

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

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

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 | % | |
| Current assets | | | | | | |
| 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 | Current Assets | | <u>4,412,312</u> | <u>20</u> | <u>2,973,816</u> | <u>15</u> |
| Non-current assets | | | | | | |
| 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 | Non-current assets | | <u>17,694,180</u> | <u>80</u> | <u>16,434,576</u> | <u>85</u> |
| 1XXX | Total assets | | <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 | % |
| Current liabilities | | | | | | |
| 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 | Current Liabilities | | <u>5,754,788</u> | <u>26</u> | <u>4,509,778</u> | <u>23</u> |
| Non-current liabilities | | | | | | |
| 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 | Non-current liabilities | | <u>2,861,222</u> | <u>13</u> | <u>2,166,725</u> | <u>11</u> |
| 2XXX | Total Liabilities | | <u>8,616,010</u> | <u>39</u> | <u>6,676,503</u> | <u>34</u> |
| Equity | | | | | | |
| | 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 | Total equity | | <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 | Total liabilities and equity | | <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 | | (530,183) | (8) | (423,894) | (7) |
| 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 Profit before income tax | | 2,313,645 | 34 | 2,172,155 | 33 |
| 7950 Income tax expense | 6(22) | (119,907) | (2) | (136,933) | (2) |
| 8000 Profit for the year from continuing operations | | <u>2,193,738</u> | <u>32</u> | <u>2,035,222</u> | <u>31</u> |
| 8200 Profit for the year | | <u>\$ 2,193,738</u> | <u>32</u> | <u>\$ 2,035,222</u> | <u>31</u> |
| Other comprehensive income | | | | | |
| Components of other comprehensive income that will not be reclassified to profit or loss | | | | | |
| 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 | | (30,539) | - | (130,692) | (2) |
| Components of other comprehensive loss that will be reclassified to profit or loss | | | | | |
| 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 | | (585,950) | (9) | (359,509) | (5) |
| 8300 Other comprehensive loss for the year | | (\$ 616,489) | (9) | (\$ 490,201) | (7) |
| 8500 Total comprehensive income for the year | | <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 | |
| 2019 | | | | | | | | | |
| 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 |
| 2020 | | | | | | | | | |
| 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 |
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | | |
| 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> |

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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 |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | | |
| 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) |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES</u> | | | |
| 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 | | \$ 2,176,031 | \$ 662,988 |

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:

| | December 31, 2020 | December 31, 2019 |
|-----------------|-------------------|---------------------|
| 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

| | December 31, 2020 | | |
|------------------|-------------------|---------------------------------|-------------------|
| | Cost | Allowance for valuation loss | Book value |
| 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> |

| | December 31, 2019 | | |
|------------------|-------------------|---------------------------------|-------------------|
| | Cost | Allowance for valuation loss | Book value |
| 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” | <u>29,083</u> | <u>106,488</u> |
| 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 | \$ 6,770,049 | \$ 6,536,043 |

(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 | <u>-</u> | <u>-</u> |
| 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 | \$ 1,198,537 | \$ 612,587 |

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 | 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' bonus | - | 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' 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

| <u>Names of related parties</u> | <u>Relationship with the Company</u> |
|--|--------------------------------------|
| 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) Key management compensation

| | <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) |
| | | | |
| <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) |
| | | | |
| <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:

| Counterparties | 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 outstanding | Balance at | 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 |
|-----|---|------------------------------------|------------------------|--------------------|---|-------------------|--------------------------|--|----------------|--|---------------------------------|---------------------------------|------------|-------|---|--------------------------------|----------|
| | | | | | balance during the year ended December 31, 2020 | 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 | Party being endorsed/guaranteed | | 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 | |
|--------|------------------------|---|--|---|---|-----------------------------|--|---|--|--|--|---|----------|--|
| | | | 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 |
| 0 | The Company | TSM 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 | TSM 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 |

| 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 |

| 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 | Transaction | | | Description and reasons of difference in transaction terms compared to third party transactions | | | Notes/accounts receivable (payable) | | Footnote |
|---|--|--|-------------------|------------------------|---------------------------------------|---|------------|-------------|-------------------------------------|---|----------|
| | | | Purchases (sales) | Amount | Percentage of total purchases (sales) | Credit term | Unit price | Credit term | Balance | 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%) | - |

