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Taiwan Mask Corporation

2019 Annual Report

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I. Spokesperson of the Company

Name: LC Lin  
Job title: Deputy Director, IT Department  
Telephone: (03)563-4370  
Email: lclin@tmcnet.com.tw

Acting Spokesperson:  
Name: Megan, Tsai  
Job title: Deputy Manager, Finance Department  
Telephone: (03)563-4370  
Email: Megan@tmcnet.com.tw

II. Headquarters, branch office, factory address and telephone

Headquarters: No. 11, Innovation Rd.1, Science-Based Industrial Park, Hsinchu  
Branch office: None  
Factory: No. 11, Innovation Rd.1, Science-Based Industrial Park, Hsinchu  
Telephone: (03)563-4370  
Fax: (03)578-0752

III. Stock transfer agent

Name: Transfer Agency Service, Chinatrust Commercial Bank  
Address: 5F., No.83, Sec. 1, Chongqing S. Rd., Zhongzheng District, Taipei City  
Website: <https://ecorp.ctbcbank.com/cts/index.jsp>  
Telephone: (02)6636-5566

IV. Certified Public Accountant (CPA) and firm for the latest financial report

Name: Tien-I Li (CPA), Ya-Hui Cheng (CPA)  
Accounting Firm: PricewaterhouseCoopers Taiwan  
Address: 27F, No. 333, Section 1, Keelung Road, Xinyi District, Taipei City  
Website: <https://www.pwc.com.tw>  
Telephone: (02)2729-6666

V. Name of overseas exchange where securities are listed, and method of inquiry:  
Not applicable.

VI. Company website: <http://www.tmcnet.com.tw>

**Notice to readers**

*This English version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.*

Taiwan Mask Corporation  
Annual Report Table of Contents

<b>One. Letter to Shareholders</b> .....	1
<b>Two. Company Profile</b> .....	4
<b>Three. Corporate Governance Report</b>	
I. Organizational Structure .....	8
II. Information on Directors, General Manager, Vice General Managers.....	10
III. Remuneration paid during the most recent fiscal year to directors of the board (including independent directors), the general manager, and vice general managers.....	14
IV. Implementation status of corporate governance .....	20
V. Information on professional fee of accountant .....	56
VI. Information on change of accountant .....	57
VII. Information on the chairperson, general manager, manager in charge of financial or accounting affairs of the Company who has worked in the accounting firm or an affiliated company of the certified accountant for the past one year .....	57
VIII. Status of any equity transferred and changes in pledge of stock rights in recent years and until the publication date of the annual report by directors, independent directors, managers and shareholders with over 10% shares .....	58
IX. Top ten shareholders by shareholding proportion and information of relationships among them .....	59
X. Company, company's directors, managers and businesses in direct or indirect control by the company, their number of shares of the reinvested businesses, and the consolidated calculation of the comprehensive shareholding ratio .....	60
<b>Four. Financing Activities</b>	
I. Capital and shares .....	61
II. Handling situation of corporate bonds .....	70
III. Preferred shares.....	70
IV. Overseas depositary receipts .....	70
V. Employee stock warrants and employee new restricted shares .....	70
VI. Status on merger or acquisition, issuance of new shares in connection with the acquisition of shares of another company .....	70
VII. Financing plans and implementation.....	70

## **Five. Overview of operations**

I. Business Activities.....	50
II. Status of the market and production/sales: .....	74
III. Employee information.....	78
IV. Expenditures on environmental protection .....	79
V. Labor relations information .....	80
VI. Important contracts .....	81

## **Six. Overview of Financial Status**

I. Information on condensed balance sheets and statements of comprehensive income for the past five fiscal years .....	82
II. Financial analysis for the past five fiscal years .....	86
III. Audit Committee's audit report of the Financial Statements for the most recent fiscal year .....	90
IV. Latest financial report.....	91
V. Standalone financial report for the most recent fiscal year audited and validated by a certified public accountant .....	187
VI. If the company or its affiliates have experienced financial difficulties in the most recent fiscal years or during the current fiscal year up to the date of publication of the annual report, an explanation of its effects on the Company's financial situation.....	281

## **Seven. Review and Analysis of Financial Position and Financial Performance and Risks**

I. Financial position .....	282
II. Financial performance .....	283
III. Cash flow .....	284
IV. Effects of major capital expenditures on finance and operation in the most recent fiscal year .....	284
V. The Company's reinvestment policy for the most recent fiscal year, the main reasons for the generated profits/losses, the plan for improving re-investment profitability and investment plans for the coming year .....	285
VI. Analysis and assessment of risks .....	286
VII. Other important matters.....	291

**Eight. Special Items to be Included**

I. Information of affiliated companies ..... 292

II. Status of private placement of securities during the most recent fiscal year or up to the date of publication of the annual report ..... 296

III. Holding or disposal of shares in the Company by the Company's subsidiaries during the most recent fiscal year or up to the date of publication of the annual report ..... 296

IV. Other supplementary information ..... 296

V. Situations listed in Article 36, paragraph 2, sub-paragraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, have occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, such situations shall be listed ..... 296

# One.Letter to Shareholders

To begin with, I would like to express thank you to all shareholders for your support! In the year of 2019, the US-China trade war continues to cast effects on semiconductor-related markets causing instability. Under these dramatic changes, the Company relies on the trust of shareholders and customers and joint efforts of all of its employees to have achieved sales results that exceed the standards of the past. The Company continues to provide quality manufacturing technology and customer service, adequate grasp of the pulse of the market environment, and made steady strategic layout and implementations amidst this challenging environment for management. Thus far, it has effectively heightened operation results.

The Company's 2019 consolidated net operating revenue has reached NT\$3,468,682,000, a growth rate of 20.19% from the previous year; Net income is at NT\$311,940,000 with a growth rate of 113.92% from the previous year, after-tax EPS is at NT\$2.19. Operating revenue comes mainly from the parent company TMC at NT\$1,613,012,000 (a growth rate of 16% from the previous year), subsidiary Miracle Technology (Miracle Tech) at NT\$1,337,642,000 (a growth rate of 3.7% from the previous year), subsidiary Weida Hi-Tech at NT\$212,671,000 (included in TMC in September 2018), and operating revenue recognized by using equity method of the newly-invested Aptos Technology in June 2019 is at NT\$259,046,000. Taiwan Mask Corporation is committed to related services for photomask manufacturing and technology. Its subsidiary company Miracle Tech provides foundry service to semiconductor design companies, subsidiaries Weida Hi-Tech is a semiconductor design company and Aptos Technology provides packaging and testing service. Each company within the Group cooperates with each other strategically, sharing resources in reaching full synergy.

## (I) 2019 Business Report:

### 1. 2019 Consolidated revenues, net income, and comparison with 2018:

Unit: NT\$ Thousand

General ledger account	2019	2018	Growth rate
Operating revenue	3,468,682	2,885,982	20.19%
Net income (loss)	311,940	145,820	113.92%

### 2. Financial revenue, expenditure and profitability analysis

#### (1) Financial performance

The Company upholds to the principle of steady management. This is reflected in the equity ratio reaching 56% in 2019 with current ratio as high as 131%, showing a sound financial position in each category. There is sufficient capital to provide for the operations requirements.

#### (2) Profitability analysis

Unit: NT\$ Thousand

Items	2019	2018	Growth rate
Gross profit	612,402	629,008	(2.64%)
Operating profit	7,329	259,536	(97.18%)
Pre-tax profit	374,517	203,646	83.91%

Net income	311,940	145,820	113.92%
Basic after-tax EPS	2.19	1.02	114.71%

### 3. Technology research and development

Taiwan Mask Corporation (TMC) is committed to new market development, new technology layout to satisfy the product demands of customers, and continues to optimize its current mature technology production lines, elevating its manufacturing quality and production efficiency with effective management of its manufacturing costs meeting the set targets of operations. Its subsidiary, Miracle Tech, has successfully expanded its business, developing new customer sources and new markets, continues to strengthen its foundry service capability. Weida Hi-Tech focuses on new product design and introduction to markets. Aptos Technology INC. (Aptos Tech) is actively developing in the discipline of new packaging and testing service on top of continuing its original packaging and testing service. It is expected to change the production application discipline at a suitable time to turn losses into profits.

In terms of R&D outcomes, the Company has in 2019 actively invested in the research and development of a 12-inch wafer plant for photomask product in response to integrated circuit technology production demands. Since 2019, continued to purchase new equipment that up to now, installation and testing for some of the machines has been completed. It is expected to begin receiving orders and production starting from Quarter 1 of 2020. This is foreseen to raise the company's technology level and market competitiveness.

### 4. Production and manufacturing service

For the year 2019, the Company has for its photomask core business continued to heighten its manufacturing quality, reduce manufacturing cost, and strengthen its customer service. Therefore, has earned customer recognition and long-term support. Under the collaboration with subsidiary Miracle Tech, the Company won orders for photomasks from a China design company and numerous wafer plants. Our photomask manufacturing service is based on integrity and on this basis, promotes a closer collaborative relationship with these wafer plants. Concurrently, the company actively expands the markets in Singapore and Malaysia and has obtained good growth results. Besides the silicon wafer photomask market, the sales team has successfully developed photomask businesses for compound semiconductor and is gradually on a steady growth.

## (II) Summary of 2020 Business Plan

1. The Company plans to continue to strengthen its operations, quality improvements, optimize production capability layout, lower manufacturing cost, heighten customer service, and to maximize current production line's performance.
2. Continue to develop photomask needed for related technology of integrated circuit 65 nano cell: In response to demands by 12-inch wafer producing products at 90 nanometer (nm) and below, the Company plans to expand its facility and develop 65 nm technology, in order to expand 12-inch wafer's photomask manufacturing service.
3. Continue to expand compound semiconductor and large size photomask business: Besides the traditional silicon wafer photomask business, there are plans to expand the photomask business

required by the compound semiconductor market and packaging and testing market (large size photomask).

4. The Group's synergy integration and full performance: Under the foundation of photomask service by the parent company, combining with its subsidiaries, including the foundry management service by Miracle Tech, IC design service by Weida Hi-Tech to packaging and testing service by Aptos Tech, there are expectations to create more values for shareholders through the Group's internal collaborations and the effective sharing of resources and management.

(III) Future development strategies, impact of the competitive environment, regulatory environment, and the overall business environment

1. Future development strategies

The Company continues to heighten its operations capability and strengthen its customer service for its core business of photomask. Products with related applications to integrated circuits continue to grow, thus, demands for photomask also undergo continuous growth. TMC has over the past years, layout in mature photomask manufacturing service and markets possessing the level of capability and advantage. Following the increase in global 12-inch wafer production and applications, TMC has invested in production machinery and related technology development at suitable times and levels to make gradual growth adopting an operation strategy of steadiness and step-by-step. Subsidiary Miracle Tech has effectively raised sales gross profit margin by actively expanding its customers and service content.

2. Impact of the competitive environment, regulatory environment, and the overall business environment

There is a close relationship between the development of the photomask industry and semiconductor industry. Continuous growth in 5G, AI, IOT, High Performance Computing markets and applications in recent years, has also driven the semiconductor and related industry to boom. TMC is able to provide the best photomask manufacturing service to the design companies of semiconductor or integrated circuits. On top of that, the subsidiaries including Miracle Tech, Weida Hi-Tech and Aptos Tech of the Group, each of them focuses on semiconductor related technology or manufacturing services. Each of the companies within the Group also strictly adheres to the rules of corporate governance and continues to strengthen its operations performance. It is worth expecting their future growth momentum.

Wishing you all  
good health and prosperity.

**Michael, Tsai, Chairperson**

## Two. Company Profile

### I. Date of incorporation

October 21, 1988

### II. Company history

- 1988/04/01 Initiated by Industrial Technology Investment Corporation (ITIC), the Preparatory Committee selected Mr. Chin-Tai Shih as the Chairperson and hired Mr. Parkson, Chen as Director of Preparatory Office.
- 1988/05/04 Approved by the Science and Industrial Park for meeting the requirements as stipulated in Article 3 on “Approval for investment and establishment within the Science and Industrial Park” of the Industrial Park’s Establishment Management Regulations.
- 1988/10/07 The organizers approved the Company Charter and elected directors and supervisors during the meeting. The nine elected directors are Chung-Mou Chang, Chin-Tai Shih, Ching-Chu Chang, Pao-Hsi Chang, Fan-Cheng Tseng, Hsien-Hsiung Huang, Chi-Lin Chiang, Jui-Yu Kuo, Parkson, Chen, and three elected supervisors are Min-Chan Chen, K.J., Wu, and Mei-Li Tsai. The Board of Directors selected Mr. Chin-Tai Shih as Chairperson and hired Mr. Parkson, Chen as General Manager.
- 1988/10/21 Acquired official company license.
- 1989/03/04 Obtained approval from Hsinchu Science Park for a land of 0.96 hectares for use of factory construction.
- 1989/03/24 Obtained certificate of business registration approved by the Local Tax Bureau Hsinchu City, and the first business invoice (Government Uniform Invoice) was issued on the same year on March 31.
- 1989/08/18 Chairperson Mr. Chin-Tai Shih resigned from the chairperson position and was succeeded by Mr. Chi-Mo Wang.
- 1989/09/18 Groundbreaking ceremony for the Company’s new factory site in Hsinchu Science Park.
- 1989/11 The Company purchased its second electron beam exposure system.
- 1990/03/16 Approved by Securities and Futures Bureau (SFB) as a company with initial public offering of stocks.
- 1990/04/03 Joint meeting of directors and supervisors during the 1<sup>st</sup> Term 5<sup>th</sup> Meeting passed the resolution for cash capital increase of NT\$262,500,000 and collected in full on June 5 of the same year.
- 1991/04/02 Changing the company’s authorized capital stock to NT\$500,000,000 due to long-term development needs of the company was approved at the Shareholders’ Meeting.
- 1991/07/22 The Company’s newly-built factory in Hsinchu Science Park was completed for use.
- 1992/06 Completed outsourced manufacturing of 4 M DRAM photomask by Electronics Institute of Industrial Technology Research Institute (ITRI), proven the strength and ability of submicron development in Taiwan.
- 1992/08/24 Entered into a contract agreement with Japan’s ICA company to purchase CORE-2564 laser-beam

mask/reticle lithography system made by ETEC company to meet the requirements in industrial developments of integrated circuit for 16 M DRAM and 64 M DRAM.

- 1993/10 ICS company of the United States came to Taiwan to present the Zero-Defect Quality Award to the Company, in recognition of the Company's speedy delivery of goods and great quality with zero defects.
- 1994/01 Collaborated with Electronics Institute of Industrial Technology Research Institute (ITRI) to co-develop finished photomask products for Liquid Crystal Display (LCD) usage and to formally supply them to LCD manufacturers.
- 1994/05 The newly purchased CORE-2564 laser-beam mask/reticle lithography system arrived at the factory. It was the newest model at that time with added computerized rapid processing function and it allowed development of Phase Shift Mask.
- 1994/11/21 The Company was approved by the 235<sup>th</sup> Meeting of the Marketable Securities Listing Committee of the Taipei Stock Exchange Corporation (TWSE) and agreed for the Company's stock to be listed as Class II stocks. Officially listed on April 17, 1995.
- 1995/02/13 The Company's stocks were co-handled with the eleven securities underwriter of CTBC Securities  
~ on matters of public sale prospectus prior to listing, the negotiated sale price was NT\$47 per share.
- 1995/03/14 All matters of the sale were completed on March 14, 1995, and on March 27 of the same year submitted a declaration to TWSE for official listing on April 17.
- 1995/05/13 The Company had purchased a large-size exposure machine which arrived at the factory for set-up, becoming the first company in Taiwan to be able to provide large-size photomasks needed by LCD.
- 1995/06/06 The shareholders' meeting approved increasing the authorized capital stock to NT\$700,000,000.
- 1995/10/17 Purchased the third CORE2564 machine to the factory for set-up.
- 1996/01/05 The Securities and Futures Bureau (SFB) approved the Company's cash capital increase of NT\$85,437,500. The offering was completed on April 2, 1996.
- 1996/06/01 The shareholders' meeting approved increasing the authorized capital stock to NT\$1,000,000,000.
- 1996/06/27 The Company purchased electron beam exposure system equipment produced by Japan's electro-optical company which arrived at the factory for set-up. The machine's model is JBX-7000MV which was designed especially for the production of 64M and 256M DRAM. The Company had introduced a variable shaped beam exposure system for the first time, along with the available equipment at that time, it brought the Company's production method at that time into a new era.
- 1996/07/08 The Company signed a collaborative agreement with United Microelectronics Corporation (UMC) for 0.35 micrometer ( $\mu\text{m}$ ) photomask mass production. UMC to purchase one 0.35  $\mu\text{m}$  processing photomask exposure machine to be placed at the Company in 1997. The Company was then responsible for management of the production and manufacturing, supplying photomask to UMC's 8-inch wafer factory.
- 1996/08/02 The laser-beam mask/reticle lithography system made by U.S.A.'s ETEC company that the Company purchased had arrived at the factory for installation. The system model was ALTA-3000

which was considered as the newest precision equipment model at that time, a model type designed specifically for 0.35  $\mu\text{m}$  manufacturing for mass production and 0.25  $\mu\text{m}$  manufacturing development. This machine system provided abundant support and supply to the Company in supplying photomask to 8-inch integrated circuit factories.

- 1996/11/09 Joint meeting of directors and supervisors during the 3<sup>rd</sup> Term 14<sup>th</sup> Meeting had approved cash capital increase of NT\$119,228,750, actual paid-in capital after capital increase was NT\$1,100,000,000.
- 1997/05/21 The convening of the 1997 Shareholders' Meeting had approved increasing the authorized capital stock to NT\$2,500,000,000, 4<sup>th</sup> Term Election of Directors and Supervisors with Mr. Chi-Mo Wang's reappointment as the 4<sup>th</sup> Term Chairperson.
- 1997/07/23 Groundbreaking ceremony for the Company's second factory, expected year of completion was 1998.
- 1998/05/21 The 1998 shareholders' meeting approved increasing the authorized capital stock to NT\$2,700,000,000.
- 1999/05/05 The 1999 shareholders' meeting approved increasing the authorized capital stock to NT\$3,891,000,000.
- 2000/04 The laser-beam mask/reticle lithography system made by U.S.A.'s ETEC company that the Company purchased was the ALTA-3500 model. It was a model type designed specifically for 0.18  $\mu\text{m}$  manufacturing for mass production and 0.15  $\mu\text{m}$  manufacturing development.
- 2000/06/12 The 2000 shareholders' meeting approved the merger with Hsintai Technology Company Limited and increased the authorized capital stock to NT\$4,500,000,000. Election of the 5<sup>th</sup> Term directors and supervisors took place during the meeting, with Mr. Shan-Ko Hsu elected to chairperson.
- 2000/12/01 Baseline date for merger of Hsintai Technology Company Limited.
- 2001/04/24 The 2001 shareholders' meeting approved increasing the authorized capital stock to NT\$5,200,000,000. By-election for the 5<sup>th</sup> Term directors and supervisors took place due to resignation of one director and one supervisor from Wensheng Investment Company and ITIC respectively. After the by-election, Picvue Electronics Ltd. and Technology Associates Corp. took up positions of director and supervisor respectively.
- 2002/03 The Company's second factory had completed construction and was in usage.
- 2003/06/03 The 2003 shareholders' meeting elected 6<sup>th</sup> Term directors and supervisors, Mr. Shan-Ko Hsu was reappointed to 6<sup>th</sup> Term chairperson.
- 2006/06/12 The 2006 shareholders' meeting elected 7<sup>th</sup> Term directors and supervisors, Mr. Shan-Ko Hsu was reappointed to 7<sup>th</sup> Term chairperson.
- 2009/06/10 The 2009 shareholders' meeting elected 8<sup>th</sup> Term directors and supervisors, Mr. Shan-Ko Hsu was reappointed to 8<sup>th</sup> Term chairperson.
- 2012/06/28 The 2012 shareholders' meeting elected 9<sup>th</sup> Term directors and supervisors, Mr. Parkson, Chen was elected to 9<sup>th</sup> Term chairperson.
- 2015/06/25 The 2015 shareholders' meeting elected 10<sup>th</sup> Term directors, independent directors and supervisors, Mr. Parkson, Chen was elected to 10<sup>th</sup> Term chairperson.
- 2017/06/23 The 2017 shareholders' meeting elected 11<sup>th</sup> Term directors, independent directors and

supervisors, Mr. K.J., Wu was elected to 11<sup>th</sup> Term chairperson.

2017/10/01 Baseline date for merger of Miracle Technology CO., LTD. (Miracle Tech).

2018/08/09 The Board of Directors passed the resolution to acquire equity of Weida Hi-Tech Company by cash.

2019/05/03 Innova Vision INC. organized cash capital increase by issuance of new shares on May 3, 2020. The Group has not executed based on shares proportion. Therefore, the Group has lost control of this company and Innova Vision INC. is not a subsidiary of the Group now.

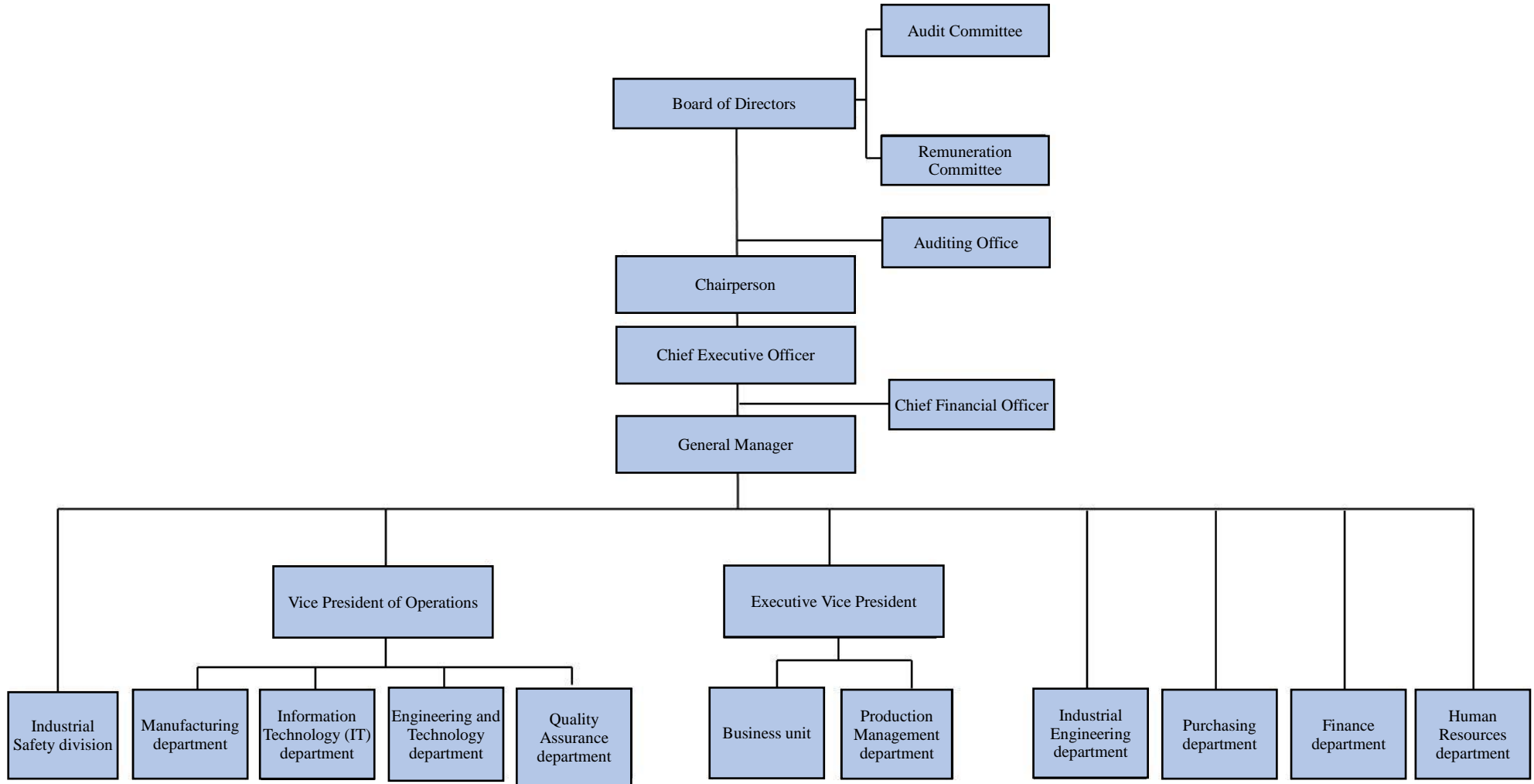
2019/06/28 Aptos Technology INC. held elections for all directors. The Company's subsidiary Youe Chung Capital Corporation won more than half of the director seats obtaining actual control of this company. It will then be included as a subsidiary of the Group from this date onwards.

2020/03/18 A special meeting of the shareholders was convened in 2020 for election of 12<sup>th</sup> Term directors. Mr. Michael, Tsai was elected to 12<sup>th</sup> Term chairperson.

# Three. Corporate Governance Report

## I. Organizational Structure

(I) Structure



(II) Business operations of main departments

Main departments	Main duties of each department	Main departments	Main duties of each department
Auditing Office	Audit the internal control operations, assess the soundness and effectiveness of internal controls and the accuracy of financial and accounting information.	Business unit	Product sales, market research and development.
Industrial Safety division	Management of labor occupational safety and health.	Production Management department	Production schedule, import-export, storage and transportation business, testing and certification of photomask.
Manufacturing department	Production management of photomask. Photomask manufacturing, production cost control management, improving production efficiency optimization.	Industrial Engineering department	Work standardization, simplifying, process analysis and optimization, investment analysis, cost analysis.
Information Technology (IT) department	CAD technology development, engineering computer software development, maintenance and computer management, maintenance. Coding development, supporting customers information correction and service, providing MIS information.	Purchasing department	Material, machines and general purchase business.
Engineering and Technology department	Research and development of photomask, fixing abnormality of manufacturing processes, research and development of new products, testing and certification of photomask, repair and related manufacturing processes.	Finance department	Financial scheduling, fund management, collection, production and analysis of accounting information, shareholder services related business.
Quality Assurance department	Formulating product specification, quality guarantee planning, customer service.	Human Resources department	Personnel administration, education and training, general affairs.

## II. Information on Directors, General Manager, Vice General Managers

### (I) Information on General Manager and Vice General Managers

April 12, 2020

Job title	Nationality	Name	Gender	Date elected/appointed	Shareholding		Shares held by spouse, underage dependents		Shares held in the names of others		Main career (academic) backgrounds	Concurrent Position in Other Companies	Managers who are Spouse or Blood Relatives Within the Second Degree			Note
					Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Job title	Name	Relationship	
Chief Executive Officer	Republic of China	K.J., Wu	Male	2020/1/15	5,782,000	2.29%	1,064,000	0.42%	-	-	MBA, University of Maryland, United States of America; Director, Finance Office, ITRI Chairperson, Taiwan Mask Corporation	None	-	-	-	-
General Manager	Republic of China	Lidon, Chen	Male	2020/1/15	0	0%	0	0%	-	-	Master's, Department of Atmospheric Sciences, National Central University General Manager of Xintec Inc. General Manager of DelSolar Co., Ltd.	None	-	-	-	-
Executive Vice General Manager	Republic of China	Vincent, Tsai	Male	2017/10/25	111,255	0.04%	1,103,028	0.44%	-	-	Doctoral degree, Department of Electrical Engineering, National Central University Chairperson, Miracle Technology CO., LTD.	Director, Youe Chung Capital Corporation Director, Miracle International Enterprise(Shanghai) Co., Ltd.	-	-	-	-
Vice General Manager of Operations	Republic of China	Nester, Huang	Male	2020/2/20	0	0%	0	0%	-	-	Bachelor degree, Department of Applied Physics, Tunghai University Director of Manufacturing (Back-end processes), Micron Technology, Inc. General Manager, JCET Group Co., Ltd.	None	-	-	-	-
Vice General Manager of Finance	Republic of China	Eve, Yang	Female	2020/3/17	0	0%	0	0%	-	-	MBA, University of North Alabama, USA Vice President of Finance, FOCI Fiber Optic Communications, Inc.	None	-	-	-	-

Note: There are no situations where the aforementioned personnel are the same person as the Chairperson, or is a spouse or first-degree relative of the Chairperson.

## (II) Information on directors and independent directors

April 12, 2020

Job title	Nationality or Place of Registration	Name	Gender	Date elected /appointed	Term	Date first elected	Shareholding when elected		Current shareholding		Shares held by spouse and underage children		Shares held in the names of others		Main career (academic) backgrounds	Concurrent duties in the Company and in other companies	Spouse or relatives of second degree or closer acting as directors, supervisors, or department heads			Note
							Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Job title	Name	Relationship	
Chairperson	Republic of China	Fushuo Investment Co., Ltd.	Corporate	2020/3/18	3 Years	2017/6/23	6,364,000	2.52%	6,364,000	2.52%	-	-	-	-		Chairperson, Taiwan Mask Corporation Director, AI Memory Corporation	-	-	-	-
		Representative: Michael, Tsai	Male	2020/3/18	3 Years	2017/6/23	0	0%	0	0%	-	-	-	-	Bachelor, National Chiao Tung University General Manager, Powerchip Technology Corporation Chairperson, Fushuo Investment Co., Ltd. Chairperson, AP Memory Technology Corp. Director, Sprout International Limited Director, Xsense Technology Corporation Director, AI Memory Corporation Independent Director, UNITED INTEGRATED SERVICES CO., LTD.	-	-	-	-	
Director	Republic of China	Lidon, Chen	Male	2020/3/18	3 Years	2020/3/18	0	0%	0	0%	-	-	-	-	Master's, Department of Atmospheric Sciences, National Central University General Manager of Xintec Inc. General Manager of DelSolar Co., Ltd.	Director, Taiwan Mask Corporation General Manager, Taiwan Mask Corporation	-	-	-	-
Director	Republic of China	Chao-Yi, Wu	Female	2020/3/18	3 Years	2020/3/18	8,868,922	3.51%	8,907,000	3.52%	30,000	0.01%	-	-	Master's degree, Cornell University, USA Manufacturing and Engineering Department, Wintec Industries Inc. Management Department, Sinyi Realty Inc., Japan Account Manager, Browave Corporation President, Browave Corporation Japan	Director, Taiwan Mask Corporation Director, FOCI Fiber Optic Communications, Inc. Director, Browave Corporation President, Browave Corporation Japan	Chief Executive Officer	K.J., Wu	Father and daughter	-
Director	Republic of China	Cheng-Hsiang, Chen	Male	2020/3/18	3 Years	2020/3/18	1,980,342	0.78%	2,000,000	0.79%	-	-	-	-	Syracuse University, MS. Computer Science Director, Tachun Venture Capital Co., Ltd. Director, Ontario Technology Corporation Chief Executive Officer, xFuture Ltd. Executive Vice President, GLMS Group (NTT Com Asia Partner) Director of Business Unit, AVerMedia Technologies, Inc. Chief Executive Officer and Co-Founder, Goosean Media Inc. Assistant Vice President, Sales Consultation, Oracle Corporation Asia Pacific, Greater China region Manager, Application Software Development Group, Oracle Corporation USA Headquarter IT Manager, Taiwan Semiconductor Manufacturing Company Limited	Director, Taiwan Mask Corporation Chairperson and General Manager, Browave Corporation Chief Executive Officer, USA's N2 Connectivity Inc Special Assistant to Chairperson, Browave Corporation Director, Xsense Technology Corp. (B.V.I.) Taiwan Branch Chairperson, Jaas data inc.	-	-	-	-

Note: There are no situations where the aforementioned personnel hold concurrent positions as the chairperson and general manager or equivalent position (manager as the highest level), or is a spouse or first-degree relative of the Chairperson.

Job title	Nationality or Place of Registration	Name	Gender	Date elected/appointed	Term	Date first elected	Shareholding when elected		Current shareholding		Shares held by spouse and underage children		Shares held in the names of others		Main career (academic) backgrounds	Concurrent duties in the Company and in other companies	Spouse or relatives of second degree or closer acting as directors, supervisors, or department heads			Note
							Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Job title	Name	Relationship	
Independent Director	Republic of China	Yu-Chiun, Wu	Male	2020/3/18	3 Years	2017/6/23	-	-	-	-	-	-	-	M.B.A., National Taiwan University (Advanced Public Management) Securities and Futures Bureau of Financial Supervisory Commission under Executive Yuan Director-general	Independent director, Taiwan Mask Corporation Independent director, Chun Zu Machinery Industry Co., Ltd. Independent director of Yuanta Securities Supervisor, Browave Corporation	-	-	-	-	
Independent Director	Republic of China	Tai-Ning, Hsieh	Male	2020/3/18	3 Years	2017/6/23	-	-	-	-	-	-	-	Bachelor, Chinese Culture University Department of Geology General Manager, Pan Pacific Semiconductor Co., Ltd.	Independent director, Taiwan Mask Corporation Director, Actron Technology Corporation Director and Chief Executive Officer, REC TECHNOLOGY CORPORATION	-	-	-	-	
Independent Director	Republic of China	Hsin, Chen	Male	2020/3/18	3 Years	2020/3/18	-	-	-	-	-	-	-	Doctor of Business Administration, Nova Southeastern University, Florida, USA Executive Vice General Manager and Vice Chairperson, CDIB Capital Group	Independent director, Taiwan Mask Corporation Director, CDIB Capital Group Chairperson, Kunshan Huachuang Yida Equity Investment Enterprises (L.P.) Chairperson, CPEC Huakai Private Equity (Fujian) Co. Ltd.	-	-	-	-	

Note: There are no situations where the aforementioned personnel hold concurrent positions as the chairperson and general manager or equivalent position (manager as the highest level), or is a spouse or first-degree relative of the Chairperson.

### (III) Major shareholders of corporate shareholders

April 12, 2020

Name of Corporate Shareholders	Majority corporate shareholders
Fushuo Investment Co., Ltd.	Powerchip Technology Corporation (100%)

### (IV) Main shareholders of majority corporate shareholders

April 12, 2020

Name of Legal Person	Majority corporate shareholders
Powerchip Technology Corporation	Chung-Jen Huang (4.54%), Resen Corporation (1.27%), deuteron electronics corporation (1.23%), Wei-Cheng Lin (0.88%), Chia-I Chen, (0.83%), Novax Technologies, Inc. (0.75%), jendan investment Inc. (0.74%), synage technology corporation (0.69%), HSBC as Trustee of KGI Nominees (Hong Kong) Limited (0.68%), Yuanlong Investment Co.,Ltd. (0.64%)

## (V) Directors' and independent directors' expertise and independence:

April 12, 2020

Name	Criteria	Having more than 5 years' work experience and professional qualifications listed below			Independence												Concurrently serving as an independent director in other publicly listed companies
		Lecturer (or above) of commerce, law, finance, accounting, or any subject relevant to the company's operations in a public or private tertiary institution	Judge, prosecutor, lawyer, accountant, or holder of national exam or professional qualification relevant to the company's operations	Commercial, legal, financial, accounting or other work experiences required to perform the assigned duties	1	2	3	4	5	6	7	8	9	10	11	12	
Fushuo Investment Co., Ltd. Representative: Michael, Tsai			✓		✓			✓	✓		✓	✓	✓	✓	✓	✓	1
Lidon, Chen			✓				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Chao-Yi, Wu			✓		✓					✓	✓	✓	✓	✓	✓	✓	
Cheng-Hsiang, Chen			✓		✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	
Yu-Chiun, Wu			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Tai-Ning, Hsieh			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Hsin, Chen			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	

Note: A " " is placed in the box if the director or supervisor met the following conditions during active duty and two years prior to the date elected.

