [Profit or loss after tax + Interest cost \* (1 - tax rate)] / Average total assets.
    - (2) Return on equity = Profit or loss after tax / Average total equity value.
    - (3) Net profit rate = Profit or loss after tax / Net sales.
    - (4) Earnings per share (EPS) = (Profit (loss) attributable to the owners of parent company - Dividends for preferred shares) / Weighted average of issued shares. (Note 4)
  5. Cash flow
    - (1) Cash flow ratio = Net cash flow from operating activities / Current liabilities.
    - (2) Net cash flow adequacy ratio = Net cash flow from operating activities of the most recent five years / (Capital expenditure + Increase in inventory + Cash dividends) of the most recent five years.
    - (3) Cash reinvestment ratio = (Net cash flow from operating activities - Cash dividends) / (Gross value of property, plant and equipment + Long-term investments + Other non-current assets + Operating capital). (Note 5)
  6. Operating leverage
    - (1) Operating leverage = (Net Operating income - Variable operating costs and expenses) / Operating profit (Note 6).
    - (2) Financial leverage = Operating profit / (Operating profit - Interest expenses).
- Note 4: Special attention shall be paid to the following matters when using the above formula for calculating earnings per share:
1. The calculation shall be based on the weighted average shares of ordinary shares, instead of the number of shares outstanding as of the end of the year.
  2. When calculating the weighted average shares after cash increase in capital or treasury stock trade, their effective term shall be taken into consideration.
  3. Where surplus reserves or capital surplus are transferred to ordinary shares, retrospective adjustment shall be made, in proportion to the quantity of shares issued, in calculating the semiannual or annual EPS of the year. The period for issuance of such new shares may be omitted.
  4. If the preferred stock is non-convertible cumulative preferred shares, dividend for the year (whether it is being distributed or not) shall be subtracted from net profit after income tax or added to net loss after income tax. If the preferred shares are not cumulative, dividends thereon shall be subtracted from the net profit after income tax if net profit after tax is earned, or no adjustment is required if loss arises.
- Note 5: Special attention should be paid to the following matters when measuring cash flow analysis:
1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the Statement of Cash Flows.
  2. Capital expenditure refers to the cash outflow from annual capital investment.
  3. The increase in inventory is included only if ending balance is larger than opening balance. If the inventory decreases at the end of the year, it shall be calculated as zero.
  4. Cash dividends include the cash dividends of ordinary shares and preferred shares.
  5. Gross value of property, plant and equipment are measured at the total value of property, plant and equipment prior to the subtraction of accumulated depreciation.
- Note 6: Issuers shall differentiate operating costs and operating expenses by their nature into fixed and variable categories. If estimation or subjective judgment is involved, special attention shall be paid to their reasonableness, and consistency shall be maintained.
- Note 7: If the Company's shares have no par value, or their par value is not NT\$10, any calculation involving the ratio of paid-in capital shall be replaced by the calculation using the ratio of the equity attributable to the owners of parent company, as shown in the Balance Sheet.

III. Audit Committee's Report on the Financial Statements of the Most Recent Year

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

The Board of Directors has submitted the 2020 Business Report, Financial Statements, and Profit Distribution Proposal of the Company. The CPAs from PricewaterhouseCoopers Taiwan have audited and certified the Financial Statements and issued an Audit Report. After having audited the abovementioned Business Report, Financial Statements, and Profit Distribution Proposal, the Audit Committee does not consider that there is any discrepancy. Therefore, an Audit Committee's Report is made as above in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Sincerely,

2021 annual shareholders' meeting of the Company

Taiwan Surface Mounting Technology Corp.

Convener of the Audit Committee:

Chen, Meng-Ping

March 19, 2021

- IV. Consolidated Financial Statements and Independent Auditors' Report of the Most Recent Year: Please refer to Appendix I.
- V. Parent Company Only Financial Statements and Independent Auditors' Report of the Most Recent Year: Please refer to Appendix II.
- VI. If the Company or Its Affiliates Have Experienced Financial Difficulties in the Most Recent Year and in the Current Year as of the Publication Date of the Annual Report, the Impact of the Said Difficulties on the Company's Financial Status: None.

## Chapter 7. Review, Analysis and Risk Assessment on Financial Status and Financial Performance

### I. Financial Status

Unit: NT\$ thousands

Item	Year	2019	2020	Difference	
				Amount	%
Current assets		24,784,396	26,449,603	1,665,207	6.72
Property, plant and equipment		6,881,715	8,738,159	1,856,444	26.98
Other non-current assets		1,500,303	2,841,924	1,341,621	89.42
Total assets		33,166,414	38,029,686	4,863,272	14.66
Current liabilities		17,384,786	20,173,638	2,788,852	16.04
Non-current liabilities		3,039,216	4,360,694	1,321,478	43.48
Total liabilities		20,424,002	24,534,332	4,110,330	20.12
Capital stock		2,923,984	2,923,984	0	0.00
Capital surplus		2,515,001	2,515,059	58	0.00
Retained earnings		8,307,958	9,664,575	1,356,617	16.33
Others equity		(1,015,054)	(1,613,136)	(598,082)	58.92
Equity attributable to the owners of parent company		12,731,889	13,490,482	758,593	5.96
Non-controlling interests		10,523	4,872	(5,651)	(53.70)
Total shareholders' equity		12,742,412	13,495,354	752,942	5.91
Description about major changes:					
1. The increase in property, plant and equipment was mainly caused by purchases in production equipment.					
2. The increase in non-current assets was mainly caused by an increase in prepayments for equipment.					
3. The increase in non-current liabilities was mainly caused by an increase in long-term borrowings.					
4. The decrease in other equity was mainly caused by the decrease in the exchange differences on translation of foreign financial statements.					
5. The decrease in non-controlling interests was mainly caused by the losses of invested companies.					

### II. Financial Performance

Unit: NT\$ thousands

Item	Year	2019	2020	Amount of Increase (Decrease)	Percentage of Change (%)
Operating costs	33,176,648	36,396,409	3,219,761	9.70	
Gross profit	4,729,725	5,009,349	279,624	5.91	
Operating expenses	2,138,804	2,509,284	370,480	17.32	
Operating profit	2,590,921	2,500,065	(90,856)	(3.51)	
Total non-operating income and expenses	134,724	387,812	253,088	187.86	
Net profit before tax	2,725,645	2,887,877	162,232	5.95	
Income tax expense	696,067	699,628	3,561	0.51	
Current net profit from continued operations	2,029,578	2,188,249	158,671	7.82	
Description about major changes:					
1. The change in operating expenses is 17.32%, which was mainly caused by the increase in R&D expenses.					
2. The change in non-operating income and expenses is 187.86%, which was mainly caused by an increase in foreign exchange gains.					

### III. Cash Flow

(I) Analysis on the changes in the consolidated statements of cash flows of the most recent year:

Unit: NT\$ thousands

Opening Cash Balance	Net Cash Flow from Operating Activities in the Whole Year	Cash Inflow (Outflow) in the Whole Year	Cash Surplus	Leverage of Cash Deficit	
				Investment Plans	Financing Plans
6,193,861	3,430,338	(1,964,301)	7,659,898	-	-
1. Analysis on the changes in current cash flows:					
(1) Operating activities: The increase in the cash inflow was mainly caused by the increase in the operating income and net profit before tax in 2020.					
(2) Investing activities: NT\$4,319,302 thousand of cash outflow was mainly caused by the acquisition of financial assets at amortized costs and the purchase of property, plant and equipment.					
(3) Financing activities: Net cash inflow NT\$2,734,233 thousand was mainly caused by an increase in long-term borrowings.					
2. Remedy for cash deficit and liquidity analysis: None.					

(II) Cash flow analysis for the coming year: N/A.

### IV. Impact of Major Capital Expenditures in the Most Recent Year on Finance and Business

(I) Major capital expenditure items and source of capital: None.

(II) Expected benefits: None.

### V. Investment Policies in the Most Recent Year, Main Reasons for Profits or Losses, Improvement Plans, and Investment Plans for the Coming Year

The aim of the Company in its investment policy is to consider the Company's business development strategy and operating needs, and seek long-term strategic partners. The net investment loss recognized in the Company's 2020 Consolidated Financial Statements by adopting equity method is NT\$5,054 thousand, and the loss is mainly caused by the investment made in R&D company, and insufficient orders during the development and design period, and that the producing and operating scale failed to reach a certain level. The Company will give its subsidiaries constant guidance, in order to facilitate them to achieve the profit target in a shorter time. In terms of the investment plans for the coming year, the Company also will focus on long-term strategic investment, and continue to evaluate investment plans carefully.

### VI. Risk Analysis and Assessment

(I) Effects of changes in interest rates, foreign exchange rates and inflation on corporate finance, and future response measures

1. Change in interest rate and interest expenditures of the most recent two years:

Unit: NT\$ thousands; %

Item	Year	2019	2020
Interest income		76,619	45,849
Interest expenses		79,220	53,026
Operating revenue (net)		37,906,373	41,405,758
(Interest expenses - Interest income) / Net operating income		0.0068%	0.0170%

Policies and countermeasures:

- (1) Improving the Company's financial structure and credit, and cooperating with financial institutions closely, to obtain preferential conditions for loan.
- (2) Making use of each financing hedging instrument to lower down the risk of interest rate movements.

2. Exchange profit or loss in the most recent two years:

Unit: NT\$ thousands; %

Item	Year	2019	2020
Net exchange profit (loss)		(139,397)	109,496
Operating revenue (net)		37,906,373	41,405,758
Net exchange profit (loss) / Operating revenue (net)		-0.37%	0.26%

Policies and countermeasures:

- (1) Timely collecting relevant international financial information and the information related to exchange rate changes, and keeping close contact with banks to get to know any exchange rate changes.
  - (2) Fully grasping the trend of exchange rate, and determining the time for disposing the hedging instruments of the foreign currencies, or keeping the foreign currencies, by referring the professional information provided by financial institutions, to reduce exchange rate risk.
3. Impact of inflation on the Company's profit or loss in the most recent two years, and future countermeasures:  
Keeping a close and good interaction with suppliers and customers, and paying attention to any fluctuation of the market price of raw materials at any time, so as to make corresponding adjustment in case of any changes in the purchase and sales prices of products caused by the changes in the price of raw materials, in order to reduce any impacts caused by inflation and changes.
- (II) Policies on high risk or highly leveraged investments, loans to others, endorsements and guarantees, as well as derivatives trading, the main reasons for profits or losses, and future countermeasures
1. The Company was not engaged in any high-risk or high-leverage investments in the most recent year.
  2. The Company is engaged in loans to others, endorsements and guarantees, as well as derivatives trading fully in accordance with its "Operational Procedures for Loaning of Company Funds," "Operational Procedures for Endorsements and Guarantees," and "Operational Procedures for Acquisition and Disposal of Assets."
  3. Derivatives trading: The Company is engaged in derivatives trading based on the foreign currencies obtained by it from its operating activities, for the purpose of avoiding market risks and reducing its operating risks. The Company's recognized loss from derivatives trading in 2020 is NT\$3,777 thousand in total, and the Company has an appropriate risk-avoidance policy. The Company will take operating conditions and market trends into consideration to periodically examine and adjust the relevant hedging strategies in order to conduct hedging of avoiding risks which might arise from exposed portions.
- (III) Future R&D plan and corresponding budget  
In the coming year, the Company will continue to devote itself to the improvement of its manufacturing processes, and the R&D of test equipment and automated process, etc., and the estimated R&D expenditures to be invested through the year will be over NT\$400 million in total.
- (IV) Impact of changes in major overseas policies and laws on the Company's finance and business, and countermeasures: None.
- (V) Impact of changes in technology and the industry on the Company's finance and business, and countermeasures  
The Company is a professional foundry, which keeps itself updated on the developments electronic technology market. In line with the trend of market specialization, we try our best to strive for the opportunities related to manufacturing and processing businesses for high-end electronic products by cooperating with customers as a strategic alliance.
- (VI) Impact of changes in the corporate image on corporate risk management, and countermeasures: None.
- (VII) Expected benefits from merger and acquisition, possible risks, and countermeasures: None.
- (VIII) Expected benefits from factory expansion, possible risks, and countermeasures: None.
- (IX) Risks related to and countermeasures for excessively centralized purchase or sale
1. Risks related to centralized purchase or sale  
The Company's PCB substrate manufacturing and processing business for TFT-LCD may fluctuate depending on the supply, demands and price in the downstream TFT-LCD panel market. In case of price decrease caused by oversupply or demand reduction in market, the Company's business performance will be affected indirectly. As compared the Company's sales conditions in the most recent three years, there is no such a condition that its income from a single customer reaches 20% of its total revenue, due to the continued increase in the dispersed customers in China.
  2. Countermeasures  
Continuing to develop new customers to disperse the concentrated sales risk.
- (X) Impact brought by transfer of a large amount of equity by, or replacement of, directors, supervisors, or major shareholders holding over 10% of the Company's shares, related risks, and countermeasures: None.
- (XI) Impact of the changes in management on the Company, related risks, and countermeasures: None.
- (XII) For any litigation or non-litigation events, any settled or pending significant litigation, non-litigation or administrative dispute involving the Company and its directors, supervisors, president, actual persons

in charge, major shareholders holding more than 10% shares, and affiliates shall be disclosed and, if any result thereof may have a material impact on shareholders' equity or securities price, the disputable fact, object amount, commencement date of litigation, major involved parties, and the dealing conditions as of the publication date of the Annual Report shall be disclosed: None.

(XIII) Risk of information security

1. Security of information

The related regulation of information security is stimulated by the principal of the Company's information security process, which is "information security is everyone's responsibility, the establishment of information security system, strengthen information security protection, to ensure the protection of confidential information, the protection of personal data." In addition to the continuous improvement of each mechanism of information security management over the years, emailing notification of information security and making announcements website from time to time and promotion activities, continuously improving the information security management project, implementing the information security operation, protecting the customers information and the company's intellectual property, strengthening the capacity of information security incident reaction, committing to achieve the best prevention index of information security in all aspects.

2. Information security and cyber risk control

Due to the rapid development of network technology in recent years, the techniques of cyberattack have been changing rapidly, and the number of cyberattacks shoot up. Information systems cannot be completely immune from paralyzing cyberattacks coming from everywhere. The illegal techniques of cyberattacks that have occurred are through E-mail with malicious programs, phishing links, malicious violence cracking and other illegal means, and those malicious programs are introduced into the corporate internet for destruction, stealing data and obtaining the money by extortion. A destructive attack may lead to the shutdown of the company's production and operations. A data theft attack may result in the leakage of important business confidential information, operating confidential information, intellectual property and employees, customers and other personal data, which can damage the good reputation of the company. The Company takes pro-active steps to enhance the information security process. In addition to introduction next generation firewall, spam and the filtering equipment of malicious mail, basic protection of employees' internet access, the operating system updated immediately, and introducing different brands of anti-virus software into mail server and terminal in order to individually deploy. Apart from anti-virus engine and virus pattern centralized control that automatically update immediately and monitoring information security services, the Company assesses the risks of the information system through the risk management system of internal audit every half year, and reports the risk control and improvement status to the board of directors regularly to control and reduce the risks of related information security.

3. Information security training for employees and notice

When new employees are hired, they will have information security training. The Company also promotes related information for information security by emailing notification of the latest cyberattack information message and reminding considerations from time to time in order to reduce the risk that employees may inadvertently click on a malicious email. In addition, information security-related announcements will be arranged on the Company's internal website to improve the self-management ability of each departmental colleague in information security. In addition to enhancing the awareness of information security among all department employees, announcements on the website and notification in the mail also ensure that the concept of information security can be integrated into the daily operations of all department employees.

4. The Company established the Information Security Office in September 2020. The Information Security Office is responsible for the planning, introduction, monitoring, and improvement of information security projects and the establishment of a secure environment within the organization.

5. The Company did not experience any material cyber-attack incident that impacted its operation in 2020.

(XIV) Other major risks and countermeasures: None.

VII. Other Important Issues: None.

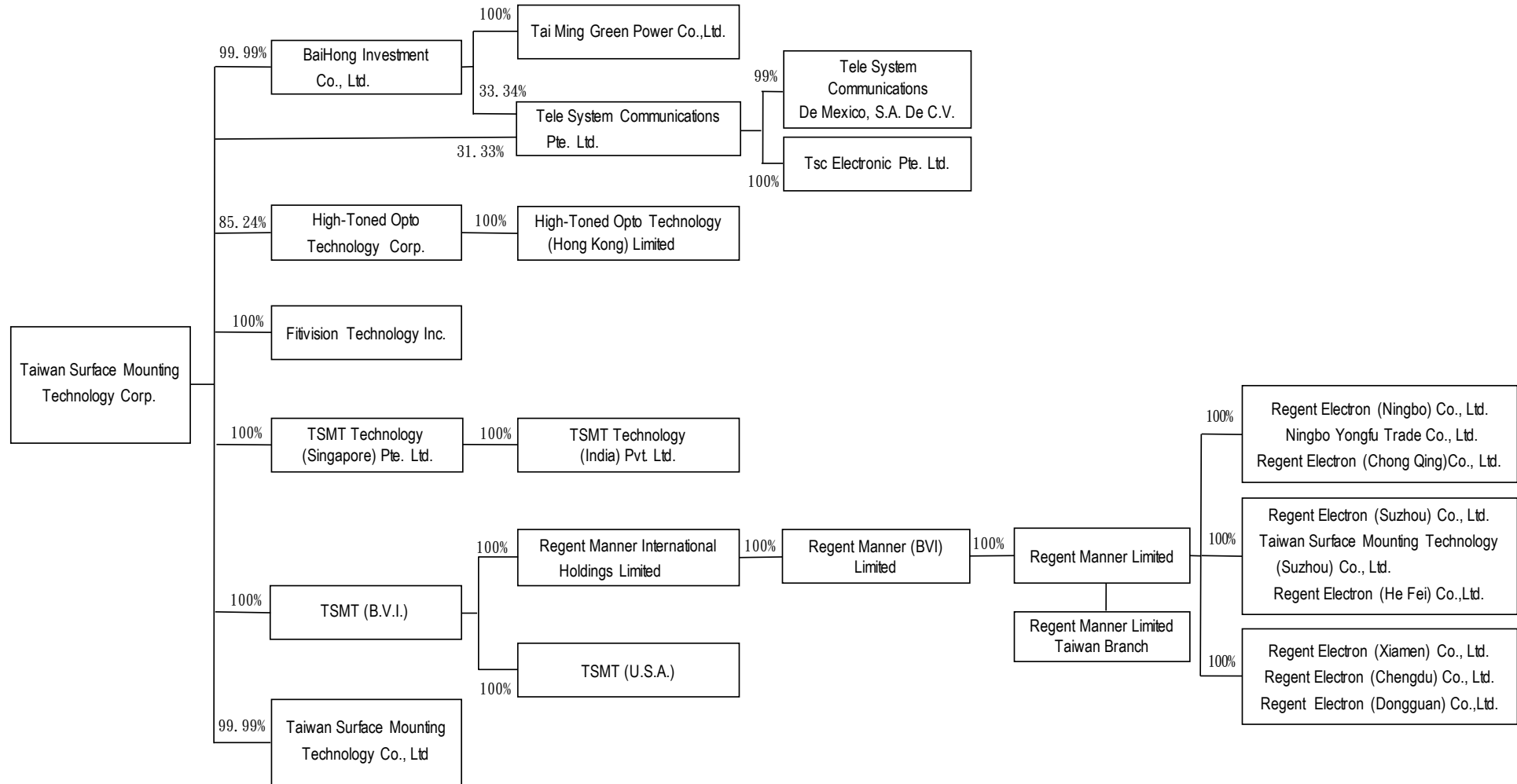
## Chapter 8. Special Disclosures

### I. Related Information about Affiliates

#### (I) Business reports of affiliated companies

##### 1. Organizational chart of affiliated companies:

December 31, 2020



2. Information on affiliated companies

Unit: NT\$ thousand; December 31, 2020

Company Name	Date of Incorporation	Address	Paid-in Capital	Main Activity
Taiwan Surface Mounting Technology Co., Ltd.	1997.03.24	Unit 31, 11/F, Thriving Industrial Centre, 26-38 Sha Tsui Road, Tsuen Wan N.T.	HK\$10	Contract services
TSMT (U.S.A.)	2002.04.15	505 Almanor Street Petaluma, CA 94954	US\$100	Manufacturing and process of computer motherboards and peripherals interface cards
TSMT (B.V.I.)	1998.07.08	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands	US\$104,000	Holdings limited
Regent Manner International Holdings Limited	2006.08.09	Cricknet Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KYI-1111, Cayman Islands	HK\$10,749	
Regent Manner (BVI) Limited	2006.08.10	Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands	US\$34,631	
Regent Manner Limited	1997.04.11 (The Company made the investment on September 28, 1998.)	Unit 31, 11/F, Thriving Industrial Centre, 26-38 Sha Tsui Road, Tsuen Wan N.T.	HK\$573,996	Manufacturing and process of computer motherboards and peripherals interface cards
Regent Electron (Suzhou) Co., Ltd.	1999.08.09	No. 888. East Ganquan Road, Wujiang Economic Development Zone, Jiangsu Province, P.R.C.	US\$62,500	
Taiwan Surface Mounting Technology (Suzhou) Co., Ltd.	2002.06.24	No. 888. East Ganquan Road, Wujiang Economic Development Zone, Jiangsu Province, P.R.C.	US\$35,000	
Regent Electron (Ningbo) Co., Ltd.	2006.01.25	No. 71, Yan Shan He North Road, Beilun District, Ningbo, Zhejiang Province, P.R.C.	US\$17,000	
Regent Electron (Xiamen) Co., Ltd.	2006.04.10	No. 3689, North Xiang'an Road, Xiang'an Branch, Touch Hi-tech Industrial Development Zone, Xiamen City, Fujian Province, P.R.C.	US\$20,000	
Regent Electron (Chengdu) Co., Ltd.	2008.01.28	Guixi Industrial Park, Chengdu High-tech Zone, Sichuan Province, P.R.C.	US\$12,000	
Regent Electron (Dongguan) Co., Ltd.	2009.09.15	No. 753, Liaobu Section, Shida Road, Liaobu Town, Dongguan City, Guangdong Province, P.R.C.	US\$20,000	
Ningbo Yongfu Trade Co., Ltd.	2009.09.18	Room 7-198A, Xinnong Tower, Ningbo Free Trade Zone, Zhejiang Province, P.R.C.	US\$2,800	
Regent Electron (He Fei) Co., Ltd.	2010.01.08	No. 1551, PeiLai Road, Economic Development Zone, HeFei City, Anhui Province, P.R.C.	US\$24,000	
Regent Electron (Chong Qing) Co., Ltd.	2010.07.13	No. 1, Songshan Road, Yubei Zone, Chongqing, P.R.C.	US\$22,000	
High-Toned Opto Technology Corp.	2007.12.19	3F., No.437, Taoying Rd., Taoyuan Dist., Taoyuan City 330, Taiwan (R.O.C.)	NT\$310,000	
High-Toned Opto Technology (Hong Kong) Limited	2009.06.23	Unit 31, 11/F, Thriving Industrial Centre, 26-38 Sha Tsui Road, Tsuen Wan N.T.	HK\$40,300	Holdings limited
TSMT Technology (Singapore) Pte. Ltd.	2016.03.15	207A Thomson Road Goldhill Shopping Centre Singapore 307640	US\$21,000	Holdings limited
TSMT Technology (India) Private Limited	2016.09.21	Plot No.6, 8th Avenue, 1st Cross Road Mahindra World City, Chengalpattu Taluk Kancheepuram Kancheepuram TN 603004 IN	INR4,892	Manufacturing and process of computer motherboards and peripherals interface cards
BaiHong Investment Co., Ltd.	2010.05.25	No. 7, Xinghua Road, Dashuli, Taoyuan District, Taoyuan City, Taiwan (R.O.C.)	NT\$110,000	Investment company
Tai Ming Green Power Co., Ltd.	2010.06.07	1F., No. 290, Sec. 1, Shengli 7th St., Zhubei City, Hsinchu County 302, Taiwan (R.O.C.)	NT\$50,000	Trading of products for application of LEDs
Fitivision Technology Inc.	2006.11.13 (The Company made the investment on November 25, 2015.)	2F., No. 22, Section 6-13, Minquan East Road, Neihu District, Taipei, Taiwan (R.O.C.)	NT\$200,000	Manufacturing and selling of digital security monitor and wireless communication equipment



Company Name	Date of Incorporation	Address	Paid-in Capital	Main Activity
Tele System Communications Pte. Ltd.	2013.11.22 (Listed as affiliate from November 2017)	No. 437, Taoying Rd., Dashuli, Taoyuan Dist., Taoyuan City 330, Taiwan (R.O.C.)	NT\$150,000	Manufacturing of built-in receiving modules for digital TVs and high-speed mobile DVB-T receiving box for vehicles
Telesystem Communications De Mexico, S.A. DE C.V.	2013.10.04 (Listed as affiliate from November 2017)	Tultipark IV Hacienda los Portales Parcela 194 Interior 2B Col. Santiago Teyahualco Tultepec, Estado de México, C.P. 54980. México	MX\$20	Manufacturing of built-in receiving modules for digital TVs and high-speed mobile DVB-T receiving box for vehicles
TSC Electronic Pte. Ltd.	2017.07.06	207A Thomson Road #02-01 Goldhill Shopping Centre Singapore (307640)	US\$50	Manufacturing of built-in receiving modules for digital TVs and high-speed mobile DVB-T receiving box for vehicles

- Shareholders of the companies presumed to have a control and affiliation relation: None.
- The industries overall covered by the businesses of affiliates: manufacturing and process of computer motherboards and peripherals interface cards, LED packaging and products manufacturing, manufacturing of built-in receiving modules for digital TVs and high-speed mobile DVB-T receiving box for vehicles, as well as manufacturing and trading of digital security monitors and wireless communication equipment.
- Information of directors, supervisors and presidents of affiliates:

December 31, 2020

Company Name	Title	Name or Representative	Shareholding	
			Shares	%
Taiwan Surface Mounting Technology Co., Ltd.	Director	Wu, Kai-Yun	-	-
	Director	Wu, Kai-Hsiung	-	-
TSMT (U.S.A.)	Responsible Person	Wang, Ying-Nien	-	-
TSMT (B.V.I.)	Director	Wu, Kai-Yun	-	-
Regent Manner International Holdings Limited	Director	Wu, Kai-Yun	-	-
	Director	Tseng, Yu-Ling	-	-
	Director	Han Min	-	-
	President	Wu, Kai-Yun	-	-
Regent Manner (BVI) Limited	Director	Wu, Kai-Yun	-	-
Regent Manner Limited	Director	Wu, Kai-Yun	-	-
	Director	Wang, Szu-Kuan	-	-
	President	Wu, Kai-Yun	-	-
Regent Electron (Suzhou) Co., Ltd.	Director	Wu, Kai-Yun	-	-
	Director	Wu, Yun-Chung	-	-
	Director	Han Min	-	-
	Supervisor	Tseng, Yu-Ling	-	-
	President	Han Min	-	-
Taiwan Surface Mounting Technology (Suzhou) Co., Ltd.	Director	Wu, Kai-Yun	-	-
	Director	Wu, Yun-Chung	-	-
	Director	Han Min	-	-
	Supervisor	Tseng, Yu-Ling	-	-
	President	Han Min	-	-
Regent Electron (Ningbo) Co., Ltd.	Director	Wu, Kai-Yun	-	-
	Director	Wu, Yun-Chung	-	-
	Director	Wang, Chia-Chen	-	-
	Supervisor	Tseng, Yu-Ling	-	-
	President	Han Min	-	-

Company Name	Title	Name or Representative	Shareholding	
			Shares	%
Regent Electron (Xiamen) Co., Ltd.	Director	Wu, Kai-Yun	-	-
	Director	Wu, Yun-Chung	-	-
	Director	Wang, Chia-Chen	-	-
	President	Wu, Yun-Chung	-	-
Regent Electron (Chengdu) Co., Ltd.	Executive director	Wu, Kai-Hsiung	-	-
	Supervisor	Wang, Chia-Chen	-	-
	President	Wu, Kai-Hsiung	-	-
Regent Electron (Dongguan) Co., Ltd.	Executive director	Wu, Yun-Chung	-	-
	Supervisor	Tseng, Yu-Ling	-	-
	President	Han Min	-	-
Ningbo Yongfu Trade Co., Ltd.	Executive director	Wu, Yun-Chung	-	-
	Supervisor	Wu, Wen-Su	-	-
	President	Wu, Yun-Chung	-	-
Regent Electron (He Fei) Co., Ltd.	Executive director	Wu, Yun-Chung	-	-
	Supervisor	Wu, Wen-Su	-	-
	President	Wu, Yun-Chung	-	-
Regent Electron (Chong Qing) Co., Ltd.	Executive director	Wu, Yun-Chung	-	-
	Supervisor	Wu, Wen-Su	-	-
	President	Wu, Yun-Chung	-	-
High-Toned Opto Technology Corp.	Chairman	TSMT - Lin, Hung-Sen	26,423,291	85.24
	Director	TSMT - Wu, Kai-Yun	26,423,291	85.24
	Director	TSMT - Wang, Szu-Kuan	26,423,291	85.24
	Supervisors	Wang, Chia-Chen	85,714	0.28
	President	Lin, Hung-Sen	85,714	0.28
High-Toned Opto Technology (Hong Kong) Limited	Director	Wu, Kai-Yun	-	-
TSMT Technology (Singapore) Pte. Ltd.	Director	Wu, Kai-Yun	-	-
	Director	Wang, Chia-Chen	-	-
	Director	Yeo Soon Huat	-	-
TSMT Technology (India) Private Limited	Director	Wang, Chia-Chen	-	-
	Director	Lin, Hung-Sen	-	-
	Director	Wang, Yao-Yi	-	-
	Director	Praveen Kumar	-	-
BaiHong Investment Co., Ltd.	Director	Wang, Chia-Chen	-	-
	Director	Lin, Hung-Sen	-	-
	Director	Shih, Chih-Hsiung	1,000	0.01
	Supervisors	Wang, Chung-Hui	-	-
	President	Wang, Chia-Chen	-	-
Tai Ming Green Power Co., Ltd.	Director	BaiHong Investment Co., Ltd. - Wang, Chia-Chen	5,000,000	100
	Director	BaiHong Investment Co., Ltd. - Lin, Hung-Sen	5,000,000	100
	Director	BaiHong Investment Co., Ltd. - Shih, Wan-Ju	5,000,000	100
	Supervisors	BaiHong Investment Co., Ltd. - Wang, Szu-Kuan	5,000,000	100

Company Name	Title	Name or Representative	Shareholding	
			Shares	%
Fitivision Technology Inc.	Director	TSMT - Wu, Kai-Yun	20,000,000	100
	Director	TSMT - Lin, Hung-Sen	20,000,000	100
	Director	TSMT - Wu, Yun-Chung	20,000,000	100
	Supervisors	TSMT - Wang, Chia-Chen	20,000,000	100
	President	Wu, Yun-Chung	-	-
Tele System Communications Pte. Ltd.	Director	TSMT - Wang, Mie-Nan	4,700,000	31.33
	Director	TSMT - Wu, Kai-Yun	4,700,000	31.33
	Director	Tele System Group Pte.Ltd. - Sreekumar P Narayana Pillai	5,000,000	33.33
	Director	Tele System Group Pte.Ltd. - De Poli Flavio	5,000,000	33.33
	Director	Tele System Group Pte.Ltd. - Ramoser Johann	5,000,000	33.33
	Director	BaiHong Investment Co., Ltd. - Wu, Yun-Chung	5,000,000	33.34
	Supervisors	Wang, Szu-Kuan	-	-
	President	Wang, Mie-Nan	-	-
Telesystem Communications De Mexico, S.A. DE C.V.	Director	Diego Kreuzer	200	1
	Director	Luis Enrique Rodriguez	-	-
TSC Electronic Pte. Ltd.	Director	Wang, Mie-Nan	-	-
	Director	Yeo Soon Huat	-	-

## 6. Operation overview of affiliates:

Unit: NT\$ thousands; December 31, 2020

Company Name	Paid-in Capital (Note 1)	Total Assets (Note 1)	Total liabilities (Note 1)	Net Value (Note 1)	Operating Revenue (Note 2)	Operating profit (Note 2)	Current Profit or Loss (after Tax) (Note 2)	Earnings per Share (NT\$) (after Tax)
Taiwan Surface Mounting Technology Corp.	2,923,984	22,106,492	8,616,010	13,490,482	6,770,049	241,178	2,193,738	7.50
TSMT(B.V.I.)	2,961,920	15,339,070	-	15,339,070	-	-74	2,255,484	NA
Taiwan Surface Mounting Technology Co., Ltd.	37	3,748	-	3,748	-	-16	-30	NA
TSMT(U.S.A.)	2,848	2,138	-	2,138	-	-34	-34	NA
Regent Manner Limited	2,108,286	25,452,357	10,170,450	15,281,907	12,579,888	310,576	2,257,288	NA
Regent Electron (Suzhou) Co., Ltd.	1,780,000	12,171,586	6,089,271	6,082,315	10,111,083	335,382	746,147	NA
Taiwan Surface Mounting Technology (Suzhou) Co., Ltd.	996,800	3,392,013	1,104,909	2,287,104	3,866,192	201,925	251,418	NA
Regent Electron (Ningbo) Co., Ltd.	484,160	1,956,252	585,416	1,370,836	1,658,860	149,866	155,727	NA
Regent Electron (Xiamen) Co., Ltd.	569,600	2,479,501	927,894	1,551,607	2,449,997	132,951	148,494	NA
Regent Manner (B.V.I.) Limited	986,278	15,292,891	11,025	15,281,866	-	-	2,257,288	NA
Regent Manner International Holdings Limited	39,481	15,302,022	135	15,301,887	-	-1,670	2,255,560	NA
High-Toned Opto Technology Corp.	310,000	21,862	20,599	1,263	54	-825	7,468	NA
Regent Electron (Chengdu) Co., Ltd.	341,760	355,178	5,510	349,668	-	-6,283	-154	NA
Regent Electron (Dongguan) Co., Ltd.	569,600	477,112	32,540	444,572	127,749	-1,358	12,807	NA
Ningbo Yongfu Trade Co., Ltd.	79,744	1,137,160	137,338	999,822	264,802	9,992	287,787	NA
High-Toned Opto Technology (Hong Kong) Limited	148,022	8,435	-	8,435	-	-1	-41	NA
Regent Electron (He Fei) Co., Ltd.	683,520	2,196,406	1,265,971	930,435	1,938,571	339,364	280,028	NA
Regent Electron (Chong Qing) Co., Ltd.	626,560	3,789,388	2,648,241	1,141,147	4,747,892	217,934	193,284	NA
TSMT Technology (Singapore) Pte. Ltd.	598,080	240,162	-	240,162	-	-1,329	-147,554	NA
TSMT Technology (India) Pvt. Ltd.	1,905	1,797,878	1,856,279	-58,401	226,599	-106,372	-151,100	NA
BaiHong Investment Co., Ltd.	110,000	10,786	5,081	5,705	-	-13,245	-13,222	NA
Tai Ming Green Power Co., Ltd.	50,000	5,495	10,575	-5,080	3,112	-2,288	-1,962	NA
Fitivision Technology Inc.	200,000	34,224	63,078	-28,854	52,027	-27,927	-28,232	NA
Tele System Communications Pte. Ltd.	150,000	328,486	327,918	568	207,409	-22,612	-18,638	NA
Tele System Communications De Mexico, S.A. De C.V.	28	1,166	-	1,166	82	-436	-481	NA
TSC Electronic Pte. Ltd.	1,424	23,443	22,096	1,347	83,362	-58	170	NA

Note 1: The exchange rate for conversion from (B/S) to NT\$ is US\$28.48, HK\$3.673, RMB4.3648, INR0.3894, and MXP1.412.