| | | Transaction | | Description and reasons of difference in transaction terms compared to third party transactions | | | | | Notes/accounts receivable (payable) | | |
|------------------------------------|---|------------------------------------|-------------------|---|---------------------------------------|-------------|------------|-------------|-------------------------------------|---|----------|
| Purchaser/seller | Counterparty | Relationship with the counterparty | Purchases (sales) | Amount | Percentage of total purchases (sales) | Credit term | Unit price | Credit term | Balance | Percentage of total notes/accounts receivable (payable) | Footnote |
| 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) | - | - | - | - | - |
| TSMT-Singapore | TSMT-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 | Percentage of consolidated total operating revenues or total assets | |
|--------------------|--|---|--------------------------|-------------------------|-----------|--|----------|
| | | | | | | Transaction terms | (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 | TSMT-Singapore | TSMT-India | " | Other receivables | 284,502 | | 1% |
| 13 | TSMT-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. | TSM 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 | Initial investment amount | | Shares held as at December 31, 2020 | | Book value | Net profit (loss) | Investment | Footnote |
|---|--|------------------------|--|---------------------------------|---------------------------------|---------------------------------------|---------------|-------------|--|---|--|
| | | | | Balance as at December 31, 2020 | Balance as at December 31, 2019 | Number of shares (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 | |
| TSM Technology (Singapore) Pte. Ltd. | TSM 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 | | 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 (%) | | | | |
| 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 | 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 |
|---|--|-----------------|--|--|-------------------------------|----------------------------|--|---|---|---|---|--|----------|
| | | | | Accumulated amount of remittance from Taiwan to Mainland China 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 December 31, 2020 | | Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020 | 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 |
|---|--|-----------------|--|--|----------------------------|--|--|---|---|---|---|--|----------|
| | | | | Remitted to Mainland China | Remitted back to Taiwan | | | | | | | | |
| 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 | Note 1 |
| 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 | - | Note 1 |
| 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 | - | Note 1 |
| 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 | - | Note 1 |

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 December 31, 2020 | | 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 |
|---|--|-----------------|--|--|------|--|-------------------------------|----------------------------|--|---|---|---|---|--|----------|
| | | | | | | | | | | | | | | | |
| 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 December 31, 2020 | | | 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 |
|---------------------------------|---|-----------------|--|--|-------------------------------|----------------------------|--|-------------------------------|----------------------------|--|---|---|---|---|--|----------|
| | | | | as of January 1, 2020 | Remitted to Mainland China | Remitted back to Taiwan | | | | | | | | | | |
| Chuzhou Bwin Techology 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 Techology 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 | |
|------------------------------|-----------------------|---------------|
| | Number of shares held | Ownership (%) |
| 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.
DETAILS OF CASH
DECEMBER 31, 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 1

| Item | Description | Amount |
|-----------------------------|---|---------------------|
| Cash on hand and petty cash | | \$ 308 |
| Demand deposits | | |
| -NTD | | 571,218 |
| -Foreign exchange deposits | USD\$49,561 thousand, conversion rate \$28.48 | 1,411,490 |
| | RMB\$4,048 thousand, conversion rate \$4.3648 | 17,669 |
| | JPY\$16,163 thousand, conversion rate \$0.276 | 4,466 |
| Time deposits | USD\$6,000 thousand, conversion rate \$28.48 | 170,880 |
| | | <u>\$ 2,176,031</u> |

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TAIWAN SURFACE MOUNTING TECHNOLOGY CORP.
DETAILS OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2020

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

Table 2

| <u>Client Name</u> | <u>Summary</u> | <u>Amount</u> | <u>Note</u> |
|--|----------------|-------------------|---|
| Non-related parties: | | | |
| A Company | | \$ 418,183 | |
| F Company | | 212,685 | |
| D Company | | 53,658 | |
| C Company | | 52,364 | |
| Others | | 111,077 | Balance of each customer has not exceeded 5% of total accounts receivable |
| | | <u>847,967</u> | |
| Less: Allowance for uncollectible accounts | | (<u>2,937</u>) | |
| | | <u>\$ 845,030</u> | |

