

Taiwan Mask Corporation 2020 Annual Shareholders' Meeting Minutes

- Date/ Time: 2020/6/10 (Wen) 9:00 AM
- Place: No. 1, East Industry Road 2, Science Park, Hsin Chu (Venue: Darwin)
- Call the meeting to order
- Chairman remarks: Total shares represented by shareholders present in person or by proxy: 118,402,605 shares (including votes casted electronically: 7,016,998). Total outstanding shares: 198,400,171 shares (Excluding non-voting shares). Percentage of outstanding share held by shareholders present in person or by proxy: 59.67%
- Chairman: Michael, Tsai Recorder: Eve Yang
- Attending Director : Michael, Tsai (Chairman), Lidon, Chen (Director), Chao-Yi, Wu (Director), Cheng-Hsiang, Chen (Director), Yu-Chiun, Wu (Independent Director), Tai-Ning, Hsieh (Independent Director) , Hsin, Chen (Independent Director)
- Attend : Eve, Yang (Vice General Manager), Tina, Cheng (Certified Public Accountants), Shih-Kung Kuo (Lawyer)

I. Call the meeting to order

The aggregate number of shares present in person or by proxy constituted a quorum.
The chairman called the meeting to order.

II. Chairman takes chair

III. Chairman remarks: Omitted

IV. Company reports

1. 2019 business report. (Board submitted)
Description:
Please see appendix 1 for 2019 business report.
2. 2019 auditing reports from auditing committee. (Board submitted)
Description:
Please see appendix 2 for 2019 auditing reports from auditing committee.
3. 2019 bonus compensation for employees and directors appropriation report.
(Board submitted)
Description:
 - (1) 2019 bonus compensation for employees and directors were approved by the board meeting held on 2020/3/17, and agreed to pay the bonus in cash.
 - (2) The total amount for 2019 bonus compensation for employees is NTD 55,000,000 (distribution ratio is 10.38%). And the total amount for 2019 bonus compensation for directors is NTD 10,000,000 (distribution ratio is 1.89%).

4. 2019 endorsements and guarantees of TMC and the Subsidiary. (Board submitted)
Description:
 - (1) In compliance with the Regulations Governing Making Endorsements and Guarantees of TMC . All events related to endorsements and guarantees of the company or the subsidiary occurred within one year, shall be reported to the shareholders' meeting to be held next year.
 - (2) Please see appendix 3 for 2019 endorsements and guarantees of TMC and the Subsidiary.
5. Revision of Ethical Corporate Management Best Practice Principles. (Board submitted)
Description:
 - (1) In compliance with the new rule of FA-Tzi No. 1080307434 issued by SEC on 2019/5/16.
 - (2) Please see appendix 4 for the revision table.
6. .Revision of Regulations Governing Procedure for Board of Directors Meetings. (Board submitted)
Description:
 - (1) In compliance with the new rule of FA-Tzi No. 1080361934 issued by SEC on 2020/1/15.
 - (2) Please see appendix 5 for the revision table.

V. Proposals

Proposal 1: (Board submitted)

Subject: 2019 business reports and financial reports.

Description: 2019 financial reports had been audited by CPA Daniel Lee and CPA Tina Cheng from PriceWaterHouse Accounting firm. The Audit Committee had audited the financial reports and business reports. (Please see appendix 1, 6 and 7.)

Resolution:

118,402,605 shares were represented at the time of voting.

Voting Results	Percentage(%)
votes were in favor of the proposal:114,837,354 (including votes casted electronically:3,504,747)	96.98%
Votes were cast against the proposal:270,213 (including votes casted electronically:220,213)	0.22%
Votes were invalid:0 (including votes casted electronically:0)	0.00%
votes were either invalidly cast or abstained:3,295,038 (including votes casted electronically:3,292,038)	2.78%

Approved, that the above proposal be and hereby were accepted as submitted.

Proposal 2: (Board submitted)

Subject: 2019 earnings appropriation proposal.

Description:(1) Earnings appropriation for 2019 is NTD 1.07 per share in cash.

(2) 2019 earnings appropriation proposal had been audited by Audit Committee, and approved by the board meeting. Please see appendix 8.

Resolution:

118,402,605 shares were represented at the time of voting.

Voting Results	Percentage(%)
votes were in favor of the proposal:114,832,331 (including votes casted electronically:3,499,724)	96.98%
Votes were cast against the proposal:225,237 (including votes casted electronically:225,237)	0.19%
Votes were invalid:0 (including votes casted electronically:0)	0.00%
votes were either invalidly cast or abstained:3,345,037 (including votes casted electronically:3,292,037)	2.82%

Approved, that the above proposal be and hereby were accepted as submitted.

VI. Discussions

Proposal 1: (Board submitted)

Subject: Revision of Article of Incorporation.

Description: (1) In compliance with operation needs from TMC.

(2) Please see appendix 9 for the revision table.

Resolution:

118,402,605 shares were represented at the time of voting.

Voting Results	Percentage(%)
votes were in favor of the proposal:114,822,312 (including votes casted electronically:3,489,705)	96.97%
Votes were cast against the proposal:234,256 (including votes casted electronically:234,256)	0.19%
Votes were invalid:0 (including votes casted electronically:0)	0.00%
votes were either invalidly cast or abstained:3,346,037 (including votes casted electronically:3,293,037)	2.82%

Approved, that the above proposal be and hereby were accepted as submitted.

Proposal 2: (Board submitted)

Subject: Revision of Regulations Governing the Acquisitions and Disposals of Assets.

Description: (1) In compliance with Regulations Governing the Acquisition and Disposal of Assets by Public Companies and operation needs from TMC.
(2) Please see appendix 10 for the revision table.

Resolution:

118,402,605 shares were represented at the time of voting.

Voting Results	Percentage(%)
votes were in favor of the proposal:114,820,313 (including votes casted electronically:3,487,706)	96.97%
Votes were cast against the proposal:237,254 (including votes casted electronically:237,254)	0.20%
Votes were invalid:0 (including votes casted electronically:0)	0.00%
votes were either invalidly cast or abstained:3,345,038 (including votes casted electronically:3,292,038)	2.82%

Approved, that the above proposal be and hereby were accepted as submitted.

VII. Motions

VIII. Adjournment

【Appendix 1】

Taiwan Mask Corporation 2019 Business Report

Thanks for all your support to TMC. In the past year, the trading war between China and USA still caused many unstable changes to the semiconductor industry. In this fluctuate period, thanks to the support of shareholders, customers, and the efforts of all employees, TMC managed to maintain a high quality technology service to sustain the business engine.

The stand-alone sales revenue for TMC in 2019 is NTD 1.6 billion, compared with last year, it's a 14.5% growth. Net income is NTD 431,254 thousand, it's a 116.5% huge growth. TMC worked very hard to increase its utilization rate to make the revenue growth. In the other hand, Miracle Technology (TMC's subsidiary) also successfully expanded the business, also contribute a lot in non-operating income. Therefore, TMC's performance in terms of revenue and profitability is more impressive than last year.

TMC tried everything to increase the utilization rate, lower the cost, explore more customer in 2018, every effort makes this proud record. And, with the help from Miracle Technology, TMC received mask orders from IC design houses in China. In Taiwan and South Korea have achieved good results, and promote the close cooperation with the fab. In addition to the silicon wafer mask market, the business has also successfully developed the compound semiconductor mask business, which is also gradually growing steadily.

In research and development, TMC understood the technology needs in semiconductor industry, developed mask technology service in 12" FAB. Since 2019, new equipment has been procured in succession, and the installation and testing of some machines have been completed. It is expected that orders can be produced in the first quarter of 2020. In the future, the TMC's technical level and market competitiveness will be improved.

Looking forward to the new year, the business plans are:

1. TMC will continue to strengthen operations, optimize production capacity layout, reduce manufacturing costs, improve customer service and strengthen manufacturing quality, maximizing the benefits of existing production lines.
2. Continue to develop technology under 65nm mask: To meet the requirement from 12" wafers, TMC will invest in new equipment and development of 65nm technology to expand mask manufacturing services for 12" wafers.
3. Continue to expand the compound semiconductor and large-size mask business: In addition to the traditional silicon wafer mask business, TMC will also expand the compound semiconductor market (large-size mask) and the mask business required by the packaging market.
4. Group synergy: Based on the mask manufacturing service of TMC, combined with subsidiaries, including the foundry management service of Miracle Technology, the IC design service of Weida Hi-Tech, and the package manufacturing service of Aptos Technology, through collaboration within the TMC group, effective sharing and support of resources and management, with a view to creating more value for shareholders.