Note 2: The exchange rate for conversion from (I/S) to NT\$ is US\$29.55, HK\$3.809, RMB4.2829, INR0.3988, and MXP1.380.

(II) Consolidated financial statements of affiliates (Please refer to Appendix I.)

The entities that are required to be included in the combined financial statements of Taiwan Surface Mounting Technology Corp. for the year ended December 31, 2020 (January 1 to December 31, 2020), under the "Criteria Governing the Preparation of Affiliated Enterprise Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises," are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the consolidated financial statements is included in the consolidated financial statements. Consequently, Taiwan Surface Mounting Technology Corp. and Subsidiaries do not prepare a separate set of consolidated financial statements.

(III) Affiliation reports: N/A.

- II. For Private Placement Securities in the Most Recent Year and in the Current Year as of the Publication Date of the Annual Report, the Date of Approval at the Shareholders' Meeting and the Board of Directors, Their Approved Amount, the Basis and Rationale for Price Setting, the Method for Selection of Specified Parties, the Reasons for Private Placement, Completion of Fund Utilization Plan after Stock Payment Is Made or Stock Price Is Paid in Full, Utilization of the Funds from Private Placement of Securities, and Implementation Progress of Plan Shall Be Disclosed: None.
- III. The Company's Shares Held or Disposed of by Its Subsidiaries in the Most Recent Year and in the Current Year as of the Publication Date of the Annual Report: None.
- IV. Other Necessary Supplementary Information: None.
- V. Any Matters Specified in Subparagraph 2, Paragraph 2, Article 36 of the Securities and Exchange Act Occurring in the Most Recent Year and in the Current Year as of the Publication Date of the Annual Report which Have Significant Impact on Shareholders' Interests or Securities Prices: None.

## **Appendix I**

# **Consolidated Financial Statements and Independent Auditors' Report of the Most Recent Year**

**TAIWAN SURFACE MOUNTING  
TECHNOLOGY CORP. AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT  
DECEMBER 31, 2020 AND 2019**

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For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

## **Representation Letter**

In connection with the Consolidated Financial Statements of Affiliated Enterprises of TAIWAN SURFACE MOUNTING TECHNOLOGY CORP. AND SUBSIDIARIES (the “Consolidated FS of the Affiliates”), we represent to you that, the entities required to be included in the Consolidated FS of the Affiliates as of and for the year ended December 31, 2020 in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those required to be included in the Consolidated Financial Statements of TAIWAN SURFACE MOUNTING TECHNOLOGY CORP. AND SUBSIDIARIES (the “Consolidated FS of the Group”) in accordance with International Financial Reporting Standard 10. Additionally the information required to be disclosed in the Consolidated FS of Affiliates is disclosed in the Consolidated FS of the Group. Consequently, TAIWAN SURFACE MOUNTING TECHNOLOGY CORP. AND SUBSIDIARIES does not prepare a separate set of Consolidated FS of Affiliates.

Very truly yours,

TAIWAN SURFACE MOUNTING TECHNOLOGY CORP. AND SUBSIDIARIES

By

Wu, Kai-Yun, Chairman

March 19, 2021

## INDEPENDENT AUDITORS' REPORT 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, 2020 and 2019, 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, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and 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, 2020 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China; and 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 for our audit of the consolidated financial statements as of and for the year ended December 31, 2019. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with the these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Group's 2020 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated 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 2020 consolidated financial statements are stated as follows:

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

#### Description

Please refer to Note 4(27) 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 were changes in sales customers resulting from changes in market demand and introduction of new products. As the sales revenue from 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, 2020, the Group's inventories and allowance for inventory valuation losses amounted to NT\$456,404 thousand and NT\$190,403 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 according to 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.

***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, 2020 and 2019.

***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.

### ***Auditors' responsibilities for the audit of the consolidated financial statements***

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the 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 auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

CHIU, CHAO-HSIEN

LEE, HSIU-LING

For and on behalf of PricewaterhouseCoopers, Taiwan

March 19, 2021

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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 independent auditors' report 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, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2020		December 31, 2019		
		AMOUNT	%	AMOUNT	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 7,659,898	20	\$ 6,193,861	19
1110	Financial assets at fair value through profit or loss - current	6(2)	995,178	3	962,644	3
1136	Current financial assets at amortised cost	6(4)	1,030,752	3	1,296,672	4
1150	Notes receivable, net	6(5)	-	-	2,002	-
1170	Accounts receivable, net	6(5)	12,934,273	34	12,504,014	38
1180	Accounts receivable - related parties	7	874	-	10	-
1200	Other receivables		88,900	-	297,146	1
130X	Inventories	6(6)	3,266,001	9	3,017,642	9
1410	Prepayments		472,933	1	509,718	1
1479	Other current assets, others		794	-	687	-
11XX	<b>Current Assets</b>		<u>26,449,603</u>	<u>70</u>	<u>24,784,396</u>	<u>75</u>
<b>Non-current assets</b>						
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	272,586	1	284,617	1
1550	Investments accounted for under equity method	6(7)	5,670	-	1,726	-
1600	Property, plant and equipment	6(8)	8,738,159	23	6,881,715	21
1755	Right-of-use assets	6(9)	415,607	1	325,479	1
1840	Deferred income tax assets	6(24)	59,895	-	74,316	-
1915	Prepayments for business facilities		1,725,364	4	460,502	1
1990	Other non-current assets, others		362,802	1	353,663	1
15XX	<b>Non-current assets</b>		<u>11,580,083</u>	<u>30</u>	<u>8,382,018</u>	<u>25</u>
1XXX	<b>Total assets</b>		<u>\$ 38,029,686</u>	<u>100</u>	<u>\$ 33,166,414</u>	<u>100</u>

(Continued)

**TAIWAN SURFACE MOUNTING TECHNOLOGY CORP. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2020		December 31, 2019		
		AMOUNT	%	AMOUNT	%	
<b>Current liabilities</b>						
2100	Short-term borrowings	6(10)	\$ 4,011,925	11	\$ 2,150,000	7
2120	Financial liabilities at fair value through profit or loss - current	6(2)	-	-	254	-
2150	Notes payable		19,136	-	5,122	-
2170	Accounts payable		12,773,971	34	12,595,997	38
2180	Accounts payable - related parties	7	104,765	-	110,033	-
2200	Other payables	6(11)	1,961,634	5	1,441,675	4
2230	Current income tax liabilities	6(24)	568,990	1	900,295	3
2280	Current lease liabilities		27,939	-	3,641	-
2300	Other current liabilities	6(12)	705,278	2	177,769	1
21XX	<b>Current Liabilities</b>		<u>20,173,638</u>	<u>53</u>	<u>17,384,786</u>	<u>53</u>
<b>Non-current liabilities</b>						
2540	Long-term borrowings	6(12)	2,674,400	7	1,596,769	5
2570	Deferred income tax liabilities	6(24)	1,560,088	4	1,364,365	4
2580	Non-current lease liabilities		25,043	-	1,471	-
2600	Other non-current liabilities		101,163	1	76,611	-
25XX	<b>Non-current liabilities</b>		<u>4,360,694</u>	<u>12</u>	<u>3,039,216</u>	<u>9</u>
2XXX	<b>Total Liabilities</b>		<u>24,534,332</u>	<u>65</u>	<u>20,424,002</u>	<u>62</u>
<b>Equity attributable to owners of parent</b>						
	Share capital	6(14)				
3110	Share capital - common stock		2,923,984	8	2,923,984	9
	Capital surplus	6(15)				
3200	Capital surplus		2,515,059	6	2,515,001	7
	Retained earnings	6(16)				
3310	Legal reserve		1,620,061	4	1,416,844	4
3320	Special reserve		1,315,055	3	827,907	3
3350	Unappropriated retained earnings		6,729,459	18	6,063,207	18
	Other equity interest					
3400	Other equity interest		( 1,613,136)	( 4)	( 1,015,054)	( 3)
31XX	<b>Equity attributable to owners of the parent</b>		<u>13,490,482</u>	<u>35</u>	<u>12,731,889</u>	<u>38</u>
36XX	Non-controlling interest		4,872	-	10,523	-
3XXX	<b>Total equity</b>		<u>13,495,354</u>	<u>35</u>	<u>12,742,412</u>	<u>38</u>
	Significant contingent liabilities and unrecognised contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	<b>Total liabilities and equity</b>		<u>\$ 38,029,686</u>	<u>100</u>	<u>\$ 33,166,414</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, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars, except earnings per share)

Items	Notes	Year ended December 31				
		2020		2019		
		AMOUNT	%	AMOUNT	%	
4000	Sales revenue	6(17) and 7	\$ 41,405,758	100	\$ 37,906,373	100
5000	Operating costs	6(6)(22)(23) and 7	( 36,396,409)	( 88)	( 33,176,648)	( 87)
5900	Net operating margin		<u>5,009,349</u>	<u>12</u>	<u>4,729,725</u>	<u>13</u>
	Operating expenses	6(22)(23)				
6100	Selling expenses		( 232,532)	( 1)	( 280,229)	( 1)
6200	General and administrative expenses		( 1,184,885)	( 3)	( 1,091,050)	( 3)
6300	Research and development expenses		( 1,038,095)	( 2)	( 643,912)	( 2)
6450	Impairment loss determined in accordance with IFRS 9	12(2)	( 53,772)	-	( 123,613)	-
6000	Total operating expenses		<u>( 2,509,284)</u>	<u>( 6)</u>	<u>( 2,138,804)</u>	<u>( 6)</u>
6900	Operating profit		<u>2,500,065</u>	<u>6</u>	<u>2,590,921</u>	<u>7</u>
	Non-operating income and expenses					
7100	Interest income	6(18)	59,361	-	82,911	-
7010	Other income	6(19)	346,511	1	263,631	-
7020	Other gains and losses	6(20)	40,020	-	76,068	-
7050	Finance costs	6(21)	( 53,026)	-	( 79,220)	-
7060	Share of loss of associates and joint ventures accounted for under equity method	6(7)	( 5,054)	-	( 56,530)	-
7000	Total non-operating income and expenses		<u>387,812</u>	<u>1</u>	<u>134,724</u>	<u>-</u>
7900	<b>Profit before income tax</b>		<u>2,887,877</u>	<u>7</u>	<u>2,725,645</u>	<u>7</u>
7950	Income tax expense	6(24)	( 699,628)	( 2)	( 696,067)	( 2)
8000	<b>Profit for the year from continuing operations</b>		<u>2,188,249</u>	<u>5</u>	<u>2,029,578</u>	<u>5</u>
	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
8311	Actuarial loss on defined benefit plan	6(13)	( 18,407)	-	( 3,054)	-
8316	Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income	6(3)	( 12,132)	-	( 127,638)	-
8310	Components of other comprehensive income that will not be reclassified to profit or loss		<u>( 30,539)</u>	<u>-</u>	<u>( 130,692)</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		( 586,112)	( 1)	( 353,352)	( 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		<u>-</u>	<u>-</u>	<u>( 9,692)</u>	<u>-</u>
8360	Components of other comprehensive income that will be reclassified to profit or loss		<u>( 586,112)</u>	<u>( 1)</u>	<u>( 363,044)</u>	<u>( 1)</u>
8300	<b>Total other comprehensive loss for the year</b>		<u>( \$ 616,651)</u>	<u>( 1)</u>	<u>( \$ 493,736)</u>	<u>( 1)</u>
8500	<b>Total comprehensive income for the year</b>		<u>\$ 1,571,598</u>	<u>4</u>	<u>\$ 1,535,842</u>	<u>4</u>
	Profit (loss), attributable to:					
8610	Owners of the parent		\$ 2,193,738	5	\$ 2,035,222	5
8620	Non-controlling interest		( 5,489)	-	( 5,644)	-
			<u>\$ 2,188,249</u>	<u>5</u>	<u>\$ 2,029,578</u>	<u>5</u>
	Comprehensive income (loss) attributable to:					
8710	Owners of the parent		\$ 1,577,249	4	\$ 1,545,021	4
8720	Non-controlling interest		( 5,651)	-	( 9,179)	-
			<u>\$ 1,571,598</u>	<u>4</u>	<u>\$ 1,535,842</u>	<u>4</u>
	Basic earnings per share	6(25)				
9750	Total basic earnings per share		<u>\$ 7.50</u>		<u>\$ 6.96</u>	
	Diluted earnings per share	6(25)				
9850	Total diluted earnings per share		<u>\$ 7.46</u>		<u>\$ 6.93</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, 2020 AND 2019**  
(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	Total	Non-controlling interest	Total equity	
<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 loss for the year	-	-	-	-	( 3,054 )	( 359,509 )	( 127,638 )	( 490,201 )	( 3,535 )	( 493,736 )
	Total comprehensive income (loss)	-	-	-	-	2,032,168	( 359,509 )	( 127,638 )	1,545,021	( 9,179 )	1,535,842
	Appropriation and distribution of 2018 retained earnings:										
	Legal reserve	-	-	78,500	-	( 78,500 )	-	-	-	-	-
	Reversal of special reserve	-	-	-	( 180,905 )	180,905	-	-	-	-	-
	Cash dividends	-	-	-	-	( 380,118 )	-	-	( 380,118 )	-	( 380,118 )
	Disposal of associates accounted for using equity method	-	( 14,219 )	-	-	-	-	-	( 14,219 )	-	( 14,219 )
	Unclaimed dividends past due	-	64	-	-	-	-	-	64	-	64
	Balance at December 31, 2019	<u>\$ 2,923,984</u>	<u>\$ 2,515,001</u>	<u>\$ 1,416,844</u>	<u>\$ 827,907</u>	<u>\$ 6,063,207</u>	<u>(\$ 612,587 )</u>	<u>(\$ 402,467 )</u>	<u>\$ 12,731,889</u>	<u>\$ 10,523</u>	<u>\$ 12,742,412</u>
<b>Year 2020</b>											
	Balance at January 1, 2020	<u>\$ 2,923,984</u>	<u>\$ 2,515,001</u>	<u>\$ 1,416,844</u>	<u>\$ 827,907</u>	<u>\$ 6,063,207</u>	<u>(\$ 612,587 )</u>	<u>(\$ 402,467 )</u>	<u>\$ 12,731,889</u>	<u>\$ 10,523</u>	<u>\$ 12,742,412</u>
	Profit (loss) for the year	-	-	-	-	2,193,738	-	-	2,193,738	( 5,489 )	2,188,249
	Other comprehensive loss for the year	-	-	-	-	( 18,407 )	( 585,950 )	( 12,132 )	( 616,489 )	( 162 )	( 616,651 )
	Total comprehensive income (loss)	-	-	-	-	2,175,331	( 585,950 )	( 12,132 )	1,577,249	( 5,651 )	1,571,598
	Appropriation and distribution of 2019 retained earnings:										
	Legal reserve	-	-	203,217	-	( 203,217 )	-	-	-	-	-
	Special reserve	-	-	-	487,148	( 487,148 )	-	-	-	-	-
	Cash dividends	-	-	-	-	( 818,714 )	-	-	( 818,714 )	-	( 818,714 )
	Unclaimed dividends past due	-	58	-	-	-	-	-	58	-	58
	Balance at December 31, 2020	<u>\$ 2,923,984</u>	<u>\$ 2,515,059</u>	<u>\$ 1,620,061</u>	<u>\$ 1,315,055</u>	<u>\$ 6,729,459</u>	<u>(\$ 1,198,537 )</u>	<u>(\$ 414,599 )</u>	<u>\$ 13,490,482</u>	<u>\$ 4,872</u>	<u>\$ 13,495,354</u>

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, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2020	2019
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 2,887,877	\$ 2,725,645
Adjustments			
Adjustments to reconcile profit (loss)			
Loss on valuation of financial liabilities at fair value through profit or loss	6(2)	-	254
Expected credit loss	6(22) and 12(2)	53,772	123,613
Depreciation expense (including right-of-use assets)	6(8)(9)(22)	880,871	790,519
(Gain) loss on reversal of impairment loss on financial assets	6(8)(20)	( 39,624 )	40,500
Interest income	6(18)	( 59,361 )	( 82,911 )
Interest expense	6(21)	53,026	79,220
Gain on disposal of associates accounted for using equity method	6(20)	-	( 185,924 )
Losses on disposals of property, plant and equipment	6(20)	82,776	74,593
Share of loss of associates and joint ventures accounted for using equity method		5,054	56,530
Unrealized foreign exchange gain		6,028	12,414
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		2,002	22,911
Accounts receivable, net		( 466,115 )	( 348,313 )
Accounts receivable - related parties		( 864 )	34
Other receivables		195,852	44,168
Inventories		( 127,445 )	( 171,629 )
Prepayments		( 228,176 )	89,481
Other current assets, others		( 107 )	( 3 )
Changes in operating liabilities			
Notes payable		14,014	( 89 )
Accounts payable		177,974	2,161,921
Accounts payable - related parties		( 5,268 )	( 15,980 )
Other payables		562,184	54,552
Other current liabilities		( 34,764 )	( 1,867 )
Cash inflow generated from operations		3,959,706	5,469,639
Interest received		66,420	71,610
Income taxes paid		( 544,026 )	( 602,696 )
Interest paid		( 51,762 )	( 80,254 )
Net cash flows from operating activities		<u>3,430,338</u>	<u>4,858,299</u>

(Continued)

**TAIWAN SURFACE MOUNTING TECHNOLOGY CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2020	2019
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Decrease in valuation of financial assets at fair value through profit or loss		(\$ 32,788 )	(\$ 318,989 )
Acquisition of financial assets at fair value through other comprehensive income		-	( 6,446 )
Acquisition of investments accounted for using equity method		( 9,000 )	-
Proceeds from repayments of financial assets at amortised cost		1,312,970	( 1,296,672 )
Acquisition of property, plant and equipment	6(26)	( 2,835,557 )	( 1,119,179 )
Proceeds from disposal of property, plant and equipment	6(8)	64,166	51,210
Acquisition of financial assets at amortised cost		( 1,041,093 )	-
Acquisition of use-of-right assets		( 66,030 )	-
Increase in prepayments for business facilities		( 1,703,908 )	( 452,492 )
Increase in refundable deposits		( 6,678 )	( 633 )
Decrease (increase) in other non-current assets		( 1,384 )	59,386
Net cash flows used in investing activities		( 4,319,302 )	( 3,083,815 )
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Increase in short-term borrowings	6(27)	9,503,966	4,279,167
Repayments of short-term borrowings	6(27)	( 7,631,106 )	( 4,983,576 )
Cash dividends paid	6(16)	( 818,714 )	( 380,118 )
Proceeds from long-term borrowings	6(27)	3,286,195	1,685,460
Repayments of long-term debt	6(27)	( 1,595,218 )	( 945,438 )
Increase in other non-current liabilities	6(27)	6,145	1,818
Unclaimed dividends past due	6(15)	58	64
Repayments of principal portion of lease liabilities	6(27)	( 17,093 )	( 10,339 )
Net cash flows from (used in) financing activities		2,734,233	( 352,962 )
Effect of exchange rate changes on cash and cash equivalents		( 379,232 )	( 218,122 )
Net increase in cash and cash equivalents		1,466,037	1,203,400
Cash and cash equivalents at beginning of year	6(1)	6,193,861	4,990,461
Cash and cash equivalents at end of year	6(1)	<u>\$ 7,659,898</u>	<u>\$ 6,193,861</u>

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

TAIWAN SURFACE MOUNTING TECHNOLOGY CORP. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

1. HISTORY AND ORGANISATION

- A. Taiwan Surface Mounting Technology Corp. (the “Company”) and its subsidiaries (collectively referred herein as the “Group”) were incorporated as company in March 1990. The Company is primarily engaged in design, processing, manufacturing and trading of TFT-LCD panels, general electronic information products and PCB surface mount packaging.
- B. On March 12, 2004, the Company’s common stock was officially listed on the Taipei Exchange approved by the Financial Supervisory Commission. In July 2010, the Company’s common stock was officially listed on the Taiwan Stock Exchange Corporation approved by the Financial Supervisory Commission. The Company has officially terminated trading on the Taipei Exchange, and was listed on the Taiwan Stock Exchange Corporation since August 24, 2010.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorised for issuance by the Board of Directors on March 19, 2021.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendment to IAS 1 and IAS 8, ‘Disclosure Initiative-Definition of material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, ‘Interest rate benchmark reform’	January 1, 2020
Amendment to IFRS 16, ‘Covid-19-related rent concessions’	June 1, 2020 (Note)

Note : Earlier application from January 1, 2020 is allowed by FSC.

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform— Phase 2'	January 1, 2021

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts— cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

##### (1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

##### (2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

- (a) Financial assets and financial liabilities at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.
- (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

##### (3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

- (d) If changes in the Company's shares in subsidiaries do not result in loss in control (transactions with non-controlling interest), transactions shall be considered as equity transactions, which are transactions between owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership(%)		Description
			December 31, 2020	December 31, 2019	
Taiwan Surface Mounting Technology Corp.	Taiwan Surface Mounting Technology (B.V.I.) Co. Limited	Investment holding company	100.00	100.00	
"	TAIWAN SURFACE MOUNTING TECHNOLOGY CO.,LTD	Rendering service for specific contract items	99.99	99.99	
"	High-Toned Opto Technology Corp	Manufacture and assembling of LED products	85.24	85.24	
"	BAI HUNG INVESTMENT CORP. LTD.	Investment holding company	99.99	99.99	



Name of investor	Name of subsidiary	Main business activities	Ownership(%)		Description
			December 31, 2020	December 31, 2019	
Taiwan Surface Mounting Technology Corp.	Fitivision Technology Inc.	Digital security monitor and wireless communication device	100.00	100.00	
"	TSMT Technology (Singapore) Pte. Ltd	Investment holding company	100.00	100.00	
"	TELE SYSTEM COMMUNCIATIONS PTE LTD.	Design and manufacture of wired communication equipment and apparatus and channel KU of Satellite TV	31.33	31.33	
Taiwan Surface Mounting Technology (B.V.I.) Co. Limited	Regent Manner Int'l Holdings Limited	Investment holding company	100.00	100.00	
Taiwan Surface Mounting Technology (B.V.I.) Co. Limited	Taiwan Surface Mounting Technology(U.S.A ) Co., Ltd (TSMC-USA)	Processing and manufacturing of computer motherboard and interface card of peripheral devices	100.00	100.00	
Regent Manner Int'l Holdings Limited	Regent Manner (BVI) Limited	Investment holding company	100.00	100.00	

Name of investor	Name of subsidiary	Main business activities	Ownership(%)		Description
			December 31, 2020	December 31, 2019	
Regent Manner (BVI) Limited	Regent Manner Limited	Processing and manufacturing of computer motherboard and interface card of peripheral devices	100.00	100.00	
Regent Manner Limited	Regent Electron (Suzhou) Co., Ltd	Processing and manufacturing of computer motherboard and interface card of peripheral devices	100.00	100.00	
"	TAIWAN SURFACE MOUNTING TECHNOLOGY (SUZHOU) CO., LTD	Processing and manufacturing of computer motherboard and interface card of peripheral devices	100.00	100.00	
"	REGENT ELECTRON (NINGBO) CO., LTD	Processing and manufacturing of computer motherboard and interface card of peripheral devices	100.00	100.00	

Name of investor	Name of subsidiary	Main business activities	Ownership(%)		Description
			December 31, 2020	December 31, 2019	
Regent Manner Limited	Regent Electron (Xiamen) Co.,Ltd.	Processing and manufacturing of computer motherboard and interface card of peripheral devices	100.00	100.00	
"	REGENT ELECTRON (CHENGDU) CO., LTD	Processing and manufacturing of computer motherboard and interface card of peripheral devices	100.00	100.00	
"	Regent Electron (Dongguan) Co.,Ltd	Processing and manufacturing of computer motherboard and interface card of peripheral devices	100.00	100.00	
"	REGENT ELECTRON (HE FEI) CO.,LTD.	Processing and manufacturing of computer motherboard and interface card of peripheral devices	100.00	100.00	

Name of investor	Name of subsidiary	Main business activities	Ownership(%)		Description
			December 31, 2020	December 31, 2019	
Regent Manner Limited	REGENT ELECTRON (CHONG QING) CO., LTD	Processing and manufacturing of computer motherboard and interface card of peripheral devices	100.00	100.00	
"	Ningbo Yongfu Trade Co., Ltd.	Sales of computer motherboard and interface card of peripheral devices	100.00	100.00	
Ningbo Yongfu Trade Co., Ltd	DONGGUAN ZUEFU ELECTRON CO., LTD.	Processing and manufacturing of computer motherboard and interface card of peripheral devices	100.00	100.00	
Regent Electron (Suzhou) Co., Ltd	Jun-Ji Suzhou Automotive Electric Co., Ltd.	Research and development and sales of automotive electronics	-	-	Note

Name of investor	Name of subsidiary	Main business activities	Ownership(%)		Description
			December 31, 2020	December 31, 2019	
Regent Electron (Suzhou) Co., Ltd	Regent Electron (Xian Yang) Co., Ltd.	Processing and manufacturing of computer motherboard and interface card of peripheral	100.00	100.00	
High-Toned Opto Technology Corp	High-Toned Technology (Hong Kong) Limited	Investment holding company	100.00	100.00	
BAI HUNG INVESTMENT CORP. LTD.	Tai Ming Green Power CO.,LTD.	Sales of LED application products	100.00	100.00	
"	Wellight Technology Corp.	Sales of LED application products	-	-	Note
"	TELE SYSTEM COMMUNCIATI ONS PTE LTD.	Design and manufacture of wired communication equipment and apparatus and channel KU of Satellite TV	33.34	33.34	
TSMT Technology (Singapore) Pte. Ltd.	TSMT Technology (India) Pvt. Ltd	Processing and manufacturing of computer motherboard and interface card of peripheral devices	100.00	100.00	

Name of investor	Name of subsidiary	Main business activities	Ownership(%)		Description
			December 31, 2020	December 31, 2019	
TELE SYSTEM COMMUNICACIONES PTE LTD.	TELE SYSTEM COMMUNICACIONES DE MEXICO, S.A. DE C.V.	Sales of wired communication equipment and apparatus and channel KU of Satellite TV	99.00	99.00	
"	TSC ELECTRONIC PTE. LTD.	Sales of wired communication equipment and apparatus and channel KU of Satellite TV	100.00	100.00	

Note: The business registration was cancelled in 2019.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: Cash, bank deposits and financial product of \$4,421,720 deposited in Mainland China are under local foreign exchange control which restricts the capital to be remitted outside the borders (except for normal dividend distribution).

#### (4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Group's presentation currency.

##### A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

#### B. Translation of foreign operations

- (a) The operating results and financial position of all the company entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
  - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
  - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
  - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is an associate or joint arrangement, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even when the Group retains partial interest in the former foreign associate or joint arrangement after losing significant influence over the former foreign associate, or losing joint control of the former joint arrangement, such transactions should be accounted for as disposal of all interest in the foreign operation.
- (c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

#### (5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realised within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities that are expected to be settled within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settled within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.
- D. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
  - (a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
  - (b) The assets' contractual cash flows represent solely payments of principal and interest.



- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:
  - (a) The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.
  - (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(9) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
  - (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
  - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.
- D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(11) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(12) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(13) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the standard cost method. Variances are recorded to show the difference between the expected and actual costs, which will be allocated to operating cost and ending inventory at end of year. Allocated actual cost is approaching the actual cost assessed under weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(14) Investments accounted for using equity method - associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate (including any other unsecured receivables), the Company does not recognise further losses, unless it has incurred statutory/constructive obligations or made payments on behalf of the associate.

- C. When changes in an associate's equity that are not recognised in profit or loss or other comprehensive income of the associate and such changes not affecting the Group's ownership percentage of the associate, the Company recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Company's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- F. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss.
- G. When the Group disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- H. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss proportionately.

(15) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Property, plant and equipment subsequently apply cost model. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item must be separately depreciated by using the straight-line to allocate their cost over their estimated useful lives.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	20~35 years
Machinery and equipment	5~10 years
Other facilities	3~10 years

(16) Leasing arrangements (lessee) - right-of-use assets/ lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:
  - (a) Fixed payments, less any lease incentives receivable;
  - (b) Variable lease payments that depend on an index or a rate;
  - (c) Amounts expected to be payable by the lessee under residual value guarantees;
  - (d) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
  - (e) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there

are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (a) The amount of the initial measurement of lease liability;
- (b) Any lease payments made at or before the commencement date;
- (c) Any initial direct costs incurred by the lessee; and
- (d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognise the difference between remeasured lease liability in profit or loss.

(17) Intangible assets

- A. Goodwill arises in a business combination accounted for by applying the acquisition method.
- B. Intangible assets are computer software and acquired special technology and are amortised using the straight-line method over 2 years.