- (1) Not employed by the Company or any of its affiliated companies.
- (2) Not a director or supervisor of the company or any of its affiliates (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, a subsidiary or a related company under the same parent company, as appointed in accordance with these regulations or with the laws of the country of the parent company or subsidiary.)
- (3) Does not hold more than 1% of the Company's outstanding shares in their own names or under the name of spouse, underage children, or proxy shareholder; nor is a top-10 natural-person shareholder of the Company.
- (4) Not a spouse, relative within the second degree of kinship or lineal relative within the third degree of kinship, of any of the above persons listed in Subparagraph (2) and (3) or of the manager listed in (1).
- (5) Not directly owning 5% or more of the Company's total issued shares or one of the top five shareholders in terms of the number of shares owned, and not a director, supervisor or employee of a corporate shareholder who is designated as the Company's director or supervisor in accordance with Paragraph 1 or 2, Article 27 of the Company Act (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, a subsidiary or a related company under the same parent company, as appointed in accordance with these regulations or with the laws of the country of the parent company or subsidiary).
- (6) Not a director, supervisor or employee of another company or institution in which the majority of board seats or voting rights are controlled by the same person in the Company (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, a subsidiary or a related company under the same parent company, as appointed in accordance with these regulations or with the laws of the country of the parent company or subsidiary).
- (7) Not a director, supervisor or employee of another company or institution, who is also the chairperson, general manager or equivalent position, or a spouse of these personnel, of the Company (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, a subsidiary or a related company under the same parent company, as appointed in accordance with these regulations or with the laws of the country of the parent company or subsidiary).
- (8) A director, supervisor, manager or a shareholder with over 5% ownership of a specified company or institution which does not have financial or business dealings with the Company (The same does not apply, however, in cases where the specified company or institution holds 20% or more and no more than 50% of the total number of issued shares of the Company, and the person is an independent director of the Company, its parent company, a subsidiary or a related company under the same parent company, as appointed in accordance with these regulations or with the laws of the country of the parent company or subsidiary).
- (9) Not a professional individual or an owner, partner, director, supervisor or officer of a sole proprietorship, partnership, company or institution that, provides auditing or commercial, legal, financial, accounting services, which receive less than NT\$500,000 in accumulated remuneration in the most recent two years, to the company or to any affiliate of the company, or a spouse thereof. This excludes roles as Remuneration Committee, Public Acquisition Review Committee or M&A Special Committee member appointed in accordance with the Securities and Exchange Act or Business Mergers and Acquisitions Act.
- (10) Not a spouse or relative of second degree or closer to any other directors.
- (11) Does not meet any of the conditions stated in Article 30 of the Company Act.
- (12) Not elected as a government or corporate representative, as described in Article 27 of the Company Act.

### III. Remuneration paid during the most recent fiscal year to directors of the board (including independent directors), the general manager, and vice general managers

#### (I) Remuneration for directors (including independent directors)

Unit: NTD Thousand

Job title	Name	Director compensation								Proportion of Total Remuneration (A + B + C + D) out of Net Income (Note 10)		Compensation received as employee								Total Remuneration (A+B+C+D+E +F+G) as a % of the Net Income (Note 10)		Receive remuneration from non-consolidated affiliates or the parent company (Note 11)
		Compensation (A) (Note 2)		Pension (B)		Director remuneration (C)(Note 3)		Fees for services rendered (D)(Note 4)				Base Compensation, Bonuses, and Allowances (E) (Note 5)		Severance Pay and Pensions (F)		Employee remuneration (G) (Note 6)						
		The Company	From All Consolidated Entities (Note 7)	The Company	From All Consolidated Entities (Note 7)	The Company	From All Consolidated Entities (Note 7)	The Company	From All Consolidated Entities (Note 7)	The Company	From All Consolidated Entities (Note 7)	The Company	From All Consolidated Entities (Note 7)	The Company	From All Consolidated Entities (Note 7)	The Company		From All Consolidated Entities (Note 7)		The Company	From All Consolidated Entities (Note 7)	
															Cash	Stock	Cash	Stock				
Chairperson	K.J., Wu																					
Director	Parkson, Chen																					
Director	Fushuo Investment Co., Ltd. Representative: Michael. Tsai	2,520	2,520	0	0	10,000	10,000	160	160	2.94	2.94	0	0	0	0	0	0	0	0	2.94	2.94	None
Director	Yu-Shian, Tsai																					
Independent Director	Yu-Chiun, Wu																					
Independent Director	Yun, Ji																					
Independent Director	Tai-Ning, Hsieh																					

Note:

- The policy, system, standards and structure of remuneration payments to independent directors, and describe the relations between the responsibility, risk, time committed to the organization and other factors and the amount of remuneration to them.
  - Remuneration payment policy for the Company's directors: According to the Company Charter Article 23, the Company shall distribute not less than 10% of the current year's profit situation for employee remuneration and not more than 2% of current year's profit situation for director and supervisor remuneration. However, profits must first be taken to offset against cumulative losses, if any. Employee remuneration, as mentioned above, can be paid in cash or in shares. Qualified employees of subsidiaries are also included in the payment. Current year profit situation as mentioned in the first paragraph refers to the profit which is the current year's pre-tax profit before distribution of employee remuneration and director and supervisor remuneration. The distribution of employee and director and supervisor remuneration shall be executed after the resolution approval at the Board meeting with more than two-thirds of directors attending and of more than half of the attending directors agreed and passed the resolution, and reported to the shareholders meeting.
  - Standards and packages, procedures for determining remuneration: The Company's general manager and vice general managers' compensation shall be resolved by the Board of Directors according to Article 29 of the Company Act. According to Article 23-1 of the Company Charter, any surplus from profit concluded at the end of year by the Company is first subject to reimbursement of previous losses and payment of taxes, followed by 10% provision for legal reserve and provision or reversal of special reserve as the laws may require. Any earnings remaining shall be distributed as shareholders' dividends in whole or partially.
  - Relationship with operating performance and future risks: After the Company merged with Miracle Technology CO., LTD. and Weida Hi-Tech Company, the scale of operations has expanded considerably. 2019 has also undergone active improvements in production efficiency to raise capacity utilization and product gross margin, therefore, net income increased in 2019 as compared to 2018. According to the Company Charter, the Company shall distribute not more than 2% of the current year's profit situation for director remuneration. The proportion distributed by the Company is reasonable, in accordance to the Charter.
- In addition to the disclosure shown in the above table, the remuneration received by the directors for their service provided to all companies listed in the financial reports in the most recent fiscal year: Director Parkson, Chen received NT\$1,411,000 consulting fee in 2019.

(II) Remuneration grade table of directors (including independent directors)

Range of compensation paid to the Company's directors	Name of director			
	Sum of first 4 compensations (A+B+C+D)		Sum of first 7 compensations (A + B + C + D + E + F + G)	
	The Company (Note 8)	From All Consolidated Entities (Note 9) H	The Company (Note 8)	From All Consolidated Entities (Note 9) I
Below NT\$ 1,000,000	Independent Director Yu-Chiun, Wu, Independent Director Yun, Ji, Independent Director Tai-Ning, Hsieh	Independent Director Yu-Chiun, Wu, Independent Director Yun, Ji, Independent Director Tai-Ning, Hsieh	Independent Director Yu-Chiun, Wu, Independent Director Yun, Ji, Independent Director Tai-Ning, Hsieh	Independent Director Yu-Chiun, Wu, Independent Director Yun, Ji, Independent Director Tai-Ning, Hsieh
NT\$1,000,000 ~ NT\$1,999,999	Director K.J., Wu, Director Parkson, Chen Corporate Director, Fushuo Investment Co., Ltd. Corporate Director, Fushuo Investment Co., Ltd., Representative: Michael, Tsai, Director Yu-Shian, Tsai	Director K.J., Wu, Director Parkson, Chen Corporate Director, Fushuo Investment Co., Ltd. Corporate Director, Fushuo Investment Co., Ltd., Representative: Michael, Tsai, Director Yu-Shian, Tsai	Director K.J., Wu, Director Parkson, Chen Corporate Director, Fushuo Investment Co., Ltd. Corporate Director, Fushuo Investment Co., Ltd., Representative: Michael, Tsai, Director Yu-Shian, Tsai	Director K.J., Wu, Director Parkson, Chen Corporate Director, Fushuo Investment Co., Ltd. Corporate Director, Fushuo Investment Co., Ltd., Representative: Michael, Tsai, Director Yu-Shian, Tsai
NT\$2,000,000 ~ NT\$3,499,999				
NT\$3,500,000 ~ NT\$4,999,999				
NT\$5,000,000 ~ NT\$9,999,999				
NT\$10,000,000 ~ NT\$14,999,999				
NT\$15,000,000 ~ NT\$29,999,999				
NT\$30,000,000 ~ NT\$49,999,999				
NT\$50,000,000 ~ NT\$99,999,999				
NT\$ 100,000,000 and above				
Total	8 persons	8 persons	8 persons	8 persons

Note 1: The names of directors should be separately listed (legal person shareholder should list the name of the legal person and the representative separately), and the payment to each director and independent director should be summarized and disclosed.

Note 2: Refers to the remuneration of directors in the most recent year (including the salary, differential pay for the job, severance pay, various rewards, bonuses and others).

Note 3: Fill in the remuneration amount allocated to directors approved by the board meeting in the most recent year.

Note 4: Refers to the related business implementation expenses of directors in the most recent years (including transportation, special disbursement, various allowance, housing, cars and other tangibles). In the case of provision of housing, cars and other forms of transportation or personal expenditure, disclose the nature and cost of the assets provided and the rent, gasoline and other payments paid at the actual or the fair market price. If a driver is assigned to the executive, please note the Company's payment to the driver, which is not included in the remuneration here.

Note 5: Refers to the salary, differential pay for the job, severance pay, various rewards, bonuses, transportation, special disbursement, various allowances, housing, cars and other tangibles for the directors taking concurrent positions as employees (including as the general manager, assistant general manager, other department managers or employees). In the case of provision of housing, cars and other forms of transportation or personal expenditure, disclose the nature and cost of the assets provided and the rent, gasoline and other payments paid at the actual or the fair market price. If a driver is assigned to the executive, please note the Company's payment to the driver, which is not included in the remuneration here. The salary expenses recognized in accordance with IFRS2 Share-based Payment, including obtaining employee stock options, restricted stock awards, participation in new share issuance through cash capital increase, should be included in the remuneration.

Note 6: Refers to those directors taking concurrent positions as employees (including as the general manager, assistant general manager, other department managers or employees) and receiving employee compensation (including stocks and cash) in the most recent year, of whom the allocated employee compensation approved by the board shall be disclosed. If the amount cannot be estimated, calculate the amount for this year based on the actual allocated amount last year.

Note 7: The total amount of remunerations paid to directors of the Company by all companies (including the Company) shall be disclosed in the consolidated report.

Note 8: The total amount of various types of remunerations paid by the Company to each director and disclose the names in the specified range grades.

Note 9: The total amount of various types of remunerations paid by all companies (including the Company) in the consolidated report to each director should be disclosed. Disclose the names of directors in the specified range grades.

Note 10: The net income after tax refers to the number in the standalone financial report.

Note 11: a. This field should state the amount of remuneration paid to directors from non-consolidated affiliates or parent companies.

b. If a director of the Company receives a remuneration from non-consolidated affiliates or the parent company, the amount shall be included in Field I of the appropriate range grade, and the field name should be changed to "Parent company and all non-consolidated affiliates".

c. Remunerations refer to remuneration, compensation (including employee, director and supervisor compensation) and allowance for business operations received by the directors of the Company who serve as directors, supervisors or managing executives of the other non-consolidated affiliates that are not subsidiaries or the parent company.

\* The remunerations disclosed here in this Table are different from the incomes defined by the Income Tax Act. This Table is for the purpose of information disclosure and not for tax matters.

## (III.) Remuneration for general manager and vice general managers

Unit: NT\$ Thousand

Job title	Name	Salary (A) (Note 2)		Pension (B)		Bonuses and Allowances (C) (Note 3)		Employee remuneration (D) (Note 4)				Proportion (%) of Total Remuneration (A + B + C + D) out of Net Income (Note 8)		Whether receive remuneration from non-consolidated affiliates or the parent company (Note 9)
		The Company	From All Consolidated Entities (Note 5)	The Company	From All Consolidated Entities (Note 5)	The Company	From All Consolidated Entities (Note 5)	The Company		From All Consolidated Entities (Note 5)		The Company	From All Consolidated Entities (Note 5)	
								Cash	Stock	Cash	Stock			
General Manager	Yarn, Chen	6,810	10,255	0	7,644	0	0	9,625	0	9,625	0	3.81	4.15	None
Executive Vice General Manager	Vincent, Tsai													

## (IV) Range of remuneration to President and Vice Presidents

Range of remuneration to the Company's President and Vice Presidents	Names of President and vice presidents	
	The Company (Note 6)	From All Consolidated Entities (Note 7) E
Below NT\$ 1,000,000		
NT\$1,000,000 ~ NT\$1,999,999		
NT\$2,000,000 ~ NT\$3,499,999		
NT\$3,500,000 ~ NT\$4,999,999		
NT\$5,000,000 ~ NT\$9,999,999	Vincent, Tsai	
NT\$10,000,000 ~ NT\$14,999,999	Yarn, Chen	Yarn, Chen, Vincent, Tsai
NT\$15,000,000 ~ NT\$29,999,999		
NT\$30,000,000 ~ NT\$49,999,999		
NT\$50,000,000 ~ NT\$99,999,999		
NT\$ 100,000,000 and above		
Total	2 persons	2 persons

Note 1: The names of general manager and assistant general managers should be separately listed and summarized to disclose the payment for each person.

Note 2: Refers to the salary, differential pay for the job and severance of general manager and assistant general managers in the most recent year.

Note 3: Refers to the various rewards, bonuses, transportation, special disbursement, various allowances, housing, cars and other tangibles and other remunerations of general manager and assistant general managers in the most recent year. In the case of provision of housing, cars and other forms of transportation or personal expenditure, disclose the nature and cost of the assets provided and the rent, gasoline and other payments paid at the actual or the fair market price. If a driver is assigned to the executive, please note the Company's payment to the driver, which is not included in the remuneration here. The salary expenses recognized in accordance with IFRS2 Share-based Payment, including obtaining employee stock options, restricted stock awards, participation in new share issuance through cash capital increase, should be included in the remuneration.

Note 4: Refers to the employee remuneration (including stocks and cash), approved by the board, to be allocated to the general manager and assistant general managers in the most recent year. If the amount cannot be estimated, calculate the amount for this year based on the actual allocated amount last year.

Note 5: The total amount of remunerations paid to the general manager and assistant general managers of the Company by all companies (including the Company) shall be disclosed in the consolidated report.

Note 6: The total amount of various types of remunerations paid by the Company to the general manager and each assistant general manager and disclose the names in the specified range grades.

Note 7: The total amount of various types of remunerations paid by all companies (including the Company) in the consolidated report to each one of general managers and assistant general managers should be disclosed. Disclose their names in the specified range grades.

Note 8: The net income after tax refers to the number in the standalone financial report.

Note 9: a. This field should clearly state the amount of remuneration paid to general managers and assistant general managers from non-consolidated affiliates or parent company.

b. If the general manager or assistant general managers of the Company receive remuneration from a non-consolidated affiliates or the parent company, the amount shall be included in Field E of the appropriate grade range, and the field name should be changed to "The parent company and all non-consolidated affiliates."

c. Remunerations refer to remuneration, compensation (including employee, director and supervisor compensation) and allowance for business operations received by the general manager and assistant general managers of the Company who serve as directors, supervisors or managing executives of the other non-consolidated affiliates that are not subsidiaries or the parent company.

\* The remunerations disclosed here in this Table are different from the incomes defined by the Income Tax Act. This Table is for the purpose of information disclosure and not for tax matters.

## (V) Remuneration for management level - Top 5

Unit: TWD Thousand

Job title	Name	Salary (A) (Note 2)		Pension (B)		Bonuses and Allowances (C)(Note 3)		Employee remuneration (D) (Note 4)				Proportion (%) of Total Remuneration (A + B + C + D) out of Net Income (Note 6)		Whether receive remuneration from non-consolidated affiliates or the parent company (Note 7)
		The Company	From All Consolidated Entities (Note 5)	The Company	From All Consolidated Entities (Note 5)	The Company	From All Consolidated Entities (Note 5)	The Company		From All Consolidated Entities (Note 5)		The Company	All companies included in the financial statements	
								Cash	Stock	Cash	Stock			
General Manager	Yarn, Chen													
Executive Vice General Manager	Vincent, Tsai	8,352	11,797	0	7,644	0	0	9,625	0	9,625	0	4.17	6.74	None
Manager of Finance Department	Marie, Wu													

Note 1: The "Five highest paid executives" refer to the Company's managers. Please refer to Tai-Cai-Zheng-San-Zi No. 0920001301 document published by the Securities and Futures Bureau, Financial Supervisory Commission on March 27, 2003 on the standards which define the scope of roles of managers. As for the calculation of the five highest amount in remuneration, it is the total of salary, retirement pensions, bonuses and allowances and employees' remuneration (that is, A + B + C + D) recorded on the consolidated financial reports received by the Company's managers, which are then ranked to show the managers who have the five highest figure in remuneration.

Note 2: Refers to the salary, differential pay for the job and severance of five highest paid managers in the most recent year.

Note 3: Refers to the various rewards, bonuses, transportation, special disbursement, various allowances, housing, cars and other tangibles and other remunerations of the five highest paid managers in the most recent year. In the case of provision of housing, cars and other forms of transportation or personal expenditure, disclose the nature and cost of the assets provided and the rent, gasoline and other payments paid at the actual or the fair market price. If a driver is assigned to the executive, please note the Company's payment to the driver, which is not included in the remuneration here. The salary expenses recognized in accordance with IFRS 2 Share-based Payment, including obtaining employee stock options, restricted stock awards, participation in new share issuance through cash capital increase, should be included in the remuneration.

Note 4: Refers to the employee remuneration (including stocks and cash), approved by the board, to be allocated to the five highest paid managers in the most recent year. If the amount cannot be estimated, calculate the amount for this year based on the actual allocated amount last year and then fill out Table 1-3.

Note 5: The total amount of remunerations paid to the five highest paid managers of the Company by all companies (including the Company) shall be disclosed in the consolidated report.

Note 6: The net income after tax refers to the number in the standalone and individual financial reports.

Note 7: a. This field should clearly state the amount of remuneration paid to the five highest paid managers from non-consolidated affiliates or the parent company. (Please fill in "None," if there is none).

b. Remunerations refer to remuneration, compensation (including employee, director and supervisor compensation) and allowance for business operations received by the five highest paid managers of the Company who serve as directors, supervisors or managing executives of the other non-consolidated affiliates that are not subsidiaries or the parent company.

\* The remunerations disclosed here in this Table are different from the incomes defined by the Income Tax Act. This Table is for the purpose of information disclosure and not for tax matters.

(VI) Names of managers who are assigned employee compensation and the assignment

April 12, 2020 Unit: NTD in thousand

	Job title (Note 1)	Name (Note 1)	Stock	Cash	Total	Total as a percentage of net income (%)
Managers	General Manager	Yarn, Chen	-	6,876	6,876	1.60
	Executive Vice General Manager	Vincent, Tsai				
	Manager of Finance Department	Marie, Wu				

Note 1: Names and titles can be disclosed separately and the profit distribution can be summarized in an aggregate amount.

Note 2: Refers to the employee remuneration (including stocks and cash), approved by the board, to be allocated to the executive managers in the most recent year. If the amount cannot be estimated, calculate the amount for this year based on the actual allocated amount last year. The net income after tax refers to the number in the standalone financial report.

Note 3: The applicability for managers is based on Document No. 0920001301 of Tai-Cai-Zheng-San-Zi No. announced by the Financial Supervisory Commission on March 27, 2003.

(1) General manager and the equivalent position levels (2) Assistant general manager and the equivalent position levels (3) Department directors and the equivalent position levels (4) Head of the Finance Department (5) Head of the Accounting Department (6) Other people who manage matters for and sign on behalf of the Company.

Note 4: For the directors, general manager and assistant general managers who receive employee remuneration (including stocks and cash), this Table will be filled out.

(VII) Analysis of the total remuneration paid, as a percentage of net income in the standalone financial report, to the Company's board directors, supervisors, the general manager and assistant general managers during the most recent two years by the Company and all companies included in consolidated statements

Unit: NTD in thousands; %

Year \ Items	Total compensation for directors		Total compensation for President and vice presidents		Total compensation		Proportion of total amount out of net income from the standalone financial report	
	The Company	All companies included in consolidated statements	The Company	All companies included in consolidated statements	The Company	All companies included in consolidated statements	The Company	All companies included in consolidated statements
2018	7,783	7,783	8,371	12,342	16,154	20,125	8.11	10.10
2019	12,680	12,680	16,435	27,524	29,115	40,204	6.75	9.32

The remuneration policies, standards and packages, the procedure for determining remuneration and its linkage to the Company's operating performance and future risks:

1. Remuneration payment policy for the Company's directors: According to the Company Charter Article 23, the Company shall distribute not less than 10% of the current year's profit situation for employee remuneration and not more than 2% of current year's profit situation for director and supervisor remuneration. However, profits must first be taken to offset against cumulative losses, if any.  
Employee remuneration, as mentioned above, can be paid in cash or in shares. Qualified employees of subsidiaries are also included in the payment.  
Current year profit situation as mentioned in the first paragraph refers to the profit which is the current year's pre-tax profit before distribution of employee remuneration and director and supervisor remuneration.  
The distribution of employee and director and supervisor remuneration shall be executed after the resolution approval at the Board meeting with more than two-thirds of directors attending and of more than half of the attending directors agreed and passed the resolution, and reported to the shareholders meeting.
2. Standards and packages, procedures for determining remuneration: The Company's general manager and vice general managers' compensation shall be resolved by the Board of Directors according to Article 29 of the Company Act. According to Article 23-1 of the Company Charter, any surplus from profit concluded at the end of year by the Company is first subject to reimbursement of previous losses and payment of taxes, followed by 10% provision for legal reserve and provision or reversal of special reserve as the laws may require. Any earnings remaining shall be distributed as shareholders' dividends in whole or partially.
3. Relationship with operating performance and future risks: After the Company merged with Miracle Technology CO., LTD. and Weida Hi-Tech Company, the scale of operations has expanded considerably. 2019 has also undergone active improvements in production efficiency to raise capacity utilization and product gross margin, therefore, net income increased in 2019 as compared to 2018. According to the Company Charter, the Company shall distribute not more than 2% of the current year's profit situation for director remuneration. The proportion distributed by the Company is reasonable, in accordance to the Charter.

## IV. Implementation status of Corporate Governance

### (I) Board of Directors operations and assessment of the implementation status

The board of directors has convened 5 times (A) in 2019 and the status of participants is as follows:

Job title	Name	Actual Attendance in Person (B)	Number of proxy attendants	Actual Attendance in Person Rate (%) (B/A)	Note
Chairperson	K.J., Wu	5	0	100	
Director	Parkson, Chen	3	1	60	Director Parkson, Chen has transferred shareholding on December 26, 2019 for more than one half of the original shareholding at the time of being elected, thus, service ended as the Company's director.
Director	Fushuo Investment Co., Ltd. Representative: Michael, Tsai	4	1	80	
Director	Yu-Shian, Tsai	3	2	60	
Independent Director	Yu-Chiun, Wu	5	0	100	
Independent Director	Yun, Ji	5	0	100	
Independent Director	Tai-Ning, Hsieh	5	0	100	

Other matters that shall be recorded:

I. If the Board of Directors operations encounter any of the following situations, it shall state clearly the Board meeting date, term, proposal content, all of the independent directors' opinion, and the Company's handling of the opinion of the independent director:

1. Items listed in Article 14-3 of the Securities and Exchange Act:

Meeting date	Content of proposal	Opinion of Independent Director	Company's handling of the opinion of the independent director	Resolution outcome
2019/03/20 (2 <sup>nd</sup> time in 2019)	2018 Business Report and Financial Statements	Approved by all of the independent directors	Not applicable	Approved
	The Company's 2018 Statement on Internal Control			
	Effective assessment and declaration of Internal Control System			
	Partial amendments to the Company's "Procedures for Acquisition or Disposal of Assets."			
	Partial amendments to the Company's "Internal Control System."			
Partial amendments to the Company's "Operating Procedures for Loans to Others."				
Partial amendments to the "Procedures for Endorsements and Guarantees."				

2. Besides the above mentioned items, other resolution/s passed by the board which an independent director expresses objections or reservation of opinion that has been included in records or prepared as a written declaration: None of such situations.

II. For the implementation status of cases that a director was required to enter recusal due to conflict of interest, should state the name of the director, the content of proposals, the reasons why the director was required to enter recusal, and the status of voting: For Board of Directors meeting on August 7, 2019, resolution on the Company's managers distributing employee remuneration 2018, due to conflict of interests by the three managers, General Manager Yarn, Chen, Vice General Manager Vincent, Tsai, and Manager of Finance Department Marie, Wu, the managers had provided explanation of the conflict of interest at the board meeting, did not participate in the discussion of this resolution, and had left the meeting room for recusal.

III. Self-assessment by the Board of Directors, its evaluation cycle, scope of assessment, method, and assessment contents:

Evaluation cycle and duration: The Company shall hold the Board of Directors performance evaluation at least once a year, current year performance evaluation shall be carried out at the end of the year as the evaluation cycle based on the evaluation procedures and indicator. Assessment results shall be reported to the Board of Directors in Quarter 1 of the following year.

Scope of assessment, method: The scope of the Company's Board of Directors' performance evaluation includes performance evaluation for overall Board of Directors, and individual board members. Methods can be internal self-assessment by the board, self-evaluation by board members or other appropriate methods to conduct performance evaluation.

Evaluation contents:

- (1) Board performance evaluation: Includes the level of participation in the operation of the Company, improvement of the quality of the board of directors' decision making, composition and structure of the board of directors, election and continuing education of the directors and internal control.
- (2) Individual board member performance evaluation: Includes the alignment of the goals and missions of the Company, awareness of the duties of a director, level of participation in the operation of the Company, management of internal relationship and communication, the director's professionalism and continuing education and internal control.

IV. Targets and implementation status evaluation of strengthening the functional competence of the Board of Directors in current year and the most recent fiscal year:

- The Company currently has three independent directors out of seven directors. The number of independent directors stands at two-fifths of the overall number of directors.
- The Company's Chairperson does not hold concurrent manager-level position of the company.
- The Company's Board of Directors authorized the Audit Committee and Remuneration Committee under it, to support the Board to implement its duties for monitoring. Each committee regularly reports to the Board on other activities and resolutions, supporting the Board in decision-making with its professionalism under this work dividing arrangement and its independent position.

(II) 2019 Assessment of the implementation status by the board of directors

Evaluation cycle	Assessment duration	Scope of assessment	Assessment methods	Assessment contents
Conduct once a year	2019.01.01 ~ 2019.12.31	Performance evaluation of the Board and Individual directors:	Internal self-evaluation of the Board of Directors, and self evaluation of the Board member	(1) Performance evaluation of the Board: Includes the level of participation in the operation of the Company, improvement of the quality of the board of directors' decision making, composition and structure of the board of directors, election and continuing education of the directors and internal control. (2) Performance evaluation of the Individual Board member: Includes the alignment of the goals and missions of the Company, awareness of the duties of a director, level of participation in the operation of the Company, management of internal relationship and communication, the director's professionalism and continuing education and internal control.

(III) Operations of the Audit Committee

The Audit Committee has convened 4 times (A) in 2019 and the status of the independent director participants is as follows:

Job title	Name	Actual number of attendants (B)	Number of proxy attendants	Actual rate of attendants (%) [B/A]	Note
Independent Director	Yu-Chiun, Wu	4	0	100	
Independent Director	Yun, Ji	4	0	100	
Independent Director	Tai-Ning, Hsieh	4	0	100	

Other matters that shall be recorded:

I. If the Audit Committee operations encounter any of the following situations, it shall state clearly the Audit Committee meeting date, term, proposal content, resolution results of the Audit Committee meeting, and the Company's handling of the opinion of the Audit Committee:

1. Items listed in Article 14-5 of the Securities and Exchange Act:

Meeting date	Content of proposal	Opinion of Independent Director	Company's handling of the opinion of the independent director	Resolution outcome
2019/03/20 (1st time in 2019)	2018 Business Report and Financial Statements	Approved by all of the independent directors	Not applicable	Approved
	The Company's 2018 Statement on Internal Control Effective assessment and declaration of Internal Control System			
	Partial amendments to the Company's "Procedures for Acquisition or Disposal of Assets."			
	Partial amendments to the Company's "Internal Control System."			
	Partial amendments to the Company's "Operating Procedures for Loans to Others."			
Partial amendments to the "Procedures for Endorsements and Guarantees."				

2. Besides the abovementioned items, resolutions that are passed by more than two-thirds of all of the directors but not passed by the Audit Committee: None of such situations.

II. For the recusal of independent directors due to conflicts of interests, please describe the name of the independent director, the proposal content, the reason for recusal and the participation in voting: There have been no occurrences of situations for the recusal of independent directors due to conflicts of interests, therefore, not applicable.

III. Communications situations among independent directors, internal audit officer and accountant (including communications on the company finance and business situation, the major events, method and results):

1. Important highlights of the communications between independent directors and internal audit officer

Date	Important highlights of the communications
2019/03/20	Auditor's Report for October 2018 to January 2019
	The Company's 2018 Internal Control System Validity Evaluation and Declaration of Internal Control System.
2019/05/08	Auditor's Report for February 2019 to March 2019
2019/08/07	Auditor's Report for April 2019 to June 2019
2019/11/06	Annual Audit Plan for Internal Control System 2020
	Auditor's Report for July 2019 to September 2019
The Company's internal audit officer communicates the auditor's report results with the audit committee, and reports to the audit committee at the quarterly meetings. If special circumstances arise, the internal audit officer will report to the audit committee immediately. There are no occurrences of special circumstances in the year of 2019. Communications between the Company's Audit Committee and the Internal audit officer have been well.	

2. Important highlights of the communications between independent directors and accountant

Date	Important highlights of the communications
2019/03/20	The accountant expressed opinions of the audit results for the Company's 2018 Standalone and Consolidated Financial Statements, and discussed them with the independent directors.
2019/05/08	The accountant expressed opinions of the review results for the Company's 2019 Quarter 1 Consolidated Financial Statements, and discussed them with the independent directors.
2019/08/07	The accountant expressed opinions of the review results for the Company's 2019 Quarter 2 Consolidated Financial Statements, and discussed them with the independent directors.
2019/11/06	The accountant expressed opinions of the review results for the Company's 2019 Quarter 3 Consolidated Financial Statements, and discussed them with the independent directors.
The Company's certified public accountants (CPA) will report the audit or review results of the current quarter's financial statement during the audit committee's quarterly meetings, and other communications items of requirements by related laws and regulations. If special circumstances arise, the CPA will report to the audit committee immediately. There are no occurrences of the abovementioned special circumstances for the year of 2019. Communications between the Company's Audit Committee and CPA have been well.	

(IV) Composition, job duties of Remuneration Committee and implementation status:

1. Information of the members of the Remuneration Committee

Identity	Criteria	Having more than 5 years' work experience and professional qualifications listed below			Compliance of independence (Note)										Number of listed companies that the members of the Remuneration Committee concurrently serve in	Note	
		Lecturer (or above) of commerce, law and finance, accounting, or any subject relevant to the company's operations in a public or private tertiary institution	Judge, prosecutor, lawyer, accountant, or holder of national exam or professional qualification relevant to the company's operations	Commercial, legal, financial, accounting or other work experiences required to perform the Company's operations	1	2	3	4	5	6	7	8	9	10			
Independent Director	Tai-Ning, Hsieh			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	
Independent Director	Yu-Chiun, Wu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	
Others	Chi-Jen, Chou			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	

Note: A "✓" is placed in the box if the members met the following conditions during active duty and two years prior to the date elected.

- (1) Not employed by the Company or any of its affiliated companies.
- (2) Not a director or supervisor of the company or any of its affiliates (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, a subsidiary or a related company under the same parent company, as appointed in accordance with these regulations or with the laws of the country of the parent company or subsidiary.)
- (3) Does not hold more than 1% of the Company's outstanding shares in their own names or under the name of spouse, underage children, or proxy shareholder; nor is a top-10 natural-person shareholder of the Company.
- (4) Not a spouse, relative within the second degree of kinship or lineal relative within the third degree of kinship, of any of the above persons listed in Subparagraph (2) and (3) or of the manager listed in (1).
- (5) Not directly owning 5% or more of the Company's total issued shares or one of the top five shareholders in terms of the number of shares owned, and not a director, supervisor or employee of a corporate shareholder who is designated as the Company's director or supervisor in accordance with Paragraph 1 or 2, Article 27 of the Company Act (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, a subsidiary or a related company under the same parent company, as appointed in accordance with these regulations or with the laws of the country of the parent company or subsidiary.)
- (6) Not a director, supervisor or employee of another company or institution in which the majority of board seats or voting rights are controlled by the same person in the Company (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, a subsidiary or a related company under the same parent company, as appointed in accordance with these regulations or with the laws of the country of the parent company or subsidiary.)
- (7) Not a director, supervisor or employee of another company or institution, who is also the chairperson, general manager or equivalent position, or a spouse of these personnel, of the Company (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, a subsidiary or a related company under the same parent company, as appointed in accordance with these regulations or with the laws of the country of the parent company or subsidiary.)
- (8) A director, supervisor, manager or a shareholder with over 5% ownership of a company or institution which does not have financial or business dealings with the Company (The same does not apply, however, in cases where the specified company or institution holds 20% or more and no more than 50% of the total number of issued shares of the Company, and the person is an independent director of the Company, its parent company, a subsidiary or a related company under the same parent company, as appointed in accordance with these regulations or with the laws of the country of the parent company or subsidiary.)
- (9) Not a professional individual or an owner, partner, director, supervisor or officer of a sole proprietorship, partnership, company or institution that, provides auditing or commercial, legal, financial, accounting services, which receive less than NT\$500,000 in accumulated remuneration over the most recent two years, to the company or to any affiliate of the company or a spouse thereof. This excludes roles as Remuneration Committee, Public Acquisition Review Committee or M&A Special Committee member appointed in accordance with the Securities and Exchange Act or Business Mergers and Acquisitions Act.
- (10) Does not meet any of the conditions stated in Article 30 of The Company Act.

2. Information on the operational status of the Remuneration Committee

(1) The Remuneration Committee of the Company is consisted of 3 members.

(2) The term of the current members: From June 25, 2017 to March 17, 2020. The Remuneration Committee convened three meetings in 2019 (A). The qualifications and attendance of the members are as follows:

Job title	Name	Actual number of attendants (B)	Number of proxy attendants	Actual rate of attendants (%) [B/A]	Note
Convener	Tai-Ning , Hsieh	3	0	100%	
Committee member	Yu-Chiun, Wu	3	0	100%	
Committee member	Chi-Jen, Chou	3	0	100%	

Other matters that shall be recorded:

1. If the board of directors does not adopt or revise the suggestions of the Remuneration Committee, the date, session, content of proposals, resolutions of the board of directors and the Company's handling of the opinions of the Remuneration Committee shall be stated (If the salary and remuneration approved by the Board of Directors is more than the recommended amount by the Remuneration Committee, explanation for the differences and reason are expected): None of such situations.
2. The resolved matters by the Remuneration Committee about which a member expresses an objection or reservation that has been included in records or stated in writing shall state the date, session, content of proposals, all of the members' opinions and the handling of the opinions of the members: There have been no situations of objections or reservation of opinions by the committee members for each of the discussion.
3. Proposals and resolution outcome of the Remuneration Committee meeting, and handling of the committee members' opinion by the company:

Meeting date	Term	Content of proposal	Committee members' opinions	Company's handling of the members' opinions	Resolution outcome
2019/01/09	4 <sup>th</sup> Term 5 <sup>th</sup> Meeting	According to the Company's "Policy on Transfer of Share Buyback to Employees," the Company plans to transfer to managerial officers for its 25 <sup>th</sup> share buyback.	All of the committee members approved	Not applicable	Duly approved
2019/03/20	4 <sup>th</sup> Term 6 <sup>th</sup> Meeting	Distribution of employees and directors' remuneration for 2018	All of the committee members approved	Not applicable	Duly approved
2019/08/07	4 <sup>th</sup> Term 7 <sup>th</sup> Meeting	Distribution of employee remuneration for managers 2018	All of the committee members approved	Not applicable	Duly approved

(3) Duty of the Salary and Compensation Committee

According to the Company's Remuneration Committee Foundation Principles, the Committee shall have the loyalty and shall exercise the due care of a good administrator in conducting the following job responsibilities as listed in the Foundation Principles and submit the suggestions to the board of directors for discussion:

- (1) Establish and conduct regular review of directors' and managers' performance assessment and compensation policies, systems, standards and structures.
- (2) Conduct regular assessment of compensation for the Company's directors and managers.