Wish you good luck and a healthy life

Sincerely yours

Chairman: Michael Tsai

President: Lidon Chen

Accounting Manager: Megan Tsai

【Appendix 2】

Auditing Report from Auditing Committee

The Board of Directors has prepared Taiwan Mask Corporation (“the Company”) 2019 Business Report, financial statements, and proposal for earnings appropriation. The CPA firm of PWC was retained to audit the Company’s financial statements and CPA Daniel Lee and CPA Tina Cheng have issued an audit report relating to financial statements. The above Business Report, financial statements, and earnings appropriation proposals have been examined and determined to be correct and accurate by the Auditing Committee of Taiwan Mak Corporation. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

To Shareholders’ meeting held in 2020

Taiwan Mask Corporation

Chairman of Auditing Committee: Wu Yu-Chiun

2020/3/17

【Appendix 3】

Endorsements and Guarantees of TMC and the Subsidiary

TAIWAN MASK CORPORATION AND SUBSIDIARIES
 ENDORSEMENTS/GUARANTEES PROVIDED
 FOR THE NINE-MONTH PERIODS ENDED December 31, 2019

(Amounts in thousands of new Taiwan dollars and foreign currencies, Unless Specified Otherwise)

Endorsement/ Guarantee Provider	Guaranteed Party Name	Endorsement/ Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Endorsement/ Guarantee Collateralized by Properties	Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Endorsement/ Guarantee Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Provided to Subsidiaries in Mainland China	Remark
Adl Engineering INC.	Aptos Technology INC.	\$ 23,044	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	26.04%	\$ 30,726	N	Y	N	

【Appendix 4】

Taiwan Mask Corporation
Ethical Corporate Management Best Practice Principles
Revision Table

Revised	Current	Remark
Article 7 Scope of Prevention programs TMC shall establish a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within their business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly and review their adequacy and effectiveness on a regular basis. TMC refer to prevailing domestic and foreign standards or guidelines in establishing the prevention programs, the prevention programs adopted by the company shall at least include preventive measures against the following: (The following is omitted)	Article 7 Scope of Prevention programs When establishing the prevention programs, the company shall analyze which business activities within its business scope which are possibly at a higher risk of being involved in an unethical conduct, and strengthen the preventive measures. The prevention programs adopted by the company shall at least include preventive measures against the following: (The following is omitted)	In compliance with the new rule of FA-Tzi No. 1080307434 issued by SEC on 2019/5/16
Article 8 Commitment TMC shall request their directors and senior management to issue a statement of compliance with the ethical management policy and require in the terms of employment that employees comply with such policy. The company and its respective business group shall clearly specify in its rules ,external documents and TMC's webiste the ethical corporate management policies and the commitment by the board of directors and the management on rigorous and thorough implementation of such policies, and shall carry out the policies in	Article 8 Commitment The company and its respective business group shall clearly specify in its rules and external documents the ethical corporate management policies and the commitment by the board of directors and the management on rigorous and thorough implementation of such policies, and shall carry out the policies in internal management and in commercial activities.	In compliance with the new rule of FA-Tzi No. 1080307434 issued by SEC on 2019/5/16

Revised	Current	Remark
internal management and in commercial activities. TMC shall compile documented information on the ethical management policy, statement, commitment and implementation mentioned in the first and second paragraphs and retain said information properly.		
Article 17 Organization and responsibility The directors, supervisors, managers, employees, and substantial controllers of the company shall exercise the due care of good administrators to urge the company to prevent unethical conduct, always review the results of the preventive measures and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policies. To achieve sound ethical corporate management, the company appointed Auditing department that is under the board of directors and responsible for establishing and supervising the implementation of the ethical corporate management policies and prevention programs. The dedicated unit shall be in charge of the following matters, and shall report to the board of directors on a regular basis(at least once a year): 1. Assisting in incorporating ethics and moral values into the company's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations. 2. Analyzing and assessing on a	Article 17 Organization and responsibility The directors, supervisors, managers, employees, and substantial controllers of the company shall exercise the due care of good administrators to urge the company to prevent unethical conduct, always review the results of the preventive measures and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policies. To achieve sound ethical corporate management, the company appointed Auditing department that is under the board of directors and responsible for establishing and supervising the implementation of the ethical corporate management policies and prevention programs. The dedicated unit shall be in charge of the following matters, and shall report to the board of directors on a regular basis(at least once a year): 1. Assisting in incorporating ethics and moral values into the company's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations. 2. Adopting programs to prevent	In compliance with the new rule of FA-Tzi No. 1080307434 issued by SEC on 2019/5/16

Revised	Current	Remark
regular basis the risk of involvement in unethical conduct within the business scope, adopting programs to prevent unethical conduct and setting out in each program the standard operating procedures and conduct guidelines with respect to the company's operations and business. (The following is omitted)	unethical conduct and setting out in each program the standard operating procedures and conduct guidelines with respect to the company's operations and business. (The following is omitted)	
Article 20 Accounting and internal control system The company shall establish effective accounting systems and internal control systems for business activities possibly at a higher risk of being involved in an unethical conduct, not have under-the-table accounts or keep secret accounts, and conduct reviews regularly so as to ensure that the design and enforcement of the systems are showing results. The Auditing department shall, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans? including auditees, audit scope, audit items, audit frequency, etc., and examine accordingly the compliance with the prevention programs. The internal audit unit may engage a certified public accountant to carry out the audit, and may engage professionals to assist if necessary. The results of examination in the preceding paragraph shall be reported to senior management and the ethical management dedicated unit and put down in writing in the form of an audit report to be submitted to the board of directors.	Article 20 Accounting and internal control system The company shall establish effective accounting systems and internal control systems for business activities possibly at a higher risk of being involved in an unethical conduct, not have under-the-table accounts or keep secret accounts, and conduct reviews regularly so as to ensure that the design and enforcement of the systems are showing results. The Auditing department shall periodically examine the company's compliance with the foregoing systems and prepare audit reports and submit the same to the board of directors. The Auditing department may engage a certified public accountant to carry out the audit, and may engage professionals to assist if necessary.	In compliance with the new rule of FA-Tzi No. 1080307434 issued by SEC on 2019/5/16
Article 23 Whistle-blowing system The company shall adopt a concrete	Article 23 Whistle-blowing system The company shall adopt a concrete	In compliance with the new

Revised	Current	Remark
whistle-blowing system and scrupulously operate the system. The whistle-blowing system shall include at least the following: 1. An independent mailbox or hotline, either internally established and publicly announced or provided by an independent external institution, to allow company insiders and outsiders to submit reports. 2. Dedicated personnel or unit appointed to handle whistle-blowing system. Any tip involving a director or senior manager shall be reported to the independent directors or supervisors. Categories of reported misconduct shall be delineated and standard operating procedures for the investigation of each shall be adopted. 3. Follow-up measures to be adopted depending on the severity of the circumstances after investigations of cases reported are completed. Where necessary, a case shall be reported to the competent authority or referred to the judicial authority. 4. Documentation of case acceptance, investigation processes, investigation results, and relevant documents. 5. Confidentiality of the identity of whistle-blowers and the content of reported cases, and an undertaking regarding anonymous reporting. 6. Measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing.	whistle-blowing system and scrupulously operate the system. The whistle-blowing system shall include at least the following: 1. An independent mailbox or hotline, either internally established and publicly announced or provided by an independent external institution, to allow company insiders and outsiders to submit reports. 2. Dedicated personnel or unit appointed to handle whistle-blowing system. Any tip involving a director or senior manager shall be reported to the independent directors or supervisors. Categories of reported misconduct shall be delineated and standard operating procedures for the investigation of each shall be adopted. 3. Documentation of case acceptance, investigation processes, investigation results, and relevant documents. 4. Confidentiality of the identity of whistle-blowers and the content of reported cases. 5. Measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing. 6. Whistle-blowing incentive measures. When material misconduct or likelihood of material impairment to the company comes to their awareness upon investigation, the dedicated personnel or unit handling the whistle-blowing system shall immediately prepare a report and notify the independent directors or supervisors in written	rule of FA-Tzi No. 1080307434 issued by SEC on 2019/5/16

Revised	Current	Remark
7. Whistle-blowing incentive measures. When material misconduct or likelihood of material impairment to the company comes to their awareness upon investigation, the dedicated personnel or unit handling the whistle-blowing system shall immediately prepare a report and notify the independent directors or supervisors in written form.	form.	