(18) Impairment of non-financial assets

- A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.
- B. The recoverable amounts of goodwill, intangible assets with an indefinite useful life and intangible assets that have not yet been available for use are evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is

monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(19) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(20) Accounts and notes payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(21) Financial liabilities at fair value through profit or loss

A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges. or financial liabilities at fair value through profit or loss. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss at initial recognition:

- (a) Hybrid (combined) contracts; or
- (b) They eliminate or significantly reduce a measurement or recognition inconsistency; or
- (c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(22) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(23) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the

extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.
- ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognised immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' and directors' remuneration

Employees' and directors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(24) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(25) Share capital

Where the Group repurchases the Group's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.



(26) Dividends

Dividends are recorded in the Group's financial statements in the period in which they are resolved by the Group's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(27) Revenue recognition

- A. The Group manufactures and sells the products in relation to TFT-LCD panels and PCB surface mount packaging on general electronic information products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- B. Sale revenue is measured at the contract price taking into account of business tax, sales returns and discounts. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. No element of financing is deemed present as the sales are made with a credit term of 30 days to 90 days when control of the products has been transferred, which is consistent with market practice.
- C. A receivable is recognised when control of the products has been transferred to the customer. As this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(28) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments,

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2020, the carrying amount of inventories was \$3,266,001.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand and revolving funds	\$ 6,175	\$ 6,165
Chenking accounts and demand deposits	6,077,204	3,550,000
Time deposits	1,576,519	2,637,696
	<u>\$ 7,659,898</u>	<u>\$ 6,193,861</u>

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Company has no cash and cash equivalents pledged to others.

(2) Financial assets/liabilities at fair value through profit or loss

<u>Assets Items</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Capital guarantee financial products	<u>\$ 995,178</u>	<u>\$ 962,644</u>
<u>Liabilities Items</u>		
Current items:		
Financial liabilities held for trading		
Cross currency swap	<u>\$ -</u>	<u>\$ 254</u>

A. Amounts recognised in profit or loss in relation to financial assets liabilities at fair value through profit or loss are listed below:

	Years ended December 31,	
	2020	2019
Financial assets mandatorily measured at fair value through profit or loss		
Capital guarantee financial products	\$ 38,710	\$ 38,806
Cross currency swap-settled gain or loss	( 4,794)	8,318
Forward foreign exchange contracts - settled gain or loss	1,017	2,257
Financial liabilities mandatorily measured at fair value through profit or loss		
Cross currency swap - valuation gain or loss	-	( 254)
	<u>\$ 34,933</u>	<u>\$ 49,127</u>

B. The Group entered into contracts relating to derivative financial assets liabilities which were not accounted for under hedge accounting. The information is listed below:

	December 31, 2020	
	Contract amount (Notional principal)	Contract period
Derivative financial liabilities		
Current items:		
Cross currency swap	<u>\$ 90,660</u>	2019.12.20~2020.1.21
Cross currency swap		

The Group entered into cross currency swap contracts relating to derivative financial instruments to hedge exchange rate risk of foreign currency assets. However, these cross-currency swap derivative instruments are not accounted for under hedge accounting.

C. The Group has no financial assets at fair value through profit or loss pledged to others as collateral.

D. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

(3) Financial assets at fair value through other comprehensive income

Items	December 31, 2020	December 31, 2019
Current items:		
Equity instruments		
Listed stocks	\$ 290,896	\$ 290,896
Unlisted stocks	396,289	396,188
Valuation adjustment	( 414,599)	( 402,467)
Total	<u>\$ 272,586</u>	<u>\$ 284,617</u>

A. The Group has elected to classify equity instruments that are considered to be strategic investments as financial assets at fair value through other comprehensive income.

- B. For the years ended December 31, 2020 and 2019, the Group recognised financial assets at fair value through other comprehensive income in comprehensive income (loss) amounting to (\$12,132) and (\$127,638), respectively.
- C. The Group has no financial assets at fair value through other comprehensive income pledged to others as collateral.
- D. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

(4) Financial assets at amortised cost

Items	December 31, 2020	December 31, 2019
Current items:		
Drawing restricted demand deposits	\$ 63,162	\$ 37,856
Drawing restricted time deposits	505,415	344,770
Time deposits with maturity over 3 month:	462,175	914,046
	\$ 1,030,752	\$ 1,296,672

- A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	Years ended December 31,	
	2020	2019
Interest income	\$ 13,512	\$ 6,292

- B. As at December 31, 2020 and 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group was \$1,030,752 and \$1,296,672, respectively.
- C. The Group has no financial assets at amortised cost pledged to others as collateral.
- D. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(5) Notes and accounts receivable

	December 31, 2020	December 31, 2019
Notes receivable	\$ -	\$ 2,002
Accounts receivable	\$ 13,105,465	\$ 12,767,565
Less: Allowance for bad debts	( 171,192)	( 263,551)
	\$ 12,934,273	\$ 12,504,014

A. The ageing analysis of notes and accounts receivable that were past due but not impaired is as follows:

	December 31, 2020		December 31, 2019	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 12,839,129	\$ -	\$ 12,066,791	\$ 2,002
Up to 90 days	112,984	-	441,831	-
91 to 180 days	36,243	-	13,689	-
181 to 365 days	25,795	-	57,202	-
Over 1 year	91,314	-	188,052	-
	<u>\$ 13,105,465</u>	<u>\$ -</u>	<u>\$ 12,767,565</u>	<u>\$ 2,002</u>

The above ageing analysis was based on past due date.

B. As at December 31, 2020 and 2019, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2019, the balance of receivables from contracts with customers amounted to \$12,466,086.

C. The Group does not hold any collateral as security.

D. As at December 31, 2020 and 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable was \$0 and \$2,002; \$12,934,273 and \$12,504,014, respectively.

E. Information relating to credit risk of notes and accounts receivable is provided in Note 12(2).

(6) Inventories

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 2,695,698	(\$ 144,041)	\$ 2,551,657
Work in progress	56,732	-	56,732
Finished goods	703,974	( 46,362)	657,612
	<u>\$ 3,456,404</u>	<u>(\$ 190,403)</u>	<u>\$ 3,266,001</u>
	December 31, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 2,176,762	(\$ 123,787)	\$ 2,052,975
Work in progress	121,537	-	121,537
Finished goods	900,824	( 57,694)	843,130
Total	<u>\$ 3,199,123</u>	<u>(\$ 181,481)</u>	<u>\$ 3,017,642</u>

The cost of inventories recognised as expense for the year:

	Years ended December 31,	
	2020	2019
Cost of goods sold	\$ 36,387,487	\$ 33,160,791
Loss on decline in market value	8,922	3,665
Scrap loss	-	9,430
Others	-	2,762
	<u>\$ 36,396,409</u>	<u>\$ 33,176,648</u>

(7) Investment accounted for using equity method

	December 31, 2020	December 31, 2019
iWEECARE Co., Ltd.	\$ 5,670	\$ 1,726

A. The basic information of the associates that are material to the Group is as follows:

Company name	Principal place of business	Shareholding ratio		Nature of relationship	Methods of measurement
		December 31, 2020	December 31, 2019		
iWEECARE Co., Ltd.	Taiwan	14.87%	16.78%	Note	Equity method

Note: The Group's customer. The Group did not participate in the capital increase raised by iWEECARE Co., Ltd. proportionally to its interest to iWEECARE Co., Ltd. in recent years, the shareholding ratio decreased to 14.87%. However, as the Group is the main supplier and a director of iWEECARE Co., Ltd, it is assessed that the Group maintains significant influence over the company.

B. The summarised financial information of the associates that are material to the Company is as follows:

(a) Balance sheet

	iWEECARE Co., Ltd.	
	December 31, 2020	December 31, 2019
Current assets	\$ 52,843	\$ 11,971
Non-current assets	4,583	658
Current liabilities	( 6,013)	( 2,385)
Non-current liabilities	-	( 534)
Total net assets	<u>\$ 51,413</u>	<u>\$ 9,710</u>
Share in associate's net assets	\$ 7,645	\$ 1,629
Difference on net equity	( 1,975)	97
Carrying amount of the associate	<u>\$ 5,670</u>	<u>\$ 1,726</u>

## (b) Statement of comprehensive income

		iWEECARE Co., Ltd.	
		Years ended December 31,	
		2020	2019
Revenue	\$	895	\$ 68
Loss for the year from continuing operations	(	22,388)	( 9,301)
Other comprehensive income, net of tax		-	-
Total comprehensive loss for the year	(\$	22,388)	(\$ 9,301)
Dividends received from associates	\$	-	\$ -

(8) Property, plant and equipment

		2020					
		Land	Buildings and structures	Machinery and equipment	Office equipment	Other facilities	Total
<u>January 1</u>							
Cost	\$	252,140	4,323,180	5,265,628	67,450	443,815	\$ 10,352,213
Accumulated depreciation and impairment		-	( 1,257,660)	( 2,007,780)	-	( 205,058)	( 3,470,498)
	\$	<u>252,140</u>	<u>3,065,520</u>	<u>3,257,848</u>	<u>67,450</u>	<u>238,757</u>	<u>\$ 6,881,715</u>
At January 1	\$	252,140	3,065,520	3,257,848	67,450	238,757	\$ 6,881,715
Additions		-	17,478	2,029,310	516,967	228,313	2,792,068
Transfer		-	63,683	382,277	( 63,683)	16,806	399,083
Disposals		-	-	( 132,292)	-	( 14,650)	( 146,942)
Depreciation charge		-	( 191,921)	( 577,837)	-	( 80,871)	( 850,629)
Reversal of impairment loss		-	-	39,414	-	210	39,624
Net exchange differences	(	246)	( 80,809)	( 244,555)	( 27,886)	( 23,264)	( 376,760)
At December 31	\$	<u>251,894</u>	<u>2,873,951</u>	<u>4,754,165</u>	<u>492,848</u>	<u>365,301</u>	<u>\$ 8,738,159</u>
<u>December 31</u>							
Cost	\$	251,894	4,249,550	6,740,304	492,848	592,297	\$ 12,326,893
Accumulated depreciation and impairment		-	( 1,375,599)	( 1,986,139)	-	( 226,996)	( 3,588,734)
	\$	<u>251,894</u>	<u>2,873,951</u>	<u>4,754,165</u>	<u>492,848</u>	<u>365,301</u>	<u>\$ 8,738,159</u>

## 2019

	Land	Buildings and structures	Machinery and equipment	Office equipment	Other facilities	Total
<u>January 1</u>						
Cost	\$ 252,284	\$ 4,416,830	\$ 4,872,959	\$ 62,812	\$ 405,339	\$ 10,010,224
Accumulated depreciation and impairment	-	( 1,091,891)	( 2,173,254)	-	( 215,098)	( 3,328,607)
	<u>\$ 252,284</u>	<u>\$ 3,324,939</u>	<u>\$ 2,699,705</u>	<u>\$ 62,812</u>	<u>\$ 190,241</u>	<u>\$ 6,529,981</u>
At January 1	\$ 252,284	\$ 3,324,939	\$ 2,699,705	\$ 62,812	\$ 190,241	\$ 6,529,981
Additions	-	25,140	1,016,536	13,360	119,017	1,174,053
Transfer	-	3,544	328,114	( 3,544)	10,691	338,805
Disposals	-	-	( 115,583)	( 2,276)	( 7,944)	( 125,803)
Depreciation charge	-	( 194,152)	( 516,529)	-	( 63,049)	( 773,730)
Impairment loss	-	-	( 40,254)	-	( 246)	( 40,500)
Net exchange differences	( 144)	( 93,951)	( 114,141)	( 2,902)	( 9,953)	( 221,091)
At December 31	<u>\$ 252,140</u>	<u>\$ 3,065,520</u>	<u>\$ 3,257,848</u>	<u>\$ 67,450</u>	<u>\$ 238,757</u>	<u>\$ 6,881,715</u>
<u>December 31</u>						
Cost	\$ 252,140	\$ 4,323,180	\$ 5,265,628	\$ 67,450	\$ 443,815	\$ 10,352,213
Accumulated depreciation and impairment	-	( 1,257,660)	( 2,007,780)	-	( 205,058)	( 3,470,498)
	<u>\$ 252,140</u>	<u>\$ 3,065,520</u>	<u>\$ 3,257,848</u>	<u>\$ 67,450</u>	<u>\$ 238,757</u>	<u>\$ 6,881,715</u>

(9) Leasing arrangements – lessee

- A. The Group leases various assets including land, buildings and business vehicles. Except for land use right with a term of 45 to 94 years, rental contracts are typically made for periods of 2 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
	<u>Carrying amount</u>	<u>Depreciation charge</u>
Land	\$ 363,877	\$ 320,387
Buildings	37,123	4,122
Transportation equipment (Business vehicles)	<u>14,607</u>	<u>970</u>
	<u>\$ 415,607</u>	<u>\$ 325,479</u>



	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 11,943	\$ 320,387
Buildings	16,608	4,122
Transportation equipment (Business vehicles)	<u>1,691</u>	<u>970</u>
	<u>\$ 30,242</u>	<u>\$ 325,479</u>

C. For the years ended December 31, 2020 and 2019, the additions to right-of-use assets were \$132,326 and \$3,974, respectively.

D. The information on profit and loss accounts relating to lease contracts is as follows:

	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 292	\$ 104
Expense on short-term lease contracts	8,837	9,329
Expense on leases of low-value assets	211	283

E. For the year ended December 31, 2020 and 2019, the Group's total cash outflow for leases were \$26,433 and \$20,055, respectively.

(10) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2020</u>	<u>Interest rate range</u>	<u>Collateral</u>
Unsecured borrowings	\$ 3,974,994	0.62% ~ 3.5%	None
L/C borrowings	<u>36,931</u>	0.60%	None
	<u>\$ 4,011,925</u>		

<u>Type of borrowings</u>	<u>December 31, 2019</u>	<u>Interest rate range</u>	<u>Collateral</u>
Unsecured borrowings	<u>\$ 2,150,000</u>	0.76% ~ 0.84%	None

(11) Other payables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Salary and bonus payable	\$ 626,532	\$ 485,864
Directors' remuneration and employees' compensation payables	244,416	173,528
Payables for machinery and equipment	201,279	244,768
Others	<u>889,407</u>	<u>537,515</u>
	<u>\$ 1,961,634</u>	<u>\$ 1,441,675</u>

## (12) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2020
Installment-repayment borrowings				
Bank unsecured USD borrowings	Borrowing period for US\$14 million is from December 16, 2016 to December 16, 2021; interest is repayable monthly, and borrowings is repayable in 11 installments starting from June 16, 2019.	1.57%~1.75%	None	\$ 301,034
Bank unsecured USD borrowings	Borrowings period for the payment of US\$10 million is from December 10, 2020 to December 10, 2023; interest is repayable monthly. In addition, the payment of US\$100 thousand is repaid on September 10, 2023 and the payment of US\$9,900 thousand is repaid at maturity.	0.98%	None	284,800
Bank unsecured USD borrowings	Borrowings period for the payment of US\$20 million is from December 10, 2020 to December 10, 2025; and the principal is repayable in 12 installments starting from March 10, 2023.	1.25%	None	569,600
Bank unsecured borrowings	Borrowing period is from June 17, 2019 to June 17, 2022; principal is repayable in 4 installments from September 17, 2021.	0.99%	None	400,000
Bank unsecured borrowings	Principal is repayable from June 28, 2019 to June 28, 2022 at maturity.	1.00%	None	270,000
Bank unsecured borrowings	Principal is repayable from April 15, 2020 to June 28, 2022 at maturity.	1.00%	None	270,000
Bank unsecured borrowings	Principal is repayable from May 5, 2020 to December 31, 2022 at maturity.	0.96%	None	500,000
Bank unsecured borrowings	Borrowing period is from November 5, 2020 to November 5, 2023; principal is repayable in 3 installments from November 5, 2022.	0.94%	None	700,000
Less: Current portion (show as "Other current liabilities")				( 621,034)
				<u>\$ 2,674,400</u>

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2020	
Installment-repayment borrowings					
Bank unsecured USD borrowings	Borrowing period for US\$14 million is from December 16, 2016 to December 16, 2021; interest is repayable monthly and borrowing is repayable in 11 installments starting from June 16, 2019.	3.25%~3.40%	None	\$	375,650
Bank unsecured USD borrowings	Borrowing period for US \$6 million is from July 12, 2019 to December 14, 2022; borrowing is repayable in 8 installments starting from January 12, 2021.	2.99%	None		179,880
Bank unsecured borrowings	Principal is repayable from March 27, 2019 to July 27, 2021 at maturity.	1.10%	None		400,000
Bank unsecured borrowings	Borrowing period is from June 17, 2019 to June 17, 2022; principal is repayable in 4 installments from September 17, 2021.	1.19%	None		400,000
Bank unsecured borrowings	Principal is repayable from June 28, 2019 to June 28, 2022 at maturity.	1.17%	None		300,000
Less: Current portion (show as "Other current liabilities")					( 58,761)
				\$	<u>1,596,769</u>

### (13) Pensions

A. (a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contributions for the deficit by next March.

(b) The amounts recognised in the balance sheet are as follows:

	December 31, 2020	December 31, 2019
Present value of defined benefit obligations	\$ 101,255	\$ 97,481
Fair value of plan assets	( 36,808)	( 36,068)
Net defined benefit liability	<u>\$ 64,447</u>	<u>\$ 61,413</u>

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2020</u>			
Balance at January 1	\$ 101,255	(\$ 36,808)	\$ 64,447
Current service cost	542	-	542
Interest (expense) income	810	( 295)	515
	<u>102,607</u>	<u>( 37,103)</u>	<u>65,504</u>
Remeasurements:			
Return on plan asset (excluding amounts included in interest income or expense)	-	( 1,243)	( 1,243)
Change in financial assumptions	5,338	-	5,338
Experience adjustments	14,311	-	14,311
	<u>19,649</u>	<u>( 1,243)</u>	<u>18,406</u>
Pension fund contribution	-	( 1,082)	( 1,082)
Paid pension	( 3,574)	3,574	-
Balance at December 31	<u>\$ 118,682</u>	<u>(\$ 35,854)</u>	<u>\$ 82,828</u>
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2019</u>			
Balance at January 1	\$ 97,481	(\$ 36,068)	\$ 61,413
Current service cost	692	-	692
Interest expense (income)	1,072	( 397)	675
	<u>99,245</u>	<u>( 36,465)</u>	<u>62,780</u>
Remeasurements:			
Return on plan asset (excluding amounts included in interest income or expense)	-	( 1,258)	( 1,258)
Change in financial assumptions	3,853	-	3,853
Experience adjustments	459	-	459
	<u>4,312</u>	<u>( 1,258)</u>	<u>3,054</u>
Pension fund contribution	-	( 1,387)	( 1,387)
Paid pension	( 2,302)	2,302	-
Balance at December 31	<u>\$ 101,255</u>	<u>(\$ 36,808)</u>	<u>\$ 64,447</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	Years ended December 31,	
	2020	2019
Discount rate	0.40%	0.80%
Future salary increases	3.50%	3.50%

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
<u>December 31, 2020</u>				
Effect on present value of defined benefit obligation	(\$ 3,378)	\$ 3,522	\$ 3,112	(\$ 3,007)
<u>December 31, 2019</u>				
Effect on present value of defined benefit obligation	(\$ 3,224)	\$ 3,368	\$ 3,018	(\$ 2,911)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. Many assumptions in practice is likely linked. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2021 amount to \$1,057.

(g) As of December 31, 2020, the weighted average duration of the retirement plan is 12 years.

The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	5,426
1-2 year(s)		8,312
3-5 years		21,120
6-10 years		15,962
	<u>\$</u>	<u>50,820</u>

B. (a) Effective July 1, 2005, the Company and domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and domestic subsidiaries contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The Company’s mainland China subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on certain percentage of employees’ monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.

(c) The Company’s other overseas subsidiaries have a defined contribution plan. Contributions to local pension management business in accordance with the local pension regulations are based on certain percentage of employees’ monthly salaries and wages.

(d) The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2020 and 2019 were \$119,428 and \$147,711, respectively.

(14) Share capital

As of December 31, 2020, the Company’s authorised capital was \$5,000,000, consisting of 500,000 thousand shares of ordinary stock (including 20,000 thousand shares reserved for employee stock options and 20 thousand shares reserved for convertible bonds issued by the Company), and the paid-in capital was \$2,923,984 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected. For the years ended December 31, 2020 and 2019, numbers of the Company’s ordinary shares outstanding at beginning and end of year have no change.

(15) Capital surplus

A. Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. However, capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

B. Changes in capital surplus are provided as follows:

	2020				
	Share premium	Treasury share transactions	Employee restricted shares	Others	Total
At January 1	\$ 2,353,508	\$ 13,360	\$ 147,951	\$ 182	\$2,515,001
Unclaimed dividends that were past due	-	-	-	58	58
At December 31	<u>\$ 2,353,508</u>	<u>\$ 13,360</u>	<u>\$ 147,951</u>	<u>\$ 240</u>	<u>\$2,515,059</u>

	2019					
	Share premium	Treasury share transactions	Employee restricted shares	Changes in equity of associates and joint ventures accounted for using equity	Others	Total
At January 1	\$2,353,508	\$ 13,360	\$ 147,951	\$ 14,219	\$ 118	\$2,529,156
Unclaimed dividends that were past due	-	-	-	-	64	64
Changes in associates accounted for equity method in equity	-	-	-	( 14,219)	-	( 14,219)
At December 31	<u>\$2,353,508</u>	<u>\$ 13,360</u>	<u>\$ 147,951</u>	<u>\$ -</u>	<u>\$ 182</u>	<u>\$2,515,001</u>

(16) Retained earnings

A. The current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses, then 10% of the remaining amount shall be set aside as legal reserve. After setting aside or reversing a special reserve in accordance with related laws and competent authority, the appropriation of the remaining earnings, along with the accumulated unappropriated earnings, shall be proposed by the Board of Directors and resolved by the shareholders.

The Company's dividend policy is residual dividend policy. Taking into consideration the Company's future operation plan, business development, budget of capital expenditure and capital requirement, the Board of Directors proposed the appropriation of unappropriated retained earnings at the shareholders' meeting for approval based on the Company's actual profit and capital conditions. Dividends can be distributed by cash or stocks, however, cash dividend shall be more than 20% of total dividends.

- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- D. The appropriations of earnings of years 2019 and 2018 as resolved by the shareholders at their meetings on June 19, 2020 and June 13, 2019 are as follows:

	Years ended December 31,			
	2019		2018	
	Amount	Dividends per Share (in dollars)	Amount	Dividends per Share (in dollars)
Legal reserve	\$ 203,217		\$ 78,500	
Provision for reversal of special reserve	487,148		( 180,905)	
Cash dividend	818,714	\$ 2.8	380,118	\$ 1.3

The abovementioned distribution of earnings for the year of 2019 was in agreement with those amounts proposed by the Board of Directors on March 20, 2020.

(17) Operating revenue

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

	Years ended December 31,	
	2020	2019
Revenue from contracts with customers:		
TFT-LCD panels	\$ 30,200,077	\$ 27,844,051
General electronic information products	11,205,681	10,062,322
	<u>\$ 41,405,758</u>	<u>\$ 37,906,373</u>



(18) Interest income

	Years ended December 31,	
	2020	2019
Interest income from bank deposits	\$ 45,849	\$ 76,619
Interest income from financial assets measured at amortised cost	13,512	6,292
	<u>\$ 59,361</u>	<u>\$ 82,911</u>

(19) Other income

	Years ended December 31,	
	2020	2019
Rent income	\$ 56,534	\$ 66,171
Other income	289,977	197,460
Total	<u>\$ 346,511</u>	<u>\$ 263,631</u>

(20) Other gains and losses

	Years ended December 31,	
	2020	2019
Losses on disposals of property, plant and equipment	(\$ 82,776)	(\$ 74,593)
Gains on disposals of investments	-	185,924
Net currency exchange gains (losses)	109,496	( 139,397)
Reversal of impairment loss recognised in profit or loss, property, plant and equipment	39,624	-
Gains on financial assets/liabilities at fair value through profit or loss	34,933	49,127
Miscellaneous disbursements	( 61,257)	( 56,629)
Impairment loss on non-financial assets (note)	-	( 40,500)
	<u>\$ 40,020</u>	<u>(\$ 76,068)</u>

Note: Certain machinery and equipment have no value-in-use under the Group's assessment for the year ended December 31, 2019, therefore, the Group recognised impairment loss in the amount of \$40,500.

(21) Finance costs

	Years ended December 31,	
	2020	2019
Interest expenses:	<u>\$ 53,026</u>	<u>\$ 79,220</u>

(22) Expenses by nature

	Years ended December 31,	
	2020	2019
Change in inventory of finished goods	\$ 193,441	(\$ 111,933)
Raw materials and supplies used	31,653,951	29,010,311
Employee benefit expense	3,723,964	3,426,059
Depreciation charges on property, plant and equipment	850,629	773,730
Other expenses	2,429,936	2,093,672
Expected credit loss	53,772	123,613
Operating cost and operating expenses	<u>\$ 38,905,693</u>	<u>\$ 35,315,452</u>

(23) Employee benefit expense

	Years ended December 31,	
	2020	2019
Salary expenses	\$ 3,228,085	\$ 2,944,374
Labour and health insurance fees	135,683	58,445
Pension costs	120,485	149,078
Other personnel expenses	239,711	274,162
	<u>\$ 3,723,964</u>	<u>\$ 3,426,059</u>

- A. In accordance with the amendment of the company's Articles of Incorporation, a ratio of profit before tax without deducting employees' compensation and directors' and supervisors' remuneration of the current year, after covering accumulated losses, shall be distributed as employees 'compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 5% for employees' compensation and shall not be higher than 1% for directors' and supervisors' remuneration.
- B. For the years ended December 31, 2020 and 2019, employees' compensation was accrued at \$149,560 and \$115,200, respectively; while directors' and supervisors' remuneration was accrued at \$15,000 and \$10,000, respectively. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on the ration specified in the Company's Articles of Incorporation for the year ended December 31, 2020. The employees' compensation will be distributed in the form of cash.

Employees' compensation and directors' and supervisors' remuneration of 2019 as resolved by the Board of Directors were in agreement with those amounts recognised in the profit or loss of 2019.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market

Observation Post System” at the website of the Taiwan Stock Exchange.

(24) Income tax

A. Income tax expense

Components of income tax expense:

	Years ended December 31,	
	2020	2019
Current tax:		
Current tax on profits for the year	\$ 488,406	\$ 728,611
Tax on undistributed surplus earnings	26,154	25,406
Prior year income tax over estimation	( 23,589)	( 106,767)
Total current tax	<u>490,971</u>	<u>647,250</u>
Deferred tax:		
Origination and reversal of temporary differences	210,144	44,020
Effect of foreign exchange	( 1,487)	4,797
Income tax expense	<u>\$ 699,628</u>	<u>\$ 696,067</u>

B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31,	
	2020	2019
Income tax calculated by applying statutory rate to profit before tax (Note)	\$ 1,478,429	\$ 1,308,542
Effect of amount not allowed to recognise under regulations	( 810,271)	( 531,114)
Taxable loss not recognised as deferred tax assets	( 2,545)	-
Prior year income tax over estimation	( 23,589)	( 106,767)
Change in assessment of realisation of deferred tax assets and liabilities	31,450	-
Tax on undistributed surplus earnings	<u>26,154</u>	<u>25,406</u>
Income tax expense	<u>\$ 699,628</u>	<u>\$ 696,067</u>

Note: The basis for computing the applicable tax rate are the rates applicable in the respective countries where the Group entities operate.

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	2020		
	January 1	Recognised in profit or loss	December 31
Deferred income tax assets			
-Temporary differences:			
Unrealised loss for market value decline and obsolete and slow-moving inventories	\$ 31,440	\$ 1,201	\$ 32,641
Bad debt expense	1,263	( 537)	726
Tax losses	18,818	( 18,818)	-
Others	22,795	3,733	26,528
	<u>\$ 74,316</u>	<u>(\$ 14,421)</u>	<u>\$ 59,895</u>
-Deferred tax liabilities:			
Unrealised gain on investments	( 1,177,575)	( 65,858)	( 1,243,433)
Others	( 186,790)	( 129,865)	( 316,655)
	<u>(\$ 1,364,365)</u>	<u>(\$ 195,723)</u>	<u>(\$ 1,560,088)</u>
	<u>(\$ 1,290,049)</u>	<u>(\$ 210,144)</u>	<u>(\$ 1,500,193)</u>
	2019		
	January 1	Recognised in profit or loss	December 31
Deferred income tax assets			
-Temporary differences:			
Unrealised loss for market value decline and obsolete and slow-moving inventories	\$ 25,343	\$ 6,097	\$ 31,440
Bad debt expense	644	619	1,263
Tax losses	30,525	( 11,707)	18,818
Others	24,961	( 2,166)	22,795
	<u>\$ 81,473</u>	<u>(\$ 7,157)</u>	<u>\$ 74,316</u>
-Deferred tax liabilities:			
Unrealised gain on investments	( 1,286,212)	108,637	( 1,177,575)
Others	( 41,290)	( 145,500)	( 186,790)
	<u>(\$ 1,327,502)</u>	<u>(\$ 36,863)</u>	<u>(\$ 1,364,365)</u>
	<u>(\$ 1,246,029)</u>	<u>(\$ 44,020)</u>	<u>(\$ 1,290,049)</u>

D. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets of the Company's subsidiaries are as follows:

December 31, 2020					
<u>Year incurred</u>	<u>Amount filed/ assessed</u>	<u>Unused amount</u>	<u>Unrecognised</u>		<u>Expiry year</u>
			<u>deferred tax assets</u>		
2010~2020	\$ 1,390,129	\$ 1,335,736	\$ 1,335,736		2020~2030

December 31, 2019					
<u>Year incurred</u>	<u>Amount filed/ assessed</u>	<u>Unused amount</u>	<u>Unrecognised</u>		<u>Expiry year</u>
			<u>deferred tax assets</u>		
2009~2019	\$ 1,408,939	\$ 1,291,934	\$ 1,196,656		2019~2029

E. The amounts of deductible temporary difference that are not recognised as deferred tax assets are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Deductible temporary differences	\$ 1,198,537	\$ 612,587

F. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

(25) Earnings per share

	<u>Year ended December 31, 2020</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 2,193,738	292,398	\$ 7.50
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 2,193,738	292,398	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,680	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 2,193,738	294,078	\$ 7.46

	Year ended December 31, 2019		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 2,035,222	292,398	\$ 6.96
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	2,035,222	292,398	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,226	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 2,035,222	293,624	\$ 6.93

(26) Supplemental cash flow information

A. Investing activities with partial cash payments

	Years ended December 31,	
	<u>2020</u>	<u>2019</u>
Purchase of property, plant and equipment	244,768	\$ 1,174,053
Add: Opening balance of payable on equipment		189,894
Less: Ending balance of payable on equipment	( 201,279)	( 244,768)
Cash paid during the year	\$ 43,489	\$ 1,119,179

B. Financing activities with no cash flow effects

	Years ended December 31,	
	<u>2020</u>	<u>2019</u>
Prepayments for business facilities and prepayments transferred to property, plant and equipment	\$ 399,083	\$ 338,805

(27) Changes in liabilities from financing activities

	2020					
	Short-term borrowings	Long-term borrowings	Lease liabilities	Guarantee deposits received	Other non-current liabilities	Liabilities from financing activities-gross
At January 1	\$ 2,150,000	\$ 1,655,530	\$ 5,112	\$ 12,135	\$ 64,476	\$ 3,887,253
Changes in cash flow from financing activities	1,872,860	1,690,977	( 17,093)	6,200	( 55)	3,552,889
Interest expense paid (Note)	-	-	( 292)	-	-	( 292)
Interest expense (Note)	-	-	292	-	-	292
Impact of changes in foreign exchange rate	( 10,935)	( 51,073)	221	-	-	( 61,787)
Changes in other non-cash items	-	-	64,742	-	18,407	83,149
At December 31	<u>\$ 4,011,925</u>	<u>\$ 3,295,434</u>	<u>\$ 52,982</u>	<u>\$ 18,335</u>	<u>\$ 82,828</u>	<u>\$ 7,461,504</u>

Note: Shown as operating cash flows.