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TAIWAN SURFACE MOUNTING TECHNOLOGY CORP.
DETAILS OF INVENTORIES
DECEMBER 31, 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 3

| Item | Amount | | Note |
|--|-------------------|--------------|------|
| | Cost | Market price | |
| Raw materials | \$ 599,605 | \$ 602,062 | |
| Work in progress | 4,766 | 4,706 | |
| Finished goods | 39,333 | 41,021 | |
| | 643,704 | \$ 647,789 | |
| Less: Allowance for inventory valuation losses | (47,432) | | |
| | <u>\$ 596,272</u> | | |

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TAIWAN SURFACE MOUNTING TECHNOLOGY CORP.
DETAILS OF INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 4

| Name | Balance at January 1, 2020 | | Addition | | Reductions | | Balance at December 31, 2020 | | | Market value or value per share | | Pledged to others as collateral | Note |
|--|---------------------------------------|----------------------|------------------------------|---------------------|---------------------------------------|--------------------|---------------------------------------|-----------------|----------------------|---------------------------------|-------------|---------------------------------|------|
| | Number of shares (per thousand share) | Amount | Number of shares (per share) | Amount | Number of shares (per thousand share) | Amount | Number of shares (per thousand share) | % Interest held | Amount | Price (in dollar) | Total price | | |
| Taiwan Surface Mounting Technology Co., Ltd. | 10 | \$ 3,960 | - | \$ - | - | (\$ 30) | 10 | 99.99% | \$ 3,930 | 393 | \$ 3,930 | None | |
| Taiwan Surface Mounting Technology (B.V.I.) Co. Limited | 104,000 | 14,238,499 | - | 1,098,108 | - | - | 104,000 | 100.00% | 15,336,607 | 147 | 15,336,607 | None | |
| Bai Hung Investment Corp. Ltd. | 10,999 | 19,017 | - | - | - | (13,315) | 10,999 | 99.99% | 5,702 | 1 | 5,702 | None | |
| High-Toned Opto Technology Corp. | 26,423 | (5,638) | - | 6,021 | - | - | 26,423 | 85.24% | 383 | - | 383 | None | |
| Fitivision Technology Inc. | 10,000 | (100,850) | 10,000 | 71,767 | - | - | 20,000 | 100.00% | (29,083) | (1) | (29,083) | None | |
| TSMT Technology (Singapore) Pte. Ltd. | 15,000 | 227,109 | 6,000 | 13,053 | - | - | 21,000 | 100.00% | 240,162 | 11 | 240,162 | None | |
| Tele System Communciations Pte Ltd. | 4,700 | 5,978 | - | - | - | (5,928) | 4,700 | 31.33% | 50 | - | 50 | None | |
| | | <u>\$ 14,388,075</u> | | <u>\$ 1,188,949</u> | | <u>(\$ 19,273)</u> | | | <u>\$ 15,557,751</u> | | | | |
| Add: Transferred to "other non-current liabilities-credit balance of investments accounted for using equity method". | | <u>106,488</u> | | | | | | | <u>29,083</u> | | | | |
| | | <u>\$ 14,494,563</u> | | | | | | | <u>\$ 15,586,834</u> | | | | |

TAIWAN SURFACE MOUNTING TECHNOLOGY CORP.
DETAILS OF SHORT-TERM BORROWINGS
DECEMBER 31, 2020
 (EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 5

| <u>Type of borrowings</u> | <u>Balance at December 31, 2020</u> | <u>Contract period</u> | <u>Interest rate range</u> | <u>Financing line</u> | <u>Collateral</u> | <u>Note</u> |
|-----------------------------------|-------------------------------------|------------------------|----------------------------|---|-------------------|-------------|
| Financial institutions borrowings | | | | | | |
| Unsecured borrowings | \$ <u>3,100,000</u> | 2019.12.31~2021.10.11 | 0.62%~0.72% | Comprehensive facilities of \$4,160,000 | None | |

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TAIWAN SURFACE MOUNTING TECHNOLOGY CORP.
DETAILS OF ACCOUNTS PAYABLE
DECEMBER 31, 2020

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

Table 6

| <u>Name of suppliers</u> | <u>Summary</u> | <u>Amount</u> | <u>Note</u> |
|--------------------------|----------------|---------------------|---|
| Non-related parties | | | |
| TRIPOD | | \$ 218,540 | |
| MAKTEK | | 115,065 | |
| TPT | | 101,092 | |
| SIMMTECH | | 86,297 | |
| Others | | 911,424 | None of the balances of any supplier is greater than 5% of this account balance |
| | | <u>\$ 1,432,418</u> | |