The committee member shall carry out the aforesaid duty based on the following principles:

- (1) The performance evaluation of the directors and managers and their salary and compensation shall be considered in reference to the payment standard among industry peers and individual performances, in relevance to its reasonableness with the Company's operations performance and future risks.
- (2) Shall not lead directors and managers to pursue salary and compensation, engaging in risky conducts that outstrip the company's capacity to handle.
- (3) The bonus proportion of short-term performance for directors and senior level managers and partial changes to remuneration payment time shall be decided in consideration of the industrial characteristics and the nature of the Company's business.

The remuneration in the above two subparagraphs, includes cash remuneration, stock warrants, employee stock bonus, retirement scheme or post-employment benefit, various allowance and other measures with substantial incentives; its scope shall be consistent with the directors and managers remunerations as mentioned in the Regulations Governing Information to be Published in Annual Reports of Public Companies.

The Board of Directors will not adopt or revise the suggestions by this Committee, it shall be passed by the consent of more than half of the attending directors with more than two-thirds of all directors attending the meeting, and will, during the resolution, provide specific explanation of the remuneration proposal whether it is or it is not more than the amount as suggested by this committee based on overall consideration of the aforesaid items.

If the remuneration that the Board has passed is more than the amount suggested by this Committee, in addition to including the reasons for differences in records, the Company shall submit this information to the website designated by the competent authority within two days from the day the remuneration is passed.

For subsidiaries of the Company, based on its division of responsibilities, any matters to be resolved that require a decision by the Board of Directors, shall first be sent to this Committee for suggestions, followed by submission to the Board of Directors for discussion.

- (V) The succession planning for the board members and important management executives
- For the management succession plan of the Company, besides possessing outstanding working ability is necessary for the successor, their value and concept should be in accordance with the Company and their personality traits must include integrity, value of importance of commitment, innovation and be able to win the trust of customers. Regarding important management executives, the company holds regular meetings with the managers of various departments convened by the general manager. Each department will report on its business results and describe its short, medium term business execution plan, and to find a common ground in order to achieve the targets set by the company. The company will organize production and sales meetings on a weekly basis convened by senior management, during which sales and related information, production line operations status, raw materials preparation status of the customer demands will be reported, so that decisions are made through effective communications and discussions. In addition, the Company will organize educational training for senior management from time to time, so as to enhance the professional capabilities in management, professionalism and decision-making.

Succession planning for board members is due to the fact that the overall operations management is becoming more complex as the Group's operations are growing on a daily basis. The Board of Directors considers the requirements of the Group's long-term business development, invites industrial representatives with great work and education experience and moral character as the Company's director. Each of the directors is familiar with corporate governance, and each has their expertise area which can continue to provide the company operator management strategies and corporate governance advices, effectively monitors the company's management and operations outcomes. Directors attended timely training for related laws and regulations to fulfill the duties of the Board.

## (VI) Continuing education of the directors and managers in the recent fiscal year

Job title	Name	Date of training course		Organizer	Course title	Number of hours for continuing education
		Commencement	dates			
Director	K.J., Wu	2019/08/07	2019/08/07	Securities and Futures Institute, R.O.C.	Corporate mergers and acquisitions practical case sharing - hostile takeovers	3
Director	K.J., Wu	2019/11/06	2019/11/06	Securities and Futures Institute, R.O.C.	Case sharing on Ethical Operations Management Best Practice Principles and Human Rights Protection Policy	3
Director	Michael, Tsai	2019/09/03	2019/09/03	Securities and Futures Institute, R.O.C.	Discussion on international and local developments of tax avoidance and corporate countermeasures	3
Director	Michael, Tsai	2019/09/03	2019/09/03	Securities and Futures Institute, R.O.C.	Executions by directors and supervisors, and principles of management and judgements	3
Director	Parkson, Chen	2019/08/07	2019/08/07	Securities and Futures Institute, R.O.C.	Corporate mergers and acquisitions practical case sharing - hostile takeovers	3
Director	Parkson, Chen	2019/11/06	2019/11/06	Securities and Futures Institute, R.O.C.	Case sharing on Ethical Operations Management Best Practice Principles and Human Rights Protection Policy	3
Director	Yu-Shian, Tsai	2019/11/06	2019/11/06	Securities and Futures Institute, R.O.C.	Case sharing on Ethical Operations Management Best Practice Principles and Human Rights Protection Policy	3
Director	Yu-Shian, Tsai	2019/11/21	2019/11/21	Taiwan Stock Exchange	Board Functions Enhancement Seminars Advocacy Activity	3
Independent Director	Yu-Chiun, Wu	2019/08/07	2019/08/07	Securities and Futures Institute, R.O.C.	Corporate mergers and acquisitions practical case sharing - hostile takeovers	3
Independent Director	Yu-Chiun, Wu	2019/11/06	2019/11/06	Securities and Futures Institute, R.O.C.	Case sharing on Ethical Operations Management Best Practice Principles and Human Rights Protection Policy	3
Independent Director	Yun, Ji	2019/08/07	2019/08/07	Securities and Futures Institute, R.O.C.	Corporate mergers and acquisitions practical case sharing - hostile takeovers	3
Independent Director	Yun, Ji	2019/11/06	2019/11/06	Securities and Futures Institute, R.O.C.	Case sharing on Ethical Operations Management Best Practice Principles and Human Rights Protection Policy	3
Independent Director	Tai-Ning, Hsieh	2019/08/07	2019/08/07	Securities and Futures Institute, R.O.C.	Corporate mergers and acquisitions practical case sharing - hostile takeovers	3
Independent Director	Tai-Ning, Hsieh	2019/11/06	2019/11/06	Securities and Futures Institute, R.O.C.	Case sharing on Ethical Operations Management Best Practice Principles and Human Rights Protection Policy	3
Executive Vice General Manager	Vincent, Tsai	2019/08/07	2019/08/07	Securities and Futures Institute, R.O.C.	Corporate mergers and acquisitions practical case sharing - hostile takeovers	3
Executive Vice General Manager	Vincent, Tsai	2019/11/06	2019/11/06	Securities and Futures Institute, R.O.C.	Case sharing on Ethical Operations Management Best Practice Principles and Human Rights Protection Policy	3
Manager of Finance Department	Marie, Wu	2019/05/16	2019/05/16	Accounting Research and Development Foundation	Corporate Governance Best Practice Principles: Trends and analysis of practical case study on "Total Value Management"	3
Manager of Finance Department	Marie, Wu	2019/05/17	2019/05/17	Accounting Research and Development Foundation	Case analysis on related rules and countermeasures in new version of "Corporate governance blueprint (2018-2020)"	3
Manager of Finance Department	Marie, Wu	2019/05/17	2019/05/17	Accounting Research and Development Foundation	Key role of "Important News" in economic crimes: legal responsibility and case study	3
Manager of Finance Department	Marie, Wu	2019/11/14	2019/11/14	Accounting Research and Development Foundation	Enterprise practice in corporate governance: Effects of the latest "Labor Incident Act" to enterprises and countermeasures	3
Manager of Finance Department	Marie, Wu	2019/08/07	2019/08/07	Securities and Futures Institute, R.O.C.	Corporate mergers and acquisitions practical case sharing - hostile takeovers	3
Manager of Finance Department	Marie, Wu	2019/11/06	2019/11/06	Securities and Futures Institute, R.O.C.	Case sharing on Ethical Operations Management Best Practice Principles and Human Rights Protection Policy	3

(VII) Status of corporate governance implementation and the differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons

Assessment items	Operational status			Differences with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description	
I. Does the Company stipulate and disclose the corporate governance practice principles in accordance with the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”?	V		The Company has adopted corporate governance best practice principles approved by the Board of Directors, and disclosed on the company’s website.	No significant differences
II. The shareholding structure of the Company and shareholders' rights and interests				No significant differences
(I) Does the company stipulate internal operating procedures to process matters in regard to the shareholders’ recommendations, doubts, disputes and litigation, and conduct implementation based on these procedures?	V		(I) The Company has a spokesperson who can handle the suggestions, questions and disputes of shareholders. If there are any dispute matters, the Company’s legal team will take over for handling.	
(II) Does the Company have a list of major shareholders who actually control the company and a list of shareholders who ultimately control these major shareholders?	V		(II) For a shareholding situation whereby there are directors, managers and main shareholders with over 10% shareholding, such information will be submitted and disclosed on the website of Market Observation Post System in a timely fashion according to legal requirements.	
(III) Does the Company create and implement risk control and firewall mechanisms with its affiliates?	V		(III) The Company has formulated monitoring and governance procedures for subsidiaries, procedures for lending capital and endorsements/guarantees, asset acquisition and disposal procedures and so on related internal procedures, so as to establish appropriate risk management control and firewall. Audit personnel regularly monitor the implementation status.	
(IV) Does the Company stipulate internal regulations that prohibit insiders from buying and selling securities with the unpublished information on the market?	V		(IV) The Company has formulated Procedures for Handling Material Inside Information and policies to prevent insider trading.	

<p>III. Composition and responsibilities of the board of directors</p> <p>(I) Does the board of directors stipulate and implement a diverse policy regarding the composition of the board members?</p> <p>(II) Other than the establishment of a Remuneration Committee and Audit Committee which are required by law, does the Company plan to set up other functional committees?</p> <p>(III) Does the Company stipulate performance assessment regulations and assessment methods for the board of directors and conduct the performance assessment on a yearly basis, and was the result of performance assessment reported to the board of directors for the reference of individual directors' salary and nomination of reappointment?</p>	<p>V</p> <p>V</p> <p>V</p>	<p>(I) The Company had re-elected directors at the 2017 shareholders' meeting. The Company's board of directors consists of seven members (including three independent directors), expertise covering industrial and academia. The Company has formulated a diversification policy for the composition of the board and has implemented accordingly, refer to Article 20 of the Company's Corporate Governance Code of Conduct for the diversification policy, which has been disclosed on the Company's website simultaneously.</p> <p>There are a total of seven members (including three independent directors) for the Company's 11<sup>th</sup> Boards of Directors members, expertise covering industrial and academia, fulfilling the diversification of board members. Members with expertise in leadership, operations judgement, operations and management, crisis management and possess industrial knowledge and international markets perspectives are K.J., Wu, Parkson, Chen, Michael, Tsai, Yu-Shian, Tsai and Tai-Ning, Hsieh; Yu-Chiun, Wu was previously Director-General of Securities and Futures Bureau possesses expertise in administration and finance affairs; and Yun, Ji has been serving in academia for a long period of time providing much useful advices for the company on industrial aspects.</p> <p>Specific management targets and current progress for the diversification policy: The Company's Board of Directors has already undergone re-election for all of its directors on March 18, 2020 during shareholders' special meeting. The newly elected board members are Lidon, Chen, Chao-Yi, Wu, Cheng-Hsiang, Chen, Hsin, Chen. Besides the addition of one new female director, the board members are also younger in age and diverse.</p> <p>(II) Besides the establishment of a Remuneration Committee and Audit Committee, the Company will establish other functional committees in the future based on the considerations of the company's operational requirements.</p> <p>(III) The Company had already on March 20, 2019 formulated procedures for board of directors performance evaluation, and starting from 2019, at the end of each year, hold the Board of Directors performance evaluation for the current year based on the evaluation procedures and indicators as written in the rules. Assessment results shall be reported to the Board of Directors in Quarter 1 of the following year.</p> <p>The Company shall consider the company situation and requirements to formulate the measurement items of the board of directors performance evaluation, and shall cover the following five aspects:</p> <p>I. Level of participation in business operations of the Company.</p> <p>II. Improve the decision-making quality of the board of directors.</p> <p>III. Composition and structure of the board of directors.</p>	<p>Has not yet set-up functional committees besides remuneration committee and audit committee, others are of no major differences with the Corporate Governance Best Practice Principles.</p>
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<p>(IV) Does the company regularly evaluate its certified public accountant's independence?</p>	<p>V</p>	<p>IV. Election and continuing education of the directors.  V. Internal control.  Measurement items of the directors' performance assessment to include six major aspects as below:  I. Understand the objectives and mission of the Company.  II. Understanding of directors' job responsibilities.  III. Level of participation in business operations of the Company.  IV. Internal relationship management and communication.  V. Professionalism and continuous education of directors.  VI. Internal control.  At the end of each fiscal year, the executing unit shall collect related information for the board of directors, individual board members, and distribute the "Internal self evaluation survey for board of directors" and "Self evaluation survey for board member" to fill in. Lastly, after the executing unit collects the information, shall assign ratings based on the evaluation indicators, include the evaluation results in records and submit a report to the board of directors.  The Company had completed 2019 Board of Directors performance evaluation at the beginning of 2020, and had reported the evaluation results to the Board meeting on March 17, 2020. The results will be used as a reference for individual director's remuneration and nomination/reappointment later.</p> <p>(IV) The company regularly conducts a review of the CPA's independence based on Certified Public Accountant Act and The Norm of Professional Ethics for Certified Public Accountant.  The Company conducts review of the CPA's independence and competency at least once a year against indicators for accounting firms, requesting accountant/s and the firm that he/she works for to provide related information and declarations. The assessment is carried out by the Company's finance unit, assessment results for 2019 were reported to the Audit Committee on November 6, 2019, and submitted to the Board of Directors for deliberation on the same day.</p>	
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<p>IV Does the listed or OTC company have qualified and suitable number of corporate governance personnel, and does the company appoint a corporate governance officer to be responsible for matters regarding corporate governance (including but not limited to providing directors with information required for the implementation of business operations, assisting directors to comply with laws and regulations, and preparing meeting minutes for the board of directors meeting, shareholders meeting and so on)?</p>	<p>V</p>	<p>The Company currently has established internal units to handle meeting related matters for the Board of Directors and shareholder's meetings, to process company registration and registration of alteration, prepare meeting minutes for Board of Directors' and shareholders' meetings.</p> <p>The manager of finance department concurrently acts as the responsible person for matters relating to the Company's corporate governance, in order to ensure the shareholders' rights and interests and strengthening the functional competence of the Board of Directors. Former Manager Wu of the finance department has already possessed many years of working experience in accounting and management for publicly listed company. The Company has on March 20, 2019 self-initiated the establishment of a corporate governance officer position approved by the Board of Directors, to be held concurrently by Manager Wu. Due to changes of job for Manager Wu on January 15, 2020, the Company assigned a new corporate governance officer to be succeeded by Vice General Manager Eve, Yang. Vice General Manager Yang is committed to the core spirit of corporate governance and continues to conduct related matters to the duties of this position. The main duties of the Company's corporate governance personnel consist of providing directors with information required for the implementation of business operations, assisting directors to comply with laws and regulations, and handling related matters for</p>	<p>No significant differences</p>																											

		<p>the board of directors meeting and shareholders meeting according to the laws and regulations, and so on.</p> <p>2019 Business implementation status:</p> <ol style="list-style-type: none"> <li>1. Assists independent directors and directors to implement business operations, provides necessary information and arranges continuous learning for directors: <ol style="list-style-type: none"> <li>(1) Regularly notifies the Board members on the latest revisions to laws and regulations and its development relating to the company's area of operations and corporate governance.</li> <li>(2) Monitors the confidential level of related information and provides the directors the required company information, maintaining communications among directors and every business head ensuring smooth exchanges.</li> <li>(3) Assists independent directors and directors to formulate annual continuing education plans and course arrangements according to the company's industrial characteristics and the director's experiences and background.</li> </ol> </li> <li>2. Assists in the procedures for meetings of Board of Directors and Shareholders and resolutions matters, in compliance to laws and regulations: <ol style="list-style-type: none"> <li>(1) Reports to the Board of Directors, independent directors, Audit Committee on corporate governance implementation status, confirms whether the Shareholders meeting and Board of Directors meetings are convened according to the laws and regulations and the corporate governance best practice principles.</li> <li>(2) Assists in reminding directors the related laws and regulations for executing businesses or for making official resolutions to the Board of Directors.</li> <li>(3) Responsible for checking on matters relating to announcing material information of important resolutions by the Board of Directors to ensure the legality and accuracy of the material information in guaranteeing fairness on investors trading information.</li> </ol> </li> <li>3. Maintaining investor relationships: Make arrangements for directors and major shareholders, institutional investors or general shareholders for exchanges and communications when the need arises, to ensure investors obtain sufficient information to assess and decide the reasonableness of the corporate capital market value, so as to allow shareholders rights and interests are well maintained.</li> <li>4. Informing directors of the formulated Board meeting agenda seven days prior to the meeting, convening board meetings and providing meeting information, providing reminders beforehand where recusal of directors due to conflicts of interests is required for any topic discussion, and to complete board meeting records within 20 days of the meeting.</li> <li>5. Registering the date of shareholders meeting in prior according to the laws and regulations, preparing meeting notice, meeting handout, and meeting records within the legal deadline, and carry out registration matters relating to revisions to Charter or re-election of directors.</li> </ol> <p>Continuing education status for 2019:  Between May 16, 2019 to November 6, 2019, former Finance Manager Wu, had completed 15 hours of corporate governance professional training courses by the Accounting Research and Development Foundation and Securities and Futures Institute, R.O.C..</p>	
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<p>V. Has the Company established communication channels with stakeholders (including, but not limited to, shareholders, employees, customers and suppliers) and set up an area dedicated to stakeholders on the Company website and does the Company respond appropriately to corporate social responsibility issues that stakeholders consider important?</p>	<p>V</p>	<p>The Company has created a website as a communications channel with the stakeholders, to provide contact methods and a designated section for stakeholders has been created, making appropriate responses to important CSR topics that are of concerns to the stakeholders.</p> <p>1. Types of stakeholders The Company’s definition of stakeholder is “Internal and external groups or individuals who can exert influences to TMC or are subject to influence by photomask companies.” Based on this definition, the stakeholders of the Company include shareholders, investors, employees, customers, suppliers and so on.</p> <p>2. Topics of concerns by stakeholders After the identification of the stakeholders, various communications channels are set-up in accordance to their influences on the Company and their areas of concern. Through the well-established communications channels by the Company’s responsible units, corporate governance, economic, environment and social topics as concerned by the stakeholders are compiled. The key influences to the Company’s sustainable development as defined by the assessment of major topics of concern are “Business ethics and business integrity,” “Reducing operations impacts to the environment,” “Improving customer service satisfaction” and “Social welfare and caring.”</p> <p>3. Communication channels with stakeholders</p> <table border="1" data-bbox="761 794 1568 1439"> <thead> <tr> <th>Contact channels</th> <th>Contact method</th> </tr> </thead> <tbody> <tr> <td>Relationship of shareholder and investor</td> <td>Company spokesperson - Deputy Director LC Lin Telephone – (03)5634370 ext 135 Email – lelin@tmcnet.com.tw Acting Spokesperson: Deputy Manager Megan, Tsai Telephone – (03)5634370 ext 118 Email – Megan@tmcnet.com.tw</td> </tr> <tr> <td>Dedicated Customer Service Section</td> <td>Customer information contact - Manager I-Sheng Huang Telephone – (03)5634370 ext 349 Email – jamesH@tmcnet.com.tw</td> </tr> <tr> <td>Supplier service section</td> <td>Supplier information contact - Deputy Manager Cheng-Hung Tsai Telephone – (03)5634370 ext 412 Email –mike_tsai@tmcnet.com.tw</td> </tr> <tr> <td>Employee relationship</td> <td>Employee relationship contact - Section Manager Ya-Hui Huang Telephone – (03)5634370 ext 333 Email – where@tmcnet.com.tw</td> </tr> </tbody> </table>	Contact channels	Contact method	Relationship of shareholder and investor	Company spokesperson - Deputy Director LC Lin Telephone – (03)5634370 ext 135 Email – lelin@tmcnet.com.tw Acting Spokesperson: Deputy Manager Megan, Tsai Telephone – (03)5634370 ext 118 Email – Megan@tmcnet.com.tw	Dedicated Customer Service Section	Customer information contact - Manager I-Sheng Huang Telephone – (03)5634370 ext 349 Email – jamesH@tmcnet.com.tw	Supplier service section	Supplier information contact - Deputy Manager Cheng-Hung Tsai Telephone – (03)5634370 ext 412 Email –mike_tsai@tmcnet.com.tw	Employee relationship	Employee relationship contact - Section Manager Ya-Hui Huang Telephone – (03)5634370 ext 333 Email – where@tmcnet.com.tw	<p>No significant differences</p>
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<p>VI. Does the Company entrust a professional shareholder services agency to conduct matters regarding the shareholders meeting?</p>	<p>V</p>	<p>The Company has appointed Chinatrust Commercial Bank service to handle the Company's shareholders meeting matters.</p>	<p>No significant differences</p>
<p>VII. Information disclosure  (I) Does the Company create a website to disclose information regarding its finance, business operations and corporate governance?  (II) Does the Company adopt other methodology of information disclosure (such as creating an English website, appointing a dedicated person to be responsible for the collection and disclosure of the Company's information, implementing the spokesperson system, and uploading videos of the investor conferences on the company's website)?  (III) Has the Company published and reported its annual financial report within two months after the end of a fiscal year and published and reported its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline?</p>	<p>V  V  V</p>	<p>(I) The Company's website has a dedicated page to disclose information regarding its finance, business operations and corporate governance.  (II) The Company has designated a personnel responsible for disclosing related information on the Market Observation Post System website on a regular basis and from time to time, has continued to monitor various outside reports and information and established the spokesperson system, all of the above based on the regulations of the Taiwan Stock Exchange. The company website is updated based on the investor conference processes.  (III) The Company has currently not yet published and reported its annual financial report within two months after the end of the fiscal year.</p>	<p>There are no significant differences with the other matters except this part where the company has not yet published and reported its annual financial report within two months after the end of the fiscal year at this moment.</p>
<p>VIII. Does the Company have other important information that can help people to understand the operations of corporate governance (including but not limited to the employees' rights, employee care, Investor relations, supplier relation, rights of interested parties, training status of directors and supervisors, implementation status of risk management policies and standards of risk measurement, the implementation of customer policies, the purchase of liability insurance for directors and supervisors by the Company and so on)?</p>	<p>V</p>	<p>(I) Status of employee rights and caring for employees: Please refer to the annual report section on "Labor relations information."  (II) Status of rights and interests of the relationships with the investors, suppliers and stakeholders: Please refer to this annual report for the section on "Fulfillment of social responsibilities" and the Company's website on the "page dedicated to the stakeholders."  (III) Status of continuing education for directors: Please refer to this annual report section on "Continuing education of the directors and managers."  (IV) Status of risk management policy and risk measurement standards: Please refer to this annual report section on "Analysis and assessment of risks."  (V) The company purchases liability insurance for all of the directors each year, and had on November 6, 2019 reported to the Board of Directors on the status of the insurance purchase for the most recent fiscal year (Insurance purchase duration from October 2, 2019 to October 1, 2020).</p>	<p>No significant differences</p>

IX. Explanation on the 6<sup>th</sup> Corporate Governance Evaluation results released by the Taiwan Stock Exchange Corporate Governance Center for the most recent fiscal year:

Evaluation indicators	Implementation	Improvements
Does the company website disclose related information on its finance, businesses and corporate governance?	The company has in accordance with these evaluation indicators, included the following items as a minimum to its corporate governance related information: 1. Introduction of the professional background (includes work experience and education) of the members of its Board of Directors 2. Company's corporate governance structure 3. Functional committee members composition and operations introduction 4. Company Charter, the above mentioned information are fully disclosed on the company website.	A priority for improvements in the future

(VIII) Fulfillment of social responsibility and differences from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons for discrepancies

The Company fulfills its corporate social responsibility (CSR) based on the following principles:

Implementation and promotion of corporate governance

The Company's Board of Directors shall exercise the duty of care as prudent managers to supervise the Company in fulfilling its CSR duties, and constantly reviewing performance to ensure ongoing improvement and sound execution of the CSR policy.

The Company's Board of Directors ensure fulfillment of CSR duties from the following aspects:

1. Adopt CSR into the company's operations activities and development directions.
2. Raise CSR mission (or vision, values), and formulate CSR policy declaration.
3. Ensure CSR related information disclosure.

Development of sustainable environment

The Company abides by the environmental related laws and regulations and by international standards and regulations, appropriately protects the natural environment, and executes its business activities upholding sustainable environment targets. The Company is committed to improving various resource utilization efficiency and the use of renewable materials with low environmental impact, so that the earth's resources can be utilized sustainably.

The Company considers impacts to ecology, promotes and educates consumers on sustainable consumption concepts, and carries out its operations activities such as R&D, production and service, in accordance to the following principles, to lower the impacts of company operations to the natural environment:

1. Reduce exhaustion of resources and energy in its products and services.
2. Reduce the release of pollutants, toxic and wastes, and shall carry out proper handling of wastes.
3. Increase recyclability and reusability of raw materials or products.
4. Optimize sustainable use of renewable resources to the maximum.
5. Extend the durability of products.
6. Increase efficacy of products and services.

In order to increase the utilization rate of water resources, the Company will appropriately handle sustainable utilization of water resources, shall avoid pollution of water, air and land from occurring; If it is unavoidable, shall consider cost-benefit efficiency and technology within its financial capability, adopts measures with the best possible pollution prevention and control technology asserting greatest efforts to reduce negative impacts to human health and environment.

The Company should monitor how climate change affects business activities and, based on current operations and greenhouse gas survey, develop energy/carbon reduction and greenhouse gas reduction strategies, incorporate carbon credit as part of the Company's carbon reduction strategies and enforce accordingly to reduce impacts of the company's business activities on the natural environment.

Promotion of social welfare

The Company abides by related labor laws and regulations, protects legal rights and interests of employees, and respects internationally recognized fundamental labor rights principles, does not allow events that may harm the basic rights of labor from occurring. The Company's human resource policy shall abide by basic labor rights protection principles, establish appropriate management methods and procedures.

The Company provides a working environment that is safe and healthy for labor, including necessary health and emergency facilities, and is committed to reducing harmful factors to the employees' safety and health, in order to prevent occupational hazards. At the same time, the Company should conduct regular educational training on safety and health to its employees, provide employees with a work environment that facilitates career development, and implement effective training programs to help develop the skills needed for career advancement.

The Company shall provide a transparent and effective consumer complaint procedures for its products and services, handling consumer appeals in a fair and timely manner, and shall abide by related laws and regulations to ensure respecting consumer privacy rights, protecting the personal information provided by the consumer.

Corporate Social Responsibility (CSR) and specific promotion situations

Aims	Implementation
The Mustard Seed Mission	2019/01 Chinese New Year calligraphy charity sales, spreading love, has collected a total of NT\$27,300 funds for donation to The Mustard Seed Mission.
Uniting employees boosting confidence and increase sense of belonging	2019/01 Organize company year-end party
Nanliao Fishing Harbor Beach Cleanup	2019/04 Promotes company employees exchanges and bonding, servicing communities. Beach cleanup is not the end of stopping trash pollution, but the best starting point for everyone to love and protect the ocean.
Blood Donor recruitment	2019/06 Organized blood donating charity activity, call out to company employees to join on this happy occasion, fulfilling corporate caring philosophy and CSR determination by taking actions.
Supporting small businesses	2019/01-2019/12 Change of past arrangements of ordering employees lunch from the same meal provider to ordering from different businesses. The benefits are more diverse options for employees, and creating revenues for these small businesses.
Employee work life balance program	2019/07-2019/10 Establish a friendly labor environment to allow labor to perform work effectively feeling secure, thus raising corporate productivity, achieving double wins for employer and employees. In cooperation with the Employee Work Life Program initiated by the labor committee, organized family bonding activities.
Caring for employee health	2019/12 Health check-ups for all of the employees Care for the health of each employee Help employees to win the mark for health in grasp of a healthy future, elevating happiness at work.

Assessment items	Operational status			The differences with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	no	Description	
I. Does the Company conduct risk assessment on environmental, social and corporate governance issues that are relevant to its operations and stipulate risk management policies or strategies based on principles of materiality?	V		<p>(I) The Company manages a sound CRS, has formulated Corporate Social Responsibility Code of Conduct, established concurrent unit responsible for CSR promotion, proposing and execution of CSR policy or system, and reports to the Board of Directors for review from time to time.</p> <p>(II) Identification of stakeholders  The Company's definition of stakeholder is "Internal and external groups or individuals who can exert influences to TMC or are subject to influence by photomask companies." Based on this definition, we have identified the stakeholders for TMC which include shareholders, investors, employees, customers, suppliers and so on.  Material analysis on topics of concerns by stakeholders  After the identification of the stakeholders, various stakeholders communications channels are set-up in accordance to their influences to the Company and their areas of concern. Through the well-established communications channels by each of the responsible units of the CSR Committee, corporate governance, economic, environment and social topics as concerned by the stakeholders are compiled. The key influences to the Company's sustainable development as defined by the assessment of major topics of concern are "Business ethics and business integrity," "Reducing operations impacts to the environment," "Improving customer service satisfaction" and "Social welfare and caring."  Stakeholders related plans:  Each responsible unit of TMC's CSR Committee formulates management management guidelines based on the aforementioned analysis results, regularly reviews and assesses the effectiveness of the management guidelines, which will be used as an important basis for the company's sustainable operations strategies development.  Stakeholders interactions management:  TMC maintains different levels of interactions with its stakeholders based on their importance, so as to effectively utilize the company's resources, creating a double win relationship.  Rewards and management of topics of concerns by stakeholders:  We will co-review improvement countermeasures of important topics with each Committee during the enterprise annual functional committees meeting and arrange communications with the stakeholders, related improvement results will be disclosed.</p>	No significant differences

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II. Does the Company create a dedicated (concurrently work) unit to promote corporate social responsibility, and does the board of directors authorize the high level executives to process the affairs and report to the board of directors?	V		<p>II. The Company wants to ensure that the work environment is safe and that the employee rights are protected and respected, so as to fulfill CSR responsibilities, has engaged various functional departments to be responsible for management as assigned according to its business nature, which the managers will conduct reviews of the implementation results on a regular basis. Each operation meets the commitments made by the company. Promotion of CSR is executed by the Company's Finance department as a concurrent role, and has reported the implementation plans and results to the Board of Directors. The Company continues to drive CSR activities in the future.</p> <table border="1"> <thead> <tr> <th></th> <th>Members</th> <th>Work duties</th> </tr> </thead> <tbody> <tr> <td>Corporate governance</td> <td>Finance department</td> <td>Information disclosure, dividends policy, tax-related matters, and proper handling of issues of concerns to stakeholders, assists in strengthening the functional competence of the board, and attends to shareholders' rights and interests.</td> </tr> <tr> <td>Social welfare</td> <td>Finance department</td> <td>The finance department as the coordinating unit, its key functions include caring for society, community participation, welfare activities and corporate image, and the finance department's small team function will invite related units to join the activities.</td> </tr> <tr> <td>Environmental sustainability</td> <td>Manufacturing department/ Purchasing department/ Engineering and Technology department</td> <td>Production processes management of photomask. Maintenance of production equipment, improvements, planning of new factories. Manufacturing related work, including hazardous substances management, resources. Integrate and promote company environmental protection, pollution prevention, safety and health, resource savings, communications on related laws and regulations, and greenhouse gases management related work. Purchasing business includes suppliers management, green procurement management. Research and development of photomask, fixing abnormality of manufacturing processes, photomask finished product quality assurance, research and development of new products; related testing and certification of photomask, repair and related manufacturing processes. Promote green energy products related technology R&amp;D innovation.</td> </tr> <tr> <td>Customer equity</td> <td>Sales Department/ Quality Assurance department</td> <td>Product sales, market research and development. Formulating product specification, quality guarantee planning, customer service, storage and transportation business.</td> </tr> <tr> <td>Employee care</td> <td>Human Resources department</td> <td>Talent recruitment and employment, remuneration and benefits and employee well-being and safety, educational training and development, communications and rights protection, complaint procedures.</td> </tr> </tbody> </table>		Members	Work duties	Corporate governance	Finance department	Information disclosure, dividends policy, tax-related matters, and proper handling of issues of concerns to stakeholders, assists in strengthening the functional competence of the board, and attends to shareholders' rights and interests.	Social welfare	Finance department	The finance department as the coordinating unit, its key functions include caring for society, community participation, welfare activities and corporate image, and the finance department's small team function will invite related units to join the activities.	Environmental sustainability	Manufacturing department/ Purchasing department/ Engineering and Technology department	Production processes management of photomask. Maintenance of production equipment, improvements, planning of new factories. Manufacturing related work, including hazardous substances management, resources. Integrate and promote company environmental protection, pollution prevention, safety and health, resource savings, communications on related laws and regulations, and greenhouse gases management related work. Purchasing business includes suppliers management, green procurement management. 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Assessment items	Operational status			The differences with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons								
	Yes	no	Description									
<p>III. Environmental issues</p> <p>(I) Has the Company set up an environmental management system designed to industry characteristics?</p> <p>(II) Is the Company committed to improving resource efficiency and to the use of renewable materials with low environmental impact?</p> <p>(III) Has the Company assessed the current and future potential risks and opportunities from climate changes and taken measures to address climate-related issues?</p>	V		<p>(I) Implementation of the Company’s environmental management system</p> <p>1. Water resources management: Committed to raising water resources utilization, and to set short, medium and long term goals, to pursue water resources sustainable reuse as the goal.</p> <p>2. Waste management: “Reducing manufacturing quantity, resource recycling” as core theme, recycling and reuse is the priority option in waste management.</p> <p>(II) The Company is committed to increasing various resource utility rate for the long term, such as obtaining ISO9001 manufacturing system certification and research and set energy savings target plan each year, and through regular meetings reviews and follow-up, it is expected to reach highest efficiency for various energy and resource usage, reducing wastage and carbon. Adopts the commitments the company has made for its environment health and safety policy, uses raw materials that will reduce burden to the environment, recycle wastes, reduce and reuse.</p> <p>(III) The Company has conducted assessment of current and future potential risks and opportunities arising from climate change to the enterprise, and adopts it into risk management, actively driving energy efficiency and carbon reduction.</p> <table border="1" data-bbox="779 930 1877 1382"> <thead> <tr> <th>Potential risks</th> <th>Potential opportunity</th> </tr> </thead> <tbody> <tr> <td>Renewable energy, fuel/energy tax and laws and regulations: Changes in laws and regulations may impact the green energy industry’s subsidies amount and other conditions, if subsidies reduce, willingness to invest will drop.</td> <td>In search for manufacturers with a competitive niche, to avoid impacts to company operations due to cancellation of subsidies.</td> </tr> <tr> <td>Increased raw materials cost: Cost for bulk commodity raw materials has increased due to climate change, resulting in impacts to the company eventually.</td> <td>Control related amounts of raw materials to avoid simultaneous concentration of goods.</td> </tr> <tr> <td>Total volume and emissions trading: Climate change has resulted in the general rise of temperature, indirectly impacts the company’s air-conditioning equipment for increased load.</td> <td>Monitor and review if there are any replacement requirements while conducting maintenance and cleaning work for the whole company, and plan ahead for replacing the old equipment, as a countermeasure to equipment with increased carbon emissions and reduced efficiency.</td> </tr> </tbody> </table>	Potential risks	Potential opportunity	Renewable energy, fuel/energy tax and laws and regulations: Changes in laws and regulations may impact the green energy industry’s subsidies amount and other conditions, if subsidies reduce, willingness to invest will drop.	In search for manufacturers with a competitive niche, to avoid impacts to company operations due to cancellation of subsidies.	Increased raw materials cost: Cost for bulk commodity raw materials has increased due to climate change, resulting in impacts to the company eventually.	Control related amounts of raw materials to avoid simultaneous concentration of goods.	Total volume and emissions trading: Climate change has resulted in the general rise of temperature, indirectly impacts the company’s air-conditioning equipment for increased load.	Monitor and review if there are any replacement requirements while conducting maintenance and cleaning work for the whole company, and plan ahead for replacing the old equipment, as a countermeasure to equipment with increased carbon emissions and reduced efficiency.	No significant differences
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Assessment items	Operational status		Description	The differences with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	no		
(IV) Has the Company compiled the greenhouse gas emissions, water consumption and total weight of waste in the past two years and established management policies for energy saving and reduction of greenhouse gas emission, water consumption and other wastes?	V		<p>The Company is committed to environmental protection, in response to green and clean production. Through executing Process Safety Management (PSM) and systemized PDCA management cycle, has effectively reduced pollution emissions and impacts to the environment; at the same time, will formulate implementing plans and programs each year, regularly trace and review progress for each item, to ensure achieving the targets.</p> <p>The Company has passed ISO 14001 management system certification, the General Affairs department regularly conducts inspection and tracing, to realize hazards prevention and pollution prevention, at the same time, abides by RoHS regulation of European Union, strict adherence to the restriction of hazardous substances requirements. Maintained environmental management quality and fulfilling pollution prevention and responsibilities to the society through ISO14001 environmental management system certification and SGS testing and verification system build up.</p> <p>In response to energy saving and carbon reduction global trends in recent years, the Company has actively conducted sorting and organization, industrial waste reduction, series of measures on treasuring resources, such as changing to energy saving lightings in offices, enhance management of air-condition, actively promotes e-processes to reduce the usage of paper, a switch to reusable chopsticks from single use, embed the concept of energy saving and carbon reduction to employees from the work environment, continue to implement waste reduction to achieve the target of zero environmental pollution. Also promotes environmental policy to suppliers, contractors and carriers, with the expectation of working together towards environmental protection.</p> <p>(IV) For the Company's policy on energy saving and carbon reduction, greenhouse gas reduction, water reduction or other waste management, please refer to the annual report on Other Risks and Environmental Policy Countermeasures.</p>	

Assessment items	Operational status			The differences with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	no	Description	
IV. Social Issues				
(I) Does the Company establish policies and procedures in compliance with regulations and internationally recognized human rights principles?	V		(I) To fulfill CSR, protect all of the employees', customers' and stakeholders' basic human rights, abides by the principles as laid out in the various international human rights conventions such as the "United Nations Universal Declaration of Human Rights," "United Nations Guiding Principles," "United Nations Guiding Principles on Business and Human Rights," "The United Nations Global Compact," and "International Labor Organization," formulates and discloses human rights policy, disclosing related information on the company's website simultaneously.	No significant differences
(II) Has the Company established and implemented reasonable employee welfare measures (including remuneration, vacation and other benefits) and appropriately reflected the business performance or results in the employee remuneration policy?	V		(II) The Company has formulated and implemented reasonable employee benefit measures, values employees' rights and fulfill its corporate social responsibilities. Therefore, the remuneration policy of the Company is based on the correlations of the individual's capability, his/her contribution to the company, performance, and operations performance, appropriately reflect business performance or outcome in employees' compensations to facilitate recruitment, retention and inspiration of human resources, and thereby accomplish the Company's goals toward sustainability. The Company's actual average employee salary for 2019 was adjusted to 0-8%. Status of the Company's employee benefit measures, continuing education and trainings: [Salary and motivation system] Salary and multiple rewards system (Dragon Boat Festival, Mid-Autumn Festival and year-end bonus), additional performance bonus and allocation of earnings; flexible salary adjustment for individuals; employee bonus, employee stock option. [Life care and protection] Enjoy complete group insurance (free life insurance/accident insurance/hospitalization medical treatment/accident medical treatment/occupational hazard); cash gifts and subsidies for child birth, weddings, death in the family; birthdays/occasions gift vouchers; free annual employee health check-ups; appointed store; welfare committee to regularly organize travels and various sporting events and domestic and overseas travel subsidies; employee health care, regular visits by doctors and nurses providing on-site care, professional consultation sessions and suggestions for employees; Christmas party. [Convenient facilities] Provides complete indoor employee parking spaces; indoor badminton court, tennis court, table tennis and so on leisure facilities; established lactation room, complete facility for use by female employees; established employee canteen, provides free coffee, tea beverages, and 180-inch large screen viewing; provides accommodation for job candidates from other cities. [Trainings] Provides new employee educational training; conducts work training based on the employee's work requirements; provides external training to employees for self-learning and growth.	