	2019					
	Short-term borrowings	Long-term borrowings	Lease liabilities	Guarantee deposits received	Other non-current liabilities	Liabilities from financing activities-gross
At January 1	\$ 2,856,437	\$ 930,080	\$ 11,543	\$ 10,318	\$ 61,413	\$ 3,869,791
Changes in cash flow from financing activities	( 704,409)	740,022	( 10,339)	1,817	1	27,092
Interest expense paid (Note)	-	-	( 104)	-	-	( 104)
Interest expense (Note)	-	-	104	-	-	104
Impact of changes in foreign exchange rate	( 2,028)	( 14,572)	( 66)	-	8	( 16,658)
Changes in other non-cash items	-	-	3,974	-	3,054	7,028
At December 31	<u>\$ 2,150,000</u>	<u>\$ 1,655,530</u>	<u>\$ 5,112</u>	<u>\$ 12,135</u>	<u>\$ 64,476</u>	<u>\$ 3,887,253</u>

Note: Shown as operating cash flows.

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Uniflex Technology Inc. (Uniflex Technology)	Other related parties
Uniflex Technology (JiangSu) Limited	Other related parties
iWEECARE Co., Ltd.	Investee accounted for using equity method

(2) Significant related party transactions

A. Operating revenue

	Years ended December 31,	
	2020	2019
Sales of goods:		
Associates	<u>\$ 4,305</u>	<u>\$ 2,080</u>

Operating revenue mainly arose from sales of materials and finished goods to subsidiaries and associates. The price lists in force and terms that would be available to third parties, and the payment terms are 90 to 120 days after monthly billing.

B. Purchases

	Years ended December 31,	
	2020	2019
Purchases of goods:		
Associates	\$ 1,325	\$ 900
Other related parties	223,742	257,286
	<u>\$ 225,067</u>	<u>\$ 258,186</u>

Raw materials and finished goods are purchased from subsidiaries and associates. Purchase are negotiated with related parties, and the payment terms are 120 days after monthly billing that would be available to third parties.

C. Receivables from related parties

	December 31, 2020	December 31, 2019
Accounts receivable:		
Associates	<u>\$ 874</u>	<u>\$ 10</u>

The receivables from related parties arise mainly from sales of materials and finished goods. The receivables are unsecured in nature and bear no interest.

D. Payables to related parties

	December 31, 2020	December 31, 2019
Accounts payable:		
Associates	\$ 179	\$ 478
Other related parties	104,586	109,555
	<u>\$ 104,765</u>	<u>\$ 110,033</u>

The payables to related parties arise mainly from purchase transactions. The payables bear no interest.

(3) Key management compensation

	Years ended December 31,	
	2020	2019
Short-term employee benefits	<u>\$ 76,667</u>	<u>\$ 53,830</u>

8. PLEGGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.



(2) Commitments

A. Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Property, plant and equipment	\$ <u>577,747</u>	\$ <u>3,868</u>

B. Information on endorsement/guarantee provided to consolidated subsidiaries is provided in Note 13.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On March 19, 2021, the Board of Directors proposed that cash dividends for the distribution of earnings for the year 2020 was \$964,915 at \$3.3 (in dollars) per share. As of March 19, 2021, the distribution of earnings for the year 2020 has not been approved by the shareholders.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings including 'current and non-current borrowings' as shown in the consolidated balance sheet. Total capital is calculated as 'equity' as shown in the consolidated balance sheet.

The gearing ratios at December 31, 2020 and 2019 were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Total borrowings	\$ <u>7,307,359</u>	\$ <u>3,805,530</u>
Total equity	\$ <u>13,490,482</u>	\$ <u>12,731,889</u>
Gearing ratio	54%	30%

## (2) Financial instruments

### A. Financial instruments by category

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 995,178	\$ 962,644
Financial assets at fair value through other comprehensive income	272,586	284,617
Financial assets at amortised cost		
Cash and cash equivalents	7,659,898	6,193,861
Financial assets at amortised cost	1,030,752	1,296,672
Notes receivable	-	2,002
Accounts receivable	12,935,147	12,504,024
Other receivables	88,900	297,146
Guarantee deposits paid	22,733	16,764
	<u>\$ 23,005,194</u>	<u>\$ 21,557,730</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	\$ -	\$ 254
Financial liabilities at amortised cost		
Short-term borrowings	4,011,925	2,150,000
Notes payable	19,136	5,122
Accounts payable	12,878,736	12,706,030
Other payables	1,961,634	1,441,675
Long-term borrowings (including current portion)	3,295,434	1,655,530
Guarantee deposits received	18,335	12,135
	<u>\$ 22,185,200</u>	<u>\$ 17,970,746</u>
Lease liabilities	<u>\$ 52,982</u>	<u>\$ 5,112</u>

### B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts and foreign currency option contracts are used to hedge certain exchange rate risk. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.

- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.
  - (c) Information about derivative financial instruments that are used to hedge certain exchange rate risk are provided in Note 6(2).
- C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Exchange rate risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. Exchange rate risk is measured through a forecast of highly probable USD and RMB expenditures. Forward foreign exchange contracts are adopted to minimise the volatility of the exchange rate affecting cost of forecast inventory purchases.
- iii. The Group hedges foreign exchange rate by using forward exchange contracts. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2).

- iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2020		
	Foreign currency amount	Exchange rate	Book value
	(In thousands)		(NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 218,969	28.48	\$ 6,236,237
RMB:NTD	8,833	4.365	38,554
RMB:USD	605,646	0.153	2,643,524
HKD:USD	2,813	0.129	10,332
INR:USD	531,828	0.014	207,094
USD:RMB	1,349	6.525	38,420
USD:HKD	798	7.754	22,727
<u>Non-monetary items</u>			
USD:NTD	547,364	28.48	15,588,927
JPY:NTD	324,533	0.276	89,668
RMB:USD	1,463,703	0.153	6,388,771
HKD:USD	51,824	0.129	190,350
INR:USD	2,036,895	0.014	793,167
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	127,242	28.48	3,623,852
RMB:USD	422,790	0.153	1,845,394
INR:USD	65,433	0.014	25,480
JPY:USD	133,709	0.010	36,944
USD:RMB	65,421	6.525	1,863,190
<u>Non-monetary items</u>			
RMB:USD	54,206	0.153	236,598
HKD:USD	135,683	0.129	498,364
INR:USD	1,113,206	0.014	433,482

	December 31, 2019		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 180,495	29.98	\$ 5,411,240
RMB:USD	449,064	0.143	1,929,853
HKD:USD	7,058	0.128	27,166
INR:USD	3,567,025	0.014	1,500,647
JPY:USD	235,499	0.009	64,998
USD:RMB	955	6.976	28,631
<u>Non-monetary items</u>			
USD:NTD	482,591	29.98	14,468,078
RMB:USD	907,590	0.143	3,900,368
HKD:USD	61,995	0.128	238,619
INR:USD	3,265,906	0.014	1,373,967
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	110,607	29.98	3,315,998
RMB:USD	260,808	0.143	1,120,822
INR:USD	408,093	0.014	171,685
USD:RMB	44,119	6.976	1,322,688
<u>Non-monetary items</u>			
RMB:USD	60,393	0.143	259,539
HKD:USD	219,570	0.128	845,125
INR:USD	821,242	0.014	345,497

Note: The functional currencies of certain subsidiaries belonging to the Group are not NTD, thus, this information has to be considered when reporting.

- v. The total exchange gain (loss) arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2020 and 2019, amounted to \$109,496 and (\$139,397), respectively.

vi. Analysis of foreign currency market risk arising from significant foreign exchange variation:

Year ended December 31, 2020				
Sensitivity analysis				
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$ 62,362	\$	-
RMB:NTD	1%	\$ 386		-
RMB:USD	1%	26,435		-
HKD:USD	1%	103		-
INR:USD	1%	2,071		-
USD:RMB	1%	384		-
USD:HKD	1%	227		-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$ 36,239	\$	-
RMB:USD	1%	18,454		-
INR:USD	1%	255		-
JPY:USD	1%	369		-
USD:RMB	1%	18,632		-
Year ended December 31, 2019				
Sensitivity analysis				
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$ 54,112	\$	-
RMB:USD	1%	19,299		-
HKD:USD	1%	272		-
INR:USD	1%	15,006		-
JPY:USD	1%	650		-
USD:RMB	1%	286		-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$ 33,160	\$	-
RMB:USD	1%	11,208		-
INR:USD	1%	1,717		-
USD:RMB	1%	13,227		-

### Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group's investments comprise domestically issued equity instruments and overseas unlisted equity instruments. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2020 and 2019 would have increased/decreased by \$9,952 and \$9,626 respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$2,726 and \$2,846, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

### Cash flow and fair value Interest rate risk

- i. The Group's interest rate risk mainly arising from long-term borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. During 2020 and 2019, the Group's borrowings at variable rate were mainly denominated in New Taiwan dollars.
- ii. If the borrowing interest rate of New Taiwan dollars had increased/decreased by 1% with all other variables held constant, profit before tax for the years ended December 31, 2020 and 2019 would have increased/decreased by \$21,400 and \$11,000 respectively. The main factor is that changes in interest expense result in floating-rate borrowings.
- iii. If the borrowing interest rate of US dollars had increased/decreased by 1% with all other variables held constant, profit, net of tax for the years ended December 31, 2020 and 2019 would have increased/decreased by \$11,554 and \$5,555, respectively. The main actor is that changes in interest expense result in floating-rate borrowings.

### (b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost, at fair value through profit or loss and at fair value through other comprehensive income.

- ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:  
If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iv. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.
- v. The Group classifies customers' accounts receivable in accordance with credit rating of customer. The Group applies the simplified approach using loss rate methodology to estimate expected credit loss under the provision matrix basis.
- vi. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. As of December 31, 2020 and 2019, the Group's written-off financial assets that are still under recourse procedures amounted to \$14,194 and \$11,232, respectively.
- vii. The Group used the forecast ability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of accounts receivable. As of December 31, 2020 and 2019, the loss rate methodology is as follows:

December 31, 2020

	Individual A	Individual B	Group A	Total
Expected loss rate	100%	75%~90%	0.03%	
Total book value	\$ 23,826	\$ 160,244	\$ 12,921,395	\$ 13,105,465
Loss allowance	23,826	143,490	3,876	171,192

December 31, 2019

	Individual A	Individual B	Group A	Total
Expected loss rate	100%	10%~50%	0.03%	
Total book value	\$ 128,674	\$ 263,585	\$ 12,375,306	\$ 12,767,565
Loss allowance	128,674	131,164	3,713	263,551



Group A : Customers had no payments that were past due over 90 days.

viii. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable, overdue receivable and other receivables are as follows:

	<u>2020</u>
	<u>Accounts receivable and overdue receivable</u>
At January 1	\$ 316,809
Provision for impairment	47,319
Write-offs	( 94,058)
Effect of foreign exchange	( 11,463)
At December 31	<u>\$ 258,607</u>
	<u>2019</u>
	<u>Accounts receivable and overdue receivable</u>
At January 1	\$ 221,456
Provision for impairment	103,707
Write-offs	( 2,016)
Effect of foreign exchange	( 6,338)
At December 31	<u>\$ 316,809</u>

Loss allowance provided for overdue receivables as of December 31, 2020 and 2019 amounted to \$87,415 and \$53,258, respectively.

ix. As of December 31, 2020, other receivables which are determined as assets of credit loss amounting to \$24,757 were measured at an amount equal to lifetime expected credit losses. The provision for impairment was \$24,757, impairment loss of \$6,453 was recognised for the year ended December 31, 2020.

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration of the compliance with balance sheet ratio targets and external regulatory and legal requirements.
- ii. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

<u>Non-derivative financial liabilities</u>		Between 2	
December 31, 2020	<u>Within 1 year</u>	<u>and 5 years</u>	<u>Over 5 years</u>
Short-term borrowings	\$ 4,060,085	\$ -	\$ -
Notes payable	19,136	-	-
Accounts payable	12,878,736	-	-
Other payables	1,961,634	-	-
Lease liability	28,383	25,266	-
Long-term borrowings (including current portion)	656,809	3,015,486	-

<u>Non-derivative financial liabilities</u>		Between 2	
December 31, 2019	<u>Within 1 year</u>	<u>and 5 years</u>	<u>Over 5 years</u>
Short-term borrowings	\$ 2,171,500	\$ -	\$ -
Notes payable	5,122	-	-
Accounts payable	12,706,030	-	-
Other payables	1,441,675	-	-
Lease liability	3,675	1,483	-
Long-term borrowings (including current portion)	89,415	1,664,068	-

- iii. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

### (3) Fair value information

- A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Company's investment in most derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in certain derivative instruments and equity investment without active market is included in Level 3.

- B. Financial instruments not measured at fair value

The carrying amounts of the Group's cash and cash equivalents, financial assets at amortised cost, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable and other payables are approximate to their fair values.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2020 and 2019 are as follows:

(a) The related information of natures of the assets and liabilities is as follows:

<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Capital guarantee financial products	\$ -	\$ 995,178	\$ -	\$ 995,178
Financial assets at fair value through other comprehensive income				
Equity securities	<u>266,039</u>	<u>-</u>	<u>6,547</u>	<u>272,586</u>
Total	<u>\$ 266,039</u>	<u>\$ 995,178</u>	<u>\$ 6,547</u>	<u>\$ 1,267,764</u>
<u>December 31, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Capital guarantee financial products	\$ -	\$ 962,644	\$ -	\$ 962,644
Financial assets at fair value through other comprehensive income				
Equity securities	<u>278,171</u>	<u>-</u>	<u>6,446</u>	<u>284,617</u>
Total	<u>\$ 278,171</u>	<u>\$ 962,644</u>	<u>\$ 6,446</u>	<u>\$ 1,247,261</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Cross currency swap	<u>\$ -</u>	<u>\$ 254</u>	<u>\$ -</u>	<u>\$ 254</u>

(b) The methods and assumptions the Group used to measure fair value are as follows:

- i. When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- ii. The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

D. For the years ended December 31, 2020 and 2019, there was no transfer between Level 1 and Level 2.

E. The following chart is the movement of Level 3 for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
	<u>Equity instruments</u>	<u>Equity instruments</u>
At January 1	\$ 6,446	\$ 117,749
Acquired in the year	-	6,446
Gains and losses recognised in profit or loss	-	( 114,913)
Effect of exchange rate changes	101	( 2,836)
At December 31	<u>\$ 6,547</u>	<u>\$ 6,446</u>

F. For the years ended December 31, 2020 and 2019, there was no transfer into or out from Level 3.

G. Group treasury is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	<u>Fair value at</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
	<u>December 31, 2020</u>				
Non-derivative equity instrument:					
Unlisted shares	\$ 6,547	Net assets value	Not applicable	Not applicable	Not applicable
	<u>Fair value at</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
	<u>December 31, 2019</u>				
Non-derivative equity instrument:					
Unlisted shares	\$ 6,446	Net assets value	Not applicable	Not applicable	Not applicable

- I. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

		December 31, 2020			
		Recognised in profit or loss		Recognised in other comprehensive income	
Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets					
Equity instrument	Net assets value	±1%	\$ -	\$ -	\$ 65 (\$ 65)
		December 31, 2019			
		Recognised in profit or loss		Recognised in other comprehensive income	
Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets					
Equity instrument	Net assets value	±1%	\$ -	\$ -	\$ 64 (\$ 64)

### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

Disclosures of investees that are based on investees' financial statements audited by independent auditors and inter-company transactions between companies are eliminated. The following disclosures are for reference only.

The Company's significant transactions information for the year ended December 31, 2020 is as follows:

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period: Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.

- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more:  
Please refer to table 5.
- I. Trading in derivative financial instruments undertaken during the reporting periods:  
Please refer to Notes 6(2) and 12(2).
- J. Significant inter-company transactions during the reporting periods (individual transactions not exceeding \$10,000 are not disclosed; corresponding transactions from the other side are not disclosed.) : Please refer to table 6.

(2) Information on investees

- A. Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 7.
- B. Disclosures in relation to significant transactions conducted with investees are provided in Note 13(1) A to J.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 8.
- B. Significant transactions, either directly or indirectly through a third areas, with investee companies in the Mainland China, and price, payment terms, unrelased income/loss and other related information relating to investments in Mainland China:
  - (a) Purchase amount and percentage and ending balance and percentage of payables: please refer to table 4.
  - (b) Sales amount and percentage and ending balance and percentage of receivables: please refer to table 4.
  - (c) Property transaction amounts and gains and loss arising from them: None.
  - (d) Balance and purpose of provision of endorsements/guarantees or collaterals at December 31, 2020: Please refer to table 2.
  - (e) Maximum balance, ending balance and interest rate range during the year ended and at December 31, 2020: Please refer to table 1.
  - (f) Other significant transactions that affected the gains and losses or financial status for the period, i.e. rendering/receiving of service:
    - i. In 2020, processing fee arising from the electronic information products circuit board manufactured by Regent Electron (Suzhou) Co., Ltd. appointed by the Company's indirectly held subsidiary, Regent Manner Limited, amounted to HKD 496,877 thousand. The price are made under mutual agreement, and the payment terms are 90 days to 120 days after monthly billings.
    - ii. For the year ended December 31, 2020, raw materials purchased on behalf of indirectly held subsidiaries, Regent Manner Limited and Regent Electron (Suzhou) Co., Ltd., amounted to \$196,685 and the received processing income amounted to \$5,085.

iii. For the year ended December 31, 2019, the Company's indirectly held subsidiary, Regent Manner Limited, purchased raw material on behalf of the Company and subsidiaries and received the processing income as follows:

Conterparites	Raw material purchased on behalf of others	Received processing income
Taiwan Surface Mounting Technology Corp.	HKD 1,168 thousand	-
Regent Electron (Chong Qing) Co., Ltd	HKD 371,261 thousand	-
Regent Electron (He Fei) Co., Ltd.	HKD 51,962 thousand	HKD 4,480 thousand
Regent Electron (Xiamen) Co., Ltd.	HKD 43,775 thousand	HKD 2 thousand
Dongguan Znefu electron Co., ltdl	HKD 33,555 thousand	HKD 1,598 thousand
Taiwan Surface Mounting Technology (Suzhou) Co., Ltd.	HKD 12,201 thousand	-
Regent Electron (Suzhou) Co., Ltd.	HKD 6,641 thousand	-
Regent Electron (Dongguan) Co., Ltd.	HKD 3,681 thousand	-
Regent Electron (Ningbo) Co., Ltd.	HKD 85 thousand	-
Regent Electron (Xian Yang) Co.,Ltd.	HKD 72 thousand	-

(4) Major shareholders information

Major shareholders information: Please refer to table 9.

14. SEGMENT INFORMATION

(1) General information

The Group operates business only in a single industry. The Board of Directors, who allocates resources and assesses performance of the Group as a whole, has identified that the Group has only one reportable operating segment.

(2) Measurement of segment information

The chief operating decision-maker evaluates each operating segment by their operating profit.

(3) Information about segment profit or loss, assets and liabilities

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

	Years ended December 31,	
	2020	2019
Revenue from external customers	\$ 41,405,758	\$ 37,906,373
Segment income	\$ 2,500,065	\$ 2,590,921

(4) Reconciliation for segment income (loss)

The segment income (loss) reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income. The Group did not provide the total assets and total liabilities amounts to the chief operating decision-maker. A reconciliation of reportable segment income or loss to the income/(loss) before tax from continuing operations is provided as follows:

	Years ended December 31,	
	2020	2019
Reportable segments income	\$ 2,500,065	\$ 2,590,921
Unappropriated amount:		
Non-operating income	387,812	134,724
Net income before tax from continuing operations	<u>\$ 2,887,877</u>	<u>\$ 2,725,645</u>

(5) Information on products and services

The Group is primarily engaged in design, processing, manufacture and sales of PCB surface mount packaging in TFT-LCD panels and general electronic information products, which are deemed as a single product.

(6) Geographical information

Geographical information for the years ended December 31, 2020 and 2019 is as follows:

Areas	Years ended December 31,			
	2020		2019	
	Revenue	Non-current assets	Revenue	Non-current assets
Mainland China	\$ 33,958,321	\$ 8,525,102	\$ 31,280,812	\$ 5,267,984
Asia	3,290,683	751,004	2,586,921	864,073
Taiwan	1,832,669	1,965,227	2,825,616	1,929,572
U.S.A	1,471,079	599	625,910	698
Europe	783,947	-	562,358	-
Others	69,059	-	24,756	-
	<u>\$ 41,405,758</u>	<u>\$ 11,241,932</u>	<u>\$ 37,906,373</u>	<u>\$ 8,062,327</u>

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2020 and 2019 is as follows:

	Years ended December 31,			
	2020		2019	
	Revenue	Ratio	Revenue	Ratio
A	\$ 7,002,953	17%	\$ 7,278,851	19%
B	5,068,294	12%	5,292,726	14%



## Taiwan Surface Mounting Technology Corp. and subsidiaries

## Loans to others

Year ended December 31, 2020

Table 1

Expressed in thousands of NTD

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum	Balance at December 31, 2020	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single part	Ceiling on total loans granted	Footnote
					outstanding balance during the year ended December 31, 2020								Item	Value			
1	Regent Electron (Suzhou) Co., Ltd	Regent Electron (He Fei) Co., Ltd.	Other receivables	Y	\$ 262,992	\$ -	\$ -	People's Bank of China's rate on 3-month time deposits	2	-	Additional operating capital	-	None	-	\$ 5,849,336	\$ 5,849,336	
2	Regent Electron (Suzhou) Co., Ltd	Regent Electron (He Fei) Co., Ltd.	Other receivables	Y	87,664	-	-	People's Bank of China's rate on 3-month time deposits	2	-	Additional operating capital	-	None	-	5,849,336	5,849,336	
3	Regent Electron (Ningbo) Co., LTD.	Regent Electron (He Fei) Co., Ltd.	Other receivables	Y	109,580	109,120	109,120	People's Bank of China's rate on 3-month time deposits	2	-	Additional operating capital	-	None	-	1,359,602	1,359,602	
4	Regent Manner Limited	High-Toned Opto Technology Corp	Other receivables	Y	70,000	-	-	1.00	2	-	Additional operating capital	-	None	-	3,820,467	6,112,747	
5	Regent Manner Limited	Fitivision Technology Inc.	Other receivables	Y	180,000	-	-	1.00	2	-	Additional operating capital	-	None	-	3,820,467	6,112,747	
6	TSMT Technology (Singapore) Pte. Ltd.	TSMT Technology (India) Pvt. Ltd.	Other receivables	Y	121,000	113,920	113,493	1.5401% (Based on the contract terms)	2	-	Additional operating capital	-	None	-	240,162	240,162	
7	TSMT Technology (Singapore) Pte. Ltd.	TSMT Technology (India) Pvt. Ltd.	Other receivables	Y	181,500	170,880	170,880	1.5165% (Based on the contract terms)	2	-	Additional operating capital	-	None	-	240,162	240,162	
8	Regent Manner Limited	High-Toned Opto Technology Corp	Other receivables	Y	30,000	30,000	20,000	1.00	2	-	Additional operating capital	-	None	-	3,820,467	6,112,747	
9	Regent Manner Limited	Fitivision Technology Inc.	Other receivables	Y	60,000	60,000	50,000	1.00	2	-	Additional operating capital	-	None	-	3,820,467	6,112,747	
10	Regent Electron (Xiamen) Co., Ltd.	Regent Electron (He Fei) Co., Ltd.	Other receivables	Y	218,980	218,240	174,592	People's Bank of China's rate on 3-month	2	-	Additional operating capital	-	None	-	1,544,761	1,544,761	
11	Taiwan Surface Mounting Technology (Suzhou) Co., Ltd.	Regent Electron (Suzhou) Co., Ltd	Other receivables	Y	305,536	305,536	305,536	People's Bank of China's rate on 3-month time deposits	2	-	Additional operating capital	-	None	-	2,309,350	2,309,350	

Note 1: The numbers filled in for the nature of loans are as follows:

Business association is labeled as "1"

Short-term financing is labeled as "2".

Note 2: Limit on the Company's and subsidiaries' loans granted to others as prescribed in "Procedures for Provision of Loans" are as follows:

(1) Nature of the loan is related to business transactions: 25% of the Company's net worth or the amount of business transactions between the creditor and borrower.

(2) Nature of loan is for short-term financing: ceiling on loans granted to a single party is lower than 25% of the borrower's net worth.

(3) Limit on TSMT Technology (Singapore) Pte. Ltd. loans granted to others:

A. Nature of loan is for short-term financing: ceiling on loans granted to a single party is lower than 40% of the borrower's net worth.

The Company loan which the parent company holds directly and indirectly 100% voting share's foreign companies, if there is a loan classified as short-term financing, the limit of individual borrower shall be lower than 100% of the Company's net worth.

Note 3: The facility approved by the Board of Directors was consistent with the actual loaned facility.

Taiwan Surface Mounting Technology Corp. and subsidiaries  
Provision of endorsements and guarantees to others  
Year ended December 31, 2020

Table 2

Expressed in thousands of NTD

Number	Endorser/ guarantor	Company name	Relationship with the endorser/ guarantor ( Note 1 )	Limit on endorsements/ guarantees provided for a single party (Note 2)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2020	Outstanding endorsement/ guarantee amount at December 31, 2020	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
0	The Company	T SMT Technology (India) Pvt. Ltd.	2	\$ 6,745,241	\$ 423,500	\$ 398,720	\$ 398,720	-	2.96	\$ 13,490,482	Y	N	N	
0	The Company	T SMT Technology (Singapore) Pte. Ltd.	2	6,745,241	453,750	427,200	427,200	-	3.17	13,490,482	Y	N	N	

Note 1: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories; fill in the number of category each case belongs to:

- (1) Having business relationship.
- (2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (3) The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.
- (4) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.
- (5) Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.
- (6) Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.
- (7) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 2: Limit on endorsements/guarantees provided for a single party and ceiling on total amount of endorsements/guarantees are as follows:

- (1) Ceiling on total amount of endorsements/guarantees shall be lower than the Company's net worth.
- (2) Limit on endorsements/guarantees provided for a single party shall be lower than 10% of the Company's net worth.
- (3) Ceiling on total amount of endorsements/guarantees that the determination was authorised to chairman shall be lower than 10% of the Company's net worth.

Net worth was determined based on the financial statements that are audited or reviewed by CPA.

Taiwan Surface Mounting Technology Corp. and subsidiaries

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

Year ended December 31, 2020

Table 3

Expressed in thousands of NTD

As of December 31, 2020								
Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares (in thousand shares)	Book value	Ownership (%)	Fair value	Footnote
Taiwan Surface Mounting Technology Corp.	Stocks-LED ONE Distribution, Inc.	None	Financial assets at fair value through other comprehensive income-non-current	180	\$ -	18	\$ -	None
Taiwan Surface Mounting Technology Corp.	Stocks-Uniflex Technology Inc.	None	Financial assets at fair value through other comprehensive income-non-current	17,332	266,039	11.1	266,039	None
TAIWAN SURFACE MOUNTING TECHNOLOGY (BVI) CO LIMITED	Stocks-Best Option Investment Ltd.	None	Financial assets at fair value through other comprehensive income-non-current	14,142	-	0.49	-	None
Regent Electron (Suzhou) Co., Ltd	Chuzhou Bwin Techology Corp.	None	Financial assets at fair value through other comprehensive income-non-current		6,547	3.00	6,547	None
Ningbo Yongfu Trade Co., Ltd.	Fubon Bank (China) structured products-NDRMBC20080095	None	Financial assets at fair value through profit or loss-current		34,918		34,918	None
Ningbo Yongfu Trade Co., Ltd.	Fubon Bank (China) structured products-NDRMBC20090044	None	Financial assets at fair value through profit or loss-current		39,283		39,283	None
Ningbo Yongfu Trade Co., Ltd.	Fubon Bank (China) structured products-NDRMBC20120155	None	Financial assets at fair value through profit or loss-current		21,825		21,825	None
Ningbo Yongfu Trade Co., Ltd.	Fubon Bank (China) structured products-NDRMBC20120156	None	Financial assets at fair value through profit or loss-current		21,825		21,825	None
Ningbo Yongfu Trade Co., Ltd.	Fubon Bank (China) structured products-NDRMBC20120157	None	Financial assets at fair value through profit or loss-current		21,825		21,825	None
TAIWAN SURFACE MOUNTING TECHNOLOGY (SUZHOU) CO., LTD	Fubon Bank (China) structured products-NDRMBC20110052	None	Financial assets at fair value through profit or loss-current		65,472		65,472	None

As of December 31, 2020

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares (in thousand shares)	Book value	Ownership (%)	Fair value	Footnote
TAIWAN SURFACE MOUNTING TECHNOLOGY (SUZHOU) CO., LTD	Fubon Bank (China) structured products-NDRMBC20110307	None	Financial assets at fair value through profit or loss-current		65,472		65,472	None
TAIWAN SURFACE MOUNTING TECHNOLOGY (SUZHOU) CO., LTD	Fubon Bank (China) structured products-NDRMBC20120437	None	Financial assets at fair value through profit or loss-current		130,944		130,944	None
Regent Electron (Xiamen) Co., Ltd.	Fubon Bank (China) structured products-SDRMBC20100542	None	Financial assets at fair value through profit or loss-current		43,648		43,648	None
Regent Electron(Dongguan) Co.,Ltd	Fubon Bank (China) structured products-NDRMBC20120168	None	Financial assets at fair value through profit or loss-current		21,825		21,825	None
DONGGUAN ZUEFU ELECTRON CO., LTD.	E.SUN Bank (China) structured deposits-CNYRMTL2020102802	None	Financial assets at fair value through profit or loss-current		65,472		65,472	None
DONGGUAN ZUEFU ELECTRON CO., LTD.	Fubon Bank (China) structured products-NDRMBC20110270	None	Financial assets at fair value through profit or loss-current		43,648		43,648	None
DONGGUAN ZUEFU ELECTRON CO., LTD.	E.SUN Bank (China) structured deposits-CNYRMTL2020120301	None	Financial assets at fair value through profit or loss-current		87,296		87,296	None
DONGGUAN ZUEFU ELECTRON CO., LTD.	E.SUN Bank (China) structured deposits-CNYRMTL2020120301	None	Financial assets at fair value through profit or loss-current		87,296		87,296	None
DONGGUAN ZUEFU ELECTRON CO., LTD.	E.SUN Bank (China) structured deposits-CNYRMTL2020121802	None	Financial assets at fair value through profit or loss-current		52,378		52,378	None
DONGGUAN ZUEFU ELECTRON CO., LTD.	E.SUN Bank (China) structured deposits-CNYRMTL2020122501	None	Financial assets at fair value through profit or loss-current		61,107		61,107	None

As of December 31, 2020

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares (in thousand shares)	Book value	Ownership (%)	Fair value	Footnote
DONGGUAN ZUEFU ELECTRON CO., LTD.	E.SUN Bank (China) structured deposits-CNYRMTL2020122501	None	Financial assets at fair value through profit or loss-current		43,648		43,648	None
DONGGUAN ZUEFU ELECTRON CO., LTD.	Fubon Bank (China) structured products-NDRMBC20120272	None	Financial assets at fair value through profit or loss-current		87,296		87,296	None

Taiwan Surface Mounting Technology Corp. and subsidiaries  
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more  
Year ended December 31, 2020