【Appendix 5】

Taiwan Mask Corporation Regulations Governing Procedure for Board of Directors Meetings Revision Table

Revised	Current	Remark
Article 7 Where a meeting of the board of directors is called by the chairperson of the board, the meeting shall be chaired by the chairperson. However, where the first meeting of each newly elected board of directors is called by the director who received votes representing the largest portion of voting rights at the shareholders' meeting in which the directors were elected, the meeting shall be chaired by that director; if there are two or more directors so entitled to call the meeting, they shall choose one person by and from among themselves to chair the meeting. Where a meeting of the board of directors is called by a majority of directors on their own initiative in accordance with Article 203, paragraph 4 or Article 203-1, paragraph 3 of the Company Act, the directors shall choose one person by and from among themselves to chair the meeting. When the chairperson of the board is on leave or for any reason is unable to exercise the powers of the chairperson, a director shall do so in place of the chairperson, or, if the chairperson does not make such a designation, by a director elected by and from among themselves.	Article 7 Where a meeting of the board of directors is called by the chairperson of the board, the meeting shall be chaired by the chairperson. However, where the first meeting of each newly elected board of directors is called by the director who received votes representing the largest portion of voting rights at the shareholders' meeting in which the directors were elected, the meeting shall be chaired by that director; if there are two or more directors so entitled to call the meeting, they shall choose one person by and from among themselves to chair the meeting. When the chairperson of the board is on leave or for any reason is unable to exercise the powers of the chairperson, a director shall do so in place of the chairperson, or, if the chairperson does not make such a designation, by a director elected by and from among themselves.	In compliance with the new rule of FA-Tzi No. 1080361934 issued by SEC on 2020/1/15

Article 15 If any director or a juristic person represented by a director is an interested party with respect to any agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interests of the company, the director may not participate in discussion or voting on that agenda item, and further, shall enter recusal during discussion and voting on that item and may not act as another director's proxy to exercise voting rights on that matter. Where the spouse or a blood relative within the second degree of kinship of a director, or a company which has a controlling or subordinate relation with a director, is an interested party with respect to an agenda item as described in the preceding paragraph, such director shall be deemed to be an interested party with respect to that agenda item. The provisions of Article 180, paragraph 1 of the Company Act, as applied mutatis mutandis under Article 206, paragraph 4 of that Act, apply to resolutions of board of directors meetings when a director is prohibited by the preceding two paragraphs from exercising voting rights.	Article 15 If any director or a juristic person represented by a director is an interested party with respect to any agenda item, the director can express opinions and answers. When the relationship is likely to prejudice the interests of the company, the director may not participate in discussion or voting on that agenda item, and further, shall enter recusal during discussion and voting on that item and may not act as another director's proxy to exercise voting rights on that matter. The provisions of Article 180, paragraph 1 of the Company Act, as applied mutatis mutandis under Article 206, paragraph 4 of that Act, apply to resolutions of board of directors meetings when a director is prohibited by the preceding two paragraphs from exercising voting rights.	In compliance with the new rule of FA-Tzi No. 1080361934 issued by SEC on 2020/1/15
Article 17 The formulation of this regulation shall be approved by the board of directors' meeting, and report to the shareholders' meeting. The revision of this regulation shall be approved by the board of directors' meeting.	Article 17 The formulation and revision of this regulation shall be approved by the board of directors' meeting, and report to the shareholders' meeting.	In compliance with "Regulations Governing Procedure for Board of Directors Meetings of Public Companies".

【Appendix 6】

Auditor's Report

To Taiwan Mask Corporation

Opinion

We have audited the accompanying consolidated balance sheets of Taiwan Mask Corporation and its subsidiaries (the "Group") as of December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years ended December 31, 2019 and 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of the other independent auditors, as described in the Other matters section of our report, the accompanying consolidated financial statements present fairly, in all material aspects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2019 and 2018 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 in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants", "Financial Supervisory Commission Letter No. 1090360805 of February 25, 2020" and generally accepted auditing standards in the Republic of China ("ROC GAAS") for the year ended December 31, 2019; we conducted our audit 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 ("ROC GAAS") for the year ended December 31, 2018. Our responsibilities under those standards are further described in the Independent Auditor's Responsibilities for the Audit of the Consolidated

Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the reports of the other independent auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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

Evaluation of Inventories

Description

Refer to Note 4(13) for the accounting policies on the evaluation of inventories, Note 5(2) for the uncertainty of accounting estimations and assumptions for evaluation of inventories, and Note 6(6) for the detail description of inventory accounts. The inventory amount and allowance for inventory valuation loss as of December 31, 2019 is NT\$ 331,580 thousand and NT\$ 86,423 thousand respectively.

The Group is primarily engaged in mask and integrated circuit services in semiconductor industry. Due to the rapid technological innovations, short life-cycle and competition within the mask industry, the risk of price fluctuation and inventory obsolete is higher than other industry. Management evaluates inventories stated at the lower of cost and net realizable value. Since the evaluation of inventories is subject to management’ s judgment and the accounting estimations will have significant influence on the inventory values, the evaluation of inventories has been identified as one of the key audit matters.

How our audit addressed the matter

We have performed primary audit procedures for the above matter as follows:

1. Assessed the policy on allowance for inventory valuation loss based on our understanding of the Group's operations and industry.
2. The test is used to evaluate the inventory aging report used and the inventory cost net realizable value which is lower, including verification of the relevant supporting documents of the inventory transaction date, confirming the correct classification of the inventory age; verifying the supporting documentation of the net realizable value, evaluation and confirm the rationality of the net realizable value decision.
3. Verify the reasonableness of allowance for inventory valuation loss.

Income recognition

Description

For the accounting policy on income recognition, please refer to Note 4 (28) of the financial report and sales revenue please refer to Note 6(21); the operating income in 2019 is NT\$3,468,682.

The Group mainly produces and sells products such as masks and integrated circuits used in semiconductors. The sales customers are numerous and scattered. The trading conditions vary according to market conditions and customer needs. Considering the sales revenue is the main transaction of the company. The consolidated financial statements have a significant impact. The accountant believes that the recognition of its sales revenue is one of the most important matters for the year.

How our audit addressed the matter

The audit procedures that the accountant has implemented are as follows :

1. Understand the type of major income and assess internal operations, review revenue recognition and accounting treatment.
2. Obtain the sales revenue statement, sample the sales transactions and verify the relevant documents to verify the appropriateness of the sales revenue.
3. Execute the cut-off test for the sales receipts transaction for a certain period of time before and after the closing date, and confirm that the account is correct at the time of entry.

Other matter-Parent company only financial reports

We have audited and expressed an unmodified opinion on the parent company only financial statements of Taiwan Mask Corporation as of and for the years ended December 31, 2019 and 2018.

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

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

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

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

Independent Auditor’s responsibilities for the audit of the consolidated financial statements

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

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

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

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

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

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

For and on behalf of PricewaterhouseCoopers, Taiwan

Daniel Lee

Certified Public Accountants

Tina Cheng

Taiwan Mask Corporation and Subsidiaries

Consolidated Balance Sheets

DECEMBER 31, 2019 AND 2018

in thousand NTD

Assets			DECEMBER 31, 2019		DECEMBER 31, 2018			
			Notes	AMOUNT	%	AMOUNT	%	
Current Assets								
1100	Cash and Cash Equivalents	6(1)	\$	946,517	16	\$	563,408	15
1110	Financial Asset at Fair Value Through Profit or Loss-Cur.	6(2)		500	-		-	-
1136	Financial Assets at Amortized Cost- Cur.	6(4) and8		40,236	1		54,335	1
1140	Contract Asset— Cur.	6(21)		18,121	-		-	-
1150	Notes Receivables(Net)	6(5)		-	-		1,277	-
1170	Accounts Receivables(Net)	6(5)		729,536	13		597,152	16
1180	Accounts Receivables— Related Parties(Net)	6(4) and7		1,568	-		4,178	-
1200	Other Receivables			17,032	-		13,607	-
1210	Other Receivables— Related Parties	7		205,568	-		4,636	-
1220	Tax Assets			269	-		710	-
130X	Inventories	6(6)		245,157	4		408,575	11
1410	Prepayments			48,240	1		77,026	2
1470	Other Current Assets			6,190	-		9,479	-
11XX	Total Current Assets			2,258,934	39		1,734,383	45
Non-Current Assets								
1510	Financial Asset at Fair Value Through Profit or Loss-Non Cur.	6(2)		992,784	17		731,826	19
1517	Financial assets measured at fair value through other comprehensive income— Non Cur.	6(3)		-	-		-	-
1535	Financial Assets at Amortized Cost-Non Cur.	6(4) and8		34,254	1		29,727	1
1550	Investment under Equity Method	6(7)		98,429	2		126,760	3
1600	Properties, Plants and Equipment	6(8)and8		1,546,919	27		966,563	25
1755	Right-of-use asset	6(9)		427,729	8		-	-
1760	Investment property (Net)	6(11)		38,687	1		-	-
1780	Intangible Assets			126,776	2		112,544	3
1840	Deferred Income Tax Assets	6(27)		5,079	-		5,238	-
1900	Other Non-Current Assets			196,779	3		157,277	4
15XX	Total Non-Current Assets			3,467,436	61		2,129,935	55
1XXX	Total Assets		\$	5,726,370	100	\$	3,864,318	100

(Continued)