Assessment items	Operational status			The differences with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	no	Description	
(III) Does the Company provide employees with a safe and healthy working environment and regularly conduct safety and health training?	V		(III) The Company has established an employee welfare committee according to laws and regulations, and has organized various employee activities and health check-ups from time to time, to protect the well-being and health of the employees. The Company's healthy work environment and employee safety protection measures are as below: 1. Environmental safety (1) Regularly check on, test and maintain the fire safety equipment and various public facilities, cooperate with the government regulation prohibiting smoking within the factory. (2) Engage professional office cleaning and disinfection companies regularly once a year, to ensure a safe and comfortable work environment. 2. Fire safety aspects: Established a complete fire safety system according to the Fire Services Act. 3. Employee health care: Regularly organize the end of year comprehensive employee health check-up.	
(IV) Has the Company established effective career development training plans?	V		(IV) The Company has set-up comprehensive educational training, to assist employees with diverse career development.	
(V) Has the Company complied with the relevant regulations and international standards and formulated policies for consumer protection and grievance procedures with respect to consumer health and safety, customer privacy, marketing and labeling of products and services?	V		(V) The Company has set-up a professional and dedicated customer service team responsible for handling demands and complaints from customers. Abides by the environmental protection requirements of the EU RoHS Directive with suppliers. The Company follows related laws and regulations and international standards in the marketing and labelling of its products and services, and marked with obvious labelling.	
(VI) Has the Company established supplier management policies which require suppliers to comply with regulations on environmental protection, occupational safety and health or labor rights and reported the implementation?	V		(VI) The Company requests its suppliers to abide by corporate social responsibilities and has built up an internal supplier management policy, requesting suppliers to provide hazardous substance free declaration, environmental management system certification and safety data sheet. The Company conducts regular audit inspections with major suppliers, its contents include various laws and regulations and standards. If there are occurrences of violations and obvious harm to the environment and society, the supplier cannot pass the audit and any dealings with the supplier has to be terminated anytime.	
V. Has the Company referred to international reporting standards or guidelines in its preparation of corporate social responsibility reports and other reports which disclose the Company's non-financial information? Does the preceding report obtain verification or opinions from a third-party authentication unit?		V	The Company has not yet prepared its corporate social responsibility report, but has disclosed relevant and reliable CSR information on its website, strengthening its stakeholders' communications. Has already disclosed each of the related information on the Market Observation Post System website as required by regulations.	The Company has not prepared its Corporate Social Responsibility Report.

Assessment items	Operational status		Description	The differences with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	no		
VI. If the Company has established its corporate social responsibility code of practice according to the "Corporate Social Responsibility Best Practice Principles for Listed Companies", please describe the operational status and differences: The Company has established its "Corporate Social Responsibility Code of Conduct" and there are no significant differences to the actual operations and the Principles for Listed Companies.				
VII. Other important information that can help others to understand the operations of the corporate social responsibility (CSR): This is a dedicated page on the Company's website to disclose CSR operations and stakeholders, CSR-related operations are regularly updated helping others to understand the status of the CSR operations.				

Note:

1. For a company who has already prepared its CSR report, a note is required for the operational status stating the method to search the CSR report and the index entries substitution: The Company has not yet prepared its CSR report.
2. Principles of materiality refers to major impacts to the Company's investors and other stakeholders as a result of environmental, social and corporate governance issues.

(IX) Status of the Company's practice of ethical management and differences from the Ethical Corporate Management Best Practice Principles for the Listed Companies and reasons for discrepancies

Assessment items	Operational status		Differences from the Ethical Corporate Management Best Practice Principles for the Listed Companies and reasons for discrepancies
	Yes	no	
<p>I. Stipulate ethical management policies and plans</p> <p>(I) Does the company establish ethical management policies approved by the board and have bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures and the commitment regarding the implementation of such policy from the board and the executive management team?</p> <p>(II) Has the Company established a risk assessment mechanism against unethical conduct, analyzed and assessed on a regular basis business activities within their business scope which are at a higher risk of being involved in unethical conduct, and established prevention programs accordingly which at least cover the prevention measures against the conducts listed in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?</p> <p>(III) Has the Company defined operating procedures, conduct guidelines, disciplinary penalties and grievance process in the program preventing unethical conduct and put them in practice</p>	<p>V</p> <p>V</p> <p>V</p>	<p></p> <p></p> <p></p>	<p>No significant differences</p>
			<p>(I) The Company's "Corporate Social Responsibility Code of Conduct" had been approved by the Board of Directors on August 6, 2015. There are no differences between actual operations and the Code. The Company is in compliance with the laws and regulations. The Board of Directors was eager to and had duly approved the Corporate Social Responsibility Code of Conduct policy, and in the document, details of the policy and active commitments by the Board of Directors and management level to implement it can be found.</p> <p>(II) The Company has set-up a regular and random audit of the implementation situation by the audit personnel and CPA for active response of any potential conflicts of interests within the company.</p> <p>(III) For promoting and educating on ethical conducts, the Company's Corporate Social Responsibility Code of Conduct is published on the company website for reference by its personnel anytime as a basis for individual behavior. A unit to handle unethical behavior reporting is also established. If there are discovery of any major events of violations or major damages to the company, the unit will prepare a report immediately and report to the</p>

Assessment items	Operational status		Differences from the Ethical Corporate Management Best Practice Principles for the Listed Companies and reasons for discrepancies
	Yes	no	
and regularly reviewed and amended the program?			independent directors so as to fulfill the implementation of unethical behavior handling. The company emphasizes its determination to combat dishonest practices through internal control system, work rules, new employee orientation education training, regular campaigns, and monitoring via accounting system, requesting its employees to adhere to the principle of conflict of interest avoidance, and promotes the company's policy to its suppliers.
<b>II. Fulfillment of ethical management</b> (I) Does the Company evaluate the ethical record of the counterparties and clearly stipulate the ethical behavior clause in the contract signed with the counterparties? (II) Has the Company established a full- (or part-) time specialized unit under the board responsible for the promotion of corporate ethics management, which regularly (at least once a year) reports policies on ethical operations, programs on prevention of unethical conduct and the status of supervision to the board? (III) Does the company stipulate a policy to prevent conflicts of interest and provide a proper channel for communication, and practically implement the policy? (IV) Does the company establish an effective accounting system and internal control system for practical implementation of ethical corporate management, and is the	V  V  V  V		(I) Before the Company enters into any business activity, will first conduct assessment of the counterparty for its legality, ethics and prudence, so as to ensure both parties engage in a fair and transparent trading conduct, create a fair environment for competition, maintaining the company's competitiveness. (II) Honesty and faithfulness have always been an important management philosophy of the Company, ethics has been promoted from various aspects in full efforts from the Board of Directors to each of the department management, to which all of the employees should embrace and adhere to the Ethical Operations Management Best Practice Principles. The Company has also established an Audit Committee and internal control system to monitor the company in abiding by the laws and regulations. The Company assigned the audit office as the accountable unit, ensuring the fulfillment of Ethical Operations Management Best Practice Principles based on each unit's work duties and scope, and the accountable unit will report to the Board of Directors on a regular basis on the implementation status. Implementation status of the Company's 2019 Ethical Operations Management has been reported to the Board on November 6, 2019. (III) The Company has established Ethical Operations Management Best Practice Principles to prevent conflicts of interest and provide a proper channel for communication. The Company conducts its business activities in a fair and transparent way based on the principles of ethical operations management. In addition, the company has already formulated the whistleblowing system procedures to report on illegal (including corruption) and unethical behaviors. (IV) The Company's accounting system and internal control system are formulated based on related laws and regulations. The internal audit unit prepares the draft work report and audit report based on the audit results, submit them to the Board of Directors, and hold regular and random audits with the CPA.

Assessment items	Operational status		Description	Differences from the Ethical Corporate Management Best Practice Principles for the Listed Companies and reasons for discrepancies
	Yes	no		
<p>system regularly audited by the internal auditing unit, and does the unit propose relevant audit plans based on the assessment results of the risk of misconduct for auditing the implementation status of the prevention plan for misconduct, or entrusted to an accountant for auditing?</p> <p>(V) Does the Company regularly conduct internal and external education and training for ethical management?</p>	V		<p>(V) The Ethical Operations Management Best Practice Principles is already published on the Company's website and is promoted to the employees during the monthly management meetings; In terms of safety and health management and checks, the Company has executed 2019 Public Health and Safety Checks on the employees health checkup/fire safety checks/completion inspection and trainings for accounting system and internal control system relating to operations management. The Company has in 2019 sent three personnel for external training for a total of 36 hours of course training.</p>	
<p>III. Operational status of the whistleblowing system of the Company</p> <p>(I) Does the company have a specific whistleblowing and reward system, a convenient whistleblowing channel and assign appropriate and dedicated personnel to deal with the respondent?</p> <p>(II) Does the company stipulate the standard operating procedures, the follow-up measures should be taken after the investigation and relevant confidentiality mechanism for the reported matters?</p> <p>(III) Does the company take preventive measures to protect the whistleblower from improper treatment due to the report?</p>	V	V	<p>(I) For whistleblowing/complaints matters of any possible violations of laws and regulations or the code of conduct, the Company may report to the Company's audit office. The Company establishes standard operating procedures for investigating the complaints received and protects the informant's identity by establishing confidentiality mechanisms.</p> <p>(II) The Company formulates complaint procedures, set-up responsible units to handle the cases and set-up the handling procedures, abides by privacy data laws and strictly prohibits retaliation conducted against the informant. The Company's "Ethical Operations Management Best Practice Principles" has stipulated standard operating procedures for investigating the complaints received and ensuring such complaints are handled in a confidential manner.</p> <p>(III) The Company's "Ethical Operations Management Best Practice Principles" has stipulated items in the investigation of the complaints received, protection of informant's identity and details of reported misconduct, proper measures to shield a complainant from retaliation for</p>	No significant differences

Assessment items	Operational status		Description	Differences from the Ethical Corporate Management Best Practice Principles for the Listed Companies and reasons for discrepancies
	Yes	no		
			filing complaints.	
IV. Reinforcement of information disclosure (I) Does the company reveal the content of Ethical Corporate Management Best Practice Principles and the implementation results on its website and on the website of the Market Observation Post System?	V		The Company has disclosed its ethical operations management information on its website which has a designated page for corporate governance in addition to disclosing in its annual report.	No significant differences
V. If the Company has stipulated its Ethical Corporate Management Best Practice Principles based on the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", please state the difference between its operations and the stipulated principles: (I) The Company's "Corporate Social Responsibility Code of Conduct" had been approved by the Board of Directors on August 6, 2015. There are no differences between actual operations and the Code. (II) Regular advocacy on ethical operations management concept and advocated to all of the employees on a regular basis during educational trainings: Ethical Operations Management Best Practice Principles have been announced on the Company's website, and are promoted to the employees during monthly management meetings. (III) Ethical conduct is listed as one of the terms and conditions in contracts with counterparties. (IV) Internal independent grievance reporting mailbox and dedicated line has been established and announced on the Company's website and on the internal website. Internal independent grievance reporting mailbox and dedicated line has been established and announced on the Company's website and on the internal website with instant updates. Has not received any ethical grievance reports in the year of 2019.				
VI. Other important information that helps to understand the implementation status of the company's ethics management (such as situation of the company conducting review and revision of its Ethical Operations Management Best Practice Principles): cooperates with competent authority in handling the authority's instruction "Jin-Guan-Zheng-Fa-Zi. No.1080307434 issued on May 16, 2019," making revisions to partial articles of the Company's " Ethical Operations Management Best Practice Principles," which the revision has been approved by the Board of Directors on August 7, 2019.				

(X) The Company formulates governance principles and related regulations

The Company's website has a dedicated page to corporate governance for investors to search and download related corporate governance regulations, please refer to the Company's website. <https://www.tmcnet.com.tw/Governance.aspx>

1. Articles of Incorporation
2. Procedures for Lending Funds to Others
3. Asset Acquisition and Disposal Procedures
4. Policies and Procedures for Preventing Insider Trading
5. Procedures for Handling Material Inside Information
6. Audit Committee Foundation Principles
7. Remuneration Committee Foundation Principles
8. Ethical Operations Management Best Practice Principles
9. Corporate Social Responsibility Code of Conduct
10. Ethical Behavior Code of Conduct

Regarding the corporate governance-related situation of the Company, please refer to this annual report for the section on "The governance status of the Company, and the differences with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons."

(XI) Policies and Procedures for Preventing Insider Trading and Procedures for Handling Material Inside Information

To establish a sound material inside information handling and disclosure mechanism, for avoiding improper divulgence of information and to ensure consistency and accuracy of information announced by the Company to outside, and to strengthen the prevention of insider trading, the regulation is specially formulated and hereby provided to all directors, managers and company employees to abide by and for timely education and advocacy purpose. Refer to the Company's website for related information.

<https://www.tmcnet.com.tw/Governance.aspx>

(XII) Implementation status of internal control system

1. Statement on Internal Control

Taiwan Mask Corporation  
Statement on Internal Control

Date: March 17, 2020

Based on the findings of a self-assessment, the Company states the following with regard to its internal control system during the year of 2019:

- I. The Company's board and management are responsible for establishing, implementing and maintaining a proper internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability of our financial reporting and compliance with applicable laws and regulations.
- II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and we take immediate remedial actions in response to any identified deficiencies.
- III. We evaluate the design and operating effectiveness of the internal control system based on the criteria provided in the Regulations Governing Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: 1. Control environment. 2. Risk assessment. 3. Control activities. 4. Information and communication. 5. Monitoring. Each component has its own items. Please see the Regulations for details.
- IV. We have evaluated the design and operating effectiveness of our internal control system according to the aforementioned Regulations.
- V. Based on the assessments described above, the Company considers the design and execution of its internal control system to be effective as at December 31, 2019. This system (including the supervision and management of subsidiaries) has provided assurance with regards to the Company's operational results, target accomplishments, reliability, timeliness and transparency of reported financial information, and its compliance with relevant laws.
- VI. This Statement will be an integral part of the Company's annual report and prospectus and will be made public. Any falsehood, concealment or other illegalities in the content made public will entail legal liability under Article 20, 32, 171 and 174 of the Securities and Exchange Act.
- VII. This Statement has been passed by the board in the meeting held on March 17, 2020, all of the attending directors affirm to the content of this Statement.

Taiwan Mask Corporation  
Chairperson: Michael, Tsai  
General Manager: Lidon, Chen

2. Where a CPA has to be hired to carry out a special audit of the internal control system, furnish the CPA audit report: None of such situations.

(XIII) For the year 2019 or during the current fiscal year up to the date of publication of the annual report, disclose any sanctions imposed in accordance with the law upon the Company or its internal personnel, any sanctions imposed by the Company upon its internal personnel for violations of internal control system, and the penalties which may have a significant impact on shareholders' equity or the price of securities, and list the content of penalties, principal deficiencies, and the state any efforts to make improvements. The case concerning Securities and Exchange Act of the Company's former Chairperson, the company's material reporting has violated the rules in "Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities." Thus, the company has already made payments for the penalty fees and has made an announcement. The punishment outcome of this case has not posed significant effects to the Company's shareholders' equity or securities price.

(XIV) Material resolutions of a shareholders meeting or a board of directors meeting during the year of 2019 and during the current fiscal year up to the date of publication of the annual report:

1. Material resolutions of a shareholders meeting

Key resolutions from the Company's shareholders' meeting 2019 and their implementation listed as below:

(1) Ratification of 2018 Business Report and Financial Statements

Implementation outcome: Resolution approved. Ratification of 2018 Business Report and Financial Statements, of which the consolidated revenue for the whole year is NTD 2,885,982,000, net income is approximately NTD 145,820,000, basic earnings per share is NTD1.02.

(2) Ratification of 2018 earnings distribution.

Implementation outcome: Resolution approved. Resolution approved for distributing NTD0.834 per share, ed-dividend base date was set as August 31, 2019 as approved by the Board of Directors resolution on August 7, 2019, and cash dividends were distributed on September 20, 2019.

(3) Partial amendments to the Company's "Articles of Incorporation."

Implementation outcome: Resolution approved. The registration was approved by authority with approval document number Zhu-Shang-Zi No. 1080017034 issued on June 19, 2019.

(4) Partial amendments to the Company's "Procedures for Derivatives Trading."

Implementation outcome: Resolution approved. The Procedures are disclosed on the Company's website.

(5) Partial amendments to the Company's "Procedures for Acquisition or Disposal of Assets."

Implementation outcome: Resolution approved. The Procedures are disclosed on the Company's website.

(6) Partial amendments to the Company's "Operating Procedures for Loans to Others."

Implementation outcome: Resolution approved. The Procedures are disclosed on the Company's website.

(7) Partial amendments to the "Procedures for Endorsements and Guarantees."

Implementation outcome: Resolution approved. The Procedures are disclosed on the Company's website.

2. Key resolutions from the board meeting

Key resolutions by the Company's Board of Directors since January 1, 2019 until the publication date of the annual report are as follows:

Date	Term	Key resolutions
2019.01.09	11 <sup>th</sup> Meeting	According to the Company's Policy on Transfer of Share Buyback to Employees, the Company plans to transfer to managerial officers for its 25 <sup>th</sup> share buyback.
2019.03.20	12 <sup>th</sup> Meeting	2018 Business Report and Financial Statements 2018 Earnings distribution Distribution of employees and directors' remuneration for 2018 Convening 2019 Shareholders' Meeting The shareholders' proposal rights were handled at the 2019 shareholders' meeting. The Company's 2018 Internal Control System Validity Evaluation and Declaration of Internal Control System Partial amendments to the Company's "Articles of Incorporation" Partial amendments to the Company's "Procedures for Acquisition or Disposal of Assets" Partial amendments to the Company's "Internal Control System" Partial amendments to the Company's "Operating Procedures for Loans to Others" Partial amendments to the the Company's "Procedures for Endorsements and Guarantees" Formulating the Company's "Corporate Social Responsibility Code of Conduct," "Procedures for Establishing Corporate Social Responsibility Committee" Formulating the Company's "Performance Appraisal of the Board of Directors" Formulating the Company's "Standard Operating Procedures for Handling Directors' Requests" Formulating the Company's "Procedures for Distributing, Delivery of Shareholders' Souvenirs and Collecting Guarantee Deposit" Subsidiary of the Company, Innova Vision INC., plans to reduce capital to reimburse losses then increase capital, the Company abandons the subscription case. Subsidiary of the Company, Youe Chung Capital Corporation, plans to invest in Aptos Technology INC. Loans to subsidiary Innova Vision INC. Loans to subsidiary Youe Chung Capital Corporation Loans to subsidiary Miracle Technology CO., LTD. The Company establishes and expands its credit line amount with the bank Plan to apply for syndicated loan credit limit from the consortium of banks led by Chinatrust Commercial Bank The Company establishes corporate governance officer
2019.05.08	13 <sup>th</sup> Meeting	2019 Q1 financial report The Company establishes and expands its credit line amount with the bank Supplemental information on the plan to apply for syndicated loan credit limit from the consortium of banks led by Chinatrust Commercial Bank Subsidiary of the Company, Youe Chung Capital Corporation, plans to invest in Aptos Technology INC. Loans to subsidiary Youe Chung Capital Corporation

2019.08.07	14 <sup>th</sup> Meeting	<p>2019 Q2 financial report</p> <p>Formulating the Company's cash dividends dividend baseline date related matters</p> <p>The Company's managers' distribution plan for 2018 employee remuneration</p> <p>Treasury shares transfer to employees (including managers)</p> <p>The Company establishes and expands its credit line amount with the bank</p> <p>Subsidiary of the Company, Youe Chung Capital Corporation, plans to invest in Image Match Design Inc., iMD, plan b.</p> <p>Partial amendments to "Business Integrity Code of Conduct"</p>
2019.11.06	15 <sup>th</sup> Meeting	<p>2019 Q3 financial report</p> <p>Treasury shares transfer to employees (including managers)</p> <p>Regular assessment of the independence and competency of certified public accountants</p> <p>The Company's operations plan and internal finance budget for 2020</p> <p>The Company's Annual Audit Plan for Internal Control System 2020</p> <p>Partial amendments to the Company's "Audit Committee Foundation Principles."</p> <p>Supplemental information on the plan to apply for syndicated loan credit limit for three-year period of NT\$1,775,000,000 from the consortium of banks led by Chinatrust Commercial Bank</p> <p>The Company establishes and expands its credit line amount with the bank</p> <p>Employment of the Company's Vice General Manager, Mr. Vincent, Tsai</p>
2020.01.15	11 <sup>th</sup> Term 16 <sup>th</sup> Meeting	<p>The Company's organizational adjustments</p> <p>Discharge of the Company's General Manager</p> <p>Changes to the Company's financial and accounting officer and corporate governance officer</p> <p>Bring forward re-election of all directors (including independent directors) and handling of the candidates list for directors (including independent directors)</p> <p>Agreeing non-compete for newly elected directors (including independent directors)</p> <p>2020 First Shareholders Special Meeting convening</p> <p>Chairperson election</p>

Date	Term	Key resolutions
2020.02.20	11 <sup>th</sup> Term 17 <sup>th</sup> Meeting	<p>Treasury shares transfer to employees (including managers)</p> <p>Propose to request for a Board ratification on the candidate list for directors (including independent directors) and candidate qualifications</p> <p>Restrictions on Non-Compete Clause of Directors (including Independent Directors)</p> <p>Amendments to "Procedures for Authorization"</p> <p>Amendments to the Company's "Authorization Chart of Procedures for Handling Acquisition or Disposal of Assets"</p> <p>Amendments to "Procedures for monitoring and control of subsidiaries" and adding the Company's "Management Policy of Affiliated Companies"</p> <p>Loans to subsidiary Aptos Technology INC.</p> <p>Endorsements/guarantees for subsidiary Miracle Technology CO., LTD.</p> <p>Appointment of Vice General Manager of the Company</p>
2020.03.17	11 <sup>th</sup> Term 18 <sup>th</sup> Meeting	<p>Plan to purchase high-tech factory in Zhunan Science Park</p> <p>The Company has signed Memorandum of Understanding with Mr. Yarn, Chen on February 26, 2020</p> <p>Distribution of employees and directors' remuneration for 2019</p> <p>2019 Business Report and Financial Statements</p> <p>2019 Earnings distribution</p> <p>Issuance of 2019 Statement on Internal Control</p> <p>Partial amendments to the Company's "Internal Control General Rules of Internal Control System"</p> <p>Partial amendments to the Company's "Articles of Incorporation"</p> <p>Partial amendments to the Company's "Procedures for Acquisition or Disposal of Assets" and "Authorization Chart of Procedures for Handling Acquisition or Disposal of Assets"</p> <p>Amendments to "Procedures for Authorization"</p> <p>Partial amendments to the Company's "Corporate Governance Best Practice Principles"</p> <p>Partial amendments to the Company's "Corporate Social Responsibility Code of Conduct"</p> <p>Partial amendments to the Company's "Regulations Governing Procedure for Board of Directors' Meetings"</p> <p>Partial amendments to the Company's "Audit Committee Foundation Principles."</p> <p>Convening 2020 Shareholders' Meeting</p> <p>The shareholders' proposal rights were handled at the 2020 shareholders' meeting.</p> <p>The Company's lending</p> <p>The Company establishes and expands its credit line amount with the bank</p> <p>Changes to the Company's financial and accounting officer and corporate governance officer</p> <p>Revision to salary and compensation structure of the Company's directors and managers</p>
2020.03.18	12 <sup>th</sup> Term 1 <sup>st</sup> Meeting	<p>The Company's 12<sup>th</sup> Term Chairperson election</p>
2020.05.06	12 <sup>th</sup> Term 2 <sup>nd</sup> Meeting	<p>The Company plans to participate in cash capital increase of its subsidiary Youe Chung Capital Corporation (hereinafter referred to as Youe Chung)</p> <p>The Company's subsidiary Youe Chung proposes to participate in capital increase of Xsense Technology Corp. (B.V.I.)</p> <p>Amendment to partial articles of the "Procedures for monitoring and control of subsidiaries"</p> <p>Amendment of names and partial articles of the Company's "Performance Appraisal of the Board of Directors"</p> <p>Partial amendments to the Company's "Procedures for Acquisition or Disposal of Assets"</p> <p>Propose to appoint the Company's 5<sup>th</sup> Remuneration Committee member</p> <p>Acknowledgment of personnel for directors, supervisors and managers of subsidiaries</p>

(XV) Where, during 2019 or during the current fiscal year up to the date of publication of the annual report, a director or independent director has expressed a dissenting opinion with respect to a key resolution passed by the board, and the dissenting opinion has been recorded or prepared as a written declaration: None of such situations.

(XVI) A summary of resignations and dismissals, during 2019 or during the current fiscal year up to the date of publication of the annual report, of the Company's chairman, general manager, principal accounting officer, principal financial officer, chief internal auditor, principal corporate governance officer and principal research and development officer

May 22, 2020

Job title	Name	On-board date	Dismissal date	Reason for resignation or dismissal
Chairperson	K.J., Wu	2017/06/23	2020/01/15	Service ended (adjustments to the Group's organization)
General Manager	Yarn, Chen	2017/10/01	2020/01/15	Service ended (adjustments to the Group's organization)
Manager of Finance Department/Corporate Governance Officer	Marie, Wu	2018/01/15	2020/01/15	Service ended (adjustments to the Group's organization)

## V. Information on professional fee of accountant

### (I) Audit fee of independent auditors

Name of Accounting Firm	Accountant		Date of the audit
PricewaterhouseCoopers Taiwan	Tien-I Li	Ya-Hui Cheng	2019.01.01~2019.12.31

Unit: NT\$Thousand

Fee Bracket	Type of Fee	Professional audit fee	Non-professional audit fee	Total
1	Below NT\$ 2,000,000		566	566
2	NT\$ 2,000,000 (inclusive) ~ NT\$ 4,000,000			
3	NT\$ 4,000,000 (inclusive) ~ NT\$ 6,000,000			
4	NT\$ 6,000,000 (inclusive) ~ NT\$ 8,000,000	7,230		7,230
5	NT\$ 8,000,000 (inclusive) ~ NT\$ 10,000,000			
6	NT\$ 10,000,000 and above			

Name of Accounting Firm	Accountant	Professional audit fee	Non-professional audit fee					Audit Period	Note
			System Design	Company Registration	Human Resources	Others	Subtotal		
Pricewaterhouse Coopers Taiwan	Tien-I Li Ya-Hui Cheng	7,230	0	354	0	212	566	2019.01.01~ 2019.12.31	Note

Note: The above mentioned accounting fees are the professional audit fee and non-professional audit fee that is paid to the Company's Certified Public Accountant (CPA) and the affiliated company of the CPA's accounting firm.

(1) The Company: The professional audit fee is NT\$4,900,000; Non-professional audit fee is NT\$200,000 (legal consultation, agenda review and others).

(2) Subsidiaries: The professional audit fee is NT\$2,330,000; Non-professional audit fee is NT\$366,000 (company registration)

- (II) If the non-professional audit fee paid to the certified accountant, the firm of the certified accountant and its affiliated institution is more than a quarter of the professional audit fee: None of such situations.
- (III) If the accounting firm is changed and the professional audit fee paid in the year of change is lower than in the previous year prior to the change, the amount and reason for the professional audit fee before and after the change: Not applicable.
- (IV) If the professional audit fee has decreased by more than 10% compared with the previous year, the decreased amount, proportion and reason for the reduction of professional audit fee: None of such situations.

## VI. Information on change of accountant

### (I) About former CPAs

Date of change	Starting from 2018 Q3		
Reason and explanation for the change	The original Certified Public Accountant (CPA) was Shou-Hung Hsueh and Tien-I Li of PricewaterhouseCoopers Taiwan. Due to internal adjustment of PricewaterhouseCoopers, starting from 2018 Quarter 3, CPAs have been changed to Tien-I Li and Ya-Hui Cheng.		
State whether the Appointment is Terminated or Rejected by the Consignor or CPAs	The party	Accountant	Appointer
	Status		
	Proactively terminate the appointment	—	—
	Appointment rejected (discontinued)	—	—
The Opinions other than Unmodified Opinion Issued in the Last Two Years and the Reasons for the Said Opinions	—		
Is there any disagreement with the issuer	Yes	—	Accounting principles or practices
		—	Disclosure of financial reports
		—	Audit scope or procedures
		—	Others
		—	
	No	V	
	Explanation		
Supplementary Disclosure (Disclosures Specified in Article 10.6.1-4 to Article 10.6.1-7 of the Standards)	None		

### (II) About successor CPAs

Name of Accounting Firm	PricewaterhouseCoopers Taiwan
Accountant	Tien-I Li, Ya-Hui Cheng
Date of appointment	Starting from 2018 Q3
The possible opinion of consultation matters and results on the financial report and the processing methods or accounting principles of certain transactions before the appointment	None of such cases
The written opinion of the successive accountant on different opinions with the former accountant	None of such cases

(III) Former accountant's reply on sub-paragraph 1 and 2(3) of paragraph 6 in Article 10 of the Regulations Governing Information to be Published in Annual Reports of Public Companies: None of these situations.

**VII. Information on the chairman, general manager, manager in charge of financial or accounting affairs of the Company who has worked in the accounting firm or an affiliated company of the certified accountant for the past one year: None of such situations.**

**VIII. Status of any equity transferred and changes in pledge of stock rights in recent years and until the publication date of the annual report by directors, independent directors, managers and shareholders with over 10% shares**

(I) Changes to share ownership

Unit: Shares

Job title	Name	2019		2020 until April 12, 2020	
		Increasing (decreasing) number of shares held	Increasing (decreasing) number of pledged shares held	Increasing (decreasing) number of shares held	Increasing (decreasing) number of pledged shares held
Director	Fushuo Investment Co., Ltd.	-	-	-	-
	Representative: Michael, Tsai	-	-	-	-
Director and General Manager	Lidon, Chen (General Manager appointment date was January 15, 2020, Director appointment date was March 18, 2020)	Not applicable	Not applicable	-	-
Director	Chao-Yi, Wu (Appointment date was March 18, 2020)	Not applicable	Not applicable	38,078	-
Director	Cheng-Hsiang, Chen (Appointment date was March 18, 2020)	Not applicable	Not applicable	19,658	-
Independent Director	Yu-Chiun, Wu	-	-	-	-
Independent Director	Tai-Ning, Hsieh	-	-	-	-
Independent Director	Hsin, Chen (Appointment date was March 18, 2020)	Not applicable	Not applicable	-	-
Chief Executive Officer	K.J., Wu (Appointment date was January 15, 2020)	3,500,000	-	-	-
Executive Vice General Manager	Vincent, Tsai	160,000 (503,000)	-	0 (412,000)	-
Vice General Manager of Operations	Nester, Huang (Appointment date was February 20, 2020)	Not applicable	Not applicable	-	-
Vice General Manager of Finance	Eve, Yang (Appointment date was March 17, 2020)	Not applicable	Not applicable	-	-
Major Shareholder	Youe Chung Capital Corporation	-	-	-	-
Director	Parkson, Chen (Service ended December 26, 2019)	0 (1,170,000)	-	Not applicable	Not applicable
Director	K.J., Wu (Service ended March 18, 2020)	3,500,000	-	-	-
Director	Yu-Shian, Tsai (Service ended March 18, 2020)	7,000	-	Not applicable	Not applicable
Independent Director	Yun, Ji (Service ended March 18, 2020)	-	-	Not applicable	Not applicable
General Manager	Yarn, Chen (Service ended January 15, 2020)	320,000	-	Not applicable	Not applicable
Manager of Finance Department	Marie, Wu (Service ended January 15, 2020)	50,000	-	Not applicable	Not applicable
Deputy Manager, Finance Department (concurrent job)	Megan, Tsai (Appointed on January 15, 2020, Service ended March 17, 2020)	-	-	Not applicable	Not applicable

Note: Youe Chung Capital Corporation is top-10 major shareholder with over 10% of the Company's total shares.