Table 4

Expressed in thousands of NTD

Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Description and reasons of difference in transaction terms compared to third party transactions		Footnote
									Notes/accounts receivable (payable)	Percentage of total notes/accounts receivable (payable)	
Taiwan Surface Mounting Technology Corp.	Regent Electron (Suzhou) Co., Ltd.	The Company's subsidiary	Purchase	\$ 397,396 thousand	8%	90~120 days after monthly billings	-	-	(\$ 263,460 thousand)	(15%)	-
Regent Electron (Suzhou) Co., Ltd.	Taiwan Surface Mounting Technology Corp.	The Company is the company's ultimate parent company	(sales)	(RMB 93,096 thousand)	(4%)	"	-	-	RMB 60,360 thousand	6%	-
Regent Manner Limited	Regent Electron (Ningbo) Co., LTD.	Affiliate	Purchase	HKD 311,860 thousand	6%	"	-	-	(HKD 274,434 thousand)	(12%)	-
Regent Electron (Ningbo) Co., LTD.	Regent Manner Limited	Affiliate	(sales)	(RMB 277,710 thousand)	(72%)	"	-	-	RMB 230,883 thousand	82%	-
Regent Manner Limited	Regent Electron (Chong Qing) Co., Ltd.	Affiliate	Purchase	HKD 936,211 thousand	18%	"	-	-	(HKD 490,251 thousand)	(22%)	-
Regent Electron (Chong Qing) Co., Ltd.	Regent Manner Limited	Affiliate	(sales)	(RMB 836,075 thousand)	(75%)	"	-	-	RMB 412,546 thousand	71%	-
Regent Manner Limited	Regent Electron (Xiamen) Co., Ltd.	Affiliate	Purchase	HKD 146,135 thousand	3%	"	-	-	(HKD 114,607 thousand)	(5%)	-
Regent Electron (Xiamen) Co., Ltd.	Regent Manner Limited	Affiliate	(sales)	(RMB 129,967 thousand)	(23%)	"	-	-	RMB 96,440 thousand	35%	-
Ningbo Yongfu Trade Co., Ltd.	Regent Manner Limited	Affiliate	Purchase	RMB 32,140 thousand	61%	"	-	-	(RMB 24,408 thousand)	(84%)	-
Regent Manner Limited	Ningbo Yongfu Trade Co., Ltd.	Affiliate	(sales)	(HKD 36,231 thousand)	(1%)	"	-	-	HKD 29,005 thousand	2%	-
Regent Manner Limited	Regent Electron (Suzhou) Co., Ltd.	Affiliate	Purchase	HKD 559,779 thousand	11%	"	-	-	(HKD 524,772 thousand)	(23%)	-
Regent Electron (Suzhou) Co., Ltd.	Regent Manner Limited	Affiliate	(sales)	(RMB 497,848 thousand)	(21%)	"	-	-	RMB 432,660 thousand	45%	-
Regent Manner Limited	Regent Electron (He Fei) Co., Ltd.	Affiliate	Purchase	HKD 130,420 thousand	2%	"	-	-	(HKD 36,864 thousand)	(2%)	-
Regent Electron (He Fei) Co., Ltd.	Regent Manner Limited	Affiliate	(sales)	(RMB 116,627 thousand)	(26%)	"	-	-	RMB 31,021 thousand	15%	-
Taiwan Surface Mounting Technology (Suzhou) Co., Ltd.	Regent Electron (Ningbo) Co., LTD.	Affiliate	Purchase	RMB 73,787 thousand	11%	"	-	-	(RMB 40,189 thousand)	(18%)	-

Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Description and reasons of difference in transaction terms compared to third party transactions		Footnote
									Notes/accounts receivable (payable)	Percentage of total notes/accounts receivable (payable)	
Regent Electron (Ningbo) Co., LTD.	Taiwan Surface Mounting Technology (Suzhou) Co., Ltd.	Affiliate	(sales)	(RMB 73,787 thousand)	(19%)	"	-	-	RMB 40,189 thousand	14%	-
Regent Electron (Ningbo) Co., LTD.	Uniflex Technology	Other related party	Purchase	RMB 29,483 thousand	11%	"	-	-	(RMB 12,432 thousand)	(11%)	-



Taiwan Surface Mounting Technology Corp. and subsidiaries  
Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more  
Year ended December 31, 2020

Table 5

Expressed in thousands of NTD

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2020	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Taiwan Surface Mounting Technology Corp.	Regent Electron (Suzhou) Co., Ltd.	The Company's subsidiary	Other receivables NTD 177,110 thousand (Note4 and 5)	-	-	-	-	-
Regent Manner Limited	Regent Electron (Suzhou) Co., Ltd.	The Company's subsidiary	Other receivables HKD 426,827 thousand (Note4)	-	-	-	HKD 193,420 thousand	-
Regent Manner Limited	Regent Electron (Chong Qing) Co., Ltd.	"	Other receivables HKD 323,782 thousand (Note4)	-	-	-	HKD 61,781 thousand	-
Regent Manner Limited	Ningbo Yongfu Trade Co., Ltd.	"	Accounts receivable HKD 29,005 thousand (Note3)	-	-	-	HKD 29,005 thousand	-
Regent Manner Limited	Tele System Communications Pte Ltd.	Affiliate	Accounts receivable HKD 53,929 thousand (Note3)	-	-	-	HKD 19 thousand	-
Regent Electron (Ningbo) Co., LTD.	Regent Manner Limited	The Company's parent company	Accounts receivable RMB 230,883 thousand (Note3)	-	-	-	RMB 13,822 thousand	-
Regent Electron (Ningbo) Co., LTD.	Taiwan Surface Mounting Technology (Suzhou) Co., Ltd.	Affiliate	Accounts receivable RMB 40,189 thousand (Note3)	-	-	-	RMB 26,280 thousand	-
Regent Electron (Ningbo) Co., LTD.	Regent Electron (He Fei) Co., Ltd.	"	Other receivables RMB 25,226 thousand (Note2)	-	-	-	RMB 25,226 thousand	-
Regent Electron (Chong Qing) Co., Ltd.	Regent Manner Limited	The Company's parent company	Accounts receivable RMB 412,546 thousand (Note3)	-	-	-	RMB 194,071 thousand	-
Regent Electron (He Fei) Co., Ltd.	Regent Manner Limited	"	Accounts receivable RMB 31,021 thousand (Note3)	-	-	-	RMB 31,021 thousand	-
Regent Electron (Suzhou) Co., Ltd.	Taiwan Surface Mounting Technology Corp.	The Company is the company's ultimate parent company	Accounts receivable RMB 60,360 thousand (Note3)	-	-	-	RMB 60,360 thousand	-
Regent Electron (Suzhou) Co., Ltd.	Regent Manner Limited	The Company's parent company	Accounts receivable RMB 432,660 thousand (Note1 and 3)	-	-	-	RMB 241,033 thousand	-
Taiwan Surface Mounting Technology (Suzhou) Co., Ltd.	Regent Electron (Suzhou) Co., Ltd.	Affiliate	Other receivables RMB 80,857 thousand (Note2)	-	-	-	-	-
Regent Electron (Xiamen) Co., Ltd.	Regent Manner Limited	The Company's parent company	Accounts receivable RMB 96,440 thousand (Note1 and 3)	-	-	-	RMB 64,352 thousand	-
Regent Electron (Xiamen) Co., Ltd.	Regent Electron (He Fei) Co., Ltd.	Affiliate	Other receivables RMB 40,454 thousand (Note2)	-	-	-	-	-
TSMC-Singapore	TSMC-India	The Company's subsidiary	Other receivables USD 9,990 thousand (Note2)	-	-	-	-	-

Note 1: It was a receivable arising from processing on behalf of associates

Note 2: It was a receivable arising from loans to others.

Note 3: It was a receivable arising from finished goods sold.

Note 4: It was a receivable arising from materials/machinery and equipment purchased on behalf of others.

Note 5: It was a receivable arising from machinery and equipment sold.

Taiwan Surface Mounting Technology Corp. and subsidiaries  
 Significant inter-company transactions during the reporting periods  
 Year ended December 31, 2020

Table 6

Expressed in thousands of NTD

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Transaction	
						Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	Taiwan Surface Mounting Technology Corp.	Fitivision Technology Inc.	1	Sales revenue	\$ 30,222	Price is made based on mutual agreement, and collection term is 90~120 days after monthly billings	0%
0	"	Regent Manner Limited	"	Other receivables	27,322		0%
0	"	Regent Electron (Suzhou) Co., Ltd.	"	Other receivables	177,110		0%
1	Regent Manner Limited	Taiwan Surface Mounting Technology Corp.	2	Accounts receivable	15,430		0%
1	"	"	"	Sales revenue	30,869	Price is made based on mutual agreement, and collection term is 90~120 days after monthly billings	0%
1	"	High-Toned Opto Technology Corp	3	Other receivables	20,158		0%
1	"	Taiwan Surface Mounting Technology (Suzhou) Co., Ltd.	"	Other receivables	26,280		0%
1	"	Regent Electron (Suzhou) Co., Ltd.	"	Other receivables	1,567,736		4%
1	"	"	"	Accounts receivable	12,702		0%
1	"	"	"	Sales revenue	35,691	Price is made based on mutual agreement, and collection term is 90~120 days after monthly billings	0%
1	"	Regent Electron (Xiamen) Co., Ltd.	"	Other receivables	25,053		0%
1	"	Regent Electron (He Fei) Co., Ltd.	"	Other receivables	88,411		0%
1	"	"	"	Accounts receivable	55,111		0%
1	"	Regent Electron (Chong Qing) Co., Ltd.	"	Other receivables	1,189,250		3%
1	"	"	"	Accounts receivable	76,643		0%
1	"	DONGGUAN ZUEFU ELECTRON CO., LTD.	"	Other receivables	44,564		0%
1	"	Fitivision Technology Inc.	"	Other receivables	50,324		0%
1	"	Tele System Communications Pte Ltd.	"	Accounts receivable	198,081		1%
1	"	Ningbo Yongfu Trade Co., Ltd.	"	Sales revenue	138,004	Price is made based on mutual agreement, and collection term is 90~120 days after monthly billings	0%
1	"	"	"	Accounts receivable	106,536		0%
2	Regent Electron (Suzhou) Co., Ltd.	Regent Manner Limited	"	Accounts receivable	1,888,489		5%
2	"	"	"	Sales revenue	192,331	Price is made based on mutual agreement, and collection term is 90~120 days after monthly billings	0%

				Transaction			
Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
2	"	"	3	Processing fees revenue	\$ 1,890,132	Price is made based on mutual agreement, and collection term is 90~120 days after monthly billings	5%
2	"	"	"	Other operating revenue	49,738	"	0%
2	"	Taiwan Surface Mounting Technology Corp.	2	Sales revenue	398,721	"	1%
2	"	"	"	Accounts receivable	263,459		1%
3	Taiwan Surface Mounting Technology (Suzhou) Co., Ltd.	Regent Electron (Suzhou) Co., Ltd.	3	Other receivables	352,925		1%
3	"	"	"	Other income	129,045	Price is made based on mutual agreement, and collection term is 90~120 days after monthly billings	0%
3	"	Ningbo Yongfu Trade Co., Ltd.	"	Sales revenue	10,974	"	0%
3	"	"	"	Processing fees revenue	11,690	"	0%
3	"	"	"	Other operating revenue	33,176	"	0%
3	"	Regent Electron (He Fei) Co., Ltd.	"	Other receivables	18,338		0%
3	"	Taiwan Surface Mounting Technology Corp.	2	Sales revenue	93,600	Price is made based on mutual agreement, and collection term is 90~120 days after monthly billings	0%
3	"	"	"	Accounts receivable	19,038		0%
4	Regent Electron (Ningbo) Co., LTD.	Regent Manner Limited	3	Accounts receivable	1,007,763		3%
4	"	"	"	Sales revenue	1,189,387	Price is made based on mutual agreement, and collection term is 90~120 days after monthly billings	3%
4	"	Regent Electron (He Fei) Co., Ltd.	"	Other receivables	110,107		0%
4	"	Taiwan Surface Mounting Technology (Suzhou) Co., Ltd.	"	Accounts receivable	175,419		0%
4	"	"	"	Processing fees revenue	316,017	Price is made based on mutual agreement, and collection term is 90~120 days after monthly billings	1%
5	Regent Electron (Xiamen) Co., Ltd.	Regent Manner Limited	"	Accounts receivable	420,945		1%
5	"	"	"	Sales revenue	556,628	Price is made based on mutual agreement, and collection term is 90~120 days after monthly billings	1%
5	"	Regent Electron (He Fei) Co., Ltd.	"	Other receivables	176,576		0%
6	Regent Electron(Dongguan) Co.,Ltd	Tele System Communications Pte Ltd.	"	Accounts receivable	24,893		0%
6	"	"	"	Sales revenue	47,238	Price is made based on mutual agreement, and collection term is 90~120 days after monthly billings	0%

## Transaction

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Transaction	
						Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
6	"	DONGGUAN ZUEFU ELECTRON CO., LTD.	3	Processing fees revenue	\$ 25,697	Price is made based on mutual agreement, and collection term is 90~120 days after monthly billings	0%
6	"	"	"	Other income	30,745	"	0%
7	Regent Electron (Chong Qing) Co., Ltd.	Regent Manner Limited	"	Accounts receivable	1,800,692		5%
7	"	"	"	Sales revenue	3,580,772	Price is made based on mutual agreement, and collection term is 90~120 days after monthly billings	9%
7	"	Regent Electron (He Fei) Co., Ltd.	"	Other operating revenue	45,757	"	0%
8	Ningbo Yongfu Trade Co., Ltd.	Regent Manner Limited	"	Accounts receivable	54,511		0%
8	"	"	"	Other operating revenue	36,362	Price is made based on mutual agreement, and collection term is 90~120 days after monthly billings	0%
8	"	"	"	Sales revenue	34,759	"	0%
8	"	Taiwan Surface Mounting Technology (Suzhou) Co., Ltd.	"	Other operating revenue	14,403	"	0%
9	Regent Electron (He Fei) Co., Ltd.	Regent Electron (Chong Qing) Co., Ltd.	"	Sales revenue	55,838	"	0%
9	"	Regent Manner Limited	"	Accounts receivable	135,402		0%
9	"	"	"	Sales revenue	499,494	Price is made based on mutual agreement, and collection term is 90~120 days after monthly billings	1%
10	DONGGUAN ZUEFU ELECTRON CO., LTD.	Tai Ming Green Power CO.,LTD.	"	Sales revenue	10,368	"	0%
11	Tele System Communications Pte Ltd.	TSC ELECTRONIC PTE. LTD.	"	Sales revenue	78,556	"	0%
12	TSMC-Singapore	TSMC-India	"	Other receivables	284,502		1%
13	TSMC-India	Regent Electron (Chong Qing) Co., Ltd.	"	Other receivables	9,992		0%

Note: Individual transactions not exceeding \$10,000 will not be disclosed as well as according related-party transactions.

Taiwan Surface Mounting Technology Corp. and subsidiaries  
Information on investees  
Year ended December 31, 2020

Table 7

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Book value	Net profit (loss) of the investee for the year ended December 31, 2020	Investment income(loss) recognised by the Company for the year ended December 31, 2020	Footnote
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares (in thousand shares)	Ownership (%)					
Taiwan Surface Mounting Technology Corp.	Taiwan Surface Mounting Technology Co., LTD	Hong Kong	Rendering service for specific contract items	\$ 42	\$ 42	10	99.99	\$ 3,930	(\$ 30)	(\$ 30)	Subsidiary	
Taiwan Surface Mounting Technology Corp.	TAIWAN SURFACE MOUNTING TECHNOLOGY (BVI) CO LIMITED	British Virgin Islands	Holding company	3,145,743	3,145,743	104,000	100.00	15,336,607	2,255,484	2,255,484	Subsidiary	
Taiwan Surface Mounting Technology Corp.	High-Toned Opto Technology Corp	Taiwan	Manufacture and assembling of LED products	264,077	264,077	26,423	85.24	383	7,468	6,366	Subsidiary	
Taiwan Surface Mounting Technology Corp.	Fitivision Technology Inc.	Taiwan	Digital security monitor and wireless communication device	200,000	100,000	20,000	100.00	( 29,083)	( 28,232)	( 28,232)	Subsidiary	
Taiwan Surface Mounting Technology Corp.	Bai Hung Investment Corp. Ltd.	Taiwan	Investment company	109,990	109,990	10,999	99.99	5,702	( 13,222)	( 13,221)	Subsidiary	
Taiwan Surface Mounting Technology Corp.	TSMT Technology (Singapore) Pte. Ltd.	Singapore	Holding company	645,897	464,985	21,000	100.00	240,162	( 147,554)	( 147,554)	Subsidiary	
Taiwan Surface Mounting Technology Corp.	Tele System Communications Pte Ltd.	Taiwan	Design and manufacture of wired communication equipment and apparatus and channel KU of Satellite TV	40,250	40,250	4,700	31.33	50	( 18,638)	( 5,839)	Subsidiary	

Initial investment amount

Shares held as at December 31, 2020

Investor	Investee	Location	Main business activities	Balance as at	Balance as at	Number of shares		Book value	Net profit (loss)	Investment	Footnote
				December 31, 2020	December 31, 2019	(in thousand shares)	Ownership (%)		of the investee for the year ended December 31, 2020	income(loss) recognised by the Company for the year ended December 31, 2020	
TSMT Technology (Singapore) Pte. Ltd.	TSMT Technology (India) Pvt. Ltd.	India	Processing and manufacturing of computer motherboard and interface card of peripheral devices	\$ 272,554	\$ 272,554	489	100.00	(\$ 58,396)	(\$ 151,100)	-	Second-tier subsidiary
TAIWAN SURFACE MOUNTING TECHNOLOGY (BVI) CO LIMITED	REGENT MANNER INTERNATIONAL HOLDINGS LIMITED	Cayman Islands	Holding company	3,394,513	3,394,513	2,149,822	100.00	15,301,847	2,255,560	-	Second-tier subsidiary
TAIWAN SURFACE MOUNTING TECHNOLOGY (BVI) CO LIMITED	TSMT-USA	U.S.A	Processing and manufacturing of computer motherboard and interface card of peripheral devices	2,848	2,848	100	100.00	2,138	( 34)	-	Second-tier subsidiary
High-Toned Opto Technology Corp	High-Toned Technology (Hong Kong) Limited	Hong Kong	Holding company	148,096	148,096	40,300	100.00	8,435	( 41)	-	Second-tier subsidiary
Bai Hung Investment Corp. Ltd.	Tai Ming Green Power CO.,LTD.	Taiwan	Sales of LED application products	50,000	50,000	5,000	100.00	( 5,081)	( 1,962)	-	Second-tier subsidiary
Bai Hung Investment Corp. Ltd.	iWEECARE Co., Ltd.	Taiwan	Cloud manufacturing of ICT hardware and software	19,500	10,500	4,370	14.87	5,670	( 31,166)	-	Investee accounted for using equity method
Bai Hung Investment Corp. Ltd.	Tele System Communications Pte Ltd.	Taiwan	Design and manufacture of wired communication equipment and apparatus and channel KU of Satellite TV	50,000	50,000	5,000	33.34	190	( 18,638)	-	Second-tier subsidiary
REGENT MANNER INTERNATIONAL HOLDINGS LIMITED	REGENT MANNER (BVI) LIMITED	British Virgin Islands	Holding company	2,083,846	2,083,846	34,631	100.00	15,281,867	2,257,288	-	Third-tier subsidiary
REGENT MANNER (BVI) LIMITED	Regent Manner Limited	Hong Kong	Design, processing, manufacture and sales of PCB surface mount packaging in TFT-LCD panels and general electronic information products	2,083,846	2,083,846	573,996	100.00	15,281,867	2,257,288	-	The Company is the company's ultimate parent company

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020					Footnote
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares (in thousand shares)	Ownership (%)	Book value	Net profit (loss) of the investee for the year ended December 31, 2020	Investment income(loss) recognised by the Company for the year ended December 31, 2020	
Tele System Communications Pte Ltd.	TELE SYSTEM COMMUNICATIONS DE MEXICO, S.A. DE C.V.	Mexico	Sales of wired communication equipment and apparatus and channel KU of Satellite TV	\$ 42	\$ 42	20	99.00	\$ 1,154	(\$ 481)	\$ -	Second-tier subsidiary
Tele System Communications Pte Ltd.	TSC ELECTRONIC PTE. LTD.	Singapore	Sales of wired communication equipment and apparatus and channel KU of Satellite TV	1,488	1,488	50	100.00	1,347	170	-	Second-tier subsidiary

Taiwan Surface Mounting Technology Corp. and subsidiaries  
Information on investments in Mainland China  
Year ended December 31, 2020

Table 8

Expressed in thousands of NTD

Investee in Mainland Chin	Main business activities	Paid-in capital	Investment method	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2020			Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2020 ( Note 4 )	Book value of investments in Mainland China as of December 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020	Footnote
				as of January 1, 2020	Remitted to Mainland China	Remitted back to Taiwan							
Regent Electron (Suzhou) Co., Ltd	Processing and manufacturing of computer motherboard and interface card of peripheral devices	\$ 1,780,000	Reinvested in Mainland China companies through investing in existing companies in the third area	\$ 1,428,596	\$ -	\$ -	\$ 1,428,596	\$ 746,147	100	\$ 746,147	\$ 5,849,336	\$ 921,049	Note1
Taiwan Surface Mounting Technology (Suzhou) Co., Ltd.	Processing and manufacturing of computer motherboard and interface card of peripheral devices	996,800	Reinvested in Mainland China companies through investing in existing companies in the third area	764,754	-	-	764,754	251,418	100	251,418	2,309,350	100,792	Note1
Regent Electron (Ningbo) Co., LTD.	Processing and manufacturing of computer motherboard and interface card of peripheral devices	484,160	Reinvested in Mainland China companies through investing in existing companies in the third area	1,534,336	-	-	1,534,336	155,727	100	155,727	1,359,602	717,642	Note1



Amount remitted from Taiwan to  
Mainland China/  
Amount remitted back  
to Taiwan for the year ended  
December 31, 2020

Investee in Mainland Chin	Main business activities	Paid-in capital	Investment method	Amount remitted from Taiwan to Mainland China/			Amount remitted back to Taiwan for the year ended			Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2020 ( Note 4 )	Book value of investments in Mainland China as of December 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020	Footnote
				Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020	Remitted to Mainland China	Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Net income of investee as of December 31, 2020						
Regent Electron (Xiamen) Co., Ltd.	Processing and manufacturing of computer motherboard and interface card of peripheral devices	\$ 569,600	Reinvested in Mainland China companies through investing in existing companies in the third area	\$ 1,085,286	\$ -	\$ -	\$ 1,085,286	\$ 148,494	100	\$ 148,494	\$ 1,544,761	\$ 578,071	Note1	
Regent Electron (Chengdu) Co., Ltd.	Processing and manufacturing of computer motherboard and interface card of peripheral devices	341,760	Reinvested in Mainland China companies through investing in existing companies in the third area	365,363	-	-	365,363	(154)	100	( 154)	349,670	-	Note1	
Regent Electron (Dongguan) Co.,Ltd	Processing and manufacturing of computer motherboard and interface card of peripheral devices	569,600	Reinvested in Mainland China companies through investing in existing companies in the third area	636,449	-	-	636,449	12,807	100	12,807	445,123	-	Note1	
Ningbo Yongfu Trade Co., Ltd.	Processing and manufacturing of computer motherboard and interface card of peripheral devices	79,744	Reinvested in Mainland China companies through investing in existing companies in the third area	138,015	-	-	138,015	287,787	100	287,783	999,829	-	Note1	

Amount remitted from Taiwan to  
Mainland China/  
Amount remitted back  
to Taiwan for the year ended  
December 31, 2020

Investee in Mainland Chin	Main business activities	Paid-in capital	Investment method	Amount remitted from Taiwan to Mainland China			Amount remitted from Taiwan to Mainland China			Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2020 ( Note 4 )	Book value of investments in Mainland China as of December 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020	Footnote
				as of January 1, 2020	Remitted to Mainland China	Remitted back to Taiwan	as of December 31, 2020	Net income of investee as of December 31, 2020	as of December 31, 2020					
Unimicron-Fpc Technology Kunshan Inc.	Processing and manufacturing of computer motherboard and interface card of peripheral devices	\$ 4,232,128	Reinvested in Mainland China companies through investing in existing companies in the third area	\$ 345,404	\$ -	\$ -	\$ 345,404	\$ -	2.08	\$ -	\$ -	\$ -	Note2	
Regent Electron (He Fei) Co., Ltd.	Processing and manufacturing of computer motherboard and interface card of peripheral devices	683,520	Reinvested in Mainland China companies through investing in existing companies in the third area	441,951	-	-	441,951	280,028	100	280,028	930,441	-	Note1	
Regent Electron (Chong Qing) Co., Ltd.	Processing and manufacturing of computer motherboard and interface card of peripheral devices	626,560	Reinvested in Mainland China companies through investing in existing companies in the third area	630,289	-	-	630,289	193,284	100	193,284	1,141,154	-	Note1	
Dongguan Zuefu Electron Co., Ltd.	Processing and manufacturing of computer motherboard and interface card of peripheral devices	130,944	Reinvested in Mainland China companies through investing in existing companies in the third area	-	-	-	-	210,487	100	210,487	754,952	-	Note4	
Regent Electron (Xian Yang) Co., Ltd.	Processing and manufacturing of computer motherboard and interface card of peripheral devices	130,944	Reinvested in Mainland China companies through investing in existing companies in the third area	-	-	-	-	445,393	100	445,393	894,837	-	Note4	

Amount remitted from Taiwan to  
Mainland China/  
Amount remitted back  
to Taiwan for the year ended  
December 31, 2020

Investee in Mainland Chin	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020	Remitted to Mainland China	Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Net income of investee as of December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2020 (Note 4)	Book value of investments in Mainland China as of December 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020	Footnote
Chuzhou Bwin Technology Corp.	Research, development and production; sales of metal and plastic technology products	\$ 218,240	Reinvested in Mainland China companies through investing in existing companies in the third area	\$ -	\$ -	\$ -	\$ -	\$ -	3	\$ -	\$ 6,547	\$ -	Note3、 Note4

Note 1: It was reinvested by its third-tier subsidiary, Regent Manner Limited, by cash through its subsidiary in the third area, Taiwan Surface Mounting Technology (B.V.I.) Co. LIMITED. Those investments all had been approved by the MOEA.

Note 2: It was reinvested by the investee, Best Option Investment Ltd., of the company's subsidiary, Taiwan Surface Mounting Technology (B.V.I.) Co. LIMITED, in the third area by cash, and had been approved by the MOEA. (B.V.I.) CO. LIMITED, in the third area by cash, and had been approved by the MOEA.

Note 3: Except for Unimicron-Fpc Technology Kunshan Inc. and Chuzhou Bwin Technology Corp., remaining companies' investment income (loss) were recognised based on the financial statements that are audited and attested by R.O.C. parent company's CPA.

Note 4: The company was reinvested by the Company's Mainland China investees approved by the MOEA, no need to submit an additional application for the reinvestments to the MOEA in accordance with the regulations, therefore, the investments would not be included in the calculation of the Company's ceiling on investments in Mainland China.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 5)
Taiwan Surface Mounting Technology Corp.	\$ 6,975,141	\$ 9,101,602	(Note 5)

Note 5: The Company met the scope of operation made by the headquarter, thus, no limit was applicable on the Company's investments in Mainland China in accordance with "Regulations Governing the Permission of Investment or Technical Cooperation in Mainland Area" effective August 1, 2008.

Taiwan Surface Mounting Technology Corp. and subsidiaries

Major shareholders information

December 31, 2020

Table 9 Unit: share

Name of major shareholders	Shares		Ownership (%)
	Number of shares held		
Fubon Life Assurance Co.,LTD	18,548,000		6.34%
The new Labor Pension Act	18,071,402		6.18%

## **Appendix II**

### **Parent Company only Financial Statements and Independent**

### **Auditors' Report of the Most Recent Year**

**TAIWAN SURFACE MOUNTING  
TECHNOLOGY CORP.  
PARENT COMPANY ONLY FINANCIAL  
STATEMENTS AND INDEPENDENT AUDITORS'  
REPORT  
DECEMBER 31, 2020 AND 2019**

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For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

## INDEPENDENT AUDITORS' REPORT 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, 2020 and 2019, 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, 2020 and 2019, 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, 2020 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China; and in accordance with the 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 for our audit of the parent company only financial statements as of and for the year ended December 31, 2019. Our responsibilities under those standards are further described in the Auditors' 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 Norm of Professional Ethics for Certified Public Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the parent company only financial statements of the year ended December 31, 2020. 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(24) 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 were changes in sales customers resulting from changes in market demand and the introduction of new products. As the sales revenue from 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, 2020, the Company's inventories and allowance for inventory valuation losses amounted to NT \$643,704 thousand and NT \$47,432 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. As 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 are 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 according to 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.