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TAIWAN SURFACE MOUNTING TECHNOLOGY CORP.
DETAILS OF LONG-TERM BORROWINGS
DECEMBER 31, 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 7

| Creditor | Description | Amount | (Expressed in New Taiwan dollars) Contract Period | Interest Rate | Collateral | Note |
|-----------------------|--|---------------------|---|---------------|------------|------|
| CTBC Bank | General medium to long-term unsecured borrowings | \$ 400,000 | 2019/6/17-2022/6/17 | 0.99% | None | - |
| DBS Bank (Taiwan) | " | 270,000 | 2019/6/28-2022/6/28 | 1.00% | " | - |
| DBS Bank (Taiwan) | " | 270,000 | 2020/4/15-2022/6/28 | 1.00% | " | - |
| Taipei Fubon Bank | " | 500,000 | 2020/5/5-2022/12/31 | 0.96% | " | - |
| KGI Bank | " | 700,000 | 2020/11/5-2023/11/5 | 0.94% | " | - |
| Less: Current portion | | (320,000) | | | | |
| | | <u>\$ 1,820,000</u> | | | | |

TAIWAN SURFACE MOUNTING TECHNOLOGY CORP.
DETAILS OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 8

| Item | Quantity | Amount | Note |
|--------------------------------|---------------------|---------------------|------|
| Total sales revenue | | | |
| Memory module | 17,634 thousand PCS | \$ 4,162,029 | |
| TFT-LCD panels | 16,195 thousand PCS | 1,620,662 | |
| Others | | <u>1,003,060</u> | |
| | | 6,785,751 | |
| Less: Sales returns | | (7,947) | |
| Sales discounts and allowances | | <u>(7,755)</u> | |
| Total operating revenue | | <u>\$ 6,770,049</u> | |

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TAIWAN SURFACE MOUNTING TECHNOLOGY CORP.
DETAILS OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 9

| Item | Amount |
|---|---------------------|
| Direct materials | |
| Ending balance of raw materials | \$ 548,527 |
| Add: Purchase | 4,474,234 |
| Less: Ending balance of raw materials | (599,605) |
| Reclassified as expenses | (2,163) |
| Raw materials sold | (53,035) |
| Raw materials used | 4,367,958 |
| Direct labor | 328,199 |
| Manufacturing overhead | 664,953 |
| Manufacturing cost | 5,361,110 |
| Add: Beginning balance of work in progress | 2,659 |
| Less: Ending balance of work in progress | (4,766) |
| Reclassified as expenses | (5) |
| Cost of finished goods | 5,358,998 |
| Add: Beginning balance of finished goods | 90,288 |
| Purchases | 521,433 |
| Less: Ending balance of finished goods | (39,333) |
| Finished goods retirement losses | (8,016) |
| Reclassified as expenses | (2,654) |
| Production and marketing cost | 5,920,716 |
| Add: Cost of materials sales | 53,035 |
| Less: Gain on scrapping sales | (64) |
| Cost of goods sold | 5,973,687 |
| Add: Loss for market value decline and obsolete and slow-moving inventories | 8,016 |
| Less: Gain on reversal of decline in market value | 16,985 |
| Total operating costs | <u>\$ 5,998,688</u> |

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TAIWAN SURFACE MOUNTING TECHNOLOGY CORP.
DETAILS OF MANUFACTURING OVERHEAD
FOR THE YEAR ENDED DECEMBER 31, 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 10

| <u>Item</u> | <u>Summary</u> | <u>Amount</u> | <u>Note</u> |
|-----------------------------|----------------|-------------------|---|
| Wages and salaries | | \$ 93,653 | |
| Depreciation expense | | 117,600 | |
| Processing fees | | 157,821 | |
| Insurance expense | | 46,185 | |
| Consumption | | 60,978 | |
| Miscellaneous disbursements | | 33,226 | |
| Utilities expense | | 39,724 | |
| Others | | 115,766 | The balance of each expense account has not exceeded 5% of the manufacturing overhead |
| | | <u>\$ 664,953</u> | |