Taiwan Mask Corporation and Subsidiaries
Consolidated Balance Sheets
DECEMBER 31, 2019 AND 2018

in thousand NTD

Liabilities and Equities		Notes	DECEMBER 31, 2019		DECEMBER 31, 2018	
			AMOUNT	%	AMOUNT	%
Current Liabilities						
2100	Short Term Loans	6(12)	\$ 804,938	14	\$ 591,000	15
2130	Contract Liabilities- Current	6(21)	39,856	21	58,701	2
2150	Notes Payables		65	-	54	-
2170	Accounts Payables		369,827	6	236,387	6
2200	Other Payables	6(13)	412,512	7	287,675	7
2220	Other Payables — Related Parties	7	1,432	-	1,003	-
2230	Current Income Tax Liabilities		17,668	-	17,744	1
2280	Lease liability -Current		38,005	1		
2300	Other Current Liabilities	6(14)				
		(15)	34,103	1	45,733	1
21XX	Total Current Liabilities		<u>1,718,406</u>	<u>30</u>	<u>1,238,297</u>	<u>32</u>
Non-Current Liabilities						
2540	Long-term Loans	6(14)	439,084	8	-	-
2570	Deferred Income Tax	6(27)	32,181	-	17,189	-
2580	Lease liability -Non Current		393,386	7		
2640	Defined Benefit Liabilities- Non Current	6(16)	20,311	-	21,917	1
2645	Guarantee deposits received		1,544	-	3,223	-
2670	Other Non-Current Liabilities	6(15)	-	-	9,881	-
25XX	Total Non-Current Liabilities		<u>886,506</u>	<u>1</u>	<u>52,210</u>	<u>1</u>
2XXX	Total Liabilities		<u>2,604,912</u>	<u>33</u>	<u>1,290,507</u>	<u>33</u>
Equities Attributable to Parent Company						
Stock						
3110	Common Stock	6(17)	2,527,136	44	2,527,136	65
Additional Paid-in Capital						
3200	Additional Paid-in Capital	6(18)	322,777	5	169,431	5
Retained Earnings						
3310	Legal Reserve	6(19)	544,712	10	524,792	14
3320	Special Reserve		-	-	14,287	-
3350	Uncompensated Deficit		432,801	8 (	199,736	5
Other Equities						
3400	Other Equities	6(20)	(1,872)	-	7,853	-
3500	Treasury Stock	6(17)	(835,332)	(15)	(884,741)	(23)
31XX	Total Equities Attributable to Parent Company		<u>2,990,222</u>	<u>52</u>	<u>2,558,494</u>	<u>66</u>
36XX	Non-Controlling Interests		<u>131,236</u>	<u>3</u>	<u>15,317</u>	<u>1</u>
3XXX	Total Equities		<u>3,121,458</u>	<u>55</u>	<u>2,573,811</u>	<u>67</u>
Major Commitments and Contingencies						
Major Events after Financial Statement Date						
3X2X	Total Liabilities and Equities		<u>\$ 5,726,370</u>	<u>100</u>	<u>\$ 3,864,318</u>	<u>100</u>

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

Taiwan Mask Corporation and Subsidiaries
Consolidated Comprehensive Income Statements
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

				in thousand NTD	
				(Except gain (loss) per share is in NTD)	
Items	Notes	2019		2018	
		AMOUNT	%	AMOUNT	%
4000 Operating Incomes	6(21)	\$ 3,468,682	100	\$ 2,885,982	100
5000 Operating Costs	6(6)	(2,856,280)	(82)	(2,256,974)	(78)
5900 Gross Income from Operations		<u>612,402</u>	<u>18</u>	<u>629,008</u>	<u>22</u>
Operating Expenses					
6100 Selling Expenses		(147,481)	(4)	(114,735)	(4)
6200 Administrative Expenses		(229,701)	(7)	(143,525)	(5)
6300 R & D Expenses		(220,885)	(7)	(113,965)	(4)
6450 Expected Credit Impairment Benefit	12(2)	(7,006)	-	2,753	-
6000 Total Operating Expenses		(605,073)	(18)	(369,472)	(13)
6900 Operating Gain & Loss		<u>7,329</u>	<u>-</u>	(259,536)	<u>9</u>
Non-Operating Incomes and Losses					
7010 Other Incomes	6(22)	59,634	2	30,044	1
7020 Other Gains and Losses	6(23)	368,938	11	(36,415)	(1)
7050 Financial Costs	6(24)	(15,849)	(1)	(5,573)	-
7060 The share of affiliates and joint venture profits and losses recognized by the equity method		(45,535)	(1)	(43,946)	(2)
7000 Total Non-Operating Incomes and Losses		<u>367,188</u>	<u>11</u>	(55,890)	(2)
7900 Earnings (Loss)Before Tax		<u>374,517</u>	<u>11</u>	<u>203,646</u>	<u>7</u>
7950 Income Tax Expense (Benefit)	6(27)	(62,577)	(2)	(57,826)	(2)
8200 Net Income (Loss)		<u>\$ 311,940</u>	<u>9</u>	<u>(\$ 145,820)</u>	<u>5</u>

(Continued)

Taiwan Mask Corporation and Subsidiaries
Consolidated Comprehensive Income Statements
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018						in thousand NTD
		(Except gain (loss) per share is in NTD)				
		2019		2018		
Items	Notes	AMOUNT	%	AMOUNT	%	
Other Comprehensive Incomes (Net)						
Components of other comprehensive income that will not be reclassified to profit or loss						
8311	Re-measurements of defined benefit plan	\$ 1,527	-	\$ 650	-	
8316	Unrealized gain/(loss) on investments in equity instruments at fair value through other comprehensive income	(2,789)	-	-	-	
8310	Total items that will not be reclassified subsequently to profit or loss	(1,262)	-	650	-	
Components of other comprehensive income that will be reclassified to profit or loss						
8361	Financial statement translation differences of foreign operations	(7,078)	-	649	-	
8360	Total Components of other comprehensive income that will be reclassified to profit or loss	(7,078)	-	649	-	
8500	Total Comprehensive Incomes	<u>\$ 303,600</u>	<u>9</u>	<u>\$ 147,119</u>	<u>5</u>	
Net Incomes (Losses) Attributable to :						
8610	Parent Company	\$ 431,254	12	\$ 199,203	7	
8620	Non-Controlling Interest	(119,314)	(3)	(53,383)	(2)	

(Continued)

Taiwan Mask Corporation and Subsidiaries
Consolidated Comprehensive Income Statements
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

		in thousand NTD (Except gain (loss) per share is in NTD)			
		2019		2018	
Items	Notes	AMOUNT	%	AMOUNT	%
Total		<u>\$ 311,940</u>	<u>9</u>	<u>\$ 145,820</u>	<u>5</u>
Total Comprehensive Incomes					
(Losses) Attributable to :					
8710 Parent Company		\$ 423,056	12	\$ 200,011	7
8720 Non-Controlling Interest		(119,456)	(3)	(52,892)	(2)
Total		<u>\$ 303,600</u>	<u>9</u>	<u>\$ 147,119</u>	<u>5</u>
Basic Gain (Loss) per Share	6(28)				
9750 Net Gain (Loss)		<u>\$ 2.19</u>		<u>\$ 1.02</u>	
Diluted Gain or Loss per Share	6(28)				
9850 Net Gain (Loss)		<u>\$ 2.18</u>		<u>\$ 1.01</u>	

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

Taiwan Mask Corporation and Subsidiaries
Consolidated Changes of Equities Statements
For The Years Ended December 31, 2019 and 2018

in thousand NTD

Equities Attributable to Parent Company											
Retained Earnings					Other Equities						
Common Stock	Additional Paid-in Capital	Legal Reserves	Special Reserves	Uncompensated Deficit	Conversion balance of financial statement translation of foreign operating agencies	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Unrealized Evaluation Profit and Loss of Available-for-Sales Financial Assets	Treasury Stock	Total	Non-Control ling Interest	Total Equities
\$ 2,527,136	\$ 212,948	\$ 599,009	\$ 14,287	(\$ 74,216)	\$ 7,451	\$ -	\$ 3,756	(\$ 884,741)	\$ 2,405,630	\$ 73,510	\$ 2,479,140
-	-	-	-	3,756	-	-	(3,756)	-	-	-	-
<u>2,527,136</u>	<u>212,948</u>	<u>599,009</u>	<u>14,287</u>	<u>(70,460)</u>	<u>7,451</u>	<u>-</u>	<u>-</u>	<u>(884,741)</u>	<u>2,405,630</u>	<u>73,510</u>	<u>2,479,140</u>
-	-	-	-	199,203	-	-	-	-	199,203	(53,383)	145,820
-	-	-	-	406	402	-	-	-	808	491	1,299
-	-	-	-	199,609	402	-	-	-	200,011	(52,892)	147,119
-	-	(74,217)	-	74,217	-	-	-	-	-	-	-
-	(4,946)	-	-	(3,630)	-	-	-	-	(8,576)	-	(8,576)
-	(38,571)	-	-	-	-	-	-	-	(38,571)	-	(38,571)
-	-	-	-	-	-	-	-	-	-	(5,301)	(5,301)
<u>\$ 2,527,136</u>	<u>\$ 169,431</u>	<u>\$ 524,792</u>	<u>\$ 14,287</u>	<u>\$ 199,736</u>	<u>\$ 7,853</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 884,741)</u>	<u>\$ 2,558,494</u>	<u>\$ 15,317</u>	<u>\$ 2,573,811</u>
<u>\$ 2,527,136</u>	<u>\$ 169,431</u>	<u>\$ 524,792</u>	<u>\$ 14,287</u>	<u>\$ 199,736</u>	<u>\$ 7,853</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 884,741)</u>	<u>\$ 2,558,494</u>	<u>\$ 15,317</u>	<u>\$ 2,573,811</u>
-	-	-	-	431,254	-	-	-	-	431,254	(119,314)	311,940
-	-	-	-	1,527	(7,059)	(2,666)	-	-	(8,198)	(142)	(8,340)
-	-	-	-	432,781	(7,059)	(2,666)	-	-	423,056	(119,456)	303,600
-	-	19,920	-	(19,920)	-	-	-	-	-	-	-
-	-	-	(14,287)	14,287	-	-	-	-	-	-	-
-	-	-	-	(194,083)	-	-	-	-	(194,083)	-	(194,083)
-	30,926	-	-	-	-	-	-	-	30,926	-	30,926
-	(5,333)	-	-	-	-	-	-	-	(5,333)	47,132	41,799
-	17,809	-	-	-	-	-	-	-	17,809	-	17,809
-	109,628	-	-	-	-	-	-	49,409	159,037	-	159,037
-	316	-	-	-	-	-	-	-	316	-	316
-	-	-	-	-	-	-	-	-	-	(584)	(584)
-	-	-	-	-	-	-	-	-	-	188,827	188,827
<u>\$ 2,527,136</u>	<u>\$ 322,777</u>	<u>\$ 544,712</u>	<u>\$ -</u>	<u>\$ 432,801</u>	<u>\$ 794</u>	<u>(\$ 2,666)</u>	<u>\$ -</u>	<u>(\$ 835,332)</u>	<u>\$ 2,990,222</u>	<u>\$ 131,236</u>	<u>\$ 3,121,458</u>