### ***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.

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

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

1. Identify and assess the risks of material misstatement of the 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 auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the 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 auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

CHIU,CHAO-HSIEN

LEE,HSIU-LING

For and on behalf of PricewaterhouseCoopers, Taiwan

March 19, 2021

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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 independent auditors' report 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, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2020		December 31, 2019		
		AMOUNT	%	AMOUNT	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 2,176,031	10	\$ 662,988	3
1136	Current financial assets at amortised cost	6(4)	497,830	2	382,626	2
1170	Accounts receivable, net	6(5)	845,030	4	1,072,114	6
1180	Accounts receivable - related parties	7	9,210	-	27,173	-
1200	Other receivables		32,652	-	117,491	1
1210	Other receivables - related parties	7	205,249	1	63,201	-
130X	Inventories	6(6)	596,272	3	611,027	3
1410	Prepayments		50,038	-	37,196	-
11XX	<b>Current Assets</b>		<u>4,412,312</u>	<u>20</u>	<u>2,973,816</u>	<u>15</u>
<b>Non-current assets</b>						
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	266,039	1	278,171	1
1550	Investments accounted for under equity method	6(7)	15,586,834	71	14,494,563	75
1600	Property, plant and equipment	6(8)	1,644,218	7	1,312,872	7
1755	Right-of-use assets	6(9)	27,885	-	970	-
1840	Deferred income tax assets	6(22)	28,737	-	25,340	-
1920	Guarantee deposits paid		1,730	-	3,585	-
1990	Other non-current assets, others		138,737	1	319,075	2
15XX	<b>Non-current assets</b>		<u>17,694,180</u>	<u>80</u>	<u>16,434,576</u>	<u>85</u>
1XXX	<b>Total assets</b>		<u>\$ 22,106,492</u>	<u>100</u>	<u>\$ 19,408,392</u>	<u>100</u>

(Continued)

**TAIWAN SURFACE MOUNTING TECHNOLOGY CORP.**  
**PARENT COMPANY ONLY BALANCE SHEETS**  
**DECEMBER 31, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
	<b>Current liabilities</b>					
2100	Short-term borrowings	6(10)	\$ 3,100,000	14	\$ 2,150,000	11
2120	Financial liabilities at fair value through profit or loss - current	6(2)	-	-	254	-
2150	Notes payable		19,136	-	4,807	-
2170	Accounts payable		1,432,418	7	1,766,774	9
2180	Accounts payable - related parties	7	300,985	1	22,284	-
2200	Other payables		515,398	2	396,482	2
2220	Other payables - related parties	7	484	-	3,041	-
2230	Current income tax liabilities	6(22)	44,645	-	159,049	1
2280	Current lease liabilities		10,378	-	976	-
2399	Other current liabilities, others	6(11)	331,344	2	6,111	-
21XX	<b>Current Liabilities</b>		<u>5,754,788</u>	<u>26</u>	<u>4,509,778</u>	<u>23</u>
	<b>Non-current liabilities</b>					
2540	Long-term borrowings	6(11)	1,820,000	8	1,100,000	6
2570	Deferred income tax liabilities	6(22)	911,749	4	895,760	5
2580	Non-current lease liabilities		17,532	-	-	-
2640	Net defined benefit liability, non-current	6(12)	82,828	1	64,447	-
2645	Guarantee deposits received		30	-	30	-
2650	Credit balance of investments accounted for using equity method	6(7)	29,083	-	106,488	-
25XX	<b>Non-current liabilities</b>		<u>2,861,222</u>	<u>13</u>	<u>2,166,725</u>	<u>11</u>
2XXX	<b>Total Liabilities</b>		<u>8,616,010</u>	<u>39</u>	<u>6,676,503</u>	<u>34</u>
	<b>Equity</b>					
	Share capital	6(13)				
3110	Share capital - common stock		2,923,984	13	2,923,984	15
	Capital surplus	6(14)				
3200	Capital surplus		2,515,059	12	2,515,001	13
	Retained earnings	6(15)				
3310	Legal reserve		1,620,061	7	1,416,844	8
3320	Special reserve		1,315,055	6	827,907	4
3350	Unappropriated retained earnings		6,729,459	30	6,063,207	31
	Other equity interest					
3400	Other equity interest		(1,613,136)	(7)	(1,015,054)	(5)
3XXX	<b>Total equity</b>		<u>13,490,482</u>	<u>61</u>	<u>12,731,889</u>	<u>66</u>
	Significant contingent liabilities and unrecognised contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	<b>Total liabilities and equity</b>		<u>\$ 22,106,492</u>	<u>100</u>	<u>\$ 19,408,392</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, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars, except earnings per share)

Items	Notes	Year ended December 31			
		2020		2019	
		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(16) and 7	\$ 6,770,049	100	\$ 6,536,043	100
5000 Operating costs	6(6)(20)(21) and 7	( 5,998,688)	( 89)	( 5,430,984)	( 83)
5900 Net operating margin		<u>771,361</u>	<u>11</u>	<u>1,105,059</u>	<u>17</u>
Operating expenses	6(17)(18)				
6100 Selling expenses		( 40,091)	( 1)	( 55,337)	( 1)
6200 General and administrative expenses		( 374,982)	( 5)	( 297,257)	( 5)
6300 Research and development expenses		( 115,110)	( 2)	( 71,300)	( 1)
6000 Total operating expenses		<u>( 530,183)</u>	<u>( 8)</u>	<u>( 423,894)</u>	<u>( 7)</u>
6900 Operating profit		<u>241,178</u>	<u>3</u>	<u>681,165</u>	<u>10</u>
Non-operating income and expenses					
7100 Interest income	6(17)	4,146	-	7,527	-
7010 Other income	6(18) and 7	111,109	2	79,281	1
7020 Other gains and losses	6(19)	( 74,937)	( 1)	177,028	3
7050 Finance costs	6(20)	( 34,825)	( 1)	( 33,949)	-
7070 Share of profit of associates and joint ventures accounted for using equity method, net	6(7)	<u>2,066,974</u>	<u>31</u>	<u>1,261,103</u>	<u>19</u>
7000 Total non-operating income and expenses		<u>2,072,467</u>	<u>31</u>	<u>1,490,990</u>	<u>23</u>
7900 <b>Profit before income tax</b>		<u>2,313,645</u>	<u>34</u>	<u>2,172,155</u>	<u>33</u>
7950 Income tax expense	6(22)	( 119,907)	( 2)	( 136,933)	( 2)
8000 <b>Profit for the year from continuing operations</b>		<u>2,193,738</u>	<u>32</u>	<u>2,035,222</u>	<u>31</u>
8200 <b>Profit for the year</b>		<u>\$ 2,193,738</u>	<u>32</u>	<u>\$ 2,035,222</u>	<u>31</u>
<b>Other comprehensive income</b>					
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
8311 Losses on remeasurements of defined benefit plans	6(12)	( \$ 18,407)	-	( \$ 3,054)	-
8316 Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(3)	( 12,132)	-	( 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>-</u>	<u>-</u>	<u>( 114,913)</u>	<u>( 2)</u>
8310 Components of other comprehensive income that will not be reclassified to profit or loss		<u>( 30,539)</u>	<u>-</u>	<u>( 130,692)</u>	<u>( 2)</u>
<b>Components of other comprehensive loss that will be reclassified to profit or loss</b>					
8361 Other comprehensive loss, before tax, exchange differences on translation	6(7)	( 585,950)	( 9)	( 359,509)	( 5)
8360 Components of other comprehensive loss that will be reclassified to profit or loss		<u>( 585,950)</u>	<u>( 9)</u>	<u>( 359,509)</u>	<u>( 5)</u>
8300 <b>Other comprehensive loss for the year</b>		<u>( \$ 616,489)</u>	<u>( 9)</u>	<u>( \$ 490,201)</u>	<u>( 7)</u>
8500 <b>Total comprehensive income for the year</b>		<u>\$ 1,577,249</u>	<u>23</u>	<u>\$ 1,545,021</u>	<u>24</u>
Basic earnings per share	6(23)				
9750 Total basic earnings per share		<u>\$ 7.50</u>		<u>\$ 6.96</u>	
Diluted earnings per share	6(23)				
9850 Total diluted earnings per share		<u>\$ 7.46</u>		<u>\$ 6.93</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, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars)

	Notes	Share capital - common stock	Capital surplus, additional paid-in capital	Retained earnings			Other equity interest		Total equity
				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	
<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(15)								
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(7)	-	(14,219)	-	-	-	-	-	(14,219)
Unclaimed dividends past due	6(14)	-	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
<b>2020</b>									
Balance at January 1, 2020		\$ 2,923,984	\$ 2,515,001	\$ 1,416,844	\$ 827,907	\$ 6,063,207	(\$ 612,587)	(\$ 402,467)	\$ 12,731,889
Profit for the year		-	-	-	-	2,193,738	-	-	2,193,738
Other comprehensive loss for the year		-	-	-	-	(18,407)	(585,950)	(12,132)	(616,489)
Total comprehensive income (loss) for the year		-	-	-	-	2,175,331	(585,950)	(12,132)	1,577,249
Appropriation and distribution of 2019 retained earnings:	6(15)								
Legal reserve		-	-	203,217	-	(203,217)	-	-	-
Special reserve		-	-	-	487,148	(487,148)	-	-	-
Cash dividends		-	-	-	-	(818,714)	-	-	(818,714)
Unclaimed dividends past due	6(14)	-	58	-	-	-	-	-	58
Balance at December 31, 2020		\$ 2,923,984	\$ 2,515,059	\$ 1,620,061	\$ 1,315,055	\$ 6,729,459	(\$ 1,198,537)	(\$ 414,599)	\$ 13,490,482

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, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		\$ 2,313,645	\$ 2,172,155
Adjustments			
Adjustments to reconcile profit (loss)			
Loss on valuation of financial liabilities at fair value through profit or loss		-	254
Depreciation expense (including right-of-use assets)	6(8)(9)	137,330	107,243
Share of profit of subsidiaries and associates accounted for under equity	6(7)	( 2,066,974 )	( 1,261,103 )
Gain on disposal of associates accounted for using equity method	6(7)	-	( 185,892 )
Gain on disposal of property, plant and equipment	6(19)	( 238 )	( 6,786 )
Interest income	6(17)	( 4,146 )	( 7,527 )
Interest expense	6(20)	34,825	33,949
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		( 254 )	-
Accounts receivable, net		227,084	( 41,823 )
Accounts receivable - related parties		17,963	( 23,950 )
Other receivables		84,540	68,933
Other receivables - related parties		( 142,048 )	71,696
Inventories		14,755	( 136,014 )
Prepayments		( 12,842 )	112,121
Changes in operating liabilities			
Notes payable		14,329	( 221 )
Accounts payable		( 334,356 )	647,128
Accounts payable - related parties		278,701	( 219,766 )
Advance receipts		-	( 2,089 )
Other payables		128,898	141,732
Other payables - related parties		( 2,557 )	-
Other current liabilities, others		5,233	1,519
Accrued pension liabilities		( 26 )	( 20 )
Cash inflow generated from operations		693,862	1,471,539
Interest received		4,445	6,683
Dividends received	6(7)	592,260	1,011,524
Interest paid		( 33,294 )	( 34,920 )
Income taxes paid		( 221,719 )	( 152,822 )
Net cash flows from operating activities		<u>1,035,554</u>	<u>2,302,004</u>

(Continued)

TAIWAN SURFACE MOUNTING TECHNOLOGY CORP.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2020	2019
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Acquisition of investments accounted for using equity method	6(7)	(\$ 280,912 )	(\$ 99,990 )
Acquisition of financial assets at amortised cost	6(4)	( 585,800 )	( 382,626 )
Acquisition of property, plant and equipment	6(24)	( 275,268 )	( 138,341 )
Proceeds from disposal of property, plant and equipment	6(8)	34,199	29,770
Decrease in refundable deposits		1,855	160
Increase in other non-current assets		( 54,198 )	( 287,056 )
Proceeds from repayments of financial asset at amortised cost		470,596	-
Net cash flows used in investing activities		( 689,528 )	( 878,083 )
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Increase in short-term borrowings		8,090,000	4,147,492
Decrease in short-term borrowings		( 7,140,000 )	( 4,853,929 )
Decrease in other payables to related parties		-	( 599,293 )
Proceeds from long-term borrowings		2,400,000	1,500,000
Repayments of long-term borrowings		( 1,360,000 )	( 900,000 )
Cash dividends paid	6(15)	( 818,714 )	( 380,118 )
Unclaimed dividends past due	6(14)	58	64
Repayments of principal portion of lease liabilities		( 4,327 )	( 1,657 )
Net cash flows from (used in) financing activities		1,167,017	( 1,087,441 )
Net increase in cash and cash equivalents		1,513,043	336,480
Cash and cash equivalents at beginning of year		662,988	326,508
Cash and cash equivalents at end of year		<u>\$ 2,176,031</u>	<u>\$ 662,988</u>

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

TAIWAN SURFACE MOUNTING TECHNOLOGY CORP.  
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

1. HISTORY AND ORGANISATION

A. Taiwan Surface Mounting Technology Corp. (the “Company”) was incorporated as company in March 1990. The Company is primarily engaged in design, processing, manufacturing and trading of TFT-LCD panels, general electronic information products and PCB surface mount packaging.

B. On March 12, 2004, the Company’s common stock was officially listed on the Taipei Exchange approved by the Financial Supervisory Commission. In July 2010, the Company’s common stock was officially listed on the Taiwan Stock Exchange Corporation approved by the Financial Supervisory Commission. The Company has officially terminated trading on the Taipei Exchange, and listed on the Taiwan Stock Exchange Corporation since August 24, 2010.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These parent company only financial statements were authorised for issuance by the Board of Directors on March 19, 2021.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	International Accounting Standards Board
Amendments to IAS 1 and IAS 8, ‘Disclosure initiative-definition of material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS7, ‘Interest rate benchmark reform’	January 1, 2020
Amendment to IFRS 16, ‘Covid-19-related rent concessions’	June 1, 2020 (Note)

Note : Earlier application from January 1, 2020 is allowed by FSC.

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

New Standards, Interpretations and Amendments	International Accounting Standards Board
Amendments to IFRS 4, 'Extension of the temporary exemption from applying	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform— Phase 2'	January 1, 2021

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment:proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

(2) Basis of preparation

A. Except for the following items, the parent company only financial statements have been prepared under the historical cost convention:

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.
- (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

The parent company only financial statements are presented in New Taiwan dollars, which is the Company’s functional and presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

**B. Translation of foreign operations**

(a) The operating results and financial position of all the company entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- iii. All resulting exchange differences are recognised in other comprehensive income.

(b) When the foreign operation partially disposed of or sold is an associate, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even when the Company retains partial interest in the former associate after losing significant influence over the former associate, such transactions should be accounted for as disposal of all interest in the foreign operation.

(c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Company retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

**(4) Classification of current and non-current items**

**A.** Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realised within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

**B.** Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities that are expected to be settled within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Company recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(6) Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
  - (a) The objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets; and
  - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:
  - (a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.
  - (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(7) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
- (a) The objective of the Company's business model is achieved by collecting contractual cash flows.
  - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.
- D. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(8) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost, at each reporting date, the Company recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

The Company derecognises a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Company has not retained control of the financial asset.



(11) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the standard cost method. Variances are recorded to show the difference between the expected and actual costs, which will be allocated to operating cost and ending inventory at end of year. Allocated actual cost is approaching the actual cost assessed under weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(12) Investments accounted for using equity method/subsidiaries and associates

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Company are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses proportionate to its ownership.
- D. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- E. The Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate (including any other unsecured receivables), the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- F. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.

- G. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- H. In the case that an associate issues new shares and the Company does not subscribe or acquire new shares proportionately, which results in a change in the Company's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Company's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- I. Upon loss of significant influence over an associate, the Company remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss.
- J. When the Company disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- K. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss proportionately.
- L. Pursuant to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the financial statements prepared with basis for consolidation. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the financial statements prepared with basis for consolidation.

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Property, plant and equipment subsequently apply cost model. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item must be separately depreciated by using the straight-line to allocate their cost over their estimated useful lives.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:
- |                          |             |
|--------------------------|-------------|
| Buildings and structures | 20~50 years |
| Machinery and equipment  | 2~10 years  |
| Other facilities         | 5~10 years  |

(14) Leasing arrangements (lessee) - right-of-use assets/ lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable.
- The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the amount of the initial measurement of lease liability.
- The right-of-use asset is measured subsequently using the cost model and is depreciated from

the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(15) Impairment of non-financial assets

- A. The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.
- B. The recoverable amounts of goodwill, intangible assets with an indefinite useful life and intangible assets that have not yet been available for use are evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(16) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(17) Accounts and notes payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(18) Financial liabilities at fair value through profit or loss

- A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges. or financial liabilities at fair

value through profit or loss. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss at initial recognition:

- (a) Hybrid (combined) contracts; or
  - (b) They eliminate or significantly reduce a measurement or recognition inconsistency; or
  - (c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.
- B. At initial recognition, the Company measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Company subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(19) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(20) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Company uses interest rates of government bonds (at the balance sheet date) instead.
- ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognised immediately in profit or loss.

### C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Company's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Company recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

### D. Employees' and directors' remuneration

Employees' and directors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

## (21) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(22) Share capital

Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(23) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(24) Revenue recognition

- A. The Company manufactures and sells products in relation to TFT-LCD panels and PCB surface mount packaging on general electronic information products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.
- B. Sales revenue is measured at the contract price taking into account of business tax, sales returns and discounts. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. No element of financing is deemed present as the sales are made with a credit term of 30 days to 90 days when control of the products has been transferred, which is consistent with market practice.

- C. A receivable is recognised when control of the products has been transferred to the customer. As this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

## 5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The related information is addressed below:

### (1) Critical judgements in applying the Company's accounting policies

None.

### (2) Critical accounting estimates and assumptions

#### A. Impairment assessment of investments accounted for using equity method

The Company assesses the impairment of an investment accounted for using equity method as soon as there is any indication that it might have been impaired and its carrying amount cannot be recovered. The Company assesses the recoverable amounts of an investment accounted for under the equity method based on the present value of expected cash dividends receivable from the investee and expected future cash flows from the disposal of the investee, and analyses the reasonableness of related assumptions.

Please refer to Note 6(7) for the information of investments accounted for using equity method impairment.

#### B. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2020, the carrying amount of inventories was \$596,272.



## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand and petty cash	\$ 308	\$ 627
Demand deposits	2,004,843	512,461
Time deposits	<u>170,880</u>	<u>149,900</u>
	<u>\$ 2,176,031</u>	<u>\$ 662,988</u>

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Company has no cash and cash pledged to others.

### (2) Financial assets/liabilities at fair value through profit or loss

<u>Items</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current items:		
Financial liabilities held for trading		
Cross currency swap	<u>\$ -</u>	<u>\$ 254</u>

A. Amounts recognised in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Financial assets mandatorily measured at fair value through profit or loss and financial liabilities held for trading		
Cross currency swap-settled gain or loss	\$ 255	\$ 709
Forward foreign exchange contracts -settled gain or loss	1,017	2,257
Cross currency swap –valuation gain or loss	<u>-</u>	<u>( 254)</u>
Total	<u>\$ 1,272</u>	<u>\$ 2,712</u>

B. The Company entered into contracts relating to derivative financial assets liabilities which were not accounted for under hedge accounting. The information is listed below:

December 31, 2020: None.

	<u>December 31, 2019</u>	
<u>Derivative financial liabilities</u>	<u>Contract amount (Notional principal)</u>	<u>Contract period</u>
Current items:		
Cross currency swap	<u>\$ 90,660</u>	2019.12.20~2020.01.21

The Company entered into cross currency swap contracts relating to derivative financial instruments to hedge exchange rate risk of foreign currency assets. However, these cross currency swap derivative instruments are not accounted for under hedge accounting.

C. The Company has no financial assets at fair value through profit or loss pledged to others.

D. Information relating to credit risk is provided in Note 12(2).

(3) Financial assets at fair value through other comprehensive income

Items	December 31, 2020	December 31, 2019
Non-current items:		
Equity instruments		
Listed stocks	\$ 290,896	\$ 290,896
Valuation adjustment	( 24,857)	( 12,725)
	\$ 266,039	\$ 278,171

A. The Company has elected to classify equity instruments that are considered to be strategic investments as financial assets at fair value through other comprehensive income.

B. For the years ended December 31, 2020 and 2019, the Company recognised financial assets at fair value through other comprehensive income in comprehensive income (loss) amounting to (\$12,132) and (\$12,725), respectively.

C. The Company has no financial assets at fair value through other comprehensive income pledged to others as collateral.

D. Information relating to credit risk is provided in Note 12(2).

(4) Financial assets at amortised cost

Items	December 31, 2020	December 31, 2019
Current items:		
Drawing restricted demand deposits	\$ 28,480	\$ 37,856
Drawing restricted time deposits	469,350	344,770
	\$ 497,830	\$ 382,626

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	2020	2019
Interest income	\$ 1,958	\$ 860

B. As at December 31, 2020 and 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Company was \$497,830 and \$382,626, respectively.

C. The Company has no financial assets at amortised cost pledged to others as collateral.

D. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(5) Accounts receivable

	December 31, 2020	December 31, 2019
Accounts receivable	\$ 847,967	\$ 1,075,051
Less: Allowance for bad debts	( 2,937)	( 2,937)
	\$ 845,030	\$ 1,072,114

A. The ageing analysis of notes and accounts receivable that were past due but not impaired is as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Not past due	\$ 842,512	\$ 1,056,094
Up to 90 days	2,697	15,798
91 to 180 days	-	30
181 to 365 days	-	2,903
Over 1 year	2,758	226
	<u>\$ 847,967</u>	<u>\$ 1,075,051</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2020 and 2019, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2019, the balance of receivables from contracts with customers amounted to \$1,033,228.

C. The Company does not hold any collateral as security.

D. As at December 31, 2020 and 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's accounts receivable was \$845,030 and \$1,072,114, respectively.

E. Information relating to credit risk of notes and accounts receivable is provided in Note 12(2).

(6) Inventories

	<u>December 31, 2020</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Raw materials	\$ 599,605	(\$ 37,025)	\$ 562,580
Work in progress	4,766	-	4,766
Finished goods	39,333	( 10,407)	28,926
Total	<u>\$ 643,704</u>	<u>(\$ 47,432)</u>	<u>\$ 596,272</u>
	<u>December 31, 2019</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Raw materials	\$ 548,527	(\$ 20,517)	\$ 528,010
Work in progress	2,659	-	2,659
Finished goods	90,288	( 9,930)	80,358
Total	<u>\$ 641,474</u>	<u>(\$ 30,447)</u>	<u>\$ 611,027</u>

The cost of inventories recognised as expense for the year:

	Years ended December 31,	
	2020	2019
Cost of goods sold	\$ 5,973,687	\$ 5,430,984
Scrap loss	8,016	9,430
Loss on (gain on reversal of) decline in market value	16,985	( 9,430)
	<u>\$ 5,998,688</u>	<u>\$ 5,430,984</u>

The Company reversed a previous inventory write-down and accounted for as reduction of cost of goods sold because inventories were subsequently scrapped or sold for the year ended December 31, 2019.

(7) Investment accounted for using equity method

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiaries:		
Taiwan Surface Mounting Technology (B.V.I.) Co. Limited	\$ 15,336,607	\$ 14,238,499
Taiwan Surface Mounting Technology Co., Ltd	3,930	3,960
High-Toned Opto Technology Corp	383	( 5,638)
Bai Hung Investment Corp. Ltd.	5,702	19,017
Fitivision Technology Inc.	( 29,083)	( 100,850)
TSMT Technology (Singapore) Pte. Ltd.	240,162	227,109
Tele System Communciations Pte Ltd.	50	5,978
	<u>15,557,751</u>	<u>14,388,075</u>
Transferred to “other non-current liabilities-credit balance of investments accounted for using equity method”	29,083	106,488
	<u>\$ 15,586,834</u>	<u>\$ 14,494,563</u>

	<u>2020</u>	<u>2019</u>
At January 1	\$ 14,388,075	\$ 14,632,151
Addition of investments accounted for using equity method	280,912	99,990
Gain on disposal of investments accounted for using equity method	-	185,892
Share of profit of subsidiaries and associates accounted for using equity method	2,066,974	1,261,103
Earnings distribution of investments accounted for using equity method	( 592,260)	( 1,011,524)
Reclassified to financial assets at fair value through other comprehensive income	-	( 290,896)
Changes in associates accounted for using equity method	-	( 14,219)
Changes in other equity-exchange differences on translation of foreign financial statements	( 585,950)	( 359,509)
Changes in other equity-unrealised gains (losses) on financial assets at fair value through other comprehensive income	-	( 114,913)
	<u>15,557,751</u>	<u>14,388,075</u>
Transferred to “other non-current liabilities-credit balance of investments accounted for using equity method”	29,083	106,488
At December 31	<u>\$ 15,586,834</u>	<u>\$ 14,494,563</u>

Details of the subsidiaries are provided in Note 4(3) in the Company’s consolidated financial statements as of and for the year ended December 31, 2020.

(8) Property, plant and equipment

	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery and equipment</u>	<u>Other facilities</u>	<u>Total</u>
<u>January 1, 2020</u>					
Cost	\$ 248,841	\$ 479,979	\$ 901,588	\$ 55,864	\$ 1,686,272
Accumulated depreciation	-	( 155,235)	( 187,289)	( 30,876)	( 373,400)
	<u>\$ 248,841</u>	<u>\$ 324,744</u>	<u>\$ 714,299</u>	<u>\$ 24,988</u>	<u>\$ 1,312,872</u>
<u>2020</u>					
At January 1	\$ 248,841	\$ 324,744	\$ 714,299	\$ 24,988	\$ 1,312,872
Additions	-	7,647	242,392	13,716	263,755
Transfer	-	5,880	227,632	1,024	234,536
Disposals	-	-	( 33,961)	-	( 33,961)
Depreciation charge	-	( 20,670)	( 104,868)	( 7,446)	( 132,984)
At December 31	<u>\$ 248,841</u>	<u>\$ 317,601</u>	<u>\$ 1,045,494</u>	<u>\$ 32,282</u>	<u>\$ 1,644,218</u>
<u>December 31, 2020</u>					
Cost	\$ 248,841	\$ 449,948	\$ 1,303,899	\$ 62,991	\$ 2,065,679
Accumulated depreciation	-	( 132,347)	( 258,405)	( 30,709)	( 421,461)
	<u>\$ 248,841</u>	<u>\$ 317,601</u>	<u>\$ 1,045,494</u>	<u>\$ 32,282</u>	<u>\$ 1,644,218</u>
	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery and equipment</u>	<u>Other facilities</u>	<u>Total</u>
<u>January 1, 2019</u>					
Cost	\$ 248,841	\$ 465,044	\$ 671,943	\$ 48,444	\$ 1,434,272
Accumulated depreciation	-	( 137,339)	( 208,540)	( 36,978)	( 382,857)
	<u>\$ 248,841</u>	<u>\$ 327,705</u>	<u>\$ 463,403</u>	<u>\$ 11,466</u>	<u>\$ 1,051,415</u>
<u>2019</u>					
At January 1	\$ 248,841	\$ 327,705	\$ 463,403	\$ 11,466	\$ 1,051,415
Additions	-	13,626	107,390	22,898	143,914
Transfer	-	3,544	246,107	( 3,544)	246,107
Disposals	-	-	( 22,676)	( 308)	( 22,984)
Depreciation charge	-	( 20,131)	( 79,925)	( 5,524)	( 105,580)
At December 31	<u>\$ 248,841</u>	<u>\$ 324,744</u>	<u>\$ 714,299</u>	<u>\$ 24,988</u>	<u>\$ 1,312,872</u>
<u>December 31, 2019</u>					
Cost	\$ 248,841	\$ 479,979	\$ 901,588	\$ 55,864	\$ 1,686,272
Accumulated depreciation	-	( 155,235)	( 187,289)	( 30,876)	( 373,400)
	<u>\$ 248,841</u>	<u>\$ 324,744</u>	<u>\$ 714,299</u>	<u>\$ 24,988</u>	<u>\$ 1,312,872</u>

(9) Leasing arrangements — lessee

A. The Company leases various assets including buildings, business vehicles. Rental contracts are typically made for periods of 2 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings	\$ 13,278	\$ -
Transportation equipment (Business vehicles)	14,607	970
	<u>\$ 27,885</u>	<u>\$ 970</u>

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Buildings	\$ 2,656	\$ -
Transportation equipment (Business vehicles)	1,690	1,663
	<u>\$ 4,346</u>	<u>\$ 1,663</u>

C. For the years ended December 31, 2020 and 2019, the additions to right-of-use assets were \$31,401 and \$0, respectively.

D. The information on profit and loss accounts relating to lease contracts is as follows:

	<u>Year ended December 31,</u>	<u>Year ended December 31,</u>
	<u>2020</u>	<u>2019</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 86	\$ 23
Expense on short-term lease contracts	306	1,304

E. For the years ended December 31, 2020 and 2019, the Group's total cash outflow for leases were \$4,719 and \$2,984, respectively.

(10) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2020</u>	<u>Interest rate range</u>	<u>Collateral</u>
Unsecured borrowings	<u>\$ 3,100,000</u>	0.62% ~ 0.72%	None
<u>Type of borrowings</u>	<u>December 31, 2019</u>	<u>Interest rate range</u>	<u>Collateral</u>
Unsecured borrowings	<u>\$ 2,150,000</u>	0.76% ~ 0.84%	None

(11) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2020</u>
Installment-repayment borrowings				
Bank unsecured borrowings	Borrowing period is from June 17, 2019 to June 17, 2022; principal is repayable in 4 installments from September 17, 2021.	0.99%	None	\$ 400,000
Bank unsecured borrowings	Principal is repayable from June 28, 2019 to June 28, 2022 at maturity.	1.00%	None	270,000
Bank unsecured borrowings	Principal is repayable from April 15, 2020 to June 28, 2022 at maturity.	1.00%	None	270,000
Bank unsecured borrowings	Principal is repayable from May 5, 2020 to December 31, 2022 at maturity.	0.96%	None	500,000
Bank unsecured borrowings	Borrowing period is from November 5, 2020 to November 5, 2023; principal is repayable in 3 installments from November 5, 2022.	0.94%	None	700,000
Less: Current portion (show as "Other current liabilities")				( 320,000)
				<u>\$ 1,820,000</u>

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2019</u>
Installment-repayment borrowings				
Bank unsecured borrowings	Principal is repayable from March 27, 2019 to July 27, 2021 at maturity.	1.10%	None	\$ 400,000
Bank unsecured borrowings	Borrowing period is from June 17, 2019 to June 17, 2022; principal is repayable in 4 installments from September 17, 2021.	1.19%	None	400,000
Bank unsecured borrowings	Principal is repayable from June 28, 2019 to June 28, 2022 at maturity.	1.17%	None	300,000
Less: Current portion (show as "Other current liabilities")				-
				<u>\$ 1,100,000</u>



(12) Pensions

A. (a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contributions for the deficit by next March.

(b) The amounts recognised in the balance sheet are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Present value of defined benefit obligations	\$ 118,682	\$ 101,255
Fair value of plan assets	( 35,854)	( 36,808)
Net defined benefit liability	<u>\$ 82,828</u>	<u>\$ 64,447</u>

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2020</u>			
Balance at January 1	\$ 101,255	(\$ 36,808)	\$ 64,447
Current service cost	542	-	542
Interest (expense) income	810	( 294)	516
	<u>102,607</u>	<u>( 37,102)</u>	<u>65,505</u>
Remeasurements:			
Return on plan asset (excluding amounts included in interest income or expense)	-	( 1,243)	( 1,243)
Change in financial assumptions	5,338	-	5,338
Experience adjustments	14,311	-	14,311
	<u>19,649</u>	<u>( 1,243)</u>	<u>18,406</u>
Pension fund contribution	-	( 1,083)	( 1,083)
Paid pension	( 3,574)	3,574	-
Balance at December 31	<u>\$ 118,682</u>	<u>(\$ 35,854)</u>	<u>\$ 82,828</u>
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2019</u>			
Balance at January 1	\$ 97,481	(\$ 36,068)	\$ 61,413
Current service cost	692	-	692
Interest (expense) income	1,072	( 397)	675
	<u>99,245</u>	<u>( 36,465)</u>	<u>62,780</u>
Remeasurements:			
Return on plan asset (excluding amounts included in interest income or expense)	-	( 1,258)	( 1,258)
Change in financial assumptions	3,853	-	3,853
Experience adjustments	459	-	459
	<u>4,312</u>	<u>( 1,258)</u>	<u>3,054</u>
Pension fund contribution	-	( 1,387)	( 1,387)
Paid pension	( 2,302)	2,302	-
Balance at December 31	<u>\$ 101,255</u>	<u>(\$ 36,808)</u>	<u>\$ 64,447</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and its domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and its domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and its domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Discount rate	<u>0.4%</u>	<u>0.8%</u>
Future salary increases	<u>3.5%</u>	<u>3.5%</u>

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	<u>Discount rate</u>		<u>Future salary increases</u>	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>
<u>December 31, 2020</u>				
Effect on present value of defined benefit obligation	<u>(\$ 3,378)</u>	<u>\$ 3,522</u>	<u>\$ 3,112</u>	<u>(\$ 3,007)</u>
<u>December 31, 2019</u>				
Effect on present value of defined benefit obligation	<u>(\$ 3,224)</u>	<u>\$ 3,368</u>	<u>\$ 3,018</u>	<u>(\$ 2,911)</u>

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. Many assumptions in practice is likely linked. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet

are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2021 amount to \$1,057.

(g) As of December 31, 2020, the weighted average duration of the retirement plan is 12 years.

The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	5,426
1-2 year(s)		8,312
3-5 years		21,120
6-10 years		15,962
	\$	<u>50,820</u>

B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2020 and 2019 were \$25,827 and \$20,247, respectively.

(13) Share capital

As of December 31, 2020, the Company’s authorised capital was \$5,000,000, consisting of 500,000 thousand shares of ordinary stock, and the paid-in capital was \$2,923,984 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected. For the years ended December 31, 2020 and 2019, the number of the Company’s ordinary shares outstanding at beginning and end of the year did not change.

(14) Capital surplus

A. Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. However, capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

B. Changes in capital surplus are provided as follows:

2020						
	Share premium	Treasury share transactions	Employee restricted shares	Changes in equity of associates and joint ventures accounted for under equity method	Others	Total
At January 1	\$ 2,353,508	\$ 13,360	\$ 147,951	\$ -	\$ 182	\$2,515,001
Unclaimed dividends that were past due	-	-	-	-	58	58
At December 31	<u>\$ 2,353,508</u>	<u>\$ 13,360</u>	<u>\$ 147,951</u>	<u>\$ -</u>	<u>\$ 240</u>	<u>\$2,515,059</u>
2019						
	Share premium	Treasury share transactions	Employee restricted shares	Changes in equity of associates and joint ventures accounted for under equity method	Others	Total
At January 1	\$ 2,353,508	\$ 13,360	\$ 147,951	\$ 14,219	\$ 118	\$2,529,156
Unclaimed dividends that were past due	-	-	-	-	64	64
Changes in associates accounted for equity method in equity	-	-	-	( 14,219)	-	( 14,219)
At December 31	<u>\$ 2,353,508</u>	<u>\$ 13,360</u>	<u>\$ 147,951</u>	<u>\$ -</u>	<u>\$ 182</u>	<u>\$2,515,001</u>

(15) Retained earnings

A. The current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses, then 10% of the remaining amount shall be set aside as legal reserve. After setting aside or reversing a special reserve in accordance with related laws and competent authority, the appropriation of the remaining earnings, along with the accumulated unappropriated earnings, shall be proposed by the Board of Directors and resolved by the shareholders.

The Company's dividend policy is residual dividend policy. Taking into consideration the Company's future operation plan, business development, budget of capital expenditure and capital requirement, the Board of Directors proposed the appropriation of unappropriated retained earnings at the shareholders' meeting for approval based on the Company's actual profit and capital conditions. Dividends can be distributed by cash or stocks, however, cash

dividend shall be more than 20% of total dividends.

- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- D. The appropriations of earnings of years 2019 and 2018 as resolved by the shareholders at their meetings on June 19, 2020 and June 13, 2019 are as follows:

	Years ended December 31,			
	2019		2018	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 203,217		\$ 78,500	
Provision for (reversal of) special reserve	487,148		( 180,905)	
Cash dividend	818,714	\$ 2.8	380,118	\$ 1.3

The abovementioned distribution of earnings for the year of 2019 was in agreement with those amounts proposed by the Board of Directors on March 20, 2020.