(II) Information on share transfer: None of such situations.

(III) Information on stock pledge: None of such situations.

## IX. Top ten shareholders by shareholding proportion and information of relationships among them

Unit: shares; %

Name	Shares owned by the person		Shares held by spouse, underage dependents		Shares Held in the Name of Others		Title, name and relationship of the top ten shareholders who have mutual relationship as spouse or blood relative within the second degree		Note
	Number of shares	Ratio of Share Ownership	Number of shares	Ratio of Share Ownership	Number of shares	Ratio of Share Ownership	Name	Relationship	
Youe Chung Capital Corporation	37,081,440	14.67%	-	-	-	-			-
Youe Chung Capital Corporation Representative: Chang-Ji Hsu	-	-	-	-	-	-			-
Chao-Yi, Wu	8,907,000	3.52%	30,000	0.01%	-	-	K.J., Wu	Father and daughter	-
Fushuo Investment Co., Ltd.	6,364,000	2.52%	-	-	-	-			-
Fushuo Investment Co., Ltd. Representative: Michael, Tsai	-	-	-	-	-	-			-
K.J., Wu	5,782,000	2.29%	1,064,000	0.42%	-	-	Chao-Yi, Wu	Father and daughter	-
Parkson, Chen	2,334,127	0.92%	862,892	0.34%	-	-			-
Wu-hu Lin	2,075,000	0.82%	-	-	-	-			-
Cheng-Hsiang, Chen	2,000,000	0.79%	-	-	-	-			-
JP Morgan Chase Taipei branch as Trustee of J.P. Morgan Securities LLC	1,691,000	0.67%	-	-	-	-			-
Cathay Century Insurance as discretionary of First Commercial Bank of Taiwan	1,667,000	0.66%	-	-	-	-			-
Yung-Hsiang Chang	1,624,000	0.64%	-	-	-	-			-

**X. Company, company’s directors, managers and businesses in direct or indirect control by the company, their number of shares of the reinvested businesses, and the consolidated calculation of the comprehensive shareholding ratio**

December 31, 2019

Unit: shares; %

Reinvested businesses	Invested by the Company		Investments by directors, supervisors, managers and businesses in direct or indirect control		Total Ownership	
	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage
SunnyLake Park International Holdings, Inc.	3,120,000	100%	-	-	3,120,000	100%
Youe Chung Capital Corporation	142,329,470	100%	-	-	142,329,470	100%
Miracle Technology CO., LTD.	22,955,033	100%	-	-	22,955,033	100%
Weida Hi-Tech Company	25,510,500	100%	-	-	25,510,500	100%
Advagene Biopharma Co., Ltd.	12,549,652	28.27%	3,550,223	8%	16,099,875	36.27%

Note: Investment by the company by using the equity method.

## Four. Financing Activities

### I. Capital and shares

#### (I) Source of capital

Unit: Shares: NTD

Year / Month	Issue Price	Authorized Share Capital		Paid-in Capital		Note		
		Number of shares	Amount	Number of shares	Amount	Source of capital	Capital Increase by Assets Other than Cash	Others
1988/10	\$10.00	35,000,000	\$350,000,000	8,750,000	\$87,500,000	Please refer to attached Note (1)		
1990/06	\$10.00	35,000,000	\$350,000,000	35,000,000	\$350,000,000	Please refer to attached Note (2)		
1991/05	\$10.00	50,000,000	\$500,000,000	40,250,000	\$402,500,000	Please refer to attached Note (3)		
1992/07	\$10.00	50,000,000	\$500,000,000	44,275,000	\$442,750,000	Please refer to attached Note (4)		
1995/06	\$10.00	70,000,000	\$700,000,000	55,883,750	\$558,837,500	Please refer to attached Note (5)		
1996/04	\$10.00	70,000,000	\$700,000,000	64,427,500	\$644,275,000	Please refer to attached Note (6)		
1996/06	\$10.00	100,000,000	\$1,000,000,000	88,077,125	\$880,771,250	Please refer to attached Note (7)		
1997/04	\$10.00	100,000,000	\$1,000,000,000	100,000,000	\$1,000,000,000	Please refer to attached Note (8)		
1997/06	\$10.00	250,000,000	\$2,500,000,000	146,700,000	\$1,467,000,000	Please refer to attached Note (9)		
1998/07	\$10.00	270,000,000	\$2,700,000,000	237,420,000	\$2,374,200,000	Please refer to attached Note (10)		
1999/08	\$10.00	389,000,000	\$3,891,000,000	267,287,969	\$2,672,879,690	Please refer to attached Note (11)		
1999/10	\$10.00	389,000,000	\$3,891,000,000	267,290,313	\$2,672,903,130	Please refer to attached Note (12)		
2000/08	\$10.00	389,000,000	\$3,891,000,000	294,037,400	\$2,940,374,000	Please refer to attached Note (13)		
2000/12	\$10.00	389,000,000	\$3,891,000,000	331,189,900	\$3,311,899,000	Please refer to attached Note (14)		
2001/07	\$10.00	450,000,000	\$4,500,000,000	374,784,587	\$3,747,845,870	Please refer to attached Note (15)		
2002/08	\$10.00	500,000,000	\$5,000,000,000	424,917,953	\$4,249,179,530	Please refer to attached Note (16)		
2003/06	\$10.00	500,000,000	\$5,000,000,000	398,093,953	\$3,980,939,530	Please refer to attached Note (17)		
2003/09	\$10.00	500,000,000	\$5,000,000,000	399,593,953	\$3,995,939,530	Please refer to attached Note (18)		
2003/11	\$10.00	500,000,000	\$5,000,000,000	398,181,953	\$3,981,819,530	Please refer to attached Note (19)		
2004/06	\$10.00	500,000,000	\$5,000,000,000	379,443,953	\$3,794,439,530	Please refer to attached Note (20)		
2004/08	\$10.00	500,000,000	\$5,000,000,000	369,443,953	\$3,694,439,530	Please refer to attached Note (21)		

2004/10	\$10.00	500,000,000	\$5,000,000,000	370,943,953	\$3,709,439,530	Please refer to attached Note (22)		
2004/12	\$10.00	500,000,000	\$5,000,000,000	361,963,953	\$3,619,639,530	Please refer to attached Note (23)		
2005/09	\$10.00	500,000,000	\$5,000,000,000	359,498,953	\$3,594,989,530	Please refer to attached Note (24)		
2006/02	\$10.00	500,000,000	\$5,000,000,000	353,902,953	\$3,539,029,530	Please refer to attached Note (25)		
2008/05	\$10.00	500,000,000	\$5,000,000,000	351,072,953	\$3,510,729,530	Please refer to attached Note (26)		
2008/10	\$10.00	500,000,000	\$5,000,000,000	345,072,953	\$3,450,729,530	Please refer to attached Note (27)		
2009/01	\$10.00	500,000,000	\$5,000,000,000	335,072,953	\$3,350,729,530	Please refer to attached Note (28)		
2009/11	\$10.00	500,000,000	\$5,000,000,000	338,908,953	\$3,389,089,530	Please refer to attached Note (29)		
2010/09	\$10.00	500,000,000	\$5,000,000,000	288,072,611	\$2,880,726,110	Please refer to attached Note (30)		
2011/09	\$10.00	500,000,000	\$5,000,000,000	282,072,611	\$2,820,726,110	Please refer to attached Note (31)		
2011/11	\$10.00	500,000,000	\$5,000,000,000	277,871,611	\$2,778,716,110	Please refer to attached Note (32)		
2011/12	\$10.00	500,000,000	\$5,000,000,000	271,871,611	\$2,718,716,110	Please refer to attached Note (33)		
2012/08	\$10.00	500,000,000	\$5,000,000,000	270,090,611	\$2,700,906,110	Please refer to attached Note (34)		
2012/11	\$10.00	500,000,000	\$5,000,000,000	262,713,611	\$2,627,136,110	Please refer to attached Note (35)		
2015/10	\$10.00	500,000,000	\$5,000,000,000	252,713,611	\$2,527,136,110	Please refer to attached Note (36)		

Notes:

01. October 21, 1988, capital at time of establishment was NT\$87,500,000.
02. March 16, 1990, The Company was approved for Initial Public Offering (IPO) and cash capital increase of NT\$262,500,000 by the Securities and Futures Commission, Ministry of Finance (79), Approval Document Number: Tai-Cai-Zheng (Yi) No. 000474.
03. May 14, 1991, The Company was approved for re-capitalization of earnings at NT\$52,500,000 by the Securities and Futures Commission, Ministry of Finance (80), Approval Document Number: Tai-Cai-Zheng (Yi) No. 000999.
04. July 20, 1992, The Company was approved for re-capitalization of earnings at NT\$40,250,000 by the Securities and Futures Commission, Ministry of Finance (81), Approval Document Number: Tai-Cai-Zheng (Yi) No. 001738.
05. June 30, 1995, The Company was approved for re-capitalization of earnings at NT\$116,087,500 by the Securities and Futures Commission, Ministry of Finance (84), Approval Document Number: Tai-Cai-Zheng (Yi) No. 378708.
06. January 5, 1996, The Company was approved for re-capitalization of earnings at NT\$85,437,500 by the Securities and Futures Commission, Ministry of Finance (85), Approval Document Number: Tai-Cai-Zheng (Yi) No. 64745.
07. June 10, 1996, The Company was approved for re-capitalization of earnings at NT\$236,496,250 by the Securities and Futures Commission, Ministry of Finance (85), Approval Document Number: Tai-Cai-Zheng (Yi) No. 368278.
08. December 21, 1996, The Company was approved for re-capitalization of earnings at NT\$119,228,750 by the Securities and Futures Commission, Ministry of Finance (85), Approval Document Number: Tai-Cai-Zheng (Yi) No. 71905.
09. June 5, 1997, The Company was approved for re-capitalization of earnings at NT\$367,000,000 and re-capitalization of additional paid-in capital at NT\$100,000,000 by the Securities and Futures Commission, Ministry of Finance (86), Approval Document Number: Tai-Cai-Zheng (Yi) No. 451508.
10. July 8, 1998, The Company was approved for re-capitalization of earnings at NT\$628,470,000 and re-capitalization of additional paid-in capital at NT\$278,730,000 by the Securities and Futures Commission, Ministry of Finance (87), Approval Document Number: Tai-Cai-Zheng (Yi) No. 57619.
11. May 20, 1999, The Company was approved for re-capitalization of earnings at NT\$292,665,680 and corporate bonds for capital at NT\$6,014,010 by the Securities and Futures Commission, Ministry of Finance (88), Approval Document Number: Tai-Cai-Zheng (Yi) No. 47567.
12. October 1999, Corporate bonds for capital at NT\$23,440.

13. June 29, 2000, The Company was approved for recapitalization of additional paid-in capital at NT\$267,290,310 and corporate bonds for capital at NT\$180,560 by the Securities and Futures Commission, Ministry of Finance (89), Approval Document Number: Tai-Cai-Zheng (Yi) No. 56329.
14. November 9, 2000, The Company was approved for capital increase by means of merger or acquisition of stock, at NT\$371,525,000 by the Securities and Futures Commission, Ministry of Finance (89), Approval Document Number: Tai-Cai-Zheng (Yi) No. 90247.
15. May 22, 2001, The Company was approved for re-capitalization of earnings at NT\$435,946,870 by the Securities and Futures Commission, Ministry of Finance (90), Approval Document Number: Tai-Cai-Zheng (Yi) No. 131546.
16. June 18, 2002, The Company was approved for capital increase by means of merger or acquisition of stock, at NT\$501,333,660 by the Securities and Futures Commission, Ministry of Finance (91), Approval Document Number: Tai-Cai-Zheng (Yi) No. 0910132958.
17. December 19, 2002, The Company was approved for buyback of the Company's shares to reduce capital at NT\$268,240,000 for maintaining the Company's shareholders' equity by the Securities and Futures Commission, Ministry of Finance (91), Approval Document Number: Tai-Cai-Zheng (San) No. 0910167268, February 26, 2003, Approval Document Number: Tai-Cai-Zheng (San) No. 0920106285 and June 12, 2003, Approval Document Number: Tai-Cai-Zheng (San) No. 0920126614.
18. July 17, 2003, The Company was approved for re-capitalization of earnings at NT\$15,000,000 by the Securities and Futures Commission, Ministry of Finance (92), Approval Document Number: Tai-Cai-Zheng (Yi) No. 0920131289.
19. December 6, 2000, The Company was approved for buyback of the Company's shares for transfer to employees which are not yet transferred for more than 3 years as capital reduction at NT\$14,120,000 by the Securities and Futures Commission, Ministry of Finance (89), Approval Document Number: Tai-Cai-Zheng (San) No. 98643.
20. June 3, 2004, The Company was approved for buyback of the Company's shares to reduce capital at NT\$187,380,000 for maintaining the Company's shareholders' equity by the Securities and Futures Commission, Ministry of Finance (93), Approval Document Number: Tai-Cai-Zheng (San) No. 0930124885.
21. July 7, 2004, The Company was approved for buyback of the Company's shares to reduce capital at NT\$100,000,000 for maintaining the Company's shareholders' equity by the Securities and Futures Commission, Ministry of Finance (2004), Approval Document Number: Jin-Guan-Zheng-San-Zi No. 0930130255.
22. July 27, 2004, The Company was approved for re-capitalization of earnings at NT\$15,000,000 by the Securities and Futures Commission, Ministry of Finance, Approval Document Number: Jin-Guan-Zheng-Yi-Zi No. 0930133470.
23. September 1, 2004, The Company was approved for buyback of the Company's shares to reduce capital at NT\$89,800,000 for maintaining the Company's shareholders' equity by the Securities and Futures Commission, Ministry of Finance, Approval Document Number: Jin-Guan-Zheng-San-Zi No. 0930139490.
24. June 14, 2005, The Company was approved for buyback of the Company's shares to reduce capital at NT\$24,650,000 for maintaining the Company's shareholders' equity by the Securities and Futures Commission, Ministry of Finance, Approval Document Number: Jin-Guan-Zheng-San-Zi No. 0940124037.
25. December 28, 2005, The Company was approved for buyback of the Company's shares to reduce capital at NT\$55,960,000 for maintaining the Company's shareholders' equity by the Securities and Futures Commission, Ministry of Finance, Approval Document Number: Jin-Guan-Zheng-San-Zi No. 0940159771.
26. April 9, 2008, The Company was approved for buyback of the Company's shares to reduce capital at NT\$28,300,000 for maintaining the Company's shareholders' equity by the Securities and Futures Commission, Ministry of Finance, Approval Document Number: Jin-Guan-Zheng-San-Zi No. 0970015115.
27. September 18, 2008, The Company was approved for buyback of the Company's shares to reduce capital at NT\$60,000,000 for maintaining the Company's shareholders' equity by the Securities and Futures Commission, Ministry of Finance, Approval Document Number: Jin-Guan-Zheng-San-Zi No. 0970026404.
28. December 16, 2008, The Company was approved for buyback of the Company's shares to reduce capital at NT\$100,000,000 for maintaining the Company's shareholders' equity by the Securities and Futures Commission, Ministry of Finance, Approval Document Number: Jin-Guan-Zheng-San-Zi No. 0970035293.
29. Employee warrants at capital increase of NT\$38,360,000.
30. July 29, 2010, The Company was approved capital reduction at NT\$508,363,420 by the Securities and Futures Commission, Ministry of Finance, Approval Document Number: Jin-Guan-Zheng-San-Zi No. 0990035554.
31. September 22, 2011, The Company was approved for buyback of the Company's shares to reduce capital at NT\$60,000,000 for maintaining the Company's shareholders' equity by the Securities and Futures Commission, Ministry of Finance, Approval Document Number: Jin-Guan-Zheng-San-Zi No. 1000046532.
32. November 22, 2011, The Company was approved for buyback of the Company's shares to reduce capital at NT\$42,010,000 for maintaining the Company's shareholders' equity by the Securities and Futures Commission, Ministry of Finance, Approval Document Number: Jin-Guan-Zheng-San-Zi No. 1000057786.
33. December 26, 2011, The Company was approved for buyback of the Company's shares to reduce capital at NT\$60,000,000 for maintaining the Company's shareholders' equity by the Securities and Futures Commission, Ministry of Finance, Approval Document Number: Jin-Guan-Zheng-San-Zi No. 1000063425.
34. August 14, 2012, The Company was approved for buyback of the Company's shares to reduce capital at NT\$41,820,000 for maintaining the Company's shareholders' equity by the Securities and Futures Commission, Ministry of Finance, Approval Document Number: Jin-Guan-Zheng-San-Zi No. 1010035989.
35. November 2, 2012, The Company was approved for buyback of the Company's shares to reduce capital at NT\$31,950,000 for maintaining the Company's shareholders' equity by the Securities and Futures Commission, Ministry of Finance, Approval Document Number: Jin-Guan-Zheng-San-Zi No. 1010049862.
36. October 26, 2015, The Company was approved for buyback of the Company's shares to reduce capital at NT\$100,000,000 for maintaining the Company's shareholders' equity by the Securities and Futures Commission, Ministry of Finance, Approval Document Number: Jin-Guan-Zheng-Jiao-Zi No. 1040043244.

(II) Type of Shares

April 12, 2020  
Unit: Shares

Types of shares	Authorized Share Capital			Note
	Issued shares	Un-issued shares	Total	
Common Stock	252,713,611	247,286,389	500,000,000	Shares of listed company

Note: The aforementioned shares outstanding includes buying back treasury stock of 17,232,000 shares not yet transferred.

(III) Information for shelf registration: Not applicable.

(IV) Composition of shareholders:

April 12, 2020  
Unit: shares; %

Composition of shareholders	Governmental agencies	Financial institutions	Other juridical persons	Foreign institutions and natural persons	Domestic natural persons	Treasury shares	Total
Quantity							
Number of Shareholders	0	5	105	59	38,870	1	39,040
Number of shares held	0	1,780,229	49,520,005	4,889,467	179,291,910	17,232,000	252,713,611
Ownership	0.00%	0.70%	19.60%	1.93%	70.95%	6.82%	100.00%

(V) Composition of Shareholders

1. Common Stock

April 12, 2020

Shareholder ownership	Number of Shareholders	No. of shares held	Ownership
1 to 999	16,376	2,952,298	1.17%
1,000 to 5,000	17,260	37,757,834	14.94%
5,001 to 10,000	2,980	23,895,560	9.46%
10,001 to 15,000	778	10,049,267	3.98%
15,001 to 20,000	540	10,107,713	4.00%
20,001 to 30,000	410	10,614,758	4.20%
30,001 to 50,000	330	13,276,304	5.25%
50,001 to 100,000	198	14,162,584	5.60%
100,001 to 200,000	91	12,132,082	4.80%
200,001 to 400,000	33	8,984,110	3.56%
400,001 to 600,000	20	9,911,792	3.92%
600,001 to 800,000	4	2,712,000	1.07%
800,001 to 1,000,000	4	3,666,742	1.45%
1,000,001 or above	16	92,490,567	36.60%
Total	39,040	252,713,611	100.00%

2. Preferred shares: The Company has not issued preferred stocks.

(VI) List of main shareholders

April 12, 2020

Name of Main Shareholders	Shares	No. of shares held (shares)	Ownership (%)
Youe Chung Capital Corporation		37,081,440	14.67%
Chao-Yi, Wu		8,907,000	3.52%
Fushuo Investment Co., Ltd.		6,364,000	2.52%
K.J., Wu		5,782,000	2.29%
Parkson, Chen		2,334,127	0.92%
Wu-hu Lin		2,075,000	0.82%
Cheng-Hsiang, Chen		2,000,000	0.79%
JP Morgan Chase Taipei branch as Trustee of J.P. Morgan Securities LLC		1,691,000	0.67%
Cathay Century Insurance as discretionary of First Commercial Bank of Taiwan		1,667,000	0.66%
Yung-Hsiang Chang		1,624,000	0.64%

(VII) Market price, net worth, earnings (losses) and dividends per share and the related information for the most recent two years.

Items		Year	2018	2019	Year reporting year and until March 31, 2020 (Note 8)
Market Price Per Share (Note 1)	Highest		37.65	38.4	35.25
	Lowest		15.60	16.8	20.10
	Average		28.15	29.09	29.11
Net Worth Per Share (Note 2)	Before distribution		13.08	15.22	14.11
	After distribution		12.09	(Note 9)	(Note 10)
Earnings per share	Weighted average shares		195,632	196,474	198,400
	Earnings per share (Note 3)		1.02	2.19	(1.09)
Dividends per share	Cash dividends		0.834	(Note 9)	(Note 10)
	Issuance of bonus shares	Shares from Profit	-	(Note 9)	(Note 10)
		Additional paid-in capital	-	(Note 9)	(Note 10)
	Accumulated Un-allocated Dividends (Note 4)		-	-	(Note 10)
Return on Investment	Price / Earnings Ratio (Note 5)		27.60	13.28	(Note 10)
	Price / Dividends Ratio (Note 6)		33.75	(Note 9)	(Note 10)
	Cash Dividends Yield (Note 7)		0.03	(Note 9)	(Note 10)

Note 1: Listing the highest and lowest market price of common shares for each year, and the average annual market price, which is calculated based on the actual transaction prices and volume for each year.

Note 2: This information is filled in based on the number of issued shares by end of the year and the distribution decision made in the following year's shareholders' meeting.

Note 3: If there is a need for retrospective adjustment due to issuance of bonus shares, shall list the earnings per share before and after the adjustment.

Note 4: If the terms and conditions for issuance of equity securities state that the dividends not distributed for the current fiscal year may be accumulated to the fiscal year with earnings for distribution, shall disclose separately the accumulated amount of unpaid dividends until the current fiscal year.

Note 5: Price / Earnings Ratio = Average Market Price / Earnings Per Share of the year.

Note 6: Price / Dividend Ratio = Average Market Price / Cash Dividends Per Share of the year.

Note 7: Cash Dividends Yield = Cash Dividends Per Share / Average Market Price of the year.

Note 8: Net Worth Per Share, Earnings per share shall be listed from the information audited (reviewed) by the accountant until the latest quarter of the annual report publication date; The remaining fields are listed for the current fiscal year until the annual report publication date.

Note 9: Waiting for resolution outcome at shareholders' meeting.

Note 10: Not applicable.

(VIII) Company's dividends policy and the implementation status

#### 1. Dividends Policy

The Company adopts the policy for remaining dividends in response to the overall environment and industrial growth characteristics, and to the company's long term financial plan, steady operations development. Yearly capital requirement is measured based on the Company's future capital budget plan, capital required for retained earnings financing comes first, then the remaining earnings can be allocated based on the dividend method.

Steps for distribution as below:

- (1) Decide on the best capital budget.
- (2) Decide on the financing required for one of the capital budget items.
- (3) Decide on the amount of the financing to be supported by retained earnings (methods such as cash capital increase or corporate bonds and so on can be adopted as support).
- (4) After retaining the portion required for operation needs out of the earnings remainder, the rest should be distributed to shareholders in the form of dividends. Cash dividends distribution proportion should not be lower than 20% of the total amount of dividends for the distribution proportion of the Company's dividends.

2. Proposed dividends distribution at this year's shareholders' meeting

The Company proposed 2019 earnings distribution to the Board of Directors meeting on March 17, 2020, distributing cash dividends for common stock at NT\$ 252,713,612, cash dividends per share at approximately NT\$ 1.07. Distribution of cash dividends adopts the calculation method of "round down to the nearest dollar," fractions that do not amount to a full NT\$1 shall be added and recognized by the Company as other income. The calculation basis of this distribution is based on the outstanding shares as of March 16, 2020 at 235,481,611 shares. If factors such as amendments to laws and regulations or by competent authority, or due to the Company's buyback of shares, treasury shares transfer or retirement that affect the outstanding shares amount requiring an adjustment of the distribution proportion, the Chairperson shall be authorized to exercise discretion over relevant details. This case shall be handled in accordance to related regulations after the resolution is approved by the shareholders' meeting on June 10, 2020.

3. Explanation on dividends policy expected to have major changes: None.

(IX) The impact of bonus shares proposed by the shareholders' meeting on the Company's operating performance and earnings per share

Not applicable, none is proposed this time.

(X) Employee, director remuneration

1. The Company Charter's employees, directors' remuneration amount or scope:

The Company shall distribute not less than 10% of the current year's profit situation for employee remuneration and not more than 2% of current year's profit situation for director remuneration. However, profits must first be taken to offset against cumulative losses, if any.

Employee remuneration, as mentioned above, can be paid in cash or in shares.

Qualified employees of subsidiaries are also included in the payment.

Current year profit situation as mentioned in the first paragraph refers to the profit which is the current year's pre-tax profit before distribution of employee remuneration and director's remuneration.

The distribution of employee and director remuneration shall be executed after the resolution approval at the Board meeting with more than two-thirds of directors attending and of more than half of the attending directors agreed and passed the resolution, and reported to the shareholders meeting.

2. The basis for estimating the amount of employee and director compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

The estimation of employee and director compensation is based on the Company Charter as a basis. If there are any differences between the actual distributed amount and the estimated figure, the differences will be listed as income (loss) in the following fiscal year.

3. Earnings of 2018 for distribution of employees' and directors' remuneration:

Unit: NTD

	Distribution plan proposed to Board of Directors	Actual distribution approved by shareholders' meeting	Difference
I. Distribution			
Compensation for Directors and Supervisors	5,107,944	5,107,944	None
Employee Compensation in Cash	25,964,995	25,964,995	None
Employee Compensation in Stocks	-	-	None
II. Related information for earnings per share			
Original earnings per share	1.02	1.02	None
Calculated earnings per share	1.02	1.02	None
Note: There are no differences between actual distribution and recognized employee and director remuneration.			

4. Earnings of 2019 for distribution of employees' and directors' remuneration approved by the Board of Directors:

Unit: NTD

	Distribution plan proposed to Board of Directors	Actual distribution approved by shareholders' meeting	Difference
I. Distribution			
Compensation for Directors and Supervisors	10,000,000	Note	Note
Employee Compensation in Cash	55,000,000	Note	Note
Employee Compensation in Stocks	-	-	
II. Related information for earnings per share			
Original earnings per share	2.19	Note	Note
Calculated earnings per share	2.19	Note	Note

Note:

1. Waiting for resolution outcome at shareholders' meeting on the actual distribution arrangement.
2. If there are differences between the distribution arrangement approved by the Board of Directors and the estimated yearly amount in the recognized fees, the difference in amount, reasons and treatment shall be disclosed:

The estimated amount for employee and director remuneration was NT\$53,403,907 and NT\$10,522,156 respectively. Actual distribution of the employee and director remuneration approved by the Board of directors on March 17, 2020 was NT\$55,000,000 and NT\$10,000,000 respectively. Therefore, the differences between the estimated and actual distributed amount were an increase of NT\$1,596,093 for employee remuneration and a decrease of NT\$522,156 for director remuneration. The differences in the estimated and actual distributed amount will be listed in the 2020 adjusted fees amount.

(XI) Stock buybacks of the Company:

2019 and until the publication date of the annual report, the Company has not applied for stock buybacks of the Company.

**II. Handling situation of corporate bonds:** None of such situations.

**III. Preferred shares:** None of such situations.

**IV. Overseas depositary receipts:** None of such situations.

**V. Employee stock warrants and employee new restricted shares:** None of such situations.

**VI. Status on merger or acquisition, issue of new shares in connection with the acquisition of shares of another company:** None of such situations.

**VII. Financing plans and implementation:** Not applicable.

## Five. Overview of operations

### I. Business Activities

#### (I) Scope of business

##### 1. Main businesses operated and business proportions

- (1) Research and development, production, manufacturing and sales of photomask.
- (2) To provide technical assistance, consulting, testing and certification, maintenance and repair services relating to the aforesaid products.

The core business of the Company is producing photomask used in semiconductor, of which integrated circuit customers accounts for the largest category at 85%, other categories of customers for photomask are LCD and WLCSP packaging and testing.

##### 2. Current commodities and services of the company

As the production equipment of factories are constantly evolving for the domestic integrated circuit chip industry, the photomask products supplied by the Company are listed below:

Customer industry type	Customer's machine model	Photomask specification
Diode	Proximity Aligner	1X full field
Transistor	Projection Aligner	1X Reticle
IC	Stepper, Scanner	projection 5X/4X/2.5X/2X Reticle(5" & 6")
LCD	Nikon	masks up to 7"
CCD	Cannon	Chrome contact prints
LED	ASML	(4"~7")
-	Ultratech	Large area mask(8"~24")

##### 3. Plans for new products and services development

Continue to develop Phase Shift Mask of ArF light source and provide peripheral product repair technology, and collaborate with downstream manufacturers to develop photomask for use in deep submicron processes.

#### (II) Overview of the industry

##### 1. Industry status and development

The photomask is the mold needed in the production of integrated circuits, the product is produced based on the customer's specification and order required. Taiwan has undergone rapid integrated circuit development from 7 μm in the early phase to the current 10 nm and below manufacturing technology, from electronic watch product development to all types of memory products that we see now, hand held communications products, AI and IOT related application products. The integrated circuit industrial advances with growing demands for precision, photomask technology has entered the R & D and production phase for 10 nm and below. The Company has already invested in new model equipment and enters the stage of research and development for related manufacturing processes with current technology achieving 65 nm verification from related customers, and subsequently enters mass production.

## 2. Future industry development trend

Photomask stands a critical position in the integrated circuit industry. Its product specification follows the development of integrated circuit technology. Since the development of the IC industry in Taiwan from 1976, manufacturing technology has advanced from  $\mu\text{m}$  to nm. Photomask has a different look when applied on Liquid Crystal Display (LCD), as the new generation display develops to the 10th, 10.5th generation, liquid crystal glass becomes larger, TMC was not able to supply, but the resolution requirement had also become higher for small size panels (mobile phone, notebook, automobile application). As it was not possible to upgrade the facilities (4th generation factories), stepper machines were used for manufacturing. This posed a difficulty for using one piece of photomask to complete a layer of photolithography process; therefore, the figure was cut into five to six pieces of photomask, utilizing stitch method to complete the photolithography figure for that layer. This has upgraded the demands for the LCD photomask market and the technology requirements. In addition, with advances in packaging and testing technology, processing Gold Bump and RDL on wafer also requires photomask for pattern transfer. This has heightened demands for 9-inch photomask (used in 8-inch wafer) and 14-inch photomask (used in 12-inch wafer).

On the other hand, high level packaging and testing faces similar panel problems for accuracy, and subsequently switches to the use of stepper, increasing the demands for 6-inch photomask, one of the core business of the company.

As wafer manufacturing technology advances, many high level lithography requires co-solution to be identified by manufacturing processes, IC design and photomask craft. Therefore, world-class IDM and Foundry companies also established photomask departments. Investments and technology baseline for photomask is not low, and there are many consumer products in the market, mature middle level photomask demands continue on the rise. As a result, world-class IDM and Foundry companies emphasize on high-level photomask investments and manufacturing, and continue to outsource related photomask mature manufacturing technology. Therefore, for the Company, expectations for future industry developments and market prospects are worthwhile.

## 3. Overall economy, industry development trends and product competitiveness

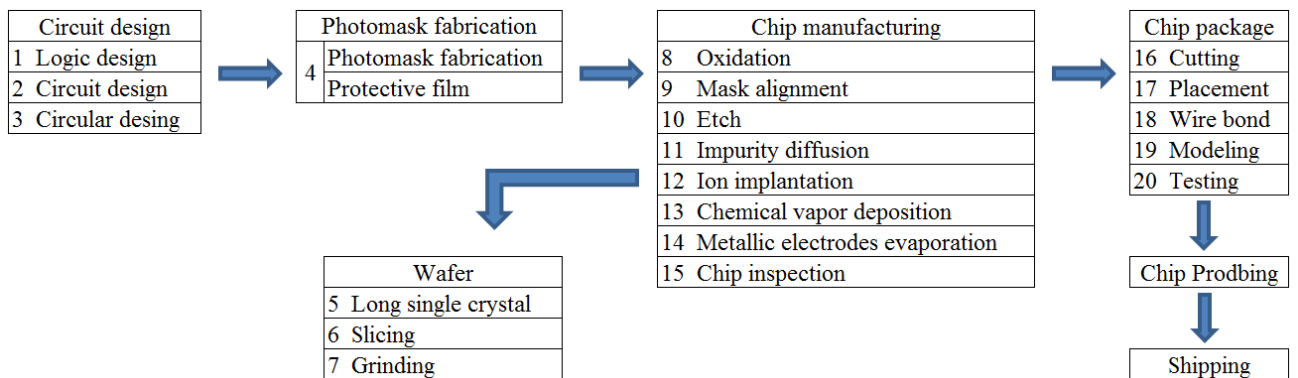
Taiwan's semiconductor industry has led Taiwan in transitioning to high-tech industry, and has also created a prosperous economy in Taiwan with an important role in the global economy. The upstream and downstream industry chain for semiconductor is well integrated in Taiwan, this model of professional division of work is unique globally. The photomask is the mold needed in the production of integrated circuits, it is an important part of the semiconductor industry chain.

Back in the days before the Electronics and Optoelectronics Center, Industrial Technology Research Institute (ITRI) developed photomask manufacturing capacity, the photomask used in integrated circuits had to be sent to overseas photomask manufacturers using computer tape, often exhausting the time taken. After photomask manufacturing capability was established in Taiwan, it had reduced the time for IC product development, thus, enhanced Taiwan's capability in electronic product competitiveness. Photomask manufacturing has its regional existence, with the USA, Japan and European Union having photomask manufacturers.

Many photomask companies have the same desire to be able to establish local counterparts. This is because maintaining constant communications and revisions with the original designer is often necessary in photomask manufacturing and demands for delivery are usually rapid, at times goods were demanded for delivery within ten plus hours. For many years, there have been new players emerging constantly in the domestic photomask production scene, resulting in fierce competition in the overall photomask market. In addition, there are trends of wafer plants manufacturing their own advanced photomask. The effects are acquisitions or mergers of photomask manufacturing companies which are facing difficulties in sustaining. However, the Company is committed to focus on photomask mature manufacturing technology, and has made moderate investment in middle range photomask, continuing the company's technical competitiveness and maintaining a steady management position. As semiconductor technology has progressed rapidly in recent years, most of the customers in Taiwan have continued to develop mature manufacturing (8-inch plant) and gradually extended to 12-inch wafer's photomask related manufacturing. The Company has also constantly invested in new equipment, expecting to mass produce 65 nm this year, and mass produce 40 nm manufacturing for related photomask.

In comparison to customers in mainland China, due to internal made policy, demands for mature manufacturing (0.18&0.13μm) is also on constant rise. The Company has for two years continued to supply a steady stream of production volume and good quality photomasks to domestic and overseas wafer plants, winning customers' trust and has become a key supplier for customers in mature manufacturing of photomasks.