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

Taiwan Mask Corporation and Subsidiaries
Consolidated Statements of Cash Flow
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

in thousand NTD

	Notes	FOR THE YEARS ENDED DECEMBER 31,2019	FOR THE YEARS ENDED DECEMBER 31,2018
Cash Flow from Operating Activities			
Net Income(Loss) Before Tax		\$ 374,517	\$ 203,646
Adjustments to Reconcile Net Income to Net Cash Flow from Operating Activities			
Revenues and Expenses			
Depreciation	6(25)	279,470	146,423
Amortization	6(25)	7,779	3,131
Expected Credit Impairment Benefit / Bad Debt Expenses	12(2)	7,006	(2,753)
Interest Incomes	6(22)	(9,270)	(3,158)
Interest Expenses	6(24)	15,849	5,573
Allowances for Sales Return and Discounts		-	-
Net Profit of Financial Asset at Fair Value Through Profit or Loss	6(23)	(354,635)	12,430
Dividend income	6(22)	(25,755)	(16,264)
Share-based payment transaction	6(18)	109,628	
The Share of Affiliates Profits and Losses Recognized by the Equity Method		45,535	43,946
Gains (loss) on Disposal of Property, Plants and Equipment	6(23)	(1,916)	33,489
Property, Plants and Equipment reclassified as an expense		962	
Gain (loss) on disposal of investments	6(23)	(22,121)	649
Impairment Loss of Financial Assets	6(23)		(3,735)
The Changes of Assets/ Liabilities related to Operating Activities			
The Changes of Assets related to Operating Activities			
Force of Financial Asset at Fair Value Through Profit or Loss		81,328	(529,269)
Contract Assets	(	2,618)	
Notes Receivable		1,241	1,356
Accounts Receivable	(	95,589)	(94,491)
Accounts Receivable-related Parties		2,610	(935)
Other Receivables	(	1,906)	4,022
Other Receivables-related Parties	(	11,390)	4,251
Inventories		39,020	(12,744)
Prepayments		29,030	3,775
Other Current Assets		3,390	6,908
Other Non Current Assets	(	45)	
The Changes of Liabilities related to Operating Activities			
Contract Liabilities	(	18,541)	(24,888)
Notes Payable		-	(181)
Accounts Payable		94,562	43,488
Other Payables		104,264	39,102
Other Payables- related Parties		96	1,003
Other Current Liabilities		22,649	(3,615)
Accrued Pension Liability	(	79)	(7,102)
Other Non-Current Liabilities		-	-
Net Cash In-Flow (Out-Flow) from Operating Activities		675,071	(145,943)
Interest Received		7,601	3,112
Dividends Received		51,365	16,264
Interest Paid	(	15,313)	(4,469)
Income Tax Paid	(	46,979)	(28,403)
Net Cash In-Flow(Out-Flow) from Operating Activities		(671,745)	(159,439)

(Continued)

Taiwan Mask Corporation and Subsidiaries
Consolidated Statements of Cash Flow
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

in thousand NTD

	Notes	FOR THE YEARS ENDED DECEMBER 31,2019	FOR THE YEARS ENDED DECEMBER 31,2018
<u>Cash Flow from Investment Activities</u>			
Acquisition of Amortized Cost Financial Assets		(\$ 90,548)	(\$ 32,635)
Disposal of Amortized Cost Financial Assets		129,275	15,995
Disposal of Debt Investment in No Active Market		-	-
Acquisition of Available-for-sales Financial Assets		-	-
Disposal of Available-for-sales Financial Assets		-	-
Acquisition of investment property by the Equity Method		(65,000)	(66,991)
Cash In-Flow from Merge	6(29)	86,656	
Cash Out-Flow from Merge	6(31)	(25,037)	(149,693)
Acquisition of Property, Plants and Equipment	6(31)	(703,667)	(205,618)
Disposal of Property, Plants and Equipment		4,396	29,453
Acquisition of Intangible Assets		(3,420)	(2,163)
Increase of Refundable Deposits		82	(1,105)
Other Receivables-related Parties		(20,000)	-
Net Cash In-Flow(Out-Flow) from Investment Activities		(687,263)	(412,757)
<u>Cash Flow from Funding Activities</u>			
Increase of Short Term Loan	6(32)	1,292,495	916,000
Redemption of Short Term Loan	6(32)	(1,209,845)	(406,253)
Increase of Long Term Loan	6(32)	444,428	
Redemption of Long Term Loan	6(32)	(8,045)	(26,303)
Distribution of cash dividends	6(19)	(163,157)	
Treasury stocks transfer to employees		49,409	-
Redemption of Lease Principal	6(32)	(37,157)	-
Lease account payable		-	11,525
Increase of Guarantee Deposits	6(32)	(2,512)	3,029
Shareholders do not receive dividends reclassified as Additional Paid-in Capital		316	
Subsidiary cash increase non-controlling equity input		40,000	-
Net Cash In-Flow (Out-Flow) from Funding Activities		405,932	497,998
Adjustments of Exchange Rate		(7,305)	651
Increase (Decrease) of Cash and Cash Equivalents		383,109	(73,547)
Beginning Balance of Cash and Cash Equivalents		563,408	636,955
Ending Balance of Cash and Cash Equivalents		\$ 946,517	\$ 563,408

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

【Appendix 7】

Independent Auditors' Report

To TAIWAN MASK CORPORATION

Opinion

We have audited the accompanying separate balance sheets of TAIWAN MASK CORPORATION as of December 31, 2019 and 2018, and the related statements of comprehensive income, of changes in equity and of cash flows for the years ended December 31, 2019 and 2018, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of the other independent auditors, as described in the Other matters section of our report, the separate financial statements present fairly, in all material respects, the separate financial position of TAIWAN MASK CORPORATION as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years ended December 31, 2019 and 2018, in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

Basis for opinion

We conducted our audit in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants", "Financial Supervisory Commission Letter No. 1090360805 of February 25, 2020" and generally accepted auditing standards in the Republic of China ("ROC GAAS") for the year ended December 31, 2019; we conducted our audit 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 ("ROC GAAS") for the year ended December 31, 2018. Our responsibilities under those standards are further described in the Independent Auditor's Responsibilities for the Audit of the Separate Financial Statements section of our report. We are independent of TAIWAN MASK CORPORATION in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical

responsibilities in accordance with the Code. Based on our audits and the report of the other independent auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Key audit matters for the separate financial statements in the current period are stated as follows:

Evaluation of inventories

Description

Refer to Note 4(11) for the accounting policies on the evaluation of inventories, Note 5(2) for the uncertainty of accounting estimations and assumptions for evaluation of inventories, inventory accounts description please refer to Note 6(5), for the details of allowance for inventory valuation. The inventory amount and allowance for inventory valuation loss as of December 31, 2019 is NT\$ 142,870 thousand and NT\$ 5,125 thousand respectively.

TAIWAN MASK CORPORATION is primarily engaged in mask and integrated circuit services in semiconductor industry. Due to the rapid technological innovations, short life-cycle and competition within the mask industry, the risk of price fluctuation and inventory obsolete is higher than other industry. Management evaluates inventories stated at the lower of cost and net realizable value. Since the evaluation of inventories is subject to management's judgment and the accounting estimations will have significant influence on the inventory values, the evaluation of inventories has been identified as one of the key audit matters.

How our audit addressed the matter

We have performed primary audit procedures for the above matter as follows:

4. Assessed the policy on allowance for inventory valuation loss based on our understanding

of the Group' s operations and industry.