(16) Operating revenue

The Company derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

	Years ended December 31,	
	2020	2019
Revenue from contracts with customers:		
Memory module	\$ 4,161,926	\$ 3,461,188
TFT-LCD panels	1,615,004	1,520,759
General electronic information products	993,119	1,554,096
Total	<u>\$ 6,770,049</u>	<u>\$ 6,536,043</u>

(17) Interest income

	Year ended December 31, 2020	Year ended December 31, 2019
Interest income from bank deposits	\$ 4,146	\$ 7,091
Other interest income	-	436
	<u>\$ 4,146</u>	<u>\$ 7,527</u>

(18) Other income

	Years ended December 31,	
	2020	2019
Rent income	1,334	1,976
Patent royalties	30,858	36,768
Other income	78,917	40,537
Total	<u>\$ 111,109</u>	<u>\$ 79,281</u>

(19) Other gains and losses

	Years ended December 31,	
	2020	2019
Net currency exchange losses	(\$ 76,941)	(\$ 18,234)
Gains on financial assets at fair value through profit or loss	1,272	2,712
Gain on disposal of investments accounted for using equity method	-	185,892
Gain on disposal of property, plant and equipment	238	6,786
Miscellaneous disbursements	494	(128)
Total	<u>(\$ 74,937)</u>	<u>\$ 177,028</u>

(20) Finance costs

	Years ended December 31,	
	2020	2019
Interest expenses: Bank borrowings	<u>\$ 34,825</u>	<u>\$ 33,949</u>

(21) Expenses by nature

	Years ended December 31,	
	2020	2019
Change in inventory of finished goods	\$ 572,388	\$ 124,779
Raw materials and supplies used	4,367,958	4,384,009
Employee benefit expense	876,577	720,565
Depreciation charges on property, plant and equipment	132,984	105,580
Other expenses	578,964	519,945
Operating cost and operating expenses	<u>\$ 6,528,871</u>	<u>\$ 5,854,878</u>

(22) Employee benefit expense

	Years ended December 31,	
	2020	2019
Salary expenses	\$ 765,848	\$ 630,622
Labour and health insurance fees	56,748	46,397
Pension costs	26,884	21,614
Other personnel expenses	27,097	21,932
	<u>\$ 876,577</u>	<u>\$ 720,565</u>

- A. In accordance with the Articles of Incorporation of the Company, a ratio of profit before tax without deducting employees' remuneration and directors' remuneration of the current year, after covering accumulated losses, shall be distributed as employees' remuneration and directors' remuneration. The ratio shall not be lower than 5% for employees' remuneration and shall not be higher than 1% for directors' remuneration.
- B. For the years ended December 31, 2020 and 2019, employees' remuneration was accrued at \$149,560 and \$115,200, respectively; while directors' remuneration was accrued at \$15,000 and \$10,000, respectively. The aforementioned amounts were recognised in salary expenses. The employees' remuneration and directors' remuneration were estimated and accrued based on the ratio specified in the Company's Articles of Incorporation for the year ended December 31, 2020. The employees' remuneration will be distributed in the form of cash. Employees' remuneration and directors' remuneration of 2019 as resolved by the Board of Directors were in agreement with those amounts recognised in the profit or loss of 2019. Information about employees' remuneration and directors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.



(23) Income tax

A. Income tax expense

Components of income tax expense:

	Years ended December 31,	
	2020	2019
Current tax:		
Current tax on profits for the year	\$ 102,095	\$ 214,662
Tax on undistributed surplus earnings	26,154	25,406
Prior year income tax (over) under estimation	( 20,934)	22,120
Total current tax	<u>107,315</u>	<u>262,188</u>
Deferred tax:		
Origination and reversal of temporary differences	12,592	( 125,255)
Impact of change in tax rate	-	-
Income tax expense	<u>\$ 119,907</u>	<u>\$ 136,933</u>

B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31,	
	2020	2019
Income tax calculated by applying statutory rate to profit before tax	\$ 462,729	\$ 434,431
Effect of amount not allowed to recognise under regulations	( 379,492)	( 345,024)
Tax on undistributed surplus earnings	26,154	25,406
Change in assessment of realisation of deferred tax assets	31,450	-
Prior year income tax (over) under estimation	( 20,934)	22,120
Income tax expense	<u>\$ 119,907</u>	<u>\$ 136,933</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	2020		
	January 1	Recognised in profit or loss	December 31
Deferred income tax assets			
-Temporary differences:			
Unrealised loss for market value decline and obsolete and slow-moving inventories	\$ 6,089	\$ 3,397	\$ 9,486
Allowance for bad debts	588	-	588
Employees' unused compensated absences	3,274	-	3,274
Others	<u>15,389</u>	<u>-</u>	<u>15,389</u>
Subtotal	<u>\$ 25,340</u>	<u>\$ 3,397</u>	<u>\$ 28,737</u>
-Deferred tax liabilities:			
Unrealised gain on investments	(\$ 891,515)	( 18,393)	(\$ 909,908)
Unrealized foreign exchange gain	( 4,245)	2,404	( 1,841)
Subtotal	<u>(\$ 895,760)</u>	<u>(\$ 15,989)</u>	<u>(\$ 911,749)</u>
Total	<u>(\$ 870,420)</u>	<u>(\$ 12,592)</u>	<u>(\$ 883,012)</u>
	2019		
	January 1	Recognised in profit or loss	December 31
Deferred income tax assets			
-Temporary differences:			
Unrealised loss for market value decline and obsolete and slow-moving inventories	\$ 7,975	(\$ 1,886)	\$ 6,089
Allowance for bad debts	588	-	588
Employees' unused compensated absences	3,274	-	3,274
Others	<u>15,389</u>	<u>-</u>	<u>15,389</u>
Subtotal	<u>\$ 27,226</u>	<u>(\$ 1,886)</u>	<u>\$ 25,340</u>
-Deferred tax liabilities:			
Unrealised gain on investments	(\$ 1,022,766)	131,251	(\$ 891,515)
Unrealized foreign exchange gain	( 135)	( 4,110)	( 4,245)
Subtotal	<u>(\$ 1,022,901)</u>	<u>\$ 127,141</u>	<u>(\$ 895,760)</u>
Total	<u>(\$ 995,675)</u>	<u>\$ 125,255</u>	<u>(\$ 870,420)</u>

D. The amounts of deductible temporary difference that are not recognised as deferred tax assets are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Deductible temporary differences	<u>\$ 1,198,537</u>	<u>\$ 612,587</u>

E. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

(24) Earnings per share

	<u>Year ended December 31, 2020</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 2,193,738	<u>292,398</u>	\$ 7.50
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	2,193,738	292,398	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	<u>-</u>	<u>1,680</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 2,193,738</u>	<u>294,078</u>	<u>\$ 7.46</u>

	Year ended December 31, 2019		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 2,035,222	292,398	\$ 6.96
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	2,035,222	292,398	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	1,226	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 2,035,222	293,624	\$ 6.93

(25) Supplemental cash flow information

A. Investing activities with partial cash payments

	Years ended December 31,	
	2020	2019
Purchase of property, plant and equipment	\$ 263,755	\$ 143,914
Add: Opening balance of payable on equipment	16,036	10,463
Less: Ending balance of payable on equipment	( 4,523)	( 16,036)
Cash paid during the year	\$ 275,268	\$ 138,341

B. Financing activities with no cash flow effects

	Years ended December 31,	
	2020	2019
Prepayments for business facilities and prepayments transferred to property, plant and equipment	\$ 234,536	\$ 246,107

(26) Changes in liabilities from financing activities

	2020			
	Short-term borrowings	Long-term borrowings	Lease liabilities	Liabilities from financing activities-gross
At January 1	\$ 2,150,000	\$ 1,100,000	\$ 976	\$ 3,250,976
Changes in cash flow from financing activities	950,000	1,040,000	( 4,327)	1,985,673
Reclassifications	-	-	( 139)	( 139)
Interest expense paid (Note)	-	-	( 86)	( 86)
Interest expense (Note)	-	-	86	86
Changes in other non-cash items	-	-	31,400	31,400
At December 31	<u>\$ 3,100,000</u>	<u>\$ 2,140,000</u>	<u>\$ 27,910</u>	<u>\$ 5,267,910</u>

Note: Shown as operating cash flows.

	2019				
	Short-term borrowings	Long-term borrowings	Lease liabilities	Accounts payable to related parties	Liabilities from financing activities-gross
At January 1	\$ 2,856,437	\$ 500,000	\$ 2,633	\$ 602,334	\$ 3,961,404
Changes in cash flow from financing activities	( 706,437)	600,000	( 1,657)	( 599,293)	( 707,387)
Interest expense paid (Note)	-	-	( 23)	-	( 23)
Interest expense (Note)	-	-	23	-	23
At December 31	<u>\$ 2,150,000</u>	<u>\$ 1,100,000</u>	<u>\$ 976</u>	<u>\$ 3,041</u>	<u>\$ 3,254,017</u>

Note: Shown as operating cash flows.

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
Taiwan Surface Mounting Technology Co., Ltd	Subsidiary
Taiwan Surface Mounting Technology (B.V.I.) Co. Limited	"
High-Toned Opto Technology Corp	"
Bai Hung Investment Corp. Ltd.	"
Fitivision Technology Inc.	"
Taiwan Surface Mounting Technology (Singapore) Pte. Ltd.	"
Tele System Communciations Pte Ltd.	"
Regent Manner International Holdings Limited	Second-tier subsidiary
TAIWAN SURFACE MOUNTING TECHNOLOGY (U.S.A) CO.,LTD.	"
TAIWAN SURFACE MOUNTING TECHNOLOGY (India) Pvt. Ltd.	"

Names of related parties	Relationship with the Company
Regent Manner (B.V.I.) Limited	Third-tier subsidiary
Uniflex Technology Inc. (Uniflex Technology)	Other related parties
iWEECARE Co., Ltd.	Investee accounted for using equity method
Regent Manner Limited	Subsidiary of Regent Manner (B.V.I.)
Regent Electron (Suzhou) Co., Ltd	Subsidiary of Regent Manner Limited
Taiwan Surface Mounting Technology (Suzhou) Co., Ltd	"
Regent Electron (Ningbo) Co., Ltd	"
Regent Electron (Xiamen) Co., Ltd.	"
Regent Electron (Chengdu) Co., Ltd	"
Regent Electron (Dongguan) Co., Ltd	"
Ningbo Yongfu Trade Co., Ltd.	"
Regent Electron (He Fei) Co.,Ltd.	"
Regent Electron (Chong Qing) Co., Ltd	"
High-Toned Technology (Hong Kong) Limited	Subsidiary of High-Toned Opto Technology Corp.
Tai Ming Green Power Co., Ltd.	Subsidiary of Bai Hung Investment Corp.
Dongguan Zuefu Electron Co., Ltd.	Subsidiary of Ningbo Yongfu Trade Co.,
Regent Electron (Xianyang) Co., Ltd.	Subsidiary of Regent Electron (Suzhou) Co., Ltd
TELE SYSTEM COMMUNICATIONS DE MEXICO, S.A. DE C.V	Subsidiary of Tele System Communciations Pte Ltd.
TSC ELECTRONIC PTE. LTD.	"
Directors, general managers and key management	Key management personnel of the Company

(2) Significant related party transactions

A. Operating revenue

	Years ended December 31,	
	2020	2019
Sales of goods:		
Subsidiaries	\$ 44,841	\$ 52,224
Associates	4,305	2,080
	<u>\$ 49,146</u>	<u>\$ 54,304</u>

Goods are first sold to subsidiary based on the price specified in the customer order, and transferred from subsidiary to customers with the same price. In 2020 and 2019, the collection terms are 90 days to 120 days after monthly billing that would be available to third parties.

## B. Purchases

	Years ended December 31,	
	2020	2019
Purchases of goods:		
Subsidiaries	\$ 524,377	\$ 113,884
Associates	1,325	900
	<u>\$ 525,702</u>	<u>\$ 114,784</u>

Raw materials and finished goods are purchased from subsidiaries and associates. Purchases are negotiated with related parties, and the payment terms are 90 days to 120 days after monthly billing that would be available to third parties.

## C. Receivables from related parties

	December 31, 2020	December 31, 2019
Regent Manner Limited	\$ -	\$ 8,189
Fitivision Technology Inc.	4,509	-
Tele System Communciations Pte Ltd.	3,288	-
Subsidiaries	539	18,974
Associates	874	10
	<u>\$ 9,210</u>	<u>\$ 27,173</u>

The receivables from related parties arise mainly from sales of goods. The receivables are unsecured in nature and bear no interest.

## D. Other receivables

	December 31, 2020	December 31, 2019
Regent Electron (Suzhou) Co., Ltd	\$ 177,110	\$ -
Regent Manner Limited	27,322	62,602
Subsidiaries	817	599
	<u>\$ 205,249</u>	<u>\$ 63,201</u>

Other receivables comprise of purchasing raw materials and equipment based on the purchase contracts and patent royalties receivables. Please refer to Notes 7(2) H and 13(1) for more information.

## E. Payables to related parties

	December 31, 2020	December 31, 2019
Regent Electron (Suzhou) Co., Ltd	\$ 263,460	\$ -
Regent Manner Limited	15,431	21,806
Subsidiaries	21,915	-
Associates	179	478
	<u>\$ 300,985</u>	<u>\$ 22,284</u>

The payables to related parties arise mainly from purchase transactions. The payables bear no

interest.

F. Other payables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other payables - business facilities:		
Regent Manner Limited	\$ 257	\$ -
Subsidiaries	-	2,392
Other payables - others:		
Subsidiaries	<u>227</u>	<u>649</u>
	<u>\$ 484</u>	<u>\$ 3,041</u>

Other payables arise from purchase equipment from subsidiaries.

G. Property transactions

(a) Acquisition of property, plant and equipment

	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
High-Toned Opto Technology Corp	\$ -	\$ 2,347
Subsidiaries	<u>510</u>	<u>424</u>
	<u>\$ 510</u>	<u>\$ 2,771</u>

(b) Disposal of property, plant and equipment

	<u>Years ended December 31,</u>			
	<u>2020</u>		<u>2019</u>	
	<u>Disposal</u>	<u>Gain (loss) on</u>	<u>Disposal</u>	<u>Gain (loss) on</u>
	<u>proceeds</u>	<u>disposal</u>	<u>proceeds</u>	<u>disposal</u>
Regent Manner Limited	\$ 28,579	\$ -	\$ 15,027	\$ -
Subsidiaries	<u>5,382</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 33,961</u>	<u>\$ -</u>	<u>\$ 15,027</u>	<u>\$ -</u>

H. Raw materials purchased on behalf of others /Other income

(a) For the years ended December 31, 2020 and 2019, the Company purchased raw material on behalf of Regent Manner Limited amounting to \$30,709 and \$41,458, respectively, based on the purchase contracts under Taiwanese suppliers' requirement. For the years ended December 31, 2020 and 2019, revenue from raw material purchased on behalf of others amounted to \$921 and \$1,274, respectively, which was recognised in miscellaneous income. The transactions of raw materials purchased on behalf of others are not included in the Company's sales revenue and purchases. The payment terms are 90 days to 120 days after monthly billing, and they were recognised in "other receivables - related parties" and "accounts payable".

(b) For the years ended December 31, 2020 and 2019, the Company received patent royalties from Regent Manner Limited amounting to \$30,858 and \$36,768, respectively, and those amounts were recognised in "other income". The collection terms are 90 days to 120 days



after monthly billing. As of December 31, 2020 and 2019, receivables amounted to \$30,858 and \$36,768, respectively, and were recognised in “other receivables - related parties”.

I. Endorsements and guarantees provided to related parties:

Details of endorsements and guarantees provided to related parties are as follows:

<u>Party being endorsed/guaranteed</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiaries	\$ 825,920	\$ 869,420
 (3) <u>Key management compensation</u>		
	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ 61,478	\$ 38,657

8. PLEGDED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

Information on endorsements and guarantees provided to subsidiaries is provided in Note 7(2) I.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On March 19, 2021, the Board of Directors proposed that cash dividends for the distribution of earnings for the year 2020 was \$964,915 at \$3.3 (in dollars) per share. As of March 19, 2021, the distribution of earnings for the year 2020 has not been approved by the shareholders.

12. OTHERS

(1) Capital management

The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including ‘current and non-current borrowings’ as shown in the balance sheet). Total capital is calculated as ‘equity’ as shown in the balance sheet.

The gearing ratios as at December 31, 2020 and 2019 were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Total borrowings	\$ 5,240,000	\$ 3,250,000
Total equity	\$ 13,490,482	\$ 12,731,889
Gearing ratio	39%	26%

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Financial assets at amortised cost		
Cash and cash equivalents	\$ 2,176,031	\$ 662,988
Financial assets at amortised cost	497,830	382,626
Accounts receivable	854,240	1,099,287
Other receivables	237,901	180,692
Guarantee deposits paid	1,730	3,585
	<u>\$ 3,767,732</u>	<u>\$ 2,329,178</u>

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	\$ -	\$ 254
Financial liabilities at amortised cost		
Short-term notes and bills payable	3,100,000	2,150,000
Notes payable	19,136	4,807
Accounts payable	1,733,403	1,789,058
Other payables	515,882	399,523
Long-term borrowings (including current portion)	2,140,000	1,100,000
Guarantee deposits received	30	30
	<u>\$ 7,508,451</u>	<u>\$ 5,443,672</u>
Lease liability	<u>\$ 27,910</u>	<u>\$ 976</u>

B. Financial risk management policies

- (a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Company, derivative financial instruments, such as foreign exchange forward contracts and foreign currency option contracts are used to hedge certain exchange rate risk. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.

- (b) Risk management is carried out by a central treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.
  - (c) Information about derivative financial instruments that are used to hedge certain exchange rate risk are provided in Note 6(2).
- C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. Exchange rate risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management has set up a policy to require companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Company treasury. Exchange rate risk is measured through a forecast of highly probable USD and RMB expenditures. Forward foreign exchange contracts are adopted to minimise the volatility of the exchange rate affecting cost of forecast inventory purchases.
- iii. The Company hedges foreign exchange rate by using forward exchange contracts. However, the Company does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2).
- iv. The Company's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2020			
(Foreign currency: functional currency)	Foreign currency amount		Book value
	(In thousands)	Exchange rate	(NTD)
	(In thousands)	Exchange rate	(NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 110,137	28.48	\$ 3,136,702
JPY:NTD	16,412	0.276	4,530
RMB:NTD	4,048	4.365	17,670
<u>Non-monetary items</u>			
USD:NTD	547,179	28.48	15,583,658
JPY:NTD	324,533	0.276	89,571
HKD:NTD	1,020	3.673	3,746
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 48,459	28.48	\$ 1,380,112

December 31, 2019			
(Foreign currency: functional currency)	Foreign currency amount		Book value
	(In thousands)	Exchange rate	(NTD)
	(In thousands)	Exchange rate	(NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 47,866	29.98	\$ 1,435,023
JPY:NTD	16,412	0.276	4,530
<u>Non-monetary items</u>			
USD:NTD	482,591	29.98	14,468,078
HKD:NTD	1,028	3.849	3,957
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 55,761	29.98	\$ 1,671,715

- v. The total exchange (loss) gain arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2020 and 2019, amounted to (\$76,941) and (\$18,234), respectively.

vi. Analysis of foreign currency market risk arising from significant foreign exchange variation:

		December 31, 2020		
		Sensitivity analysis		
		Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$ 31,367	\$	-
JPY:NTD	1%	45		-
RMB:NTD	1%	177		-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$ 13,801	\$	-

		Year ended December 31, 2019		
		Sensitivity analysis		
		Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$ 14,350	\$	-
JPY:NTD	1%	45		-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$ 16,717	\$	-

Price risk

The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss financial assets at fair value through other comprehensive income to manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.

### Cash flow and fair value interest rate risk

- i. The Company's interest rate risk mainly arising from long-term borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. During 2020 and 2019, the Company's borrowings at variable rate were mainly denominated in New Taiwan dollars.
- ii. If the borrowing interest rate of New Taiwan dollars had increased/decreased by 1% with all other variables held constant, profit before tax for the years ended December 31, 2020 and 2019 would have increased/decreased by \$21,400 and \$11,000, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

### (b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost, at fair value through profit or loss and at fair value through other comprehensive income, and the contract cash flows of investments reclassified as debt instruments at fair value through other comprehensive income.
- ii. The Company manages their credit risk taking into consideration the entire company's concern. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. The Company adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:  
If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iv. The Company adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.
- v. The Company classifies customers' accounts receivable in accordance with credit rating of customer. The Company applies the simplified approach using loss rate methodology to estimate expected credit loss under the provision matrix basis.

- vi. The Company used the forecast ability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of accounts receivable. As of December 31, 2020 and 2019, the loss rate methodology is as follows:

<u>December 31, 2020</u>	<u>Group A</u>
Expected loss rate	0.03%
Total book value	\$ 847,967
Loss allowance	2,937

<u>December 31, 2019</u>	<u>Group A</u>
Expected loss rate	0.03%
Total book value	\$ 1,075,051
Loss allowance	2,937

Group A : Customers had no payments that were past due over 90 days.

- vii. Movements in relation to the Company applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	<u>2020</u>
At January 1	\$ 2,937
Provision for impairment	87
Write-offs	( 87)
At December 31	<u>\$ 2,937</u>
	<u>2019</u>
At January 1	\$ 2,937
Provision for impairment	-
At December 31	<u>\$ 2,937</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration of the compliance with balance sheet ratio targets and external regulatory and legal requirements.
- ii. The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

<u>Non-derivative financial liabilities</u>		Between 1	
December 31, 2020	<u>Within 1 year</u>	<u>and 5 years</u>	<u>Over 5 years</u>
Short-term borrowings	\$ 3,100,000	\$ -	\$ -
Notes payable	19,136	-	-
Accounts payable	1,733,403	-	-
Other payables	515,882	-	-
Lease liability	10,642	17,710	-
Long-term borrowings (including current portion)	34,750	1,840,063	-

<u>Non-derivative financial liabilities</u>		Between 1	
December 31, 2019	<u>Within 1 year</u>	<u>and 5 years</u>	<u>Over 5 years</u>
Short-term borrowings	\$ 2,150,000	\$ -	\$ -
Notes payable	4,807	-	-
Accounts payable	1,789,058	-	-
Other payables	399,523	-	-
Lease liability	980	-	-
Long-term borrowings (including current portion)	12,670	1,117,573	-

- iii. The Company does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Company's investment in most derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in certain derivative instruments and equity investment without active market is included in Level 3.



B. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities as at December 31, 2020 and 2019 are as follows:

(a) The related information of natures of the assets and liabilities is as follows:

<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	<u>\$ 266,039</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 266,039</u>
<u>December 31, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	<u>\$ 278,171</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 278,171</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Cross currency swap	<u>\$ -</u>	<u>\$ 254</u>	<u>\$ -</u>	<u>\$ 254</u>

(b) The methods and assumptions the Company used to measure fair value are as follows:

- i. When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Company adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- ii. The Company takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Company's credit quality.

C. For the years ended December 31, 2020 and 2019, there was no transfer between Level 1 and Level 2.

### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

Disclosures of investees that are based on investees' financial statements audited by independent accountants and inter-company transactions between companies are eliminated. The following disclosures are for reference only.

The Company's significant transactions information for the year ended December 31, 2020 is as follows:

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period: Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- I. Trading in derivative financial instruments undertaken during the reporting periods: Please refer to Notes 6(2) and 12(2).
- J. Significant inter-company transactions during the reporting periods (individual transactions not exceeding \$10,000 are not disclosed; corresponding transactions from the other side are not disclosed): Please refer to table 6.

(2) Information on investees

- A. Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 7.
- B. Disclosures in relation to significant transactions conducted with investees are provided in Note 13(1) A to J.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 8.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland China, and price, payment terms, unreleased income/loss and other related information relating to investments in Mainland China:
  - (a) Purchase amount and percentage and ending balance and percentage of payables: Please refer to table 4.
  - (b) Sales amount and percentage and ending balance and percentage of receivables: Please refer to table 4.
  - (c) Property transaction amounts and gains and loss arising from them: None.
  - (d) Balance and purpose of provision of endorsements/guarantees or collaterals: Please refer to table 2.
  - (e) Maximum balance, ending balance and interest rate range: Please refer to table 1.

(f) Other significant transactions that affected the gains and losses or financial status for the period, i.e. rendering/receiving of service:

- i. In 2020, processing fee arising from the electronic information products circuit board manufactured by Regent Electron (Suzhou) Co., Ltd appointed by the Company's indirectly held subsidiary, Regent Manner Limited, amounted to HKD 496,877 thousand. The prices are made under mutual agreement, and the payment terms are 90 days to 120 days after monthly billings.
- ii. For the year ended December 31, 2020, raw materials purchased on behalf of indirectly held subsidiaries, Regent Manner Limited and Regent Electron (Suzhou) Co., amounted to \$196,685, and the received processing income amounted to \$5,085.
- iii. For the year ended December 31, 2020, the Company's indirectly held subsidiary, received the processing income as follows:

Conterparties	Raw material purchased on behalf of others	Received processing income
Taiwan Surface Mounting Technology Corp.	HKD 1,168 thousand	-
Regent Electron (Chong Qing)Co., Ltd	HKD 371,261 thousand	-
Regent Electron (Xiamen) Co., Ltd.	HKD 43,775 thousand	HKD 2 thousand
Dongguan Zuefu Electron Co., Ltd.	HKD 33,555 thousand	HKD 1,598 thousand
Regent Electron(Dongguan) Co., Ltd	HKD 3,681 thousand	-
Taiwan Surface Mounting Technology (Suzhou) Co., Ltd.	HKD 12,201 thousand	-
Regent Electron (Suzhou) Co., Ltd.	HKD 6,641 thousand	-
Regent Electron (Ningbo) Co.,Ltd.	HKD 85 thousand	-
Regent Electron (He Fei) Co.,Ltd.	HKD 51,962 thousand	HKD 4,480 thousand
Regent Electron (Xianyang) Co.,Ltd.	HKD 72 thousand	-

#### 14. SEGMENT INFORMATION

Not applicable.

## Taiwan Surface Mounting Technology Corp. and subsidiaries

## Loans to others

Year ended December 31, 2020

Table 1

Expressed in thousands of NTD

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum	Balance at December 31, 2020	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Ceiling on total loans granted	Footnote	
					balance during the year ended December 31, 2020								Limit on loans granted to a single part	Value			
1	Regent Electron (Suzhou) Co., Ltd	Regent Electron (He Fei) Co., Ltd.	Other receivables	Y	\$ 262,992	\$ -	\$ -	People's Bank of China's rate on 3-month time deposits	2	-	Additional operating capital	-	None	-	\$ 5,849,336	\$ 5,849,336	
2	Regent Electron (Suzhou) Co., Ltd	Regent Electron (He Fei) Co., Ltd.	Other receivables	Y	87,664	-	-	People's Bank of China's rate on 3-month time deposits	2	-	Additional operating capital	-	None	-	5,849,336	5,849,336	
3	Regent Electron (Ningbo) Co., LTD.	Regent Electron (He Fei) Co., Ltd.	Other receivables	Y	109,580	109,120	109,120	People's Bank of China's rate on 3-month time deposits	2	-	Additional operating capital	-	None	-	1,359,602	1,359,602	
4	Regent Manner Limited	High-Toned Opto Technology Corp	Other receivables	Y	70,000	-	-	1.00	2	-	Additional operating capital	-	None	-	3,820,467	6,112,747	
5	Regent Manner Limited	Fitivision Technology Inc.	Other receivables	Y	180,000	-	-	1.00	2	-	Additional operating capital	-	None	-	3,820,467	6,112,747	
6	TSMT Technology (Singapore) Pte. Ltd.	TSMT Technology (India) Pvt. Ltd.	Other receivables	Y	121,000	113,920	113,493	1.5401% (Based on the contract terms)	2	-	Additional operating capital	-	None	-	240,162	240,162	
7	TSMT Technology (Singapore) Pte. Ltd.	TSMT Technology (India) Pvt. Ltd.	Other receivables	Y	181,500	170,880	170,880	1.5165% (Based on the contract terms)	2	-	Additional operating capital	-	None	-	240,162	240,162	
8	Regent Manner Limited	High-Toned Opto Technology Corp	Other receivables	Y	30,000	30,000	20,000	1.00	2	-	Additional operating capital	-	None	-	3,820,467	6,112,747	
9	Regent Manner Limited	Fitivision Technology Inc.	Other receivables	Y	60,000	60,000	50,000	1.00	2	-	Additional operating capital	-	None	-	3,820,467	6,112,747	
10	Regent Electron (Xiamen) Co., Ltd.	Regent Electron (He Fei) Co., Ltd.	Other receivables	Y	218,980	218,240	174,592	People's Bank of China's rate on 3-month	2	-	Additional operating capital	-	None	-	1,544,761	1,544,761	
11	Taiwan Surface Mounting Technology (Suzhou) Co., Ltd.	Regent Electron (Suzhou) Co., Ltd	Other receivables	Y	305,536	305,536	305,536	People's Bank of China's rate on 3-month time deposits	2	-	Additional operating capital	-	None	-	2,309,350	2,309,350	

Note 1: The numbers filled in for the nature of loans are as follows:

Business association is labeled as "1"

Short-term financing is labeled as "2".

Note 2: Limit on the Company's and subsidiaries' loans granted to others as prescribed in "Procedures for Provision of Loans" are as follows:

(1) Nature of the loan is related to business transactions: 25% of the Company's net worth or the amount of business transactions between the creditor and borrower.

(2) Nature of loan is for short-term financing: ceiling on loans granted to a single party is lower than 25% of the borrower's net worth.

(3) Limit on TSMT Technology (Singapore) Pte. Ltd. loans granted to others:

A. Nature of loan is for short-term financing: ceiling on loans granted to a single party is lower than 40% of the borrower's net worth.

The Company loan which the parent company holds directly and indirectly 100% voting share's foreign companies, if there is a loan classified as short-term financing, the limit of individual borrower shall be lower than 100% of the Company's net worth.

Note 3: The facility approved by the Board of Directors was consistent with the actual loaned facility.

Taiwan Surface Mounting Technology Corp. and subsidiaries  
Provision of endorsements and guarantees to others  
Year ended December 31, 2020

Table 2

Expressed in thousands of NTD

Number	Endorser/ guarantor	Company name	Relationship with the endorser/ guarantor ( Note 1 )	Limit on endorsements/ guarantees provided for a single party (Note 2)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2020	Outstanding endorsement/ guarantee amount at December 31, 2020	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
0	The Company	T SMT Technology (India) Pvt. Ltd.	2	\$ 6,745,241	\$ 423,500	\$ 398,720	\$ 398,720	-	2.96	\$ 13,490,482	Y	N	N	
0	The Company	T SMT Technology (Singapore) Pte. Ltd.	2	6,745,241	453,750	427,200	427,200	-	3.17	13,490,482	Y	N	N	

Note 1: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories; fill in the number of category each case belongs to:

- (1) Having business relationship.
- (2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (3) The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.
- (4) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.
- (5) Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.
- (6) Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.
- (7) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 2: Limit on endorsements/guarantees provided for a single party and ceiling on total amount of endorsements/guarantees are as follows:

- (1) Ceiling on total amount of endorsements/guarantees shall be lower than the Company's net worth.
- (2) Limit on endorsements/guarantees provided for a single party shall be lower than 10% of the Company's net worth.
- (3) Ceiling on total amount of endorsements/guarantees that the determination was authorised to chairman shall be lower than 10% of the Company's net worth.

Net worth was determined based on the financial statements that are audited or reviewed by CPA.