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TAIWAN SURFACE MOUNTING TECHNOLOGY CORP.
DETAILS OF SELLING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 11

| Item | Summary | Amount | Note |
|--------------------|---------|------------------|---|
| Wages and salaries | | \$ 25,229 | |
| Travel expense | | 3,334 | |
| Sample expense | | 2,954 | |
| Others | | 8,574 | Balance of each expense account has not exceeded 5% of the total selling expenses |
| | | <u>\$ 40,091</u> | |

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TAIWAN SURFACE MOUNTING TECHNOLOGY CORP.
DETAILS OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 12

| <u>Item</u> | <u>Summary</u> | <u>Amount</u> | <u>Note</u> |
|-----------------------------|----------------|-------------------|--|
| Wages and salaries | | \$ 100,962 | |
| Miscellaneous disbursements | | 24,314 | |
| Employees' bonus | | 149,560 | |
| Others | | 100,146 | The balance of each expense account has not exceeded 5% of the administrative expenses |
| | | <u>\$ 374,982</u> | |

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TAIWAN SURFACE MOUNTING TECHNOLOGY CORP.
CURRENT EMPLOYEE BENEFITS, DEPRECIATION, AND AMORTISATION EXPENSES SUMMARIZED BY FUNCTION
FOR THE YEAR ENDED DECEMBER 31, 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 13

| By Nature \ By Function | Year ended December 31, 2020 | | | Year ended December 31, 2019 | | |
|---|------------------------------|--------------------|------------|------------------------------|--------------------|------------|
| | Operating costs | Operating expenses | Total | Operating costs | Operating expenses | Total |
| Employee benefit expense | | | | | | |
| Wages and salaries | \$ 409,768 | \$ 341,080 | \$ 750,848 | \$ 350,786 | \$ 270,586 | \$ 621,372 |
| Labour and health insurance fees | 45,544 | 11,204 | 56,748 | 37,280 | 9,117 | 46,397 |
| Pension costs | 17,168 | 9,716 | 26,884 | 13,294 | 8,320 | 21,614 |
| Directors' remuneration | - | 15,000 | 15,000 | - | 9,250 | 9,250 |
| Other employee benefit expense | 18,825 | 8,272 | 27,097 | 15,087 | 6,845 | 21,932 |
| Depreciation charge (including right-of-use assets) | 120,256 | 17,074 | 137,330 | 93,992 | 13,251 | 107,243 |

Note:

A. As at December 31, 2020 and 2019, the Company had 1,005 and 882 employees, including 7 and 7 non-employee directors, respectively.

B. A company whose stock is listed for trading on the stock exchange or over-the-counter securities exchange shall additionally disclose the following information:

(a) Average employee benefit expense in current year was \$863 ((Total employee benefit expense in current year–Total directors' compensation in current year) / (Number of employees in current year–Number of non-employee directors in current year)).

Average employee benefit expense in previous year was \$813 ((Total employee benefit expense in previous year–Total directors' compensation in previous year) / (Number of employees in previous year – Number of non-employee directors in previous year)).

(b) Average employee salaries in current year were \$752 (Total employee salaries in current year / (Number of employees in current year–Number of non-employee directors in current year)).

Average employee salaries in previous year was \$710 (Total employee salaries in previous year / (Number of employees in previous year–Number of non-employee directors in previous year)).

(c) Adjustments of average employee salaries was 6% ((Average employee salaries in current year-Average employee salaries in previous year) / Average employee salaries in previous year).

TAIWAN SURFACE MOUNTING TECHNOLOGY CORP.
CURRENT EMPLOYEE BENEFITS, DEPRECIATION, AND AMORTISATION EXPENSES SUMMARIZED BY FUNCTION (Cont.)
FOR THE YEAR ENDED DECEMBER 31, 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 13

(d) The Company's salary and remuneration policy (including directors, supervisors, managers and employees)

Under the Company's Articles of Incorporation, the current year's earnings, if any, shall appropriate more than 5% and under 1% as employees' compensation and directors' remuneration, respectively. Aside from minimum wage, employees' compensation also includes bonus which is distributed corresponding the Company's operating condition in order to encourage employees and retain talent employees. Annual salary raise plan takes into consideration employees' job grade, performance assessment and the Company's operating result for the current year to decide the adjusted items and amount. Remunerations to directors and managers shall be proposed by the remuneration committee and then submitted to the Board of Directors for discussion.