5. The test is used to evaluate the inventory aging report used and the inventory cost net realizable value which is lower, including verification of the relevant supporting documents of the inventory transaction date, confirming the correct classification of the inventory age; verifying the supporting documentation of the net realizable value, evaluation and confirm the rationality of the net realizable value decision.
6. Verify the reasonableness of allowance for inventory valuation loss.

Income recognition

Description

For the accounting policy on income recognition, please refer to Note 4 (25) of the financial report and sales revenue please refer to Note 6(19); the operating income in 2019 is NT\$1,658,131.

TAIWAN MASK CORPORATION mainly produces and sells products such as masks and integrated circuits used in semiconductors. The sales customers are numerous and scattered. The trading conditions vary according to market conditions and customer needs. Considering the sales revenue is the main transaction of the company. The consolidated financial statements have a significant impact. The accountant believes that the recognition of its sales revenue is one of the most important matters for the year.

How our audit addressed the matter

The audit procedures that the accountant has implemented are as follows :

4. Understand the type of major income and assess internal operations, review revenue recognition and accounting treatment.
5. Obtain the sales revenue statement, sample the sales transactions and verify the relevant documents to verify the appropriateness of the sales revenue.
6. Execute the cut-off test for the sales receipts transaction for a certain period of time before and after the closing date, and confirm that the account is correct at the time of entry.

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

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

In preparing the consolidated financial statements, management is responsible for assessing TAIWAN MASK CORPORATION’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 TAIWAN MASK CORPORATION 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 financial reporting process of TAIWAN MASK CORPORATION.

Independent auditor’s responsibilities for the audit of the separate financial statements

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

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

1. Identify and assess the risks of material misstatement of the separate 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 internal control of TAIWAN MASK CORPORATION.
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 ability of TAIWAN MASK CORPORATION to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor' s report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor' s report. However, future events or conditions may cause TAIWAN MASK CORPORATION to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate 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 TAIWAN MASK CORPORATION to express an opinion on the separate financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

For and on behalf of PricewaterhouseCoopers, Taiwan

Daniel Lee

Certified Public Accountants

Tina Cheng

TAIWAN MASK CORPORATION
SEPARATE BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

ASSETS		Notes	DECEMBER 31, 2019		DECEMBER 31, 2018	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and Cash Equivalents	6(1)	\$ 481,957	10	\$ 204,750	6
1136	Financial Assets at Amortized Cost- Cur.	6(3)and8	3,000	-	25,000	1
1150	Notes Receivables(Net)	6(4)	-	-	1,151	-
1170	Accounts Receivables(Net)	6(4)	368,313	7	337,293	9
1180	Accounts Receivables — Related Parties(Net)	6(4)and7	8,970	-	6,762	-
1200	Other Receivables		6,997	-	7,716	-
1210	Other Receivables — Related Parties	7	526,215	11	386,726	11
130X	Inventories	6(5)	137,745	3	128,324	4
1410	Prepayments		27,009	1	63,233	2
1470	Other Current Assets		1,409	-	1,570	-
11XX	Total Current Assets		1,561,615	32	1,162,525	33
Non-Current Assets						
1510	Financial Asset at Fair Value Through Profit or Loss-Non Cur.	6(2)	368,890	7	194,099	5
1535	Financial Assets at Amortized Cost-Non Cur.	6(3)and8	29,418	1	29,413	1
1550	Investment under Equity Method	6(6)	1,085,024	22	1,157,098	33
1600	Properties, Plants and Equipment	6(7)	1,369,968	28	855,134	24
1755	Right-of-use asset	6(8)	319,571	6	-	-
1780	Intangible Assets		2,177	-	939	-
1840	Deferred Income Tax Assets	6(25)	1,048	-	6	-
1900	Other Non-Current Assets		176,201	4	134,219	4
15XX	Total Non-Current Assets		3,352,297	68	2,370,908	67
1XXX	Total Assets		\$ 4,913,912	100	\$ 3,533,433	100

(Continued)

TAIWAN MASK CORPORATION
SEPARATE BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

LIABILITIES AND EQUITY			DECEMBER 31, 2019		DECEMBER 31, 2018	
			Notes	AMOUNT	%	AMOUNT
Current Liabilities						
2100	Short Term Loans	6(10)	\$ 700,000	14	\$ 591,000	17
2130	Contract Liabilities- Current	6(19)	6,310	-	21,857	1
2170	Accounts Payables		95,876	2	66,879	2
2200	Other Payables	6(11)	303,651	6	231,520	7
2230	Current Income Tax Liabilities		17,578	1	9,939	-
2280	Lease liability -Current		12,885	-		
2320	Long-term loans due within one year or one business cycle	6(12)	9,000	-	-	-
2399	Other Current Liabilities-Other		11,850	-	14,220	-
21XX	Total Current Liabilities		1,157,150	23	935,415	27
Non-Current Liabilities						
2540	Long-term Loans	6(12)	435,427	9		
2570	Deferred Income Tax	6(25)	660	-	899	-
2580	Lease liability -Non Current		310,328	6		
2640	Defined Benefit Liabilities- Non Current	6(14)	19,115	1	19,568	1
2645	Guarantee deposits received	7	1,010	-		
2670	Other Non-Current Liabilities		-	-	19,057	-
25XX	Total Non-Current Liabilities		766,540	16	39,524	1
2XXX	Total Liabilities		1,923,690	39	974,939	28
Equity						
Stock						
3110	Common Stock	6(15)	2,527,136	51	2,527,136	72
Additional Paid-in Capital						
3200	Additional Paid-in Capital	6(16)	322,777	7	169,431	4
Retained Earnings						
3310	Legal Reserve	6(17)	544,712	11	524,792	15
3320	Special Reserve		-	-	14,287	-
3350	Uncompensated Deficit		432,801	9	199,736	6
Other Equities						
3400	Other Equities	6(15)	(1,872)	-	7,853	-
3500	Treasury Stock	6(15)	(835,332)	(17)	(884,741)	(25)
3XXX	Total Equities		2,990,222	61	2,558,494	72
Major Commitments and Contingencies						
Major Events after Financial Statement Date						
3X2X	Total Liabilities and Equities		\$ 4,913,912	100	\$ 3,533,433	100

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

TAIWAN MASK CORPORATION
SEPARATE STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

(Except gain (loss) per share is in NTD)

	Items	Notes	2019		2018	
			AMOUNT	%	AMOUNT	%
4000	Operating Incomes	6(19)	\$ 1,658,131	100	\$ 1,448,393	100
5000	Operating Costs	6(5)	(1,144,949)	(69)	(977,165)	(67)
5900	Gross Income from Operations		<u>513,182</u>	<u>31</u>	<u>471,228</u>	<u>33</u>
	Operating Expenses					
6100	Selling Expenses		(49,396)	(3)	(42,237)	(3)
6200	Administrative Expenses		(130,000)	(8)	(64,815)	(5)
6300	R & D Expenses		(98,301)	(6)	(76,974)	(5)
6450	Expected Credit Impairment Benefit	12(2)	(792)	-	361	-
6000	Total Operating Expenses		<u>(278,489)</u>	<u>(17)</u>	<u>(183,665)</u>	<u>(13)</u>
6900	Operating Gain & Loss		<u>234,693</u>	<u>14</u>	<u>287,563</u>	<u>20</u>
	Non-Operating Incomes and Losses					
7010	Other Incomes	6(20)	37,860	2	30,098	2
7020	Other Gains and Losses	6(21)	223,817	14	(19,708)	(1)
7050	Financial Costs	6(22)	(14,373)	(1)	(3,540)	-
7070	Share of profit of subsidiaries, associates and joint ventures accounted for under equity method		(17,171)	(1)	(68,805)	(5)
7000	Total Non-Operating Incomes and Losses		<u>230,133</u>	<u>14</u>	<u>(61,955)</u>	<u>(4)</u>
7900	Earnings (Loss)Before Tax		<u>464,826</u>	<u>28</u>	<u>225,608</u>	<u>16</u>
7950	Income Tax Expense (Benefit)	6(25)	(33,572)	(2)	(26,405)	(2)
8000	Profit from continuing operations for the year		<u>431,254</u>	<u>26</u>	<u>199,203</u>	<u>14</u>
8200	Net Income (Loss)		<u>\$ 431,254</u>	<u>26</u>	<u>\$ 199,203</u>	<u>14</u>
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Re-measurements of defined benefit plan		\$ 1,527	-	\$ 406	-
8316	Unrealized gain/(loss) on investments in equity instruments at fair value through other comprehensive income	6(18)	(2,666)	-	-	-
8310	Total items that will not be reclassified subsequently to profit or loss		(1,139)	-	406	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statement translation differences of foreign operations	6(18)	(7,059)	-	402	-
8360	Total Components of other comprehensive income that will be reclassified to profit or loss		<u>(7,059)</u>	<u>-</u>	<u>402</u>	<u>-</u>
8500	Total Comprehensive Incomes (Losses)		<u>\$ 423,056</u>	<u>26</u>	<u>\$ 200,011</u>	<u>14</u>
	Basic Gain (Loss) per Share	6(26)				
9750	Net Gain (Loss)		<u>\$ 2.19</u>		<u>\$ 1.02</u>	
	Diluted Gain or Loss per Share	6(26)				
9850	Net Gain (Loss)		<u>\$ 2.18</u>		<u>\$ 1.01</u>	