Taiwan Surface Mounting Technology Corp. and subsidiaries

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

Year ended December 31, 2020

Table 3

Expressed in thousands of NTD

As of December 31, 2020								
Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares (in thousand shares)	Book value	Ownership (%)	Fair value	Footnote
Taiwan Surface Mounting Technology Corp.	Stocks-LED ONE Distribution, Inc.	None	Financial assets at fair value through other comprehensive income-non-current	180	\$ -	18	\$ -	None
Taiwan Surface Mounting Technology Corp.	Stocks-Uniflex Technology Inc.	None	Financial assets at fair value through other comprehensive income-non-current	17,332	266,039	11.1	266,039	None
TAIWAN SURFACE MOUNTING TECHNOLOGY (BVI) CO LIMITED	Stocks-Best Option Investment Ltd.	None	Financial assets at fair value through other comprehensive income-non-current	14,142	-	0.49	-	None
Regent Electron (Suzhou) Co., Ltd	Chuzhou Bwin Techology Corp.	None	Financial assets at fair value through other comprehensive income-non-current		6,547	3.00	6,547	None
Ningbo Yongfu Trade Co., Ltd.	Fubon Bank (China) structured products-NDRMBC20080095	None	Financial assets at fair value through profit or loss-current		34,918		34,918	None
Ningbo Yongfu Trade Co., Ltd.	Fubon Bank (China) structured products-NDRMBC20090044	None	Financial assets at fair value through profit or loss-current		39,283		39,283	None
Ningbo Yongfu Trade Co., Ltd.	Fubon Bank (China) structured products-NDRMBC20120155	None	Financial assets at fair value through profit or loss-current		21,825		21,825	None
Ningbo Yongfu Trade Co., Ltd.	Fubon Bank (China) structured products-NDRMBC20120156	None	Financial assets at fair value through profit or loss-current		21,825		21,825	None
Ningbo Yongfu Trade Co., Ltd.	Fubon Bank (China) structured products-NDRMBC20120157	None	Financial assets at fair value through profit or loss-current		21,825		21,825	None
TAIWAN SURFACE MOUNTING TECHNOLOGY (SUZHOU) CO., LTD	Fubon Bank (China) structured products-NDRMBC20110052	None	Financial assets at fair value through profit or loss-current		65,472		65,472	None

As of December 31, 2020

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares (in thousand shares)	Book value	Ownership (%)	Fair value	Footnote
TAIWAN SURFACE MOUNTING TECHNOLOGY (SUZHOU) CO., LTD	Fubon Bank (China) structured products-NDRMBC20110307	None	Financial assets at fair value through profit or loss-current		65,472		65,472	None
TAIWAN SURFACE MOUNTING TECHNOLOGY (SUZHOU) CO., LTD	Fubon Bank (China) structured products-NDRMBC20120437	None	Financial assets at fair value through profit or loss-current		130,944		130,944	None
Regent Electron (Xiamen) Co., Ltd.	Fubon Bank (China) structured products-SDRMBC20100542	None	Financial assets at fair value through profit or loss-current		43,648		43,648	None
Regent Electron(Dongguan) Co.,Ltd	Fubon Bank (China) structured products-NDRMBC20120168	None	Financial assets at fair value through profit or loss-current		21,825		21,825	None
DONGGUAN ZUEFU ELECTRON CO., LTD.	E.SUN Bank (China) structured deposits-CNYRMTL2020102802	None	Financial assets at fair value through profit or loss-current		65,472		65,472	None
DONGGUAN ZUEFU ELECTRON CO., LTD.	Fubon Bank (China) structured products-NDRMBC20110270	None	Financial assets at fair value through profit or loss-current		43,648		43,648	None
DONGGUAN ZUEFU ELECTRON CO., LTD.	E.SUN Bank (China) structured deposits-CNYRMTL2020120301	None	Financial assets at fair value through profit or loss-current		87,296		87,296	None
DONGGUAN ZUEFU ELECTRON CO., LTD.	E.SUN Bank (China) structured deposits-CNYRMTL2020120301	None	Financial assets at fair value through profit or loss-current		87,296		87,296	None
DONGGUAN ZUEFU ELECTRON CO., LTD.	E.SUN Bank (China) structured deposits-CNYRMTL2020121802	None	Financial assets at fair value through profit or loss-current		52,378		52,378	None
DONGGUAN ZUEFU ELECTRON CO., LTD.	E.SUN Bank (China) structured deposits-CNYRMTL2020122501	None	Financial assets at fair value through profit or loss-current		61,107		61,107	None



As of December 31, 2020

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares		Ownership (%)	Fair value	Footnote
				(in thousand shares)	Book value			
DONGGUAN ZUEFU ELECTRON CO., LTD.	E.SUN Bank (China) structured deposits-CNYRMTL2020122501	None	Financial assets at fair value through profit or loss-current		43,648		43,648	None
DONGGUAN ZUEFU ELECTRON CO., LTD.	Fubon Bank (China) structured products-NDRMBC20120272	None	Financial assets at fair value through profit or loss-current		87,296		87,296	None

Taiwan Surface Mounting Technology Corp. and subsidiaries  
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more  
Year ended December 31, 2020

Table 4

Expressed in thousands of NTD

Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Description and reasons of difference in transaction terms compared to third party transactions		Footnote
									Notes/accounts receivable (payable)	Percentage of total notes/accounts receivable (payable)	
Taiwan Surface Mounting Technology Corp.	Regent Electron (Suzhou) Co., Ltd.	The Company's subsidiary	Purchase	\$ 397,396 thousand	8%	90~120 days after monthly billings	-	-	(\$ 263,460 thousand)	(15%)	-
Regent Electron (Suzhou) Co., Ltd.	Taiwan Surface Mounting Technology Corp.	The Company is the company's ultimate parent company	(sales)	(RMB 93,096 thousand)	(4%)	"	-	-	RMB 60,360 thousand	6%	-
Regent Manner Limited	Regent Electron (Ningbo) Co., LTD.	Affiliate	Purchase	HKD 311,860 thousand	6%	"	-	-	(HKD 274,434 thousand)	(12%)	-
Regent Electron (Ningbo) Co., LTD.	Regent Manner Limited	Affiliate	(sales)	(RMB 277,710 thousand)	(72%)	"	-	-	RMB 230,883 thousand	82%	-
Regent Manner Limited	Regent Electron (Chong Qing) Co., Ltd.	Affiliate	Purchase	HKD 936,211 thousand	18%	"	-	-	(HKD 490,251 thousand)	(22%)	-
Regent Electron (Chong Qing) Co., Ltd.	Regent Manner Limited	Affiliate	(sales)	(RMB 836,075 thousand)	(75%)	"	-	-	RMB 412,546 thousand	71%	-
Regent Manner Limited	Regent Electron (Xiamen) Co., Ltd.	Affiliate	Purchase	HKD 146,135 thousand	3%	"	-	-	(HKD 114,607 thousand)	(5%)	-
Regent Electron (Xiamen) Co., Ltd.	Regent Manner Limited	Affiliate	(sales)	(RMB 129,967 thousand)	(23%)	"	-	-	RMB 96,440 thousand	35%	-
Ningbo Yongfu Trade Co., Ltd.	Regent Manner Limited	Affiliate	Purchase	RMB 32,140 thousand	61%	"	-	-	(RMB 24,408 thousand)	(84%)	-
Regent Manner Limited	Ningbo Yongfu Trade Co., Ltd.	Affiliate	(sales)	(HKD 36,231 thousand)	(1%)	"	-	-	HKD 29,005 thousand	2%	-
Regent Manner Limited	Regent Electron (Suzhou) Co., Ltd.	Affiliate	Purchase	HKD 559,779 thousand	11%	"	-	-	(HKD 524,772 thousand)	(23%)	-
Regent Electron (Suzhou) Co., Ltd.	Regent Manner Limited	Affiliate	(sales)	(RMB 497,848 thousand)	(21%)	"	-	-	RMB 432,660 thousand	45%	-
Regent Manner Limited	Regent Electron (He Fei) Co., Ltd.	Affiliate	Purchase	HKD 130,420 thousand	2%	"	-	-	(HKD 36,864 thousand)	(2%)	-
Regent Electron (He Fei) Co., Ltd.	Regent Manner Limited	Affiliate	(sales)	(RMB 116,627 thousand)	(26%)	"	-	-	RMB 31,021 thousand	15%	-
Taiwan Surface Mounting Technology (Suzhou) Co., Ltd.	Regent Electron (Ningbo) Co., LTD.	Affiliate	Purchase	RMB 73,787 thousand	11%	"	-	-	(RMB 40,189 thousand)	(18%)	-

Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Description and reasons of difference in transaction terms compared to third party transactions		Footnote
									Notes/accounts receivable (payable)	Percentage of total notes/accounts receivable (payable)	
Regent Electron (Ningbo) Co., LTD.	Taiwan Surface Mounting Technology (Suzhou) Co., Ltd.	Affiliate	(sales)	(RMB 73,787 thousand)	(19%)	"	-	-	RMB 40,189 thousand	14%	-
Regent Electron (Ningbo) Co., LTD.	Uniflex Technology	Other related party	Purchase	RMB 29,483 thousand	11%	"	-	-	(RMB 12,432 thousand)	(11%)	-

Taiwan Surface Mounting Technology Corp. and subsidiaries  
Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more  
Year ended December 31, 2020

Table 5

Expressed in thousands of NTD

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2020	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Taiwan Surface Mounting Technology Corp.	Regent Electron (Suzhou) Co., Ltd.	The Company's subsidiary	Other receivables NTD 177,110 thousand (Note4 and 5)	-	-	-	-	-
Regent Manner Limited	Regent Electron (Suzhou) Co., Ltd.	The Company's subsidiary	Other receivables HKD 426,827 thousand (Note4)	-	-	-	HKD 193,420 thousand	-
Regent Manner Limited	Regent Electron (Chong Qing) Co., Ltd.	"	Other receivables HKD 323,782 thousand (Note4)	-	-	-	HKD 61,781 thousand	-
Regent Manner Limited	Ningbo Yongfu Trade Co., Ltd.	"	Accounts receivable HKD 29,005 thousand (Note3)	-	-	-	HKD 29,005 thousand	-
Regent Manner Limited	Tele System Communications Pte Ltd.	Affiliate	Accounts receivable HKD 53,929 thousand (Note3)	-	-	-	HKD 19 thousand	-
Regent Electron (Ningbo) Co., LTD.	Regent Manner Limited	The Company's parent company	Accounts receivable RMB 230,883 thousand (Note3)	-	-	-	RMB 13,822 thousand	-
Regent Electron (Ningbo) Co., LTD.	Taiwan Surface Mounting Technology (Suzhou) Co., Ltd.	Affiliate	Accounts receivable RMB 40,189 thousand (Note3)	-	-	-	RMB 26,280 thousand	-
Regent Electron (Ningbo) Co., LTD.	Regent Electron (He Fei) Co., Ltd.	"	Other receivables RMB 25,226 thousand (Note2)	-	-	-	RMB 25,226 thousand	-
Regent Electron (Chong Qing) Co., Ltd.	Regent Manner Limited	The Company's parent company	Accounts receivable RMB 412,546 thousand (Note3)	-	-	-	RMB 194,071 thousand	-
Regent Electron (He Fei) Co., Ltd.	Regent Manner Limited	"	Accounts receivable RMB 31,021 thousand (Note3)	-	-	-	RMB 31,021 thousand	-
Regent Electron (Suzhou) Co., Ltd.	Taiwan Surface Mounting Technology Corp.	The Company is the company's ultimate parent company	Accounts receivable RMB 60,360 thousand (Note3)	-	-	-	RMB 60,360 thousand	-
Regent Electron (Suzhou) Co., Ltd.	Regent Manner Limited	The Company's parent company	Accounts receivable RMB 432,660 thousand (Note1 and 3)	-	-	-	RMB 241,033 thousand	-
Taiwan Surface Mounting Technology (Suzhou) Co., Ltd.	Regent Electron (Suzhou) Co., Ltd.	Affiliate	Other receivables RMB 80,857 thousand (Note2)	-	-	-	-	-
Regent Electron (Xiamen) Co., Ltd.	Regent Manner Limited	The Company's parent company	Accounts receivable RMB 96,440 thousand (Note1 and 3)	-	-	-	RMB 64,352 thousand	-
Regent Electron (Xiamen) Co., Ltd.	Regent Electron (He Fei) Co., Ltd.	Affiliate	Other receivables RMB 40,454 thousand (Note2)	-	-	-	-	-
TSMC-Singapore	TSMC-India	The Company's subsidiary	Other receivables USD 9,990 thousand (Note2)	-	-	-	-	-

Note 1: It was a receivable arising from processing on behalf of associates

Note 2: It was a receivable arising from loans to others.

Note 3: It was a receivable arising from finished goods sold.

Note 4: It was a receivable arising from materials/machinery and equipment purchased on behalf of others.

Note 5: It was a receivable arising from machinery and equipment sold.

Taiwan Surface Mounting Technology Corp. and subsidiaries  
 Significant inter-company transactions during the reporting periods  
 Year ended December 31, 2020

Table 6

Expressed in thousands of NTD

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Transaction	
						Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	Taiwan Surface Mounting Technology Corp.	Fitivision Technology Inc.	1	Sales revenue	\$ 30,222	Price is made based on mutual agreement, and collection term is 90~120 days after monthly billings	0%
0	"	Regent Manner Limited	"	Other receivables	27,322		0%
0	"	Regent Electron (Suzhou) Co., Ltd.	"	Other receivables	177,110		0%
1	Regent Manner Limited	Taiwan Surface Mounting Technology Corp.	2	Accounts receivable	15,430		0%
1	"	"	"	Sales revenue	30,869	Price is made based on mutual agreement, and collection term is 90~120 days after monthly billings	0%
1	"	High-Toned Opto Technology Corp	3	Other receivables	20,158		0%
1	"	Taiwan Surface Mounting Technology (Suzhou) Co., Ltd.	"	Other receivables	26,280		0%
1	"	Regent Electron (Suzhou) Co., Ltd.	"	Other receivables	1,567,736		4%
1	"	"	"	Accounts receivable	12,702		0%
1	"	"	"	Sales revenue	35,691	Price is made based on mutual agreement, and collection term is 90~120 days after monthly billings	0%
1	"	Regent Electron (Xiamen) Co., Ltd.	"	Other receivables	25,053		0%
1	"	Regent Electron (He Fei) Co., Ltd.	"	Other receivables	88,411		0%
1	"	"	"	Accounts receivable	55,111		0%
1	"	Regent Electron (Chong Qing) Co., Ltd.	"	Other receivables	1,189,250		3%
1	"	"	"	Accounts receivable	76,643		0%
1	"	DONGGUAN ZUEFU ELECTRON CO., LTD.	"	Other receivables	44,564		0%
1	"	Fitivision Technology Inc.	"	Other receivables	50,324		0%
1	"	Tele System Communications Pte Ltd.	"	Accounts receivable	198,081		1%
1	"	Ningbo Yongfu Trade Co., Ltd.	"	Sales revenue	138,004	Price is made based on mutual agreement, and collection term is 90~120 days after monthly billings	0%
1	"	"	"	Accounts receivable	106,536		0%
2	Regent Electron (Suzhou) Co., Ltd.	Regent Manner Limited	"	Accounts receivable	1,888,489		5%
2	"	"	"	Sales revenue	192,331	Price is made based on mutual agreement, and collection term is 90~120 days after monthly billings	0%

## Transaction

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Percentage of consolidated total operating revenues or total assets	
						Transaction terms	(Note 3)
2	"	"	3	Processing fees revenue	\$ 1,890,132	Price is made based on mutual agreement, and collection term is 90~120 days after monthly billings	5%
2	"	"	"	Other operating revenue	49,738	"	0%
2	"	Taiwan Surface Mounting Technology Corp.	2	Sales revenue	398,721	"	1%
2	"	"	"	Accounts receivable	263,459		1%
3	Taiwan Surface Mounting Technology (Suzhou) Co., Ltd.	Regent Electron (Suzhou) Co., Ltd.	3	Other receivables	352,925		1%
3	"	"	"	Other income	129,045	Price is made based on mutual agreement, and collection term is 90~120 days after monthly billings	0%
3	"	Ningbo Yongfu Trade Co., Ltd.	"	Sales revenue	10,974	"	0%
3	"	"	"	Processing fees revenue	11,690	"	0%
3	"	"	"	Other operating revenue	33,176	"	0%
3	"	Regent Electron (He Fei) Co., Ltd.	"	Other receivables	18,338		0%
3	"	Taiwan Surface Mounting Technology Corp.	2	Sales revenue	93,600	Price is made based on mutual agreement, and collection term is 90~120 days after monthly billings	0%
3	"	"	"	Accounts receivable	19,038		0%
4	Regent Electron (Ningbo) Co., LTD.	Regent Manner Limited	3	Accounts receivable	1,007,763		3%
4	"	"	"	Sales revenue	1,189,387	Price is made based on mutual agreement, and collection term is 90~120 days after monthly billings	3%
4	"	Regent Electron (He Fei) Co., Ltd.	"	Other receivables	110,107		0%
4	"	Taiwan Surface Mounting Technology (Suzhou) Co., Ltd.	"	Accounts receivable	175,419		0%
4	"	"	"	Processing fees revenue	316,017	Price is made based on mutual agreement, and collection term is 90~120 days after monthly billings	1%
5	Regent Electron (Xiamen) Co., Ltd.	Regent Manner Limited	"	Accounts receivable	420,945		1%
5	"	"	"	Sales revenue	556,628	Price is made based on mutual agreement, and collection term is 90~120 days after monthly billings	1%
5	"	Regent Electron (He Fei) Co., Ltd.	"	Other receivables	176,576		0%
6	Regent Electron(Dongguan) Co.,Ltd	Tele System Communications Pte Ltd.	"	Accounts receivable	24,893		0%
6	"	"	"	Sales revenue	47,238	Price is made based on mutual agreement, and collection term is 90~120 days after monthly billings	0%

## Transaction

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Transaction	
						Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
6	"	DONGGUAN ZUEFU ELECTRON CO., LTD.	3	Processing fees revenue	\$ 25,697	Price is made based on mutual agreement, and collection term is 90~120 days after monthly billings	0%
6	"	"	"	Other income	30,745	"	0%
7	Regent Electron (Chong Qing) Co., Ltd.	Regent Manner Limited	"	Accounts receivable	1,800,692		5%
7	"	"	"	Sales revenue	3,580,772	Price is made based on mutual agreement, and collection term is 90~120 days after monthly billings	9%
7	"	Regent Electron (He Fei) Co., Ltd.	"	Other operating revenue	45,757	"	0%
8	Ningbo Yongfu Trade Co., Ltd.	Regent Manner Limited	"	Accounts receivable	54,511		0%
8	"	"	"	Other operating revenue	36,362	Price is made based on mutual agreement, and collection term is 90~120 days after monthly billings	0%
8	"	"	"	Sales revenue	34,759	"	0%
8	"	Taiwan Surface Mounting Technology (Suzhou) Co., Ltd.	"	Other operating revenue	14,403	"	0%
9	Regent Electron (He Fei) Co., Ltd.	Regent Electron (Chong Qing) Co., Ltd.	"	Sales revenue	55,838	"	0%
9	"	Regent Manner Limited	"	Accounts receivable	135,402		0%
9	"	"	"	Sales revenue	499,494	Price is made based on mutual agreement, and collection term is 90~120 days after monthly billings	1%
10	DONGGUAN ZUEFU ELECTRON CO., LTD.	Tai Ming Green Power CO.,LTD.	"	Sales revenue	10,368	"	0%
11	Tele System Communications Pte Ltd.	TSC ELECTRONIC PTE. LTD.	"	Sales revenue	78,556	"	0%
12	TSMC-Singapore	TSMC-India	"	Other receivables	284,502		1%
13	TSMC-India	Regent Electron (Chong Qing) Co., Ltd.	"	Other receivables	9,992		0%

Note: Individual transactions not exceeding \$10,000 will not be disclosed as well as according related-party transactions.

Taiwan Surface Mounting Technology Corp. and subsidiaries  
Information on investees  
Year ended December 31, 2020

Table 7

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Book value	Net profit (loss) of the investee for the year ended December 31, 2020	Investment income(loss) recognised by the Company for the year ended December 31, 2020	Footnote
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares (in thousand shares)	Ownership (%)					
Taiwan Surface Mounting Technology Corp.	Taiwan Surface Mounting Technology Co., LTD	Hong Kong	Rendering service for specific contract items	\$ 42	\$ 42	10	99.99	\$ 3,930	(\$ 30)	(\$ 30)	Subsidiary	
Taiwan Surface Mounting Technology Corp.	TAIWAN SURFACE MOUNTING TECHNOLOGY (BVI) CO LIMITED	British Virgin Islands	Holding company	3,145,743	3,145,743	104,000	100.00	15,336,607	2,255,484	2,255,484	Subsidiary	
Taiwan Surface Mounting Technology Corp.	High-Toned Opto Technology Corp	Taiwan	Manufacture and assembling of LED products	264,077	264,077	26,423	85.24	383	7,468	6,366	Subsidiary	
Taiwan Surface Mounting Technology Corp.	Fitivision Technology Inc.	Taiwan	Digital security monitor and wireless communication device	200,000	100,000	20,000	100.00	( 29,083)	( 28,232)	( 28,232)	Subsidiary	
Taiwan Surface Mounting Technology Corp.	Bai Hung Investment Corp. Ltd.	Taiwan	Investment company	109,990	109,990	10,999	99.99	5,702	( 13,222)	( 13,221)	Subsidiary	
Taiwan Surface Mounting Technology Corp.	TSMT Technology (Singapore) Pte. Ltd.	Singapore	Holding company	645,897	464,985	21,000	100.00	240,162	( 147,554)	( 147,554)	Subsidiary	
Taiwan Surface Mounting Technology Corp.	Tele System Communications Pte Ltd.	Taiwan	Design and manufacture of wired communication equipment and apparatus and channel KU of Satellite TV	40,250	40,250	4,700	31.33	50	( 18,638)	( 5,839)	Subsidiary	



Initial investment amount

Shares held as at December 31, 2020

Investor	Investee	Location	Main business activities	Balance as at	Balance as at	Number of shares		Book value	Net profit (loss)	Investment	Footnote
				December 31, 2020	December 31, 2019	(in thousand shares)	Ownership (%)		of the investee for the year ended December 31, 2020	income(loss) recognised by the Company for the year ended December 31, 2020	
TSMT Technology (Singapore) Pte. Ltd.	TSMT Technology (India) Pvt. Ltd.	India	Processing and manufacturing of computer motherboard and interface card of peripheral devices	\$ 272,554	\$ 272,554	489	100.00	(\$ 58,396)	(\$ 151,100)	-	Second-tier subsidiary
TAIWAN SURFACE MOUNTING TECHNOLOGY (BVI) CO LIMITED	REGENT MANNER INTERNATIONAL HOLDINGS LIMITED	Cayman Islands	Holding company	3,394,513	3,394,513	2,149,822	100.00	15,301,847	2,255,560	-	Second-tier subsidiary
TAIWAN SURFACE MOUNTING TECHNOLOGY (BVI) CO LIMITED	TSMT-USA	U.S.A	Processing and manufacturing of computer motherboard and interface card of peripheral devices	2,848	2,848	100	100.00	2,138	( 34)	-	Second-tier subsidiary
High-Toned Opto Technology Corp	High-Toned Technology (Hong Kong) Limited	Hong Kong	Holding company	148,096	148,096	40,300	100.00	8,435	( 41)	-	Second-tier subsidiary
Bai Hung Investment Corp. Ltd.	Tai Ming Green Power CO.,LTD.	Taiwan	Sales of LED application products	50,000	50,000	5,000	100.00	( 5,081)	( 1,962)	-	Second-tier subsidiary
Bai Hung Investment Corp. Ltd.	iWEECARE Co., Ltd.	Taiwan	Cloud manufacturing of ICT hardware and software	19,500	10,500	4,370	14.87	5,670	( 31,166)	-	Investee accounted for using equity method
Bai Hung Investment Corp. Ltd.	Tele System Communications Pte Ltd.	Taiwan	Design and manufacture of wired communication equipment and apparatus and channel KU of Satellite TV	50,000	50,000	5,000	33.34	190	( 18,638)	-	Second-tier subsidiary
REGENT MANNER INTERNATIONAL HOLDINGS LIMITED	REGENT MANNER (BVI) LIMITED	British Virgin Islands	Holding company	2,083,846	2,083,846	34,631	100.00	15,281,867	2,257,288	-	Third-tier subsidiary
REGENT MANNER (BVI) LIMITED	Regent Manner Limited	Hong Kong	Design, processing, manufacture and sales of PCB surface mount packaging in TFT-LCD panels and general electronic information products	2,083,846	2,083,846	573,996	100.00	15,281,867	2,257,288	-	The Company is the company's ultimate parent company

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020				Net profit (loss) of the investee for the year ended December 31, 2020	Investment income(loss) recognised by the Company for the year ended December 31, 2020	Footnote
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares (in thousand shares)	Ownership (%)	Book value				
Tele System Communications Pte Ltd.	TELE SYSTEM COMMUNICATIONS DE MEXICO, S.A. DE C.V.	Mexico	Sales of wired communication equipment and apparatus and channel KU of Satellite TV	\$ 42	\$ 42	20	99.00	\$ 1,154	(\$ 481)	\$ -	Second-tier subsidiary	
Tele System Communications Pte Ltd.	TSC ELECTRONIC PTE. LTD.	Singapore	Sales of wired communication equipment and apparatus and channel KU of Satellite TV	1,488	1,488	50	100.00	1,347	170	-	Second-tier subsidiary	

Taiwan Surface Mounting Technology Corp. and subsidiaries  
Information on investments in Mainland China  
Year ended December 31, 2020

Table 8

Expressed in thousands of NTD

Investee in Mainland Chin	Main business activities	Paid-in capital	Investment method	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2020			Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2020 ( Note 4 )	Book value of investments in Mainland China as of December 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020	Footnote
				as of January 1, 2020	Remitted to Mainland China	Remitted back to Taiwan							
Regent Electron (Suzhou) Co., Ltd	Processing and manufacturing of computer motherboard and interface card of peripheral devices	\$ 1,780,000	Reinvested in Mainland China companies through investing in existing companies in the third area	\$ 1,428,596	\$ -	\$ -	\$ 1,428,596	\$ 746,147	100	\$ 746,147	\$ 5,849,336	\$ 921,049	Note1
Taiwan Surface Mounting Technology (Suzhou) Co., Ltd.	Processing and manufacturing of computer motherboard and interface card of peripheral devices	996,800	Reinvested in Mainland China companies through investing in existing companies in the third area	764,754	-	-	764,754	251,418	100	251,418	2,309,350	100,792	Note1
Regent Electron (Ningbo) Co., LTD.	Processing and manufacturing of computer motherboard and interface card of peripheral devices	484,160	Reinvested in Mainland China companies through investing in existing companies in the third area	1,534,336	-	-	1,534,336	155,727	100	155,727	1,359,602	717,642	Note1

Amount remitted from Taiwan to  
Mainland China/  
Amount remitted back  
to Taiwan for the year ended  
December 31, 2020

Investee in Mainland Chin	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020	Remitted to Mainland China	Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Net income of investee as of December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2020 ( Note 4 )	Book value of investments in Mainland China as of December 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020	Footnote
Regent Electron (Xiamen) Co., Ltd.	Processing and manufacturing of computer motherboard and interface card of peripheral devices	\$ 569,600	Reinvested in Mainland China companies through investing in existing companies in the third area	\$ 1,085,286	\$ -	\$ -	\$ 1,085,286	\$ 148,494	100	\$ 148,494	\$ 1,544,761	\$ 578,071	Note1
Regent Electron (Chengdu) Co., Ltd.	Processing and manufacturing of computer motherboard and interface card of peripheral devices	341,760	Reinvested in Mainland China companies through investing in existing companies in the third area	365,363	-	-	365,363	(154)	100	( 154)	349,670	-	Note1
Regent Electron (Dongguan) Co.,Ltd	Processing and manufacturing of computer motherboard and interface card of peripheral devices	569,600	Reinvested in Mainland China companies through investing in existing companies in the third area	636,449	-	-	636,449	12,807	100	12,807	445,123	-	Note1
Ningbo Yongfu Trade Co., Ltd.	Processing and manufacturing of computer motherboard and interface card of peripheral devices	79,744	Reinvested in Mainland China companies through investing in existing companies in the third area	138,015	-	-	138,015	287,787	100	287,783	999,829	-	Note1

Amount remitted from Taiwan to  
Mainland China/  
Amount remitted back  
to Taiwan for the year ended  
December 31, 2020

Investee in Mainland Chin	Main business activities	Paid-in capital	Investment method	Amount remitted from Taiwan to Mainland China			Amount remitted from Taiwan to Mainland China			Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2020 ( Note 4 )	Book value of investments in Mainland China as of December 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020	Footnote
				Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020	Remitted to Mainland China	Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Net income of investee as of December 31, 2020						
Unimicron-Fpc Technology Kunshan Inc.	Processing and manufacturing of computer motherboard and interface card of peripheral devices	\$ 4,232,128	Reinvested in Mainland China companies through investing in existing companies in the third area	\$ 345,404	\$ -	\$ -	\$ 345,404	\$ -	2.08	\$ -	\$ -	\$ -	Note2	
Regent Electron (He Fei) Co., Ltd.	Processing and manufacturing of computer motherboard and interface card of peripheral devices	683,520	Reinvested in Mainland China companies through investing in existing companies in the third area	441,951	-	-	441,951	280,028	100	280,028	930,441	-	Note1	
Regent Electron (Chong Qing) Co., Ltd.	Processing and manufacturing of computer motherboard and interface card of peripheral devices	626,560	Reinvested in Mainland China companies through investing in existing companies in the third area	630,289	-	-	630,289	193,284	100	193,284	1,141,154	-	Note1	
Dongguan Zuefu Electron Co., Ltd.	Processing and manufacturing of computer motherboard and interface card of peripheral devices	130,944	Reinvested in Mainland China companies through investing in existing companies in the third area	-	-	-	-	210,487	100	210,487	754,952	-	Note4	
Regent Electron (Xian Yang) Co., Ltd.	Processing and manufacturing of computer motherboard and interface card of peripheral devices	130,944	Reinvested in Mainland China companies through investing in existing companies in the third area	-	-	-	-	445,393	100	445,393	894,837	-	Note4	

Amount remitted from Taiwan to  
Mainland China/  
Amount remitted back  
to Taiwan for the year ended  
December 31, 2020

Investee in Mainland Chin	Main business activities	Paid-in capital	Investment method	Amount remitted from Taiwan to Mainland China/			Amount remitted back to Taiwan for the year ended			Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2020 (Note 4)	Book value of investments in Mainland China as of December 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020	Footnote
				Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020	Remitted to Mainland China	Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Net income of investee as of December 31, 2020						
Chuzhou Bwin Technology Corp.	Research, development and production; sales of metal and plastic technology products	\$ 218,240	Reinvested in Mainland China companies through investing in existing companies in the third area	\$ -	\$ -	\$ -	\$ -	\$ -	3	\$ -	\$ 6,547	\$ -	Note3、 Note4	

Note 1: It was reinvested by its third-tier subsidiary, Regent Manner Limited, by cash through its subsidiary in the third area, Taiwan Surface Mounting Technology (B.V.I.) Co. LIMITED. Those investments all had been approved by the MOEA.

Note 2: It was reinvested by the investee, Best Option Investment Ltd., of the company's subsidiary, Taiwan Surface Mounting Technology (B.V.I.) Co. LIMITED, in the third area by cash, and had been approved by the MOEA. (B.V.I.) CO. LIMITED, in the third area by cash, and had been approved by the MOEA.

Note 3: Except for Unimicron-Fpc Technology Kunshan Inc. and Chuzhou Bwin Technology Corp., remaining companies' investment income (loss) were recognised based on the financial statements that are audited and attested by R.O.C. parent company's CPA.

Note 4: The company was reinvested by the Company's Mainland China investees approved by the MOEA, no need to submit an additional application for the reinvestments to the MOEA in accordance with the regulations, therefore, the investments would not be included in the calculation of the Company's ceiling on investments in Mainland China.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 5)
Taiwan Surface Mounting Technology Corp.	\$ 6,975,141	\$ 9,101,602	(Note 5)

Note 5: The Company met the scope of operation made by the headquarter, thus, no limit was applicable on the Company's investments in Mainland China in accordance with "Regulations Governing the Permission of Investment or Technical Cooperation in Mainland Area" effective August 1, 2008.

Taiwan Surface Mounting Technology Corp. and subsidiaries

Major shareholders information

December 31, 2020

Table 9 Unit: share

Name of major shareholders	Shares		Ownership (%)
	Number of shares held		
Fubon Life Assurance Co.,LTD	18,548,000		6.34%
The new Labor Pension Act	18,071,402		6.18%

Taiwan Surface Mounting Technology Corp.

Representative: Wu, Kai-Yun