#### 4. Relationships of upstream, midstream and downstream of the industry



(III) Overview of technologies, research and development

In recent years and until the annual report publication date, invested research and development expenditure and successful development of technology or products.

Year	Research and development expenditure	Successful development of technology
2019	NT\$ 220,885,000	Developed 40/65 nm photomask mass production technology
1st Quarter 2020	NT\$ 56,563,000	Developed 40/65 nm photomask mass production technology

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

1. Short-term plan: Introduce 65 nm photomask mass production.
2. Medium-term plan: Increase 65 to 40 nm market share.
3. Long-term plan: Continue to invest in advance photomask development, and research and develop new fabrication processes and expand new customer sources.

## II. Status of the market and production/sales:

(I) Market analysis

1. Sales region of major products

The semiconductor industry in Taiwan is in a leading position globally, foundry market share accounts for more than half of the global market, IC design industry ranks second globally. TMC possesses geographical advantages, placing much effort in managing the domestic market, thus, domestic sales accounts for more than half of total sales. However, communications are well developed nowadays, with the internet all around, global communications are easy breaking the distance barrier. Hence, managing the international market has also become more and more important. At the end of 2017, after merger with Miracle Technology, expansion into Korea, Japan and China markets which Miracle Technology are more familiar with, has also won great results. Asia market still stands for a larger proportion than other international markets. Since photomask customers demand for high quality photomask, rapid shipments, convenient communications, Europe and USA regions with greater time zone differences seem to present inconveniences for sales expansion into these regions, also long distance means a longer shipping time. As shown in the table below, the domestic and Asia region are key markets over the past two years.

Unit: NTD in thousands; %

Region \ Year		2018		2019	
		Amount	%	Amount	%
Domestic	Domestic	1,662,696	57.61	1,961,238	56.54
Overseas	Asia	1,053,309	36.50	1,223,337	35.27
	Americas	143,579	4.98	9,032	0.26
	Others	26,398	0.91	275,075	7.93
Net sales		2,885,982	100.00	3,468,682	100.00

## 2. Future supply, demand and growth of the market

Foundry service manufacturing is undergoing constant evolving progresses, with each generation leading for only a few short years, entering fallen periods gradually. The only exception is 0.18um generation manufacturing, benefited from the demands of driver IC and various Power Management IC, stands a certain market proportion constantly. Even during times when it is focused on mainstream memory and special IC products, product demands eventually change to smaller volumes but more diverse to include Power Management and special application IC, providing endless demands for photomasks. Over the past few years, with efforts by all employees, the Company has won recognition from customers for its delivery period and quality, bringing advantages for the coming few years.

However, as it is known universally, electronics consumer products prices will be adjusted to a lower range due to economic scale, and semiconductor wafer manufacturing progresses at a rapid rate. A company will lose its competitiveness with gradual shrinkage in its sales if it only holds on to its original technology and production. Therefore, starting from 2019, the Company incrementally invested in new production equipment, developed new technology, allowing the business to extend to the 12-inch market beyond concentrating in the 6-inch and 8-inch market. Gradually cultivating towards new technology discipline with steady steps.

Looking into the future, the Company has accrued over 30 years of v photomask technology experiences, and as mentioned previously, the Company has its unique way in special and large-size photomask manufacturing as its competitive advantage. By taking steady steps with its operation strategies and business expansion, great results can be expected. Especially after the merger and acquisition of Miracle Technology CO., LTD. in October 2017, the supplier relationship with the wafer plant has transitioned to a partner relationship between photomask supplier and wafer customer. The result from such a change is gradually reflected in the increasing photomask orders coming from wafer plants in Taiwan, Korea and so on. On the other hand, as Miracle Technology has three subsidiaries deeply cultivated in the Chinese mainland market, this has also assisted the Company in its business expansion in this market.

### 3. Competitive niche

- (1) Possess mature manufacturing capacity and technology, including production technology for 0.18  $\mu\text{m}$ , 0.15  $\mu\text{m}$ , 0.13  $\mu\text{m}$ , 0.11  $\mu\text{m}$  and 90 nm, a complete production equipment system and rapid shipping service.
- (2) Mergers and acquisitions with Miracle Technology and Aptos Technology create a more complete service for IC design companies, from photomask manufacturing, foundry service to packaging and testing, providing customers total solutions service.
- (3) With advantages in professional photomask technology in addition to integration with Miracle Technology's professional manufacturing technology, assist customers to develop unique photomask or manufacturing technology heightening customer's competitiveness.

### 4. Factors favorable and unfavorable to the development and countermeasures

#### (1) Favorable factors

- A. China is expansively building 8-inch and 12-inch wafer plants engaging in foundry service, this will comparatively increase demands for photomask.
- B. Possess a complete mature manufacturing photomask technology to supply demands for 0.25  $\mu\text{m}$ , 0.18  $\mu\text{m}$ , 0.15  $\mu\text{m}$ , 0.13  $\mu\text{m}$ , 0.11  $\mu\text{m}$  and 90 nm manufacturing.
- C. Production has reached an economic scale with a high yield rate, which is comparable to photomask plants overseas. This has effectively reduced the product manufacturing cost, in control of a relative advantage when facing competition from industry peers.
- D. A sound financial position to take on investments in high level manufacturing equipment at appropriate times.
- E. After merger and acquisition with Miracle Technology, is able to provide a more complete service for IC design companies.

#### (2) Unfavorable factors

- A. Market competition will become fierce resulting in a drop in prices.
- B. Insufficient domestic labor supply resulting in a surge in salaries.
- C. Lack of overseas layout and local production service.

#### (3) Company countermeasures

- A. Expedite information processing by purchasing fast computers to process customer's product design at a faster rate and shorten the delivery time.
- B. Systemized operations to raise work efficiency, reduce wastage, lower costs, and gradually reduce labor demand.
- C. Actively develop Phase Shift Mask of ArF light source and provide peripheral product repair technology, and collaborate with downstream manufacturers to develop photomask for use in deep submicron processes.
- D. Purchase new equipment models, expand production scale, supply various demand levels of photomask, balance profitability standards of various levels of photomask, to increase competition.
- E. Enhance expansion of overseas businesses, increase revenues and profits.
- F. Understand customer demands, develop unique photomasks, to reinforce customer relationships.
- G. Collaborate with a close wafer plant to develop photomask technology required by a 12-inch wafer plant, gradually enter a high level market winning customers' recognition and trust.

## (II) Key uses and production process of main products

Photomask is an irreplaceable mold in the integrated circuit manufacturing process. Basically, photomask is comparable to the film in developing photos, and possesses a similar function to the film, the only difference is its image is in the form of a circuit. Photomask material itself is a very flat glass, it could be quartz glass, soda lime glass or borosilicate glass, coated with an ultrathin layer of chromium. The manufacturing process of photomask involves the following: use the computer to accurately store the circuit patterns required in integrated circuit in a hard drive, followed by using the pattern generator to expose the circuit pattern onto the glass panel which is coated with photosensitive material, passing through development and chemical etching processes to fixate the circuit pattern on the glass panel, then it is ready to pass on to chip manufacturing plant that produces integrated circuit for usage.

## (III) Supply status of main raw materials

1. The blank photomask raw materials that the Company uses are purchased from major producers in Japan and Korea. The protective film is partly supplied from domestic producers and the insufficient portion is purchased from major producers in Japan, USA and Korea. Chemicals are purchased from Japan, Korea and Germany.
2. Raw materials can be supplied domestically.
3. Spare parts are supplied by original equipment suppliers, the Company's equipment mainly comes from the USA, Japan, Germany and so on.

## (IV) List of major suppliers and customers in the two most recent fiscal years

### 1. Major Suppliers in the two most recent fiscal years

Unit: NT\$Thousand

Items	2018				2019				2020 up to Quarter 1			
	Name	Amount	Ratio of the net purchase of the year (%)	Relationship with the issuer	Name	Amount	Ratio of the net purchase of the year (%)	Relationship with the issuer	Name	Amount	Ratio of the net purchase of the year 2019 up to 2020 Quarter 1	Relationship with the issuer
1	Magna Chip	493,149	29	None	Magna Chip	425,324	24	None	Magna Chip	124,223	20	None
2												
3												
4	Others	1,206,582	71		Others	1,337,781	76		Others	487,898	80	
	Net Purchase	1,699,731	100		Net Purchase	1,763,105	100		Net Purchase	612,121	100	

Note: Reasons for changes in proportion of goods imported: Due to the differences in sales proportion of the products, resulting in differences in the imported materials and suppliers.

### 2. Major customers in the two most recent fiscal years

Items	2018				2019				2020 up to Quarter 1			
	Name	Amount	Ratio of the net sales of the year (%)	Relationship with the issuer	Name	Amount	Ratio of the net sales of the year (%)	Relationship with the issuer	Name	Amount	Ratio of the net sales of the year 2020 up to Quarter 1 (%)	Relationship with the issuer
1	Others	2,885,982	100		Others	3,468,682	100		A	123,962	11.21	
									Others	981,905	88.79	
	Net Sales	2,885,982	100		Net Sales	3,468,682	100		Net Sales	1,105,867	100	

Note: The Company's clientele is more divided. There were no customers with net sales for over 10% during the two most recent fiscal years, and there are new customers with more than 10% net sales in 2020 Quarter 1. This is mainly due to the increase in customer demands for photomask purchase orders.

## (V) Production volume and value in the past two years

Unit: 1000 pieces / NT\$1,000

Sales Volume and Value Main Products (or department)	Year	2018			2019		
		Production capacity	Volume	Value	Production capacity	Volume	Value
Photomask		45	43	977,165	61	49	1,122,958
Others		71,600	57,262	1,279,809	74,860	59,888	1,733,322
Total		71,645	57,305	2,256,974	74,921	59,937	2,856,280

## (VI) Sales volume and value in the past two years

Unit: 1000 pieces / NT\$1,000

Sales Volume and Value Main Products (or department)	Year	2018				2019			
		Domestic		Overseas		Domestic		Overseas	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Photomask		31	990,054	12	458,338	33	1,027,304	16	630,828
Others		14,498	672,642	42,764	764,948	16,796	933,934	43,092	876,616
Total		14,529	1,662,696	42,776	1,223,286	16,829	1,961,238	43,108	1,507,444

**III. Employee information**

April 30, 2020

Year		2018	2019	As of April 30, 2020
Number of Employees	Technical personnel (Engineering)	169	221	245
	Management and sales personnel	102	157	139
	Operation personnel	212	299	277
	Total	485	677	661
Average Age		38.53	41.71	41.48
Average Service Tenure		6.71	6.08	6.07
Distribution of Educational Background	Doctoral degree	3.92	1.77	1.82
	Master's degree	20.00	14.77	15.13
	University (College)	59.18	54.65	61.57
	Senior High School	15.05	27.18	19.82
	Below Senior High School	1.85	1.62	1.66

## IV. Expenditures on environmental protection

(I) Any loss sustained as a result of environmental pollution in the most recent fiscal year and up to the date of the publication of the annual report: There have been no occurrences of pollution disputes and losses incurred from penalties for the Company.

(II) Future countermeasures and possible expenditures

- **Countermeasures**

The Company's products go through the processes of exposure, development, chemical etching, stripping, followed by rinsing them in strong acid for cleaning before packaging them. These processes use chemicals for treatment and the Company wants to avoid pollution from occurring, thus, set up a comprehensive treatment tank for treating wastewater containing acids and alkalis from these processes. Wastewater is treated and released controlled within the standards as regulated by laws and regulations on national level and of the science park management bureau. In the area of preventing pollution and environmental protection measures, the Company has the most advanced wastewater and air pollutant emissions treatment equipment. Specifically, for preventing long-term damage effects from the wastewater pond polluting underground water sources, the wastewater pond was designed "overhead", managing personnel can check for leakages anytime. This is the most advanced wastewater treatment equipment globally. Air emissions go through the active carbon adsorption tower and washing column processes before being released. After the wastewater goes through this first stage treatment, it will be released to the wastewater treatment center of the Science Park for second time treatment.

The Company has placed environmental protection as first priority since establishment, thus, up till now, there have been no occurrences of environmental pollution.

The Company's products do not have direct or indirect relations to laws and regulations relating to overseas sales to Europe or EU's Restriction of Hazardous Substances (RoHS) Directive.

- **Expenditure for environmental protection**

1. *Over the past one year*

2019 Environmental protection related expenditures were NT\$5,764,000, related routine maintenance, cleaning and transportation, treatment and testing fees were NT\$4,949,000. Repairs for treatment facilities and renewal expenditures were NT\$814,000.

2. *Future plans*

2020 Environment protection targeted budget

- (1) Change of Make-up Air Unit (MAU), brings savings cost of NT\$2,400,000 each year, expected construction expenditure is at NT\$12,000,000.
- (2) Adding an inverter to recirculation units (RCU), brings savings cost of NT\$1,206,000 each year, expected construction expenditure is at NT\$2,700,000.

## V. Labor relations information

(I) Employee benefit plans, continuing education, training, retirement systems and the status of their implementation, as well as the status of labor-management agreements and measures for preserving employees' rights and interests.

1. Status of the Company's employee benefit measures, continuing education and trainings

[Salary and motivation system]

- Salary and multiple rewards system (Dragon Boat Festival, Mid-Autumn Festival and year-end bonus), additional performance bonus and allocation of earnings
- Flexible salary adjustment for individuals
- Employee bonus, employee stock option

[Life care and protection]

- Enjoy complete group insurance (free life insurance/accident insurance/hospitalization medical treatment/accident medical treatment/occupational hazard)
- Cash gifts and subsidies for child birth, weddings, death in the family
- Birthdays/occasions gift vouchers
- Free annual employee health check-ups
- Appointed store
- Welfare committee to regularly organize travels and various sporting events and domestic and overseas travel subsidies
- Employee health care, regular visits by doctors and nurses providing on-site care, professional consultation sessions and suggestions for employees
- Christmas party

[Convenient facilities]

- Provides complete indoor employee parking spaces
- Indoor badminton court, tennis court, table tennis and so on leisure facilities
- Established lactation room, complete facility for use by female employees
- Established employee canteen provides free coffee, tea beverages, and 180-inch large screen viewing
- Provides accommodation for job candidates from other cities

[Trainings]

- Provides new employee educational trainings
- Conducts work trainings based on the employee's work requirements
- Provides external trainings to employees for self-learning and growth

2. Retirement scheme

The Company has established a retirement plan with defined payment for formal employees based on the Labor Standards Act, making monthly payments to the retirement fund account with Bank of Taiwan. 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 domestic citizenship. Under the New Plan, the Company contributes monthly an amount not less than 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.

3. Labor agreement and various employees' rights and interests' protection status

- Regularly hold labor-management meetings, allowing friendly communications between employees and company.
- Provide an internal web-based platform, sharing information and instant interactions with employees.

(II) Any loss sustained by the company as a result of labor disputes and the estimate of losses incurred to date or likely to be incurred in the future in the most recent fiscal year and up to the date of the publication of the annual report: None.

**VI. Important contracts**

Contract type	The party	Commencement dates Expiration dates	Main content	Restrictive clauses
Contract for the lease of land, approximate 8 contracts	Science Park Bureau	Sep 2009 - Dec 2028, 1 contract Jun 2009 - Dec 2028, 1 contract Jan 2005 - Dec 2024, 3 contracts Nov 2009 - Dec 2028, 1 contract Sep 2015 - Dec 2034, 1 contract Mar 2014 - Dec 2033, 1 contract	Construction of plant, warehouse, lab or work sites for storage and transportation, goods handling, packaging and repair	None

## Six. Overview of Financial Status

### I. Information on condensed balance sheets and statements of comprehensive income for the past five fiscal years

(I) Condensed balance sheets - IFRS (consolidated)

Unit: NT\$Thousand

Year		2015	2016	2017	2018	2019	Financial information as of March 31, 2020 (Note 1)
Items							
Current assets		2,274,628	1,984,072	1,623,242	1,734,383	2,258,934	2,564,278
Property, plant and equipment		1,100,506	939,984	989,220	966,563	1,546,919	1,771,388
Intangible assets		40,177	8,391	38,291	112,544	126,776	124,287
Other assets		539,296	625,471	459,396	1,050,828	1,793,741	1,502,696
Total assets		3,954,607	3,557,918	3,110,149	3,864,318	5,726,370	5,962,649
Current liabilities	Before distribution	294,919	298,943	556,083	1,238,297	1,718,406	1,828,944
	After distribution	370,733	298,943	556,083	1,432,380	(Note 2)	(Note 2)
Non-current liabilities		42,062	41,474	74,926	52,210	886,506	1,249,822
Total Liabilities	Before distribution	336,981	340,417	631,009	1,290,507	2,604,912	3,078,766
	After distribution	412,795	340,417	631,009	1,484,590	(Note 2)	(Note 2)
Equity attributable to shareholders of the parent company		3,232,814	2,994,142	2,405,630	2,558,494	2,990,222	2,799,483
Capital		2,527,136	2,527,136	2,527,136	2,527,136	2,527,136	2,527,136
Capital surplus		220,924	180,286	212,948	169,431	322,777	349,508
Retained earnings	Before distribution	796,254	613,296	539,080	738,815	977,513	761,567
	After distribution	796,254	613,296	539,080	544,732	(Note 2)	(Note 2)
Other equity interests		(20,506)	(35,582)	11,207	7,853	(1,872)	(3,396)
Treasury stock		(290,994)	(290,994)	(884,741)	(884,741)	(835,332)	(885,332)
Non-controlling Interests		384,812	223,359	73,510	15,317	131,236	84,400
Total Equity	Before distribution	3,617,626	3,217,501	2,479,140	2,573,811	3,121,458	2,883,883
	After distribution	3,541,812	3,217,501	2,479,140	2,379,728	(Note 2)	(Note 2)

Note 1: Finance information from 2015 to 2019 were audited and verified by a certified accountant, finance information up to March 31, 2020 were reviewed by the certified accountant.

Note 2: Waiting for resolution outcome at shareholders' meeting.

## (II) Condensed statements of comprehensive income - IFRS (Consolidated)

Unit: NT\$Thousand

(Loss per share expressed in NT\$1)

Items \ Year	2015	2016	2017	2018	2019	Financial information as of March 31, 2020 (Note 1)
Operating revenue	1,485,306	1,196,457	1,427,073	2,885,982	3,468,682	1,105,867
Gross profit	191,409	48,503	243,673	629,008	612,402	183,606
Operating income	(97,950)	(173,141)	(7,904)	259,536	7,329	49,085
Non-operating income and expenses	(13,527)	(66,197)	(57,365)	(55,890)	367,188	(276,854)
Profit (loss) before income tax	(111,477)	(239,338)	(65,269)	203,646	374,517	(227,769)
Net income (loss) of this period from continuing operations	(129,112)	(238,702)	(88,553)	145,820	311,940	(262,782)
Loss from discontinued operations	-	-	-	-	-	-
Profit (loss) for the year	(129,112)	(238,702)	(88,553)	145,820	311,940	(262,782)
Other comprehensive income for the year (net after tax)	(53,508)	(19,286)	293,804	1,299	(8,340)	(1,524)
Total comprehensive income for the year	(182,620)	(257,988)	205,251	147,119	303,600	(264,306)
Net income (loss) attributable to shareholders of the parent company	(37,071)	(165,262)	(74,177)	199,203	431,254	(215,946)
Net loss attributable to non-controlling interests	(92,041)	(73,440)	(14,376)	(53,383)	(119,314)	(46,836)
Total comprehensive income attributable to shareholders of the parent entity	(44,436)	(177,164)	(27,427)	200,011	423,056	(217,470)
Total comprehensive income attributable to non-controlling interests	(138,184)	(80,824)	232,678	(52,892)	(119,456)	(46,836)
Earnings (loss) per share	(0.15)	(0.71)	(0.33)	1.02	2.19	(1.09)

Note: Finance information from 2015 to 2019 were audited and verified by a certified accountant, finance information up to March 31, 2020 were reviewed by the certified accountant.

## (III) Condensed balance sheets - IFRS (standalone)

Unit: NT\$Thousand

Items		Year				
		2015	2016	2017	2018	2019
Current assets		1,622,605	1,642,976	754,702	1,162,525	1,561,615
Property, plant and equipment		929,734	800,553	840,707	855,134	1,369,968
Intangible assets		2,959	1,699	1,255	939	2,177
Other assets		942,123	811,738	1,101,279	1,514,835	1,980,152
Total assets		3,497,421	3,256,966	2,697,943	3,533,433	4,913,912
Current liabilities	Before distribution	184,726	183,658	222,161	935,415	1,157,150
	After distribution	260,540	183,658	222,161	1,129,498	(Note 2)
Non-current liabilities		79,881	79,166	70,152	39,524	766,540
Total Liabilities	Before distribution	264,607	262,824	292,313	974,939	1,923,690
	After distribution	340,421	262,824	292,313	1,169,022	(Note 2)
Capital		2,527,136	2,527,136	2,527,136	2,527,136	2,527,136
Capital surplus		220,924	180,286	212,948	169,431	322,777
Retained earnings	Before distribution	796,254	613,296	539,080	738,815	977,513
	After distribution	796,254	613,296	539,080	544,732	(Note 2)
Other equity interests		(20,506)	(35,582)	11,207	7,853	(1,872)
Treasury stock		(290,994)	(290,994)	(884,741)	(884,741)	(835,332)
Total Equity	Before distribution	3,232,814	2,994,142	2,405,630	2,558,494	2,990,222
	After distribution	3,157,000	2,994,142	2,405,630	2,364,411	(Note 2)

Note 1: The aforementioned financial information was audited and verified by a certified accountant.

Note 2: Waiting for resolution outcome at shareholders' meeting.

## (IV) Condensed statements of comprehensive income - IFRS (Standalone)

Unit: NT\$Thousand

(Loss per share expressed in NT\$1)

Items \ Year	2015	2016	2017	2018	2019
Operating revenue	1,286,008	1,019,528	1,024,976	1,448,393	1,658,131
Gross profit	237,339	115,183	216,650	471,228	513,182
Operating income	108,301	(12,586)	73,561	287,563	234,693
Non-operating income and expenses	(129,858)	(152,415)	(130,953)	(61,955)	230,133
Profit (loss) before income tax	(21,557)	(165,001)	(57,392)	225,608	464,826
Net income (loss) of this period from continuing operations	(37,071)	(165,262)	(74,177)	199,203	431,254
Loss from discontinued operations	-	-	-	-	-
Profit (loss) for the year	(37,071)	(165,262)	(74,177)	199,203	431,254
Other comprehensive income for the year (net after tax)	(7,365)	(11,902)	46,750	808	(8,198)
Total comprehensive income for the year	(44,436)	(177,164)	(27,427)	200,011	423,056

Note: The aforementioned financial information was audited and verified by a certified accountant.

## (V) Names and opinions of auditors for the past five years

Year	Certified Accountant	Opinions
2015	Kuo-Hua Tseng, Tien-I Li	An unqualified opinion
2016	Tien-I Li, Kuo-Hua Tseng	An unqualified opinion
2017	Shou-Hung Hsueh, Tien-I Li	An unqualified opinion
2018	Ya-Hui Cheng, Tien-I Li	An unqualified opinion
2019	Tien-I Li, Ya-Hui Cheng	An unqualified opinion

## II. Financial analysis for the past five fiscal years

### (I) Financial analysis - IFRS (Consolidated)

Items to be analyzed (Note 2)		Year (Note 1)					Year ended March 31, 2020
		2015	2016	2017	2018	2019	
Financial position (%)	Debt to asset ratio	8.52	9.57	20.29	33.40	45.49	51.63
	Long-term fund to property, plant and equipment ratio	328.72	346.71	258.19	271.69	259.09	233.36
Solvency (%)	Current ratio	771.27	663.70	291.91	140.06	131.46	140.21
	Quick ratio	609.12	538.92	208.77	100.08	114.02	122.27
	Times interest earned	-	-	(17.33)	37.54	24.63	(41.92)
Operating performance	Average collection turnover (times)	3.92	14.62	3.66	5.37	5.20	6.53
	Days sales outstanding	94	25	99.72	67.97	70.17	55.89
	Average inventory turnover (times)	2.54	9.63	3.77	6.00	8.74	10.80
	Average payment turnover (times)	12.02	66.50	11.11	11.45	9.42	12.04
	Average inventory turnover days	144	38	96.82	60.83	41.77	33.78
	Property, plant and equipment turnover (times)	1.22	4.69	1.48	2.95	2.76	3.27
	Total assets turnover (times)	0.36	1.27	0.43	0.83	0.72	0.85
Profit ability	Return on assets (%)	(3.16)	(6.35)	(2.57)	4.31	6.77	(19.95)
	Return on equity (%)	(3.44)	(6.98)	(3.11)	5.77	10.95	(38.12)
	Pre-tax income to paid-in capital (%)	(4.41)	(9.47)	(2.58)	8.06	14.82	(36.05)
	Net profit margin (%)	(8.69)	(19.95)	(6.21)	5.05	8.99	(23.76)
	Earnings per share (NTD)	(0.15)	(0.71)	(0.33)	1.02	2.19	(1.09)
Cash flow	Cash flow ratio (%)	99.72	14.91	107.31	(12.88)	39.09	22.30
	Cash flow adequacy ratio (%)	168.70	157.00	190.86	115.66	95.24	33.02
	Cash flow reinvestment ratio (%)	2.90	0.64	11.11	(3.34)	11.71	8.51
Leverage	Operating leverage	(8.88)	(6.20)	(81.74)	3.05	112.19	6.02
	Financial leverage	1.00	1.00	0.69	1.02	(0.86)	1.12
Reasons for changes in the financial ratios in the past two years:							
1. Financial position (Ratio of liabilities to assets), solvency (Times interest earned): Increase in short-term debts resulted in the increase in current liabilities.							
2. Operating performance (Days sales outstanding, average inventory turnover): The Company's capacity utilization has increased resulting in net sales growth and operating performance to increase substantially.							
3. Profitability (Return on equity, ratio of pre-tax income to paid-up capital, net profit margin, earnings per share): The increase in net income led to the growth in various aspects of profitability.							
4. Cash flow (Cash flow ratio, cash flow reinvestment ratio): This is as a result of the increase in net cash flow for the operations activities over the past five years.							
5. Leverage (Operating leverage, financial leverage): This is a result of an increase in net sales and a slightly higher financial cost.							

Note 1: Finance information from 2015 to 2019 were audited and verified by a certified accountant, finance information up to March 31, 2020 were reviewed by the certified accountant.

Note 2: Calculation formula for items to be analyzed as shown below:

1. Capital structure

- (1) Debt-to-asset ratio = Total liabilities / Total assets
- (2) Long-term fund to property, plant and equipment ratio = (Shareholders' equity + non-current liabilities) / Net property, plant and equipment

2. Solvency

- (1) Current ratio = Current assets / Current liabilities
- (2) Quick ratio = (Current assets – inventories – prepaid expenses) / Current liabilities
- (3) Times interest earned = Earnings before interest and taxes / Interest expenses

3. Operating performance

- (1) Receivables (including accounts receivable and notes receivable due to business operation) turnover = Net sales / the balance of average receivables of different periods (including accounts receivable and notes receivable due to business operation)
- (2) Days sales outstanding = 365 / Average collection turnover
- (3) Average inventory turnover = Operating costs / Average inventory
- (4) Payables (including accounts payables and notes payable due to business operation) turnover = Cost of goods sold / the balance of average payables of different periods (including accounts payables and notes payable due to business operation)
- (5) Average inventory turnover days = 365 / Average inventory turnover
- (6) Property, plant and equipment turnover = Net sales / Average property, plant and equipment
- (7) Total assets turnover = Net sales / total assets

4. Profitability

- (1) Return on total assets = [Net income + Interest expenses x (1 – tax rate)] / Average total assets
- (2) Return on equity attributable to shareholders of the parent = Net income attributable to shareholders of the parent / Average equity attributable to shareholders of the parent
- (3) Net margin = Net income / Net sales
- (4) Earnings per share = (Net income attributable to shareholders of the parent – preferred stock dividend) / Weighted average number of shares outstanding

5. Cash flow

- (1) Cash flow ratio = Net cash provided by operating activities / Current Liabilities
- (2) Cash flow adequacy ratio = Five-year sum of cash from operations / Five-year sum of capital expenditures, inventory additions, and cash dividend
- (3) Cash flow reinvestment ratio = (Cash provided by operating activities – cash dividends) / (Gross property, plant and equipment + long-term investments + other noncurrent assets + working capital)

6. Leverage

- (1) Operating leverage = (Net sales – variable cost) / Operating income
- (2) Financial leverage = Operating income / (Operating income – interest expenses)

## (II) Financial analysis - IFRS (Standalone)

Year (Note 1)		2015	2016	2017	2018	2019
Items to be analyzed (Note 2)						
Financial position (%)	Debt to asset ratio	7.57	8.07	10.83	27.59	39.15
	Long-term fund to property, plant and equipment ratio	356.31	383.90	294.49	303.81	274.22
Solvency (%)	Current ratio	878.38	894.58	339.71	124.28	134.95
	Quick ratio	795.11	813.58	254.53	103.63	120.59
	Times interest earned	-	-	(2294.68)	73.21	33.34
Operating performance	Average collection turnover (times)	4.05	3.78	3.97	4.80	4.59
	Days sales outstanding	90	97	92	76	80
	Average inventory turnover (times)	12.64	11.81	8.69	8.09	8.61
	Average payment turnover (times)	11.59	14.30	16.31	16.79	14.07
	Average inventory turnover days	29	31	42	45	42
	Property, plant and equipment turnover (times)	1.26	1.18	1.25	1.71	1.49
	Total assets turnover (times)	0.36	0.30	0.34	0.46	0.39
Profitability	Return on assets (%)	(1.03)	(4.89)	(2.49)	6.48	10.48
	Return on equity (%)	(1.11)	(5.31)	(2.75)	8.03	15.54
	Pre-tax income to paid-in capital (%)	(0.85)	(0.50)	(2.27)	10.11	18.39
	Net profit margin (%)	(2.88)	(16.21)	(7.24)	13.75	26.01
	Earnings per share (NTD)	(0.15)	(0.71)	(0.33)	1.02	2.19
Cash flow	Cash flow ratio (%)	158.07	47.02	282.97	24.69	48.57
	Cash flow adequacy ratio (%)	215.41	200.96	217.76	198.45	118.42
	Cash flow reinvestment ratio (%)	2.92	0.20	12.84	4.61	8.20
Leverage	Operating leverage	5.92	(36.97)	6.61	2.54	3.74
	Financial leverage	1.00	1.00	1.00	1.01	1.07
Reasons for changes in the financial ratios in the past two years:						
1. Financial position (Ratio of liabilities to assets), solvency (Times interest earned): Increase in short-term debts resulted in the increase in current liabilities.						
2. Profitability (Return on assets, return on equity, ratio of pre-tax income to paid-up capital, net profit margin, earnings per share): The increase in net income led to the growth in various aspects of profitability.						
3. Cash flow (Cash flow ratio, cash flow adequacy ratio, cash flow reinvestment ratio): This is as a result of the increase in net cash flow for the operations activities over the past five years.						
4. Leverage (Operating leverage): This is a result of an increase in net sales in the current period.						

Note 1: The aforementioned financial information from 2015 to 2019 were audited and verified by a certified accountant.