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

Taiwan Mask Corporation and Subsidiaries
SEPARATE Changes of Equities Statements
For The Years Ended December 31, 2019 and 2018

in thousand NTD

	Retained Earnings					Other Equities				
	Common Stock	Additional Paid-in Capital	Legal Reserves	Special Reserves	Uncompensated Deficit	Conversion balance of financial statement translation of foreign operating agencies	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Unrealized Evaluation Profit and Loss of Available-for-Sales Financial Assets	Treasury Stock	Total Equities
2018/1/1-2018/12/31										
Beginning Balance as of 2018/1/1	\$ 2,527,136	\$ 212,948	\$ 599,009	\$ 14,287	(\$ 74,216)	\$ 7,451	\$ -	\$ 3,756	(\$ 884,741)	\$ 2,405,630
Impact of Retroactive Applications	-	-	-	-	3,756	-	-	(3,756)	-	-
Adjusted Balance as of January 1, 2018	2,527,136	212,948	599,009	14,287	(70,460)	7,451	-	-	(884,741)	2,405,630
Net Income	-	-	-	-	199,203	-	-	-	-	199,203
Other Comprehensive Profit or Loss	-	-	-	-	406	402	-	-	-	808
Total Comprehensive Profit or Loss	-	-	-	-	199,609	402	-	-	-	200,011
Year 2017 Deficit Compensated										
with Legal Reserves	-	-	(74,217)	-	74,217	-	-	-	-	-
Changes of the Shares Invested in Subsidiaries	-	(4,946)	-	-	(3,630)	-	-	-	-	(8,576)
Difference between Consideration and Carrying Amount of Subsidiaries Acquired or Disposed	-	(38,571)	-	-	-	-	-	-	-	(38,571)
Ending Balance as of 2018/12/31	\$ 2,527,136	\$ 169,431	\$ 524,792	\$ 14,287	\$ 199,736	\$ 7,853	\$ -	\$ -	(\$ 884,741)	\$ 2,558,494
2019/1/1-2019/12/31										
Beginning Balance as of 2019/1/1	\$ 2,527,136	\$ 169,431	\$ 524,792	\$ 14,287	\$ 199,736	\$ 7,853	\$ -	\$ -	(\$ 884,741)	\$ 2,558,494
Net Income	-	-	-	-	431,254	-	-	-	-	431,254
Other Comprehensive Profit or Loss	-	-	-	-	1,527	(7,059)	(2,666)	-	-	(8,198)
Total Comprehensive Profit or Loss	-	-	-	-	432,781	(7,059)	(2,666)	-	-	423,056
Year 2018 appropriations of earnings										
Legal capital reserve	-	-	19,920	-	(19,920)	-	-	-	-	-
Reversal of Special capital	-	-	-	(14,287)	14,287	-	-	-	-	-
Cash dividends to shareholders	-	-	-	-	(194,083)	-	-	-	-	(194,083)
Issued to subsidiaries dividends adjustment capital reserve	-	30,926	-	-	-	-	-	-	-	30,926
Difference between Consideration and Carrying Amount of Subsidiaries Acquired or Disposed	-	(5,333)	-	-	-	-	-	-	-	(5,333)
Adjustments to share of changes in equities of associates	-	17,809	-	-	-	-	-	-	-	17,809
Share-based payment transaction	-	109,628	-	-	-	-	-	-	49,409	159,037
Shareholders do not receive dividends	-	316	-	-	-	-	-	-	-	316
Ending Balance as of 2019/12/31	\$ 2,527,136	\$ 322,777	\$ 544,712	\$ -	\$ 432,801	\$ 794	(\$ 2,666)	\$ -	(\$ 835,332)	\$ 2,990,222

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

TAIWAN MASK CORPORATION
SEPARATE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
<u>Cash Flow from Operating Activities</u>			
Net Income(Loss) Before Tax		\$ 464,826	\$ 225,608
Adjustments to Reconcile Net Income to Net Cash Flow from Operating Activities			
Revenues and Expenses			
Depreciation	6(23)	146,907	117,535
Amortization	6(23)	1,972	897
Expected Credit Impairment Benefit / Bad Debt Expenses	12(2)	792 (	361)
Interest Incomes	6(20)	(15,080) (	7,486)
Interest Expenses	6(22)	14,373	3,540
Net Profit of Financial Asset at Fair Value Through Profit or Loss	6(21)	(220,364)	29,253
Dividend income	6(20)	(4,095) (	4,170)
Share-based payment transaction	6(15)	84,922	-
The Share of Affiliates Profits and Losses Recognized by the Equity Method		17,171	68,805
Property, Plants and Equipment reclassified as an expense		962	-
Gain (loss) on disposal of investments	6(21)	(8,126) (	47)
Impairment Loss of Financial Assets	6(21)	- (	3,735)
The Changes of Assets/ Liabilities related to Operating Activities			
The Changes of Assets related to Operating Activities			
Force of Financial Asset at Fair Value Through Profit or Loss		54,168 (	145,729)
Notes Receivable		1,151	600
Accounts Receivable		(31,812) (	95,358)
Accounts Receivable-related Parties		(2,208)	8,734
Other Receivables		987	1,471
Other Receivables-related Parties		(6,952) (	3,375)
Inventories		(9,421) (	15,044)
Prepayments		36,224	12,674
Other Current Assets		161 (	1,532)
The Changes of Liabilities related to Operating Activities			
Contract Liabilities		(15,547)	1,561
Notes Payable		28,997	17,329
Other payables		47,127	24,161
Other Current Liabilities		(125)	9,018
Accrued Pension Liability		(18) (	6,869)
Net Cash In-Flow from Operating Activities		586,992	237,480
Interest Received		11,975	4,259
Dividends Received		4,095	4,170
Interest Paid		(13,811) (	3,147)
Income Tax Paid		(27,213) (	11,821)
Net Cash In-Flow from Operating Activities		562,038	230,941

(Continued)

TAIWAN MASK CORPORATION
SEPARATE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
<u>Cash Flow from Investment Activities</u>			
Acquisition of Amortized Cost Financial Assets		\$ -	(\$ 25,000)
Disposal of Amortized Cost Financial Assets		21,995	15,995
Acquisition of investment property by the Equity Method		-	(372,205)
The capital returned by the invested company		99,981	-
Other Receivables- Increase of related Parties		(129,700)	(263,780)
Acquisition of Property, Plants and Equipment	6(28)	(671,054)	(146,191)
Acquisition of Intangible Assets		(3,210)	(581)
Increase of Refundable Deposits		92	(472)
Net Out-Flow from Investment Activities		(681,896)	(792,234)
<u>Cash Flow from Funding Activities</u>			
Increase of Short Term Loan	6(29)	1,292,495	916,000
Redemption of Short Term Loan	6(29)	(1,183,495)	(325,000)
Increase of Long Term Loan	6(29)	444,427	-
Distribution of cash dividends	6(17)	(194,083)	-
Treasury stocks transfer to employees		49,409	
Lease account payable		-	1,457
Redemption of Lease Principal	6(29)	(12,978)	
Increase of Guarantee Deposits	6(29)	974	9
Shareholders do not receive dividends reclassified as Additional Paid-in Capital		316	-
Net Cash In-Flow (Out-Flow) from Funding Activities		397,065	592,466
Increase (Decrease) of Cash and Cash Equivalents		277,207	31,173
Beginning Balance of Cash and Cash Equivalents		204,750	173,577
Ending Balance of Cash and Cash Equivalents		\$ 481,957	\$ 204,750

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

【Appendix 8】

Taiwan Mask Corporation
2019 Earnings Appropriation

in NTD

Item	Amount
Beginning Balance	20,273
Remeasurement of pension fund recognized in retained earnings	1,526,901
Adjusted Balance	1,547,174
Net income	431,253,709
Deduct: Legal reserves	(43,278,061)
Special reserves - Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	(2,666,084)
Cash dividend(NTD1.07 per share probably)	(252,713,612)
Ending Balance	134,143,126

Chairman:Michael Tsai

President:Lidon Chen

Accounting Manager: Megan Tsai

【Appendix 9】

Taiwan Mask Corporation Article of Incorporation Revision Table

Revised	Current	Remark
Article 8 The share certificate of the company issued shall all be name-bearing and shall assign its share certificates with serial numbers, shall be affixed with the signatures or personal seals of the director representing the company, and shall be duly authenticated pursuant to the competent authority or its approved issuance registration agency. Printing hard-copy share certificates is not always necessary, but all shares issued should be registered in Taiwan Depository & Clearing Corporation.	Article 8 The share certificate of the company issued shall all be name-bearing and shall be affixed with the seals or signatures of at least three (3) directors of the company, and shall be duly authenticated pursuant to the law. Printing hard-copy share certificates is not always necessary, but all shares issued should be registered in Taiwan Depository & Clearing Corporation.	In compliance with Company Act.
Section IV – Directors and auditing committee Article 15 There shall be five (5) to seven (7) directors (including at least three (3) independent directors and not less than one fifth (1/5) of the total number of the directors) in board meeting. The service timeline of a director is three (3) years. A director shall be nominated as a candidate first and then to be elected as a director in shareholders’ meeting. The company shall provide liability insurance for every director and supervisor under the resolution of board meeting.	Section IV – Directors and Supervisors Article 15 There shall be five (5) to seven (7) directors (including at least three (3) independent directors and not less than one fifth (1/5) of the total number of the directors) in board meeting. The service timeline of a director is three (3) years. A director shall be nominated as a candidate first and then to be elected as a director in shareholders’ meeting. The company shall provide liability insurance for every director and supervisor under the resolution of board meeting.	In compliance with TMC, an audit committee has been set up to replace the supervisor. Therefore, the relevant text of the supervisor has been deleted.
Article 15-1 The company shall organize all independent directors (at least three (3) directors) into an auditing committee. One of the	Article 15-1 The company shall organize all independent directors (at least three (3) directors) into an auditing committee. One of the	In compliance with TMC, an audit committee has been set up to replace the

Revised	Current	Remark
independent director shall be the chairman, and at least one of the independent director shall be in accounting or finance background.	independent director shall be the chairman, and at least one of the independent director shall be in accounting or finance background. The compensation or reward paid to supervisors in accordance to the Article of Incorporation of the company in the year when organizing an auditing committee to substitute supervisors shall be in per rata to the service timeline of the supervisors.	supervisor. Therefore, the relevant text of the supervisor has been deleted.
Article 21 The Company shall assign several mangers. The assignment, dismissal and compensation shall be in accordance with Article 29 of the Company Act.	Article 21 The Company shall assign one (1) president and several vice presidents and mangers. The assignment, dismissal and compensation shall be in accordance with Article 29 of the Company Act.	In compliance with operation needs from TMC.
Article 26 This Article of Incorporation was set up on 1988/10/7, the first amendment was on 1990/5/29, the second amendment was on 1991/4/2, the third amendment was on 1992/5/4, the fourth amendment was on 1994/4/26, the fifth amendment was on 1994/5/28, the sixth amendment was on 1995/6/6, the seventh amendment was on 1996/6/1, the eighth amendment was on 1997/5/27, the ninth amendment was on 1998/5/21, the tenth amendment was on 1999/5/5, the eleventh amendment was on 2000/6/12, the twelfth amendment was on 2001/4/24, the thirteenth amendment was on 2002/5/28, the fourteenth amendment was on 2003/6/3, the fifteenth amendment was on 2004/6/24, the sixteenth amendment was on 2006/6/12, the seventeenth amendment was on 2010/6/18, the eighteenth	Article 26 This Article of Incorporation was set up on 1988/10/7, the first amendment was on 1990/5/29, the second amendment was on 1991/4/2, the third amendment was on 1992/5/4, the fourth amendment was on 1994/4/26, the fifth amendment was on 1994/5/28, the sixth amendment was on 1995/6/6, the seventh amendment was on 1996/6/1, the eighth amendment was on 1997/5/27, the ninth amendment was on 1998/5/21, the tenth amendment was on 1999/5/5, the eleventh amendment was on 2000/6/12, the twelfth amendment was on 2001/4/24, the thirteenth amendment was on 2002/5/28, the fourteenth amendment was on 2003/6/3, the fifteenth amendment was on 2004/6/24, the sixteenth amendment was on 2006/6/12, the seventeenth amendment was on 2010/6/18, the eighteenth	Add the date of this amendment.

Revised	Current	Remark
amendment was on 2011/6/22, the nineteenth amendment was on 2016/6/23, the twentieth amendment was on 2017/6/23, the twenty-first amendment was on 2019/6/11, the twenty-second amendment was on 2020/6/10.	amendment was on 2011/6/22, the nineteenth amendment was on 2016/6/23, the twentieth amendment was on 2017/6/23, the twenty-first amendment was on 2019/6/11.	

【Appendix 10】

Taiwan Mask Corporation
Regulations Governing the Acquisitions and Disposals of Assets
Revision Table

Revised	Current	Remark
The limitation for the company and subsidiaries to buy real property not for operation and right-of-use assets or the sum amount of securities and one specific security is as following: 1. When buying real property for non-operation use, the total amount could not be over 50% of the capital funded stated in the latest audited financial statements. When buying right-of-use assets, the total amount could not be over 50% of the capital funded stated in the latest audited financial statements. 2. When buying securities, the total amount could not be over 50% of the capital funded stated in the latest audited financial statements. 3. When buying securities, the amount of one specific security could not be over 50% of the capital funded stated in the latest audited financial statements.	The limitation for the company and subsidiaries to buy real property not for operation or the sum amount of securities and one specific security is as following: 1. When buying real property for non-operation use, the total amount could not be over 50% of the capital funded stated in the latest audited financial statements. 2. When buying securities, the total amount could not be over 50% of the capital funded stated in the latest audited financial statements. 3. When buying securities, the amount of one specific security could not be over 50% of the capital funded stated in the latest audited financial statements.	In compliance with Regulations Governing the Acquisition and Disposal of Assets by Public Companies.
Article 5 Procedures for Acquisitions and Disposals of Assets 1. Securities: A. Procedures: Finance Department shall set up transaction conditions based on market situation and internal forecast. Evaluate and appraise the investment. Conducting the acquisitions and disposals in accordance with “The	Article 5 Procedures for Acquisitions and Disposals of Assets 1. Securities: A. Procedures: Finance Department shall set up transaction conditions based on market situation and internal forecast. Evaluate and appraise the case as long-term or short-term investment. Conducting the acquisitions and disposals in	In compliance with operation needs from TMC.

authorization matrix of procedures for acquisitions and disposals of assets”. B. Appraisal: The company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price. C. If the dollar amount of the transaction is 20 percent of the company's paid-in capital or NT\$300 million or more, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the government authorities. Execution department: Finance department shall base on “The authorization matrix of procedures for acquisitions and disposals of assets” to get proper approval before investment.	accordance with “The authorization matrix of procedures for acquisitions and disposals of assets”. B. Appraisal: The company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price. C. If the dollar amount of the transaction is 20 percent of the company's paid-in capital or NT\$300 million or more, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the government authorities. Execution department: Finance department shall base on “The authorization matrix of procedures for acquisitions and disposals of assets” to get proper approval before investing in short term or long term investment.	
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Taiwan Mask Corporation

Approval Authority Table of Regulations Governing the Acquisitions and Disposals of Assets

Revised Date : 2020.03.17

approval authority of individual acquisitions and disposals of assets as below:

Item	President	CEO	Chairman	Board of Director	Shareholders' meeting	Remark
A 、 security						
1. cumulative acquisition or disposal of individual security Less than NT\$10,000,000 (inclusive)	✓					
2. cumulative acquisition or disposal of individual security Less than NT\$30,000,000 (inclusive)		✓				
3. cumulative acquisition or disposal of individual security Less than NT\$50,000,000 (inclusive)			✓	★		
4. cumulative acquisition or disposal of individual security NT\$50,000,000 or more				✓		remark
B 、 real property or other fixed assets						
1. real property and other fixed assets Less than NT\$10,000,000 (inclusive)	✓					
2. real property and other fixed assets Less than NT\$30,000,000 (inclusive)		✓				
3. real property and other fixed assets Less than NT\$50,000,000 (inclusive)			✓	★		
4. real property and other fixed assets NT\$50,000,000 or more				✓		remark

Item	President	CEO	Chairman	Board of Director	Shareholders' meeting	Remark
C、Intangible assets like memberships, patents, copy rights, trade marks, franchises						
1. intangible assets Less than NT\$10,000,000 (inclusive)	✓	★				
2. intangible assets Less than NT\$30,000,000 (inclusive)			✓	★		
3. intangible assets NT\$30,000,000 or more				✓		remark
D、Derivatives						
1. per limit : derivatives Less than NT\$30,000,000 (inclusive)	✓			★		
2. per limit : derivatives Less than NT\$50,00,000 (inclusive)		✓		★		
3. per limit : derivatives NT\$50,000,000 or more Cumulative limit : each transaction needs to recalculate the accumulated outstanding derivative financial products, and the amount after adding this transaction amount should not be greater than 70% of the total turnover of the previous three months..			✓	★		
E、Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law				✓	✓	Discussions in Shareholders' meeting
F、the real property transaction price is grater than the estimated cost acquisition or disposal of real properties from or to a related party				✓	✓	Reports in Shareholders' meeting

✓ : approve ★ : Verification

Remark : For projects that need to be approved by the board of directors, if business needs, the chairman of the board of directors is authorized to review the matter first, and then report to the board of directors for approval.