Note 2: Calculation formula for items to be analyzed as shown below:

1. Capital structure

- (1) Debt-to-asset ratio = Total liabilities / Total assets
- (2) Long-term fund to property, plant and equipment ratio = (Shareholders' equity + non-current liabilities) / Net property, plant and equipment

2. Solvency

- (1) Current ratio = Current assets / Current liabilities
- (2) Quick ratio = (Current assets – inventories – prepaid expenses) / Current liabilities
- (3) Times interest earned = Earnings before interest and taxes / Interest expenses

3. Operating performance

- (1) Receivables (including accounts receivable and notes receivable due to business operation) turnover = Net sales / the balance of average receivables of different periods (including accounts receivable and notes receivable due to business operation)
- (2) Days sales outstanding = 365 / Average collection turnover
- (3) Average inventory turnover = Operating costs / Average inventory
- (4) Payables (including accounts payables and notes payable due to business operation) turnover = Cost of goods sold / the balance of average payables of different periods (including accounts payables and notes payable due to business operation)
- (5) Average inventory turnover days = 365 / Average inventory turnover
- (6) Property, plant and equipment turnover = Net sales / Average property, plant and equipment
- (7) Total assets turnover = Net sales / total assets

4. Profitability

- (1) Return on total assets = [Net income + Interest expenses x (1 – tax rate)] / Average total assets
- (2) Return on equity attributable to shareholders of the parent = Net income attributable to shareholders of the parent / Average equity attributable to shareholders of the parent
- (3) Net margin = Net income / Net sales
- (4) Earnings per share = (Net income attributable to shareholders of the parent – preferred stock dividend) / Weighted average number of shares outstanding

5. Cash flow

- (1) Cash flow ratio = Net cash provided by operating activities / Current Liabilities
- (2) Cash flow adequacy ratio = Five-year sum of cash from operations / Five-year sum of capital expenditures, inventory additions, and cash dividend
- (3) Cash flow reinvestment ratio = (Cash provided by operating activities – cash dividends) / (Gross property, plant and equipment + long-term investments + other noncurrent assets + working capital)

6. Leverage

- (1) Operating leverage = (Net sales – variable cost) / Operating income
- (2) Financial leverage = Operating income / (Operating income – interest expenses)

### **III. Audit Committee's audit report of the Financial Statements for the most recent fiscal year**

#### **Taiwan Mask Corporation Audit Committee's Audit Report**

We have reviewed the Company's 2019 business report, financial statements and earnings appropriation proposal prepared by the board of directors. The financial statements have been audited by CPA Tien-I Li and CPA Ya-Hui Cheng of PricewaterhouseCoopers Taiwan, to which the firm has issued an independent auditor's report. The Audit Committee found no misstatement in the above, and hereby presents this report in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

For

2020 Shareholders' Meeting of the Company

Taiwan Mask Corporation

Audit Committee convener: Yu-Chiun, Wu

March 17, 2020

#### **IV. Latest financial report**

##### Taiwan Mask Corporation and Subsidiaries

##### Affiliates Consolidated Financial Statements

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2019 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Accounting Standard 10 “Consolidated and Separate Financial Statements.” Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Truly yours,

Taiwan Mask Corporation

Chairman: Michael, Tsai

2020/3/17

## 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our 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		Notes	DECEMBER 31, 2019		DECEMBER 31, 2018	
			AMOUNT	%	AMOUNT	%
<b>Current Assets</b>						
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) and 8	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) and 7	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	<b>Total Current Assets</b>		<u>2,258,934</u>	<u>39</u>	<u>1,734,383</u>	<u>45</u>
<b>Non-Current Assets</b>						
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) and 8	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) and 8	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	<b>Total Non-Current Assets</b>		<u>3,467,436</u>	<u>61</u>	<u>2,129,935</u>	<u>55</u>
1XXX	<b>Total Assets</b>		<u>\$ 5,726,370</u>	<u>100</u>	<u>\$ 3,864,318</u>	<u>100</u>

(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	%	
<b>Current Liabilities</b>						
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	<b>Total Current Liabilities</b>		<u>1,718,406</u>	<u>30</u>	<u>1,238,297</u>	<u>32</u>
<b>Non-Current Liabilities</b>						
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	<b>Total Non-Current Liabilities</b>		<u>886,506</u>	<u>1</u>	<u>52,210</u>	<u>1</u>
2XXX	<b>Total Liabilities</b>		<u>2,604,912</u>	<u>33</u>	<u>1,290,507</u>	<u>33</u>
<b>Equities Attributable to Parent Company</b>						
<b>Stock</b>						
3110	Common Stock	6(17)	2,527,136	44	2,527,136	65
<b>Additional Paid-in Capital</b>						
3200	Additional Paid-in Capital	6(18)	322,777	5	169,431	5
<b>Retained Earnings</b>						
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
<b>Other Equities</b>						
3400	Other Equities	6(20)	( 1,872)	-	7,853	-
3500	Treasury Stock	6(17)	( 835,332)	( 15)	( 884,741)	( 23)
31XX	<b>Total Equities Attributable to Parent Company</b>		<u>2,990,222</u>	<u>52</u>	<u>2,558,494</u>	<u>66</u>
36XX	<b>Non-Controlling Interests</b>		<u>131,236</u>	<u>3</u>	<u>15,317</u>	<u>1</u>
3XXX	<b>Total Equities</b>		<u>3,121,458</u>	<u>55</u>	<u>2,573,811</u>	<u>67</u>
<b>Major Commitments and Contingencies</b>						
<b>Major Events after Financial Statement Date</b>						
3X2X	<b>Total Liabilities and Equities</b>		<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

Items	Notes	in thousand NTD (Except gain (loss) per share is in NTD)			
		2019		2018	
		AMOUNT	%	AMOUNT	%
4000 <b>Operating Incomes</b>	6(21)	\$ 3,468,682	100	\$ 2,885,982	100
5000 <b>Operating Costs</b>	6(6)	( 2,856,280)	( 82)	( 2,256,974)	( 78)
5900 <b>Gross Income from Operations</b>		<u>612,402</u>	<u>18</u>	<u>629,008</u>	<u>22</u>
<b>Operating Expenses</b>					
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 <b>Total Operating Expenses</b>		( <u>605,073</u> )	( <u>18</u> )	( <u>369,472</u> )	( <u>13</u> )
6900 <b>Operating Gain &amp; Loss</b>		<u>7,329</u>	<u>-</u>	( <u>259,536</u> )	<u>9</u>
<b>Non-Operating Incomes and Losses</b>					
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 <b>Total Non-Operating Incomes and Losses</b>		<u>367,188</u>	<u>11</u>	( <u>55,890</u> )	( <u>2</u> )
7900 <b>Earnings (Loss) Before Tax</b>		374,517	11	( 203,646)	7
7950 Income Tax Expense (Benefit)	6(27)	( 62,577)	( 2)	( 57,826)	( 2)
8200 <b>Net Income (Loss)</b>		<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

Items	Notes	in thousand NTD (Except gain (loss) per share is in NTD)			
		2019 AMOUNT	%	2018 AMOUNT	%
<b>Other Comprehensive Incomes</b>					
<b>(Net)</b>					
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
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	-
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361	Financial statement translation differences of foreign operations	( 7,078)	-	649	-
8360	<b>Total Components of other comprehensive income that will be reclassified to profit or loss</b>	( 7,078)	-	649	-
8500	<b>Total Comprehensive Incomes</b>	\$ 303,600	9	\$ 147,119	5
<b>Net Incomes (Losses) Attributable to :</b>					
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

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

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
<u>2018/1/1-2018/12/31</u>												
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	\$ 73,510	\$ 2,479,140
Impact of Retroactive Applications	-	-	-	-	3,756	-	-	( 3,756 )	-	-	-	-
Adjusted Balance as of January 1, 2018	<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>
Net Income	-	-	-	-	199,203	-	-	-	-	199,203	( 53,383 )	145,820
Other Comprehensive Profit or Loss	-	-	-	-	406	402	-	-	-	808	491	1,299
Total Comprehensive Profit or Loss	-	-	-	-	199,609	402	-	-	-	200,011	( 52,892 )	147,119
Year 2017 Deficit Compensated with Legal Reserves	-	-	( 74,217 )	-	74,217	-	-	-	-	-	-	-
Changes of the Shares Invested in Subsidiaries	-	( 4,946 )	-	-	( 3,630 )	-	-	-	-	( 8,576 )	-	( 8,576 )
Difference between Consideration and Carrying Amount of Subsidiaries Acquired or Disposed	-	( 38,571 )	-	-	-	-	-	-	-	( 38,571 )	-	( 38,571 )
Increase of Non-Controlling Interest	-	-	-	-	-	-	-	-	-	-	( 5,301 )	( 5,301 )
Ending Balance as of 2018/12/31	<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>2019/1/1-2019/12/31</u>												
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	\$ 15,317	\$ 2,573,811
Net Income	-	-	-	-	431,254	-	-	-	-	431,254	( 119,314 )	311,940
Other Comprehensive Profit or Loss	-	-	-	-	1,527	( 7,059 )	( 2,666 )	-	-	( 8,198 )	( 142 )	( 8,340 )
Total Comprehensive Profit or Loss	-	-	-	-	432,781	( 7,059 )	( 2,666 )	-	-	423,056	( 119,456 )	303,600
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 )	-	( 194,083 )
Issued to subsidiaries dividends adjustment capital reserve	-	30,926	-	-	-	-	-	-	-	30,926	-	30,926
Difference between Consideration and Carrying Amount of Subsidiaries Acquired or Disposed	-	( 5,333 )	-	-	-	-	-	-	-	( 5,333 )	47,132	41,799
Adjustments to share of changes in equities of associates	-	17,809	-	-	-	-	-	-	-	17,809	-	17,809
Share-based payment transaction	-	109,628	-	-	-	-	-	-	49,409	159,037	-	159,037
Shareholders do not receive dividends	-	316	-	-	-	-	-	-	-	316	-	316
Reduction in non-controlling interests in mergers	-	-	-	-	-	-	-	-	-	-	( 584 )	( 584 )
Increase in non-controlling interests in mergers	-	-	-	-	-	-	-	-	-	-	188,827	188,827
Ending Balance as of 2019/12/31	<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
<u>Cash Flow from Operating Activities</u>			
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>		
	( \$ 90,548 )	( \$ 32,635 )
Acquisition of Amortized Cost Financial Assets		
	129,275	15,995
Disposal of Amortized Cost Financial Assets		
	-	-
Disposal of Debt Investment in No Active Market		
	-	-
Acquisition of Available-for-sales Financial Assets		
	-	-
Disposal of Available-for-sales Financial Assets		
	( 65,000 )	( 66,991 )
Acquisition of investment property by the Equity Method		
	86,656	
Cash In-Flow from Merge	6(29)	
	( 25,037 )	( 149,693 )
Cash Out-Flow from Merge	6(31)	
	( 703,667 )	( 205,618 )
Acquisition of Property, Plants and Equipment	6(31)	
	4,396	29,453
Disposal of Property, Plants and Equipment		
	( 3,420 )	( 2,163 )
Acquisition of Intangible Assets		
	82	( 1,105 )
Increase of Refundable Deposits		
	( 20,000 )	-
Other Receivables-related Parties		
	( 687,263 )	( 412,757 )
Net Cash In-Flow(Out-Flow) from Investment Activities		
<u>Cash Flow from Funding Activities</u>		
	1,292,495	916,000
Increase of Short Term Loan	6(32)	
	( 1,209,845 )	( 406,253 )
Redemption of Short Term Loan	6(32)	
	444,428	
Increase of Long Term Loan	6(32)	
	( 8,045 )	( 26,303 )
Redemption of Long Term Loan	6(32)	
	( 163,157 )	
Distribution of cash dividends	6(19)	
	49,409	-
Treasury stocks transfer to employees		
	( 37,157 )	-
Redemption of Lease Principal	6(32)	
	-	11,525
Lease account payable		
	( 2,512 )	3,029
Increase of Guarantee Deposits	6(32)	
Shareholders do not receive dividends reclassified as Additional Paid-in Capital	316	
	40,000	-
Subsidiary cash increase non-controlling equity input		
	405,932	497,998
Net Cash In-Flow (Out-Flow) from Funding Activities		
	( 7,305 )	651
Adjustments of Exchange Rate		
	383,109	( 73,547 )
Increase (Decrease) of Cash and Cash Equivalents		
	563,408	636,955
Beginning Balance of Cash and Cash Equivalents		
	\$ 946,517	\$ 563,408
Ending Balance of Cash and Cash Equivalents		

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

TAIWAN MASK CORPORATION AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,  
EXCEPT AS OTHERWISE INDICATED)

1、HISTORY

TAIWAN MASK CORPORATION (TMC or the Company) was established in the Republic of China (R.O.C.) on 1988/10/21 and first operated in March, 1989. Based on the resolution made on 2000/6/12 shareholders' meeting, TMC merged Shin-Tai Corporation on 2000/12/1. The Company and the subsidiaries (the Group) is primarily engaged in the research, development, manufacturing and selling of Mask and Circuit, and also provide technology assistance, consultation, inspection and maintenance services for Mask and Circuit. The Group is also manufacturing and selling medical wares.

2、THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were reported to the Board of Directors and issued on March 17, 2020.

3、APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments to IFRSs as endorsed by the FSC effective from 2019 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 9, "Prepayment features with negative compensation"	January 1, 2019
IFRS 16, "Leases"	January 1, 2019
Amendments to IAS 19, "Plan amendment, curtailment or settlement"	January 1, 2019
Amendments to IAS 28, "Long-term interests in associates and joint ventures"	January 1, 2019
IFRIC 23, "Uncertainty over income tax treatments"	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment:

## IFRS 16, "Leases"

- A. IFRS 16, "Leases", replaces IAS 17, "Leases" and related interpretations and Standing Interpretations Committee (SICs). The standard requires lessees to recognize a "right-of-use asset" and a lease liability (except for those leases with terms of 12 months or less and leases of low value assets). Lessor accounting still uses the dual classification approach: operating lease and finance lease, and only increases the related disclosures.
- B. When applying the version of the International Financial Reporting Standards, International Accounting Standards, Interpretation and Interpretation (hereinafter referred to as IFRSs), which is recognized by Financial Supervisory Commission, the Group expects to recognize the lease contract of lessees in line with IFRS 16. Accordingly, on January 1, 2018, the Group will have to increase 'right-of-use asset' by \$358,566 and increase lease liability by \$348,133, respectively.
- C. The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:
  - (A) Reassessment as to whether a contract is, or contains, a lease is not required, and instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.
  - (B) The use of single discount rate to a portfolio of leases with reasonably similar characteristics.
  - (C) The exclusion of initial direct costs for the measurement of 'right-of-use asset'.
  - (D) The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- D. The Group calculated the present value of lease liabilities by using the incremental borrowing interest rate which ranging from 1.136% to 7.223%.
- E. The Group recognized lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate and lease liabilities recognized as of January 1, 2019 is as follows:

Operating lease commitments disclosed under IAS 17 as of December 31, 2018	\$	130,929
Add: Lease payable recognised under finance lease by applying IAS 17 as at December 31, 2018		18,119
Less: Low-value assets	(	1,102)
Add/Less: Adjustments as a result of a different treatment of extension and termination options		318,759
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019	\$	<u>466,705</u>
Incremental borrowing interest rate at the date of initial application		1.136%~7.223%
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	\$	<u>348,133</u>

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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 IFRS 7, " Interest rate benchmark reform"	January 1, 2020

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

(3) International Financial Reporting Standards 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:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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, 2021
Amendments to IAS 1, "Classification of liabilities as current or noncurrent"	January 1, 2022

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

#### 4、SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### (1) Compliance statement

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

##### (2) Basis of preparation

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

(A) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(B) Financial assets at fair value through other comprehensive income measured at fair value.

(C) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

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

5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements

- (A) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (B) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (C) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (D) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
- (E) When the Group loses control of a subsidiary, the Group re-measures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Investor	Subsidiary	Main business activities	Ownership (%)		Remark
			December 31, 2019	December 31, 2018	
Taiwan Mask Corporation	SunnyLake Park International Holding, Inc.	Investing in communication business	100	100	
Taiwan Mask Corporation	Youe Chung Capital Corporation	Investing in communication business	100	100	
Taiwan Mask Corporation	Miracle Technology CO., LTD.	Electronic component manufacturing, wholesale of electronic materials and precision instruments, power component design, etc.	100	100	

Investor	Subsidiary	Main business activities	Ownership (%)		Remark
			December 31, 2019	December 31, 2018	
Taiwan Mask Corporation	Weida Hi-Tech CO., LTD.	Research, design, development, manufacturing and sales of display panel control chips and modules	100	100	Note 1
Taiwan Mask Corporation	Innova Vision INC.	Medical device manufacturing, wholesale and trading	-	30.26	Note 2
Youe Chung Capital Corporation	Innova Vision INC.	Medical device manufacturing, wholesale and trading	-	32.06	Note 2
Youe Chung Capital Corporation	Aptos Technology INC.	Design, packaging and testing of NAND flash memory and solid state hard disk and other related products	38.16	-	Note 3
Aptos Technology	Adl Engineering INC.	Electronic components	52.19	-	Note 3
Aptos Technology INC.	New Sunrise Limited	Investing in communication business	100	-	Note 3、 Note 4
Adl Engineering INC.	Aptos Global Holding Corp.	Investing in communication business	100	-	Note 3
Aptos Global Holding Corp.	Aptos Technology Co., Limited	Investing in communication business	100	-	Note 3
Miracle Technology CO., LTD.	Jingjing Investment Co., Ltd.	Investing in communication business	100	100	
Miracle Technology CO., LTD.	Miracle Technology (Samoa)Co., Ltd.	Investing in communication business	100	100	
Jingjing Investment Co., Ltd.	Miko-China Enterprise (Shanghai) Co., Ltd.	Electronic component manufacturing, wholesale of electronic materials and precision instruments, power component design, etc.	100	100	
Jingjing Investment Co., Ltd.	MIKO Technology Co., Ltd.	Electronic component manufacturing, wholesale of electronic materials and precision instruments, power component design, etc.	100	100	
Miracle Technology (Samoa)Co., Ltd.	Misun Technology Co., Ltd.	Investing in communication business	100	100	
Misun Technology Co., Ltd.	Miracle International Enterprise(Shan Hai) Co., Ltd.	Electronic component manufacturing, wholesale of electronic materials and precision instruments, power component design, etc.	100	100	
Miko-China Enterprise (Shanghai) Co., Ltd.	Sichuan Miracle Power Technology Co., Ltd.	IC product design, production and sales	64.29	64.29	

Investor	Subsidiary	Main business activities	Ownership (%)		Remark
			December 31, 2019	December 31, 2018	
Miracle International Enterprise(Shanghai) Co., Ltd.	Sichuan Miracle Power Technology Co., Ltd.	IC product design, production and sales	35.71	35.71	
Weida Hi-Tech CO., LTD.	Touch Hi-Tech	Touch screen system hardware design and software development and production	100	100	Note 1
Weida Hi-Tech CO., LTD.	Smart Touch Co., Ltd.	Investing in communication business	100	100	Note 1
Weida Hi-Tech CO., LTD.	Central Star Ltd.	Investing in communication business	22.30	22.30	Note 1
Smart Touch Co., Ltd.	Central Star Ltd.	Investing in communication business	77.70	77.70	Note 1
Innova Vision INC.	Innova Technology Company	Medical device manufacturing, wholesale and trading	-	100	Note 2
Innova Vision INC.	Innova Vision (B.V.I.) Inc.	Investing in communication business	-	100	Note 2
Innova Vision INC.	Innova Vision Kabushiki Kaisha	Medical device manufacturing, wholesale and trading	-	9.23	Note 2
Innova Vision INC.	Calaview International Holding Company Limited	Investing in communication business	-	100	Note 2、Note 5
Innova Vision (B.V.I.) Inc.	Innova Vision Kabushiki Kaisha	Medical device manufacturing, wholesale and trading	-	90.77	Note 2
Calaview International Holding Company Limited	Innova Vision Shenzhen	Medical device manufacturing, wholesale and trading	-	100	Note 2、Note 5

Note1 : In August 2018, the company obtained control through the acquisition of the equity of Wei Dao Hi-Tech Co., Ltd., and incorporated the income and loss of the company and its subsidiaries into the consolidated statement since the acquisition of control 100% equity in November 2018.

Note2 : Innova Vision INC. issued new shares to increase cash on May 3, 2019. The Group did not apply for the shareholding ratio, resulting in 17.81% of its comprehensive shareholding and loss of control over the company. Therefore, the Group has not included Innova Vision INC. and its subsidiaries in the consolidated financial report since that date. For cash flow

information related to this subsidiary, please refer to Note 6 (31) Cash Flow Information.

Note3 : On June 28, 2019, Aptos Technology INC. held a shareholders' meeting to select the directors. The company's subsidiary, Youe Chung Capital Corporation was elected as the company's board of directors and obtained substantial control over the company. Thus, the Group included Aptos in the consolidated financial statements from that date.

Note4 : As of the end of the December 31, 2019, the cash have not been remitted.

Note5 : The Group acquired Calaview International Holding Company Limited 100% shares from January 2018, also acquired its subsidiary Innova Vision Shenzhen 100% shares indirectly. Starting from that time, the income and loss from Calaview and its subsidiary were combined into the consolidated financial statements of the company. As Note2 supp, the Group loss of control over the company on May 3, 2019.

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

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

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group:

As of December 31, 2019 and 2018 the non-controlling interest amounted to \$131,236 and \$15,317, respectively. The information of non-controlling interest and respective subsidiaries is as follows:

subsidiary	Main business activities	Non-controlling interest				Remark
		December 31, 2019		December 31, 2018		
		Amount	Ownership (%)	Amount	Ownership (%)	
Inova Vision INC. and subsidiary	Taiwan	\$ -	-	\$ 15,317	37.68%	
Aptos Technology INC. and Subsidiaries	Taiwan	131,236	61.84%	-	-	

Summarized financial information of the subsidiaries:

Balance sheets

	<u>Aptos Technology INC. and Subsidiaries</u>	
	<u>December 31, 2019</u>	
Current assets	\$	227,391
Non-current assets		233,036
Current liabilities	(	246,988)
Non-current liabilities	(	87,471)
Total net assets	\$	<u>125,968</u>
	<u>Innova Vision INC. and subsidiary</u>	
	<u>December 31, 2018</u>	
Current assets	\$	230,150
Non-current assets		74,607
Current liabilities	(	259,250)
Non-current liabilities	(	4,854)
Total net assets	\$	<u>40,653</u>

#### Statements of comprehensive income

	<u>Aptos Technology INC. and Subsidiaries</u>	
	<u>2019</u>	
Revenue	\$	530,067
Loss before income tax	(	154,923)
Income tax expense		-
Loss for the period from continuing operations	(	154,923)
Loss for the period	(	154,923)
Other comprehensive income, net of tax	(	8,978)
Total comprehensive income for the period	(\$	<u>163,901</u>
Comprehensive income attributable to non-controlling interest	(\$	<u>104,723</u> )
Dividends paid to noncontrolling interest	\$	<u>-</u>

	<u>Innova Vision INC. and subsidiary</u>	
	<u>2018</u>	
Income	\$	161,782
Gain (loss) before income tax	(\$	124,489)
Tax income(gain)	(	5,621)
Income (loss) from Continuing Operation	(	130,110)
Income (loss) from Continuing Operation	(	130,110)
Other comprehensive income (net after tax)	(	1,565)
Total comprehensive income for the period	(\$	131,675)
Total comprehensive income attributable to Non-controlling interest	(\$	55,482)
Payment to non-controlling equity dividends	\$	-

#### Statements of cash flows

	<u>Aptos Technology INC. and Subsidiaries</u>	
	<u>2019</u>	
Net cash provided by operating activities	(\$	87,991)
Net cash provided by investing activities	(	2,314)
Net cash provided by financing activities		123,541
Increase in cash and cash equivalents		33,236
Cash and cash equivalents, beginning of period		54,366
Cash and cash equivalents, end of period	\$	87,602

	<u>Innova Vision INC. and subsidiary</u>	
	<u>2018</u>	
Net cash provided by operating activities	(\$	12,842)
Net cash provided by investing activities	(	25,167)
Net cash provided by financing activities		51,651
Effects of exchange rate change on cash and cash	(	2,214)
Net increase (decrease) in cash and cash equivalents		11,428
Cash and cash equivalents at beginning of year		17,612
Cash and cash equivalents at end of year	\$	29,040

#### (4) Foreign currency translation

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

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

(A) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the

transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized 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 retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized 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 recognized 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 recognized in other comprehensive income. However, nonmonetary 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 other foreign exchange gains and losses based on the nature of those transactions 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 group 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 a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.
- (C) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity

and translated at the closing exchange rates at the balance sheet date.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
- (A) Assets arising from operating activities that are expected to be realized, 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 realized within twelve months from the balance sheet date;
  - (D) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (A) Liabilities that are expected to be settled within the normal operating cycle;
  - (B) Liabilities arising mainly from trading activities;
  - (C) Liabilities that are to be settled within twelve months from the balance sheet date;
  - (D) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) 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 amortized 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 recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.
- D. The Group recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(7) Fair value through other comprehensive income financial assets

- A. At initial recognition, the Group makes an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value. The changes in fair value of equity investments that are recognized in other comprehensive income are reclassified to retained earnings. When the equity instruments are derecognized the cumulative gain or loss previously recognized in other comprehensive income is not reclassified from equity to profit or loss. Dividends are recognized as revenue when the Group's right to receive payment is established, it is probable the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at amortized cost

- A. Financial assets at amortized cost are those that meet all of the following criteria:
  - (A) The objective of the Group's business model is achieved by collecting contractual cash flows.
  - (B) The assets' contractual cash flows represent solely payments of principal and interest.
- 2. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9) Accounts and notes receivable

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

(10) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortized cost including accounts receivable or contract assets that have a significant financing component and lease receivables, at each reporting date, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the

impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(12) Leasing arrangements (lessor) - operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(13) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the 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 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 realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(14) Investments accounted for using equity method / associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.

B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C. 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 Group's ownership percentage of the associate, the

Group recognizes the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.

- D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized 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.

(15) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. 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. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. 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 depreciated separately.
- 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	3~56years
Machinery and equipment	2~14years
Utility equipment	3~6years
Transportation equipment	3~6years
Leasehold assets	2~10years
Mold equipment	2years
Other equipment	3~5years

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

Effective 2019

- A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low value assets, lease payments are recognized 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 fixed payment, less any lease incentives receivable. The Group subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is re-measured and the amount of re-measurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- (A) The amount of the initial measurement of lease liability,
  - (B) Any lease payments made at or before the commencement date, and
  - (C) Any initial direct costs incurred by the lessee,
  - (D) Estimated cost of requisitioning, removing the underlying asset and restoring its location, or restoring the underlying asset to the state required by the terms and conditions of the lease.

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

(17) Leased assets/ operating leases

Effective 2018

Payments made under an operating lease (net of any incentives received

from the lessor) are recognized in profit or loss on a straight-line basis over the lease term.

(18) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 45 years.

(19) Intangible assets

A. Trademarks and licenses

Separately acquired trademarks and licenses are stated at historical cost. Trademarks and licenses acquired in a business combination are recognized at fair value at the acquisition date. Trademarks and licenses have a finite useful life and are amortized on a straight-line basis over their estimated useful lives of 10 to 15 years.

B. Computer software

Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 3 years.

C. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

(20) Impairment of non-financial assets

A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized 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 amortized historical cost would have been if the impairment had not been recognized.

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 recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognized 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.

(21) Borrowings

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

(22) Notes and accounts 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.

(23) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(A) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expense when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(B) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized 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 government bonds (at the balance sheet date) of a currency

and term consistent with the currency and term of the employment benefit obligations.

- ii. Re-measurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognized immediately in profit or loss.

#### C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognizes expense as it can no longer withdraw an offer of termination benefits or it recognizes 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' compensation and directors' and supervisors' remuneration

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

#### (24) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at the end of the financial reporting period. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

#### (25) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates

to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized 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 recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized 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 recognized amounts and there is an intention to settle on a net basis or realize 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 realize the asset and settle the liability simultaneously.

(26) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly

attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

- B. 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.

(27) 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 and paid-in capital in excess on the effective date of new shares issuance.

(28) Revenue recognition

A. Sales of goods

- (A) The Group manufacturing and selling of Mask and Circuit, also medical wares. Sales are recognized when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- (B) As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.
- (C) A receivable is recognized when the goods are delivered 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.

B. Labor income

The Group mainly provides integrated circuit packaging services. The actual services and fees provided will be different according to different customers, and will be negotiated separately before

the service is provided, and the market price will be at that time. The recognition of performance obligations under the client's contract is primarily a packaged service, and the revenue is recognized by measuring the degree of completion of the performance obligation during the service period.

With the packaged services provided, the customer obtains and consumes the performance benefits at the same time, and the customer controls the assets when the assets are created or strengthened. The relevant income is recognized by the degree of completion of the performance obligation during the service provision. The packaging service measures the completion rate based on the proportion of incurred costs to the estimated total cost. After completion of the agreed contract agreed with the customer service or shipping open bill, it is to provide service when the system is recognized contract assets, to be customers of the Group agreed to open a bill transferred receivables when billing.

(29) Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes expenses for the related costs for which the grants are intended to compensate.

(30) Business combinations

A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any

previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognised and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date.

(31) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group's chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as president of company that makes strategic decisions.

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

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

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

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the Group must determine the net realizable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realizable 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 2019, the carrying amount of inventories was \$245,157.

## 6、 DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cash on hand and petty cash	\$ 771	\$ 3,182
Checking accounts and demand	760,760	535,426
Time deposits	<u>184,986</u>	<u>24,800</u>
Total	<u>\$ 946,517</u>	<u>\$ 563,408</u>

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

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

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

<u>Items</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<b>Current items:</b>		
<b>Financial assets mandatorily measured at fair value through profit or loss</b>		
Beneficiary certificate	\$ 500	\$ -
Valuation adjustment	<u>-</u>	<u>-</u>
Total	<u>\$ 500</u>	<u>\$ -</u>
<b>Non-current items:</b>		
<b>Financial assets mandatorily measured at fair value through profit or loss</b>		
Listed stocks	\$ 560,954	\$ 613,771
Unlisted stocks	112,694	63,926
Private Offered Fund	<u>-</u>	<u>110,247</u>
	673,648	787,944
Valuation adjustment	<u>319,136</u>	<u>( 56,118)</u>
Total	<u>\$ 992,784</u>	<u>\$ 731,826</u>

A. Amounts recognized in profit or loss in relation to financial assets at fair value through profit or loss is listed below:

	<u>2019</u>	<u>2018</u>
<b>Financial assets mandatorily measured at fair value through profit or loss</b>		
Listed stocks	\$ 344,139	(\$ 20,269)
Unlisted stocks	12,570	10,836
Beneficiary certificate	-	89
Private Offered Fund	<u>20,047</u>	<u>-</u>
Total	<u>\$ 376,756</u>	<u>(\$ 9,344)</u>

B. The Group has no financial assets at fair value through profit or loss

pledged to others.

C. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2) and (3).

D. The cash dividends received by the Group from financial assets mandatorily measured at fair value through profit or loss -equity instruments in 2019 are \$51,365, \$25,610 is investment cost return and \$25,755 is dividend income. Please refer to Note 6(22).

(3) Fair value through other comprehensive income financial assets

<u>Items</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<b>Non-current items:</b>		
<b>Equity Instrument</b>		
Unlisted stocks	\$ 199	\$ -
Valuation adjustment	( 199)	-
<b>Total</b>	<u>\$ -</u>	<u>\$ -</u>

A. The Group has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted was \$0 as at December 31, 2019 and 2018, respectively.

B. Amounts recognized in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	<u>2019</u>	<u>2018</u>
<u>Equity Instrument at fair value through other comprehensive income</u>		
Changes in fair value recognized in other comprehensive gains and losses	(\$ 2,789)	\$ -

C. As at December 31, 2019 and 2018, 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 fair value through other comprehensive income held by the Group was \$0, respectively.

D. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2) and (3).

(4) Financial assets at amortized cost

<u>Items</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<b>Current items:</b>		
Deposits in banks	\$ 3,004	\$ -
Time deposits	37,232	54,335
<b>Total</b>	<u>\$ 40,236</u>	<u>\$ 54,335</u>
<b>Non-current items:</b>		
Time deposits	<u>\$ 34,254</u>	<u>\$ 29,727</u>

A. Amounts recognized in profit or loss in relation to financial assets at amortized cost is listed below:

	<u>2019</u>	<u>2018</u>
Interest income	<u>\$ 364</u>	<u>\$ 797</u>

B. As of December 31, 2019 and 2018, 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 amortized cost held by the Group were \$74,490 and \$84,062, respectively.

C. Details of the Group's financial assets at amortized cost pledged to others as collateral are provided in Note 8.

(5) Notes and accounts receivable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Notes receivable	<u>\$ -</u>	<u>\$ 1,277</u>
Accounts receivable	<u>\$ 737,295</u>	<u>\$ 599,932</u>
Accounts receivable-related parties	<u>1,568</u>	<u>4,178</u>
	<u>738,863</u>	<u>604,110</u>
Less: Allowance for uncollectible accounts	<u>( 7,759)</u>	<u>( 2,780)</u>
	<u>\$ 731,104</u>	<u>\$ 601,330</u>

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

	<u>December 31, 2019</u>		<u>December 31, 2018</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>
Not past due	\$ 636,020	\$ -	\$ 483,098	\$ 1,277
Up to 30 days	64,111	-	76,987	-
31 to 90 days	32,938	-	32,436	-
91 to 180 days	5,562	-	2,288	-
Over 180 days	232	-	9,301	-
	<u>\$ 738,863</u>	<u>\$ -</u>	<u>\$ 604,110</u>	<u>\$ 1,277</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2019 and 2018, the balances of receivables (including notes receivable) from contracts with customers. As of January 1, 2018, the balances of receivables amounted to \$496,749,

respectively.

C. As of December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable were \$731,104 and \$601,330, respectively.

D. Information about credit risk of notes and accounts receivable is provided in Note 12(2).

(6) Inventories

	December 31, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 201,044	(\$ 54,945)	\$ 146,099
Work in progress	36,657	( 5,408)	31,249
Finished goods	68,350	( 17,673)	50,677
Merchandise inventories	25,529	( 8,397)	17,132
<b>Total</b>	<b>\$ 331,580</b>	<b>(\$ 86,423)</b>	<b>\$ 245,157</b>

	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 140,121	(\$ 33,540)	\$ 106,581
Work in progress	151,214	( 39,685)	111,529
Finished goods	216,131	( 85,464)	130,667
Merchandise inventories	62,081	( 2,283)	59,798
<b>Total</b>	<b>\$ 569,547</b>	<b>(\$ 160,972)</b>	<b>\$ 408,575</b>

The cost of inventories recognized as expense for the period:

	2019	2018
Cost of goods sold	\$ 2,836,245	\$ 2,248,479
Allowance for valuation and obsolescence loss	11,743	10,296
Scrap loss	7,187	-
Revenue from sale of scraps	( 141)	( 882)
Others	1,246	( 919)
	<b>\$ 2,856,280</b>	<b>\$ 2,256,974</b>

(7) Investments accounted for using equity method

	December 31, 2019	December 31, 2018
Associates:		
Advagene Biopharma Co., Ltd.	\$ 98,429	\$ 126,760

The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results are summarized below:

	<u>2019</u>	<u>2018</u>
Income (Loss) from Continuing Operation	(\$ 91,615)	(\$ 111,323)
Other comprehensive income (net after tax)	-	-
Total comprehensive income (loss) for the period	<u>(\$ 91,615)</u>	<u>(\$ 111,323)</u>

(8) Property, plant and equipment

	Buildings (Land)	Machinery and equipment	Office Equipment	Transportation	Leasehold Improvements	Molding Equipment	Other Equipment	Leasing assets	Construction in progress and equipment under installation	Total
At January 1, 2019										
Cost	\$ 1,543,908	\$ 2,217,354	\$ 28,424	\$ 4,292	\$ 28,161	\$ 5,087	\$ 24,578	\$ 9,537	\$ 15,345	\$ 3,876,686
Accumulated	( 1,003,788)	( 1,840,719)	( 14,694)	( 3,029)	( 23,515)	( 3,148)	( 18,026)	( 3,204)	-	( 2,910,123)
	<u>\$ 540,120</u>	<u>\$ 376,635</u>	<u>\$ 13,730</u>	<u>\$ 1,263</u>	<u>\$ 4,646</u>	<u>\$ 1,939</u>	<u>\$ 6,552</u>	<u>\$ 6,333</u>	<u>\$ 15,345</u>	<u>\$ 966,563</u>
2019										
January 1	\$ 540,120	\$ 376,635	\$ 13,730	\$ 1,263	\$ 4,646	\$ 1,939	\$ 6,552	\$ 6,333	\$ 15,345	\$ 966,563
Combined transfer number	-	212,999	-	-	-	5,130	18,387	-	-	236,516
Merging individuals reduces the number of transfer out-costs	( 3,480)	( 227,855)	( 2,256)	( 1,167)	( 28,161)	( 5,087)	( 11,941)	-	-	( 279,947)
Merging individuals to reduce the number of transfers-cost	795	146,348	2,217	1,167	24,119	3,556	11,123	-	-	189,325
Merging individuals to reduce the number of transfers-										
Accumulated depreciation	-	65,308	-	-	-	-	-	-	-	65,308
Acquisitions	22,080	390,338	1,145	-	-	570	21,067	-	243,564	678,764
Disposals-Cost	( 509,460)	( 796,857)	( 5,788)	-	-	-	-	-	-	( 1,312,105)
Disposals- Accumulated depreciation	506,980	796,857	5,788	-	-	-	-	-	-	1,309,625
Depreciation	( 38,533)	( 178,298)	( 4,699)	( 365)	( 604)	( 3,368)	( 12,376)	-	-	( 238,243)
Reclassification- Cost	( 39,704)	( 28,279)	-	-	-	-	-	( 9,537)	( 5,265)	( 82,785)
Reclassification- Accumulated depreciation	4,641	6,060	-	-	-	-	-	3,204	-	13,905
Net exchange differences-Cost	-	-	( 16)	( 35)	-	-	-	-	-	( 51)
Net exchange differences- Accumulated depreciation	-	-	11	33	-	-	-	-	-	44
December 31	<u>\$ 483,439</u>	<u>\$ 763,256</u>	<u>\$ 10,132</u>	<u>\$ 896</u>	<u>\$ -</u>	<u>\$ 2,740</u>	<u>\$ 32,812</u>	<u>\$ -</u>	<u>\$ 253,644</u>	<u>\$ 1,546,919</u>
December 31, 2019										
Cost	\$ 1,013,344	\$ 1,767,700	\$ 21,509	\$ 3,090	\$ -	\$ 5,700	\$ 52,091	\$ -	\$ 253,644	\$ 3,117,078
Accumulated depreciation and impairment	( 529,905)	( 1,004,444)	( 11,377)	( 2,194)	-	( 2,960)	( 19,279)	-	-	( 1,570,159)
	<u>\$ 483,439</u>	<u>\$ 763,256</u>	<u>\$ 10,132</u>	<u>\$ 896</u>	<u>\$ -</u>	<u>\$ 2,740</u>	<u>\$ 32,812</u>	<u>\$ -</u>	<u>\$ 253,644</u>	<u>\$ 1,546,919</u>

	Buildings (Land)	Machinery and equipment	Office Equipment	Transportation	Leasehold Improvements	Molding Equipment	Other Equipment	Leasing assets	Construction in progress and equipment under installation	Total
January 1, 2018										
Cost	\$ 1,490,342	\$ 2,201,484	\$ 18,470	\$ 4,848	\$ 112,728	\$ 16,837	\$ 12,137	\$ 5,903	\$ 10,666	\$ 3,873,415
Accumulated depreciation and impairment	( 965,516)	( 1,812,298)	( 10,901)	( 3,199)	( 68,800)	( 12,479)	( 11,002)	-	-	( 2,884,195)
	<u>\$ 524,826</u>	<u>\$ 389,186</u>	<u>\$ 7,569</u>	<u>\$ 1,649</u>	<u>\$ 43,928</u>	<u>\$ 4,358</u>	<u>\$ 1,135</u>	<u>\$ 5,903</u>	<u>\$ 10,666</u>	<u>\$ 989,220</u>
<b>2018</b>										
January 1	\$ 524,826	\$ 389,186	\$ 7,569	\$ 1,649	\$ 43,928	\$ 4,358	\$ 1,135	\$ 5,903	\$ 10,666	\$ 989,220
Combined transfer number	-	-	777	-	-	-	3,597	-	-	4,374
Acquisitions	53,552	103,219	10,113	-	2,327	2,569	4,705	3,634	4,679	184,798
Disposals-Cost	-	( 87,351)	( 2,208)	( 537)	( 86,894)	-	( 15,557)	-	-	( 192,547)
Disposals- Accumulated depreciation	-	58,218	1,481	537	53,891	-	15,478	-	-	129,605
Depreciation	( 38,258)	( 86,637)	( 4,002)	( 384)	( 8,606)	( 2,526)	( 2,806)	( 3,204)	-	( 146,423)
Transfer to expense-Cost	-	-	-	-	-	( 14,319)	-	-	-	( 14,319)
Transfer to expense- Accumulated depreciation	-	-	-	-	-	11,857	-	-	-	11,857
Net exchange differences-Cost	14	2	84	( 19)	-	-	-	-	-	81
Net exchange differences- Accumulated depreciation	( 14)	( 2)	( 84)	17	-	-	-	-	-	( 83)
December 31	<u>\$ 540,120</u>	<u>\$ 376,635</u>	<u>\$ 13,730</u>	<u>\$ 1,263</u>	<u>\$ 4,646</u>	<u>\$ 1,939</u>	<u>\$ 6,552</u>	<u>\$ 6,333</u>	<u>\$ 15,345</u>	<u>\$ 966,563</u>
December 31, 2018										
Cost	\$ 1,543,908	\$ 2,217,354	\$ 28,424	\$ 4,292	\$ 28,161	\$ 5,087	\$ 24,578	\$ 9,537	\$ 15,345	\$ 3,876,686
Accumulated depreciation and impairment	( 1,003,788)	( 1,840,719)	( 14,694)	( 3,029)	( 23,515)	( 3,148)	( 18,026)	( 3,204)	-	( 2,910,123)
	<u>\$ 540,120</u>	<u>\$ 376,635</u>	<u>\$ 13,730</u>	<u>\$ 1,263</u>	<u>\$ 4,646</u>	<u>\$ 1,939</u>	<u>\$ 6,552</u>	<u>\$ 6,333</u>	<u>\$ 15,345</u>	<u>\$ 966,563</u>

A. Amount of borrowing costs capitalized as part of property, plant and equipment and the range of the interest rates for such capitalization are as follows:

	2019	2018
Amount capitalised	\$ 943	\$ -
Range of the interest rates for capitalisation	1.797%	-

B. The significant components of buildings include main land, building and factory, which is/are depreciated over 3 and 56 years, respectively.

C. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.

D. The property, plant and equipment of the Group are used for their own use.

(9) Leasing arrangements - lessee

Effective 2019

A. The Group leases various assets including lands, buildings, machinery equipment, transportation equipment, and so on. Rental contracts are typically made for periods of 3 to 20 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. Short-term leases with a lease term of 12 months or less comprise other equipment. Low-value assets comprise other equipment.

C. The carrying amount of right-of-use assets and the depreciation are as follows:

	December 31, 2019	
	Book value	
Land	\$	313,911
Buildings		109,918
Transportation		3,900
	\$	427,729
	2019	
	Depreciation	
Land	\$	11,564
Buildings		22,952
Machinery and equipment		2,693
Transportation		3,339
	\$	40,548

D. As of the year ended December 31, 2019, the increases to right-of-use

assets was \$69,292. Due to merger individual transfer in, right-of-use assets was increased \$60,772, and at the same periods, reduced \$826.

E. The information on income and expense accounts relating to lease contracts is as follows:

	<u>2019</u>	
<u>Items affecting profit or loss</u>		
Interest expense of lease liabilities	\$	4,118
Expenses of a short-term lease contract		181
Expenses of leases of low-value assets		600

F. As of the year ended December 31, 2019, the Group's total cash outflow for leases was \$42,056, respectively.

G. Lease extension option and lease termination option

When the Group determines the lease term, it considers all the facts and circumstances in which the exercise of the option is extended or the termination of the option does not result in an economic incentive. The lease period will be re-estimated when a significant event occurs that affects the exercise of the extension option or the non-exercise termination option.

(10) Leasing arrangements – lessor

Effective 2019

A. The underlying assets leased by the Group are construction. The duration of the lease contract is usually between 1 and 2 years. The lease contract is negotiated separately and contains various terms and conditions. In order to preserve the use of leased assets, the lessee is usually required not to use the leased assets as a loan guarantee.

B. The maturity date of the Group's undiscounted lease payments leased under operating leases is as follows:

	<u>December 31, 2019</u>	
2020	<u>\$</u>	<u>2,043</u>

(11) Investment Property

	<u>Buildings</u>
At January 1, 2019	
Cost	\$ -
Accumulated depreciation and impairment	-
	<u>\$ -</u>
<u>2019</u>	
January 1	\$ -
Reclassifications-Cost	44,007
Reclassifications-Accumulated Depreciation	( 4,641)
Depreciation	( 679)
December 31	<u>\$ 38,687</u>
December 31, 2019	
Cost	\$ 44,007
Accumulated depreciation and impairment	( 5,320)
	<u>\$ 38,687</u>

As of December 31, 2018: None.

A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	<u>2019</u>
Rental income from investment property	<u>\$ 2,229</u>
Direct operating expenses arising from the investment property that generated rental income during the period	<u>\$ 758</u>

B. The fair value of the investment property held by the Group as at December 31, 2019 was \$4,097, respectively. Valuations were made using the income approach which is categorized within Level 3 in the fair value hierarchy. Key assumptions are as follows:

	<u>December 31, 2019</u>
Discount rate	6.34%
Rental income Yearly (net)	2,245
Years	2

C. There was no amount of borrowing costs capitalized as part of investment property for the years ended December 31, 2019.

D. There was no investment property that was pledged to others as collaterals for the years ended December 31, 2019.

(12) Short-term borrowings

	<u>December 31, 2019</u>
Discount rate	6.34%
Rental income Yearly (net)	2,245
Years	2

<u>Type of borrowings</u>	<u>December 31, 2018</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Credit borrowings	<u>\$ 591,000</u>	1.138%~1.35%	NA

Interest expense recognized in profit or loss amounted to \$11,291 and \$4,274 for the years ended December 31, 2019 and 2018, respectively.

(13) Other Payables

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Salary and Wages Payable	\$ 34,380	\$ 39,112
Employee Bonus Payable and Commensation Due to Directors	79,422	31,091
Balance Payable-Machinery and Equipment	103,845	75,777
Machine Maintenance Payable	28,355	33,765
Others	166,510	107,930
	<u>\$ 412,512</u>	<u>\$ 287,675</u>

(14) 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, 2019</u>
Long-term bank borrowing				
Bank borrowings secured	2015.03.11~2021.09.27 payable at maturity date	1.797%~2.74%	Guaranteed buildings, machine equipment, other equipment and reserves accounts	\$ 421,616
Credit borrowings	2019.12.20~2021.08.12 payable at maturity date	1.658%	NA	30,000
				<u>451,616</u>
Less: Current portion of long-term borrowings				( <u>12,532</u> )
				<u>\$ 439,084</u>

As of December 31, 2018: None.

For the long-term loan contract of the Group from November 11, 2012 to January 11, 2032, the Group had settled the loan in advance in July 2018 due to financial planning considerations.

Note: According to the loan contract requirements of banks, the Group should maintain a specific net debt ratio and interest solvency every six months during the duration of the loan.

(15) Finance lease liabilities

Effective 2018

The Group leases in transportation and machine equipment under finance lease. Future minimum lease payments and their present values as at December 31, 2018 was as follows:

	December 31, 2018		
	Total finance lease liabilities	Future finance charges	Present value of finance lease liabilities
<u>Current</u>			
Not later than	\$ 8,987	(\$ 749)	\$ 8,238
<u>Non-current</u>			
Later than one year but not later than five years	10,132	( 251)	9,881
Over five years	-	-	-
小計	10,132	( 251)	9,881
合計	\$ 19,119	(\$ 1,000)	\$ 18,119

(16) Pensions

A.(A) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Act, 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 Act. 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 recognized in the balance sheet are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Present value of defined benefit obligations	(\$ 26,873)	(\$ 41,564)
Fair value of plan assets	<u>6,562</u>	<u>29,020</u>
Net defined benefit liability	<u>(\$ 20,311)</u>	<u>(\$ 12,544)</u>

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

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
Year ended			
Balance at January 1	(\$ 41,564)	\$ 29,020	(\$ 12,544)
Current service cost	( 130)	-	( 130)
Interest (expense) income	<u>( 342)</u>	<u>99</u>	<u>( 243)</u>
	<u>( 42,036)</u>	<u>29,119</u>	<u>( 12,917)</u>
Remeasurements:			
Return on plan asset (excluding amounts included in interest income or expense)	-	269	269
Change in financial assumptions	( 1,125)	-	( 1,125)
Change in demographic assumptions	( 225)	-	( 225)
Experience adjustments	<u>2,608</u>	<u>-</u>	<u>2,608</u>
	<u>1,258</u>	<u>269</u>	<u>1,527</u>
Pension fund contribution	-	441	441
Paid pension	2,756	( 2,756)	-
Merging individuals reduces the number of transfer out	<u>11,149</u>	<u>( 20,511)</u>	<u>( 9,362)</u>
Balance at December 31	<u>(\$ 26,873)</u>	<u>\$ 6,562</u>	<u>(\$ 20,311)</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2017			
Balance at January 1	(\$ 47,832)	\$ 27,605	(\$ 20,227)
Current service cost	( 264)	-	( 264)
Interest (expense) income	( 555)	347	( 208)
	( 48,651)	27,952	( 20,699)
Remeasurements:			
Return on plan asset (excluding amounts included in interest income or expense)	-	774	774
Change in financial assumptions	( 942)	-	( 942)
Change in demographic assumptions	( 120)	-	( 120)
Experience adjustments	940	-	940
	( 122)	774	652
Pension fund contribution	-	617	617
Paid pension	7,209	( 323)	6,886
Balance at December 31	(\$ 41,564)	\$ 29,020	(\$ 12,544)

(D) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization 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 utilization 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 are less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2019 and 2018 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

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

	<u>2019</u>	<u>2018</u>
Discount rate	<u>0.80%</u>	<u>1.00%~1.125%</u>
Future salary increases	<u>2.125%~2.50%</u>	<u>2.00%~2.50%</u>

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

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>
December 31, 2019				
Effect on present value of defined benefit obligation	(\$ <u>873</u> )	<u>911</u>	\$ <u>878</u>	(\$ <u>847</u> )
December 31, 2018				
Effect on present value of defined benefit obligation	(\$ <u>1,334</u> )	<u>1,392</u>	\$ <u>1,353</u>	(\$ <u>1,304</u> )

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analyzing sensitivity and the method of calculating net pension liability in the balance sheet are the same. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(F) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2020 amount to \$441.

(G) As of December 31, 2019, the weighted average duration of the retirement plan is 15 years.

B.(A) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New

Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. Under the New Plan, the Company and its domestic subsidiaries contribute 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 Group for the years ended December 31, 2019 and 2018 were \$25,433 and \$12,984, respectively.

(17) Share capital

A. As of December 31, 2018, the Company’s authorized capital was \$5,000,000, consisting of 500,000 thousand shares of ordinary stock (including 20,000 thousand shares reserved for employee stock options issued by the Company), and the paid-in capital was \$2,527,136 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company’s ordinary shares outstanding are as follows:

	2019	Unit: share in thousands 2018
January 1	195,632	195,632
To be reissued to employees	2,768	-
December 31	<u>198,400</u>	<u>195,632</u>

B. Treasury shares

(A) Reason for share reacquisition and movements in the number of the Company’s treasury shares are as follows:

		December 31, 2019	
		(Expressed in thousands of shares)	
Shares held by	Reason for reacquisition	Number of shares	Book value
Subsidiary- Youe Chung Capital Corporation	Subsidiary holds shares of the company	37,081	\$ 527,678
Corporation	employees	17,232	307,654
	Total	<u>54,313</u>	<u>\$ 835,332</u>

		December 31, 2018	
		(Expressed in thousands of shares)	
Shares held by	Reason for reacquisition	of shares	Book value
Subsidiary- Youe Chung Capital Corporation	Subsidiary holds shares of the company	37,081	\$ 527,678
Corporation	employees	20,000	357,063
Total		<u>57,081</u>	<u>\$ 884,741</u>

- (B) The book value of the company's treasury shares is NT\$17.85 per share. As of December 31, 2019, the company has transferred 20,000 shares of the treasury shares bought back to the employees and immediately acquired them on the date of the grant. But the transfer process still on going.
- (C) The Company's remuneration costs incurred for the transfer of treasury shares from January 1 to December 31, 2019 were \$109,628.
- (D) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus.
- (E) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.
- (F) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within three years from the reacquisition date and shares not reissued within the three-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.
- (G) Subsidiary-Youe Chung Company holds TMC stocks as treasury shares processing. AS of December 31, 2019 and 2018, Youe Chung Company held 37,081 and 37,081 thousand shares, with an average book value of \$14.23 per share. The fair values per share were \$34.45 and \$18.35. The transfer of treasury stock costs is based on the book value of the shares held by Youe Chung Company in each period, based on the indirect shareholding ratio of the Company.

(18) Capital surplus

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 capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient. Detail of capital surplus as below:

	Treasury shares	Recognition of changes in ownership interest in subsidiaries	Employee stock options	Changes in equity of affiliated companies	Other	Total
January 1, 2019	\$ 145,471	\$ 16,904	\$ 7,056	\$ -	\$ -	\$ 169,431
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)
Equity method Recognition Affiliates Number of changes	-	15,684	( 7,056)	9,181	-	17,809
Share-based payment transaction	11,476	-	98,152	-	-	109,628
Shareholders failed to receive dividends	-	-	-	-	316	316
December 31, 2019	<u>\$ 187,873</u>	<u>\$ 27,255</u>	<u>\$ 98,152</u>	<u>\$ 9,181</u>	<u>\$ 316</u>	<u>\$ 322,777</u>

	Treasury shares	Recognition of changes in ownership interest in subsidiaries	Employee stock options	Changes in equity of affiliated companies	Total
January 1, 2018	\$ 145,471	\$ 62,959	\$ 4,518	\$ -	\$ 212,948
Adjustment of the shareholding ratio of the invested company	- (	7,484)	2,538	- (	4,946)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	- (	38,571)	-	- (	38,571)
December 31, 2018	<u>\$ 145,471</u>	<u>\$ 16,904</u>	<u>\$ 7,056</u>	<u>\$ -</u>	<u>\$ 169,431</u>

(19) Retained earnings (deficit to be compensated)

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. When such legal reserve amounts to the total authorized capital, the Company shall not be subject to this requirement. The Company may then appropriate or reverse a certain amount as special reserve according to the demand for the business or relevant regulations. After the distribution of earnings, the remaining earnings and prior years' undistributed earnings may be appropriated according to a resolution of the Board of Directors adopted in the shareholders' meeting.
- B. To well design a long term financial plan and stabilize the operation, the company chose a residual dividend policy to plan the future capital fund needs based on capital investment budget. First to appropriate the retained earnings to get capital funds fulfilled and residual earnings will be paid off as dividends. The steps are:
- (A) Define an optimized capital budget.
  - (B) Define the fund needs to fulfill one capital budget.
  - (C) Define how much fund shall be fulfilled by retained earnings. (Unfulfilled part shall be fulfilled by fund raising or bond issuing.)
  - (E) To reserve a certain amount of residual earnings, then dividends shall be paid off to shareholders. According to the dividend policy of the company, cash dividend ratio shall not be lower than 20% of total dividends.
- C. Except for covering accumulated deficit, increasing capital or

payment of cash in proportion to ownership percentage, the legal reserve shall not be used for any other purpose. The amount capitalized or the cash payment shall be limited to the portion of legal reserve which exceeds 25% of the paid-in capital.

D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the end of the financial reporting period before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

E. As resolved by the board of meeting on March 17, 2020, the deficit in 2019 shall be compensated by legal reserve for \$252,714, and still waiting for resolved by stockholders meeting.

F. On June 11, 2019, the Board of Directors proposed to stockholders meeting that total dividends for the distribution of earnings for the year of 2018 were \$194,083 at \$0.834 (in dollars) per share.

(20) Other equity items

	2019		
	Unrealized	Foreign currency	Total
	evaluation of profit and loss	translation	
January 1	\$ -	\$ 7,853	\$ 7,853
Evaluation adjustment			
-Group	( 2,666)	-	( 2,666)
Foreign currency conversion difference:			
-Group	-	( 7,059)	( 7,059)
December 31	<u>\$ 2,666</u>	<u>\$ 794</u>	<u>\$ 1,872</u>
	2018		
	Unrealized	Foreign currency	Total
	evaluation of profit and loss	translation	
January 1	\$ 3,756	\$ 7,451	\$ 11,207
Effect on retrospective application			
Foreign currency conversion difference:			
-Group	-	402	402
December 31	<u>\$ -</u>	<u>\$ 7,853</u>	<u>\$ 7,853</u>

(21) Operating revenue

	<u>2019</u>	<u>2018</u>
Revenue from contracts with customers	\$ <u>3,468,682</u>	\$ <u>2,885,982</u>

A. Disaggregation of revenue from contracts with customers

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

	<u>Mask and Semiconductor</u>		
<u>2019</u>	<u>division</u>	<u>Medical division</u>	<u>Total</u>
Revenue from dept.	\$ 3,579,419	\$ 67,606	\$ 3,647,025
Revenue from internal dept. contracts	( 157,049)	( 21,294)	( 178,343)
Revenue from external customer contracts	<u>\$ 3,422,370</u>	<u>\$ 46,312</u>	<u>\$ 3,468,682</u>
Timing of revenue recognition			
At a point in time	\$ 3,163,174	\$ 46,312	\$ 3,209,486
Revenue recognized gradually over time	<u>259,196</u>	<u>-</u>	<u>259,196</u>
	<u>\$ 3,422,370</u>	<u>\$ 46,312</u>	<u>\$ 3,468,682</u>
	<u>Mask and Semiconductor</u>		
<u>2018</u>	<u>division</u>	<u>Medical division</u>	<u>Total</u>
Revenue from dept.	\$ 2,943,827	\$ 161,782	\$ 3,105,609
Revenue from internal dept. contracts	( 218,921)	( 706)	( 219,627)
Revenue from external customer contracts	<u>\$ 2,724,906</u>	<u>\$ 161,076</u>	<u>\$ 2,885,982</u>
Timing of revenue recognition			
At a point in time	<u>\$ 2,724,906</u>	<u>\$ 161,076</u>	<u>\$ 2,885,982</u>
Revenue recognized gradually over time	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,724,906</u>	<u>\$ 161,076</u>	<u>\$ 2,885,982</u>

B. Contract liabilities

(A) The Group has recognized the following revenue-related contract liabilities:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>January 1, 2018</u>
Contract asset	\$ 18,121	\$ -	\$ -
Contract liability	\$ 39,856	\$ 58,701	\$ 83,589

(B) Initial contract liabilities recognized income in the current period:

	<u>2019</u>	<u>2018</u>
The revenue recognized from the beginning balance of contract liability	\$ 43,049	\$ 61,775

(22) Other income

	<u>2019</u>	<u>2018</u>
Interest income :		
Bank deposits	\$ 5,662	2,340
Financial assets at amortised cost	364	797
Interest income-Related Parties	3,179	-
Other interest income	65	21
Total interest income	9,270	3,158
Rent income	9,374	271
Dividend income	25,755	16,264
Others	15,235	10,351
	<u>\$ 59,634</u>	<u>\$ 30,044</u>

(23) Other gains and losses

	<u>2019</u>	<u>2018</u>
Gains(Losses) on disposals of property, plant and equipment	\$ 1,916	(\$ 33,489)
Gains(Loss) on disposal of investments	22,121	( 649)
Currency exchange gains(loss)	( 8,287)	12,654
Gains(Loss) on financial assets at fair value through profit or loss	354,635	( 12,430)
Reversal of impairment	-	3,735
Other expenses	( 768)	( 6,236)
Other Non-operating loss- Investment Property Depreciation	( 679)	-
	<u>\$ 368,938</u>	<u>(\$ 36,415)</u>

(24) Finance costs

	2019	2018
Interest expense	\$ 16,792	\$ 4,508
Less: Qualified assets Amount capitalised	( 943)	-
Other finance expense	-	1,065
	<u>\$ 15,849</u>	<u>\$ 5,573</u>

(25) Expenses by nature

	2019	2018
Employee benefit expenses	\$ 658,368	\$ 395,903
Depreciation charges on property, plant and equipment	279,470	146,423
Amortisation charges on intangible assets	7,779	3,131

(26) Employee benefit expense

	2019	2018
Wages and salaries	\$ 464,334	\$ 344,067
Employee stock options	109,628	-
Labour and health insurance fees	37,534	23,865
Pension costs	25,806	13,456
Other personnel expenses	21,066	14,515
	<u>\$ 658,368</u>	<u>\$ 395,903</u>

A. According to the Articles of Incorporation of the Company, the current year's profit shall be used first to cover accumulated deficit, if any, and then the remaining balance shall be distributed as follows: no less than 10% as employees' compensation, and no more than 2% as directors' remuneration.

B. For the years ended December 31, 2019 and 2018, employees' compensation were accrued at \$53,404 and \$25,965, respectively; directors' and supervisors' remuneration were accrued at \$10,522 and \$5,108, respectively. The aforementioned amounts were recognized in salary expenses.

The employees' compensation and directors' remuneration amounting to \$25,965 and \$5,108, respectively, for 2018 as resolved by the Board of Directors were in agreement with the amounts recognized in the 2018 financial statements. The employees' compensation and directors' remuneration will be distributed in cash.

Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of

Directors during its meeting is available at the Market Observation Post System website.

(27) Income tax

A. Income tax expense

Components of income tax expense:

	<u>2019</u>	<u>2018</u>
<b>Current tax:</b>		
Current tax on profits for the year	\$ 46,886	\$ 36,083
Tax on undistributed surplus earnings	1	-
Previous income tax low (high) estimate	<u>601</u>	<u>( 1,616)</u>
Total current tax	<u>47,488</u>	<u>34,467</u>
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	15,089	24,344
Impact of change in tax rate	<u>-</u>	<u>( 985)</u>
Total deferred tax	<u>15,089</u>	<u>23,359</u>
Income tax expense	<u>\$ 62,577</u>	<u>\$ 57,826</u>

B. Reconciliation between income tax expense and accounting profit

	<u>2019</u>	<u>2018</u>
Tax calculated based on profit before tax and statutory tax rate	\$ 228,289	(\$ 23,445)
Effect disallowed by tax regulation	( 206,327)	50,359
Taxable loss not recognised as deferred tax assets	19,027	26,560
Effect from investment tax credits	( 3,084)	( 11,652)
Change in assessment of realisation of deferred tax assets	24,070	18,605
Prior year income tax (over) underestimation	601	( 1,616)
Effect from changes in tax regulation	-	( 985)
Tax on undistributed surplus earnings	<u>1</u>	<u>-</u>
Income tax expense	<u>\$ 62,577</u>	<u>\$ 57,826</u>

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

2019						
	January 1	Business combination	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	December 31
Deferred tax assets:						
-Temporary differences:						
Loss on inventory	\$ 4,587	\$ -	(\$ 841)	\$ -	\$ -	\$ 3,746
Unrealised exchange loss	6	-	1,327	-	-	1,333
Other	645	-	(645)	-	-	-
Total	<u>\$ 5,238</u>	<u>\$ -</u>	<u>(\$ 159)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,079</u>
Deferred tax liabilities:						
-Temporary differences:						
Unrealised exchange gain	( 899)	-	178	-	-	( 721)
Investment tax credits	( 16,290)	( 62)	( 15,108)	-	-	( 31,460)
Total	<u>( 17,189)</u>	<u>( 62)</u>	<u>( 14,930)</u>	<u>-</u>	<u>-</u>	<u>( 32,181)</u>
	<u>(\$ 11,951)</u>	<u>(\$ 62)</u>	<u>(\$ 15,089)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 27,102)</u>
2018						
	January 1	Business combination	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	December 31
Deferred tax assets:						
-Temporary differences:						
Loss on inventory	\$ 1,879	\$ -	\$ 2,708	\$ -	\$ -	\$ 4,587
Allowance for bad debts	3,010	-	( 3,010)	-	-	-
Investment tax credits	4,900	-	( 4,900)	-	-	-
Unrealised pensions	4,490	-	( 4,490)	-	-	-
Unrealised exchange loss	311	-	( 305)	-	-	6
Other	12,427	-	( 11,782)	-	-	645
Total	<u>\$ 27,017</u>	<u>\$ -</u>	<u>(\$ 21,779)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,238</u>
Deferred tax liabilities:						
-Temporary differences:						
Unrealised exchange gain	( 145)	-	( 754)	-	-	( 899)
Other	( 15,464)	-	( 826)	-	-	( 16,290)
Total	<u>( 15,609)</u>	<u>-</u>	<u>( 1,580)</u>	<u>-</u>	<u>-</u>	<u>( 17,189)</u>
	<u>\$ 11,408</u>	<u>\$ -</u>	<u>(\$ 23,359)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 11,951)</u>

D. Expiration dates of unused tax losses and amounts of unrecognized deferred tax assets are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Can deduct temporary differences	\$ 339,383	\$ 483,755

- E. The Company's income tax returns through 2017 have been assessed and approved by the Tax Authority.
- F. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(28) Earnings per share

	2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to the parent	\$ 431,254	196,474	\$ 2.19
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 431,254	196,474	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	1,765	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 431,254	198,239	\$ 2.18
		2018	
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to the parent	\$ 199,203	195,632	\$ 1.02
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 199,203	195,632	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	1,411	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 199,203	197,043	\$ 1.01

The weighted average number of shares outstanding in 2019 and 2018, which has been deducted from the number of shares held by the subsidiary company, Yu Chuan Investment company, which are

regarded as treasury shares of the company (the number of shares is calculated according to the shareholding ratio of the company).

(29) Business combinations

A. The Group acquired 29.55% equity of Aptos Technology INC. On June 28, 2019, Aptos Technology INC. held a shareholders' meeting to select the directors. The company's subsidiary, Youe Chung Capital Corporation was elected as the company's board of directors and obtained control over the company. Thus, the Group included Aptos in the consolidated financial statements from that date.

(A) The following table summarizes the consideration paid for Aptos Technology INC. and the fair values of the assets acquired and liabilities assumed at the acquisition date, as well as the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets at the acquisition date:

	<u>June 28, 2019</u>
Fair value of equity interest in Aptos Technology INC. held before the business combination	\$ 63,427
Non-controlling interests account for the identifiable net assets share of the acquiree	<u>188,826</u>
	<u>252,253</u>
Fair value of the identifiable assets acquired and liabilities assumed	
Cash	86,656
Financial assets at fair value through profit or loss	514
Financial Assets at Amortized Cost	24,638
Contract asset – Cur.	15,503
Accounts Receivables	72,998
Other Receivables	1,235
Tax Assets	144
Inventories	35,257
Other Current Assets	6,899
Financial assets measured at fair value through other comprehensive income – Non Cur.	199
Financial Assets at Amortized Cost – Non Cur.	4,517
Properties, Plants and Equipment	236,516
Right-of-use asset	60,772
Intangible Assets	7,832
Prepayments	1,233
Refundable deposits	4,860
Bank loan	( 131,288)
Contract Liabilities	( 7,138)
Notes Payables	( 66)
Accounts Payables	( 56,475)
Other Payables	( 33,037)
Other Payables – Related Parties	( 333)
Lease liability -Current	( 20,506)
Other Current Liabilities	( 2,209)
Long-Term Liabilities-Current Portion	( 10,563)
Long-term Loans	( 4,670)
Deferred Income Tax	( 62)
Lease liability -Non Current	( 40,273)
Guarantee deposits received	<u>( 900)</u>
Identifiable net assets	<u>\$ 252,253</u>

(B) The fair value of the acquired identifiable properties, plants and equipment and intangible assets are \$236,516 and \$7,832 provisional pending receipt of the final valuations for those

assets.

- (C) The operating revenue included in the consolidated statement of comprehensive income since June 28, 2019 contributed by Aptos Technology INC. was \$259,196 and profit before income tax of (\$98,877). Had Aptos Technology INC. been consolidated from January 1, 2019, the consolidated statement of comprehensive income would show operating revenue of \$3,739,553 and profit before income tax of \$318,471.
- B. In August, 2018, the Group acquired 65.35% equity of Wei Da Hi-Tech Co., Ltd. in cash of \$ 191,710 and obtained control of the company. The main business items of the company are research, design and development of display panel control chips and their modules, manufacturing and sales. The Group expects to combine semiconductor industry resources and expand its business scale after the acquisition.
- (A) The following table summarizes the consideration paid for Wei Da Hi-Tech Co., Ltd. and the fair values of the assets acquired and liabilities assumed at the acquisition date, as well as the fair value of the non-controlling interest at the acquisition date:

	<u>Merger date</u>
<b>Purchase consideration</b>	
Purchase consideration-Cash	\$ 191,710
Non-controlling interests account for the identifiable net assets share of the acquiree	<u>77,107</u>
	<u>268,817</u>
<b>Fair value of the identifiable assets acquired and liabilities assumed</b>	
Cash	107,824
Accounts Receivables	32,147
Other Receivables	1,704
Inventories	50,274
Other Current Assets	5,620
Properties, Plants and Equipment	4,357
Intangible Assets	52,255
Other Non-Current Assets	938
Accounts Payables	( 19,705)
Other Payables	( 10,995)
Other Current Liabilities	( 1,788)
Other Non-Current Liabilities	<u>( 100)</u>
Identifiable net assets	<u>222,531</u>
Goodwill	<u>\$ 46,286</u>

- (B) Fair value of acquired identifiable intangible assets was \$52,255.
- (C) The operating revenue included in the consolidated statement of

comprehensive income since August, 2018 contributed by Weida Hi-Tech Company was \$43,582 and loss before income tax of (\$24,536). Had Weida Hi-Tech Company been consolidated from January 1, 2018, the consolidated statement of comprehensive income would show operating revenue of \$3,047,757 and profit before income tax of \$187,218.

(30) Operating leases

Effective 2018

The Group leases in land and building assets under non-cancellable operating lease agreements. The lease terms to 2034. The Group recognized rental expenses of \$33,823 in profit or loss for the year ended December 31, 2018, respectively.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<u>December 31, 2018</u>
Not later than one year	\$ 15,891
Later than one year but not later than five years	54,954
Later than five years	<u>60,084</u>
	<u>\$ 130,929</u>

(31) Supplemental cash flow information

A. Investing activities with partial cash payments:

	<u>2019</u>	<u>2018</u>
Purchase of property, plant and equipment	\$ 678,764	\$ 184,798
Add: Opening balance of payable on equipment	75,777	11,606
Ending balance of advanced on equipment	186,606	133,635
Less: Opening balance of advanced on equipment	( 133,635)	( 48,644)
Ending balance of payable on equipment	<u>( 103,845)</u>	<u>( 75,777)</u>
Cash paid during the year	<u>\$ 703,667</u>	<u>\$ 205,618</u>

B. Innova Vision INC. issued new shares to increase cash on May 3, 2019. The Group did not apply for the shareholding ratio, resulting in 17.81% of its comprehensive shareholding and loss of control over the subsidiary (please refer to Note 4(3) B. (Note 2)). The details of the consideration received from the transaction and assets and liabilities relating to the subsidiary are as follows:

	<u>May 3, 2019</u>	
Innova Vision INC. Assets and Liabilities Book Value		
Cash	\$	25,037
Notes Receivables		36
Accounts Receivables		29,328
Other Receivables		20
Inventories		159,656
Prepayments		2,774
Other Current Assets		1,125
Properties, Plants and Equipment		25,314
Right-of-use asset		19,525
Intangible Assets		558
Other Non-Current Assets		22,194
Contract Liabilities	(	7,443)
Notes Payables	(	53)
Accounts Payables	(	17,598)
Other Payables	(	41,068)
Other Payables—Related Parties	(	168,177)
Lease liability -Current	(	6,139)
Other Current Liabilities	(	40,781)
Lease liability -Non Current	(	2,691)
Guarantee deposits received	(	67)
Total Net Assets	<u>\$</u>	<u>1,550</u>

(32) Changes in liabilities from financing activities

	Short-term	Long-term	Lease	Guarantee	Total
	<u>borrowings</u>	<u>borrowings</u>	<u>obligations</u>	<u>Deposits</u>	<u>liabilities from</u>
				<u>Received</u>	<u>financing</u>
					<u>activities</u>
January 1, 2019	\$ 591,000	\$ -	\$ 348,133	\$ 3,223	\$ 942,356
Changes in cash					
flow from financing	82,650	436,383	( 37,157)	( 2,512)	479,364
Acquired a					
subsidiary Control					
change	131,288	15,233	60,779	900	208,200
Loss of subsidiary					
Control change	-	-	( 8,830)	( 67)	( 8,897)
Interest Expenses	-	-	4,118	-	4,118
Interest Paid	-	-	( 4,118)	-	( 4,118)
Other non-cash					
changes	-	-	68,466	-	68,466
December 31, 2019	<u>\$ 804,938</u>	<u>\$ 451,616</u>	<u>\$ 431,391</u>	<u>\$ 1,544</u>	<u>\$ 1,689,489</u>

	Short-term borrowings	Long-term borrowings	Deposits received	Total liabilities from financing activities
January 1,2018	\$ 81,253	\$ 26,303	\$ 94	\$ 107,650
Changes in cash flow from financing	509,747	( 26,303)	3,029	486,473
Changes in acquisition of subsidiaries	-	-	100	100
December 31, 2018	<u>\$ 591,000</u>	<u>\$ -</u>	<u>\$ 3,223</u>	<u>\$ 594,223</u>

## 7、RELATED PARTY TRANSACTIONS

### (1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Group</u>
Weida Hi-Tech	The general manager of the company is the chairman of the company (note1)
WishRich Technology Co., Ltd.	The director of the subsidiary of the company is the chairman of the company (note2)
Innova Vision INC.	The company is a director of the company(note3)
Advanced Silicon SA	The chairman of the subsidiary of the company is the director of the company
Maxchip Electronics Corporation	The director of the company is the vice chairman of the company
Other Related Parties	General manager of the company

Note1: Merged into the Group in September, 2018.

Note2: The chairman of the company resigned as a director of the company's subsidiary in December 2018.

Note3: The Group loss of control over Innova Vision INC. and significant influence in May 2019, but still keep a member of direct.

### (2) Significant related party transactions

#### A. Operating revenue:

	<u>2019</u>	<u>2018</u>
Sales of goods:		
Other Related Parties	<u>\$ 44,002</u>	<u>\$ 39,800</u>

Goods are sold based on the price lists in force and terms that would be available to third parties.

#### B. Purchases:

	<u>2019</u>	<u>2018</u>
Sales of goods:		
Other Related Parties	\$ <u>                    -</u>	\$ <u>                    63,928</u>

Goods and services are purchased from associates on normal commercial terms and conditions.

C. Receivables from related parties:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Trade receivables:		
Associates	\$ 1,568	\$ 4,178
Other receivables:		
Innova Vision INC.	25,568	-
Other Related Parties	<u>                    -</u>	<u>                    4,636</u>
Total	<u>\$ 27,136</u>	<u>\$ 8,814</u>

D. Payables to related parties:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Accounts payable:		
Other Related Parties	\$ -	\$ -
Other accounts payable:		
Other Related Parties	<u>                    1,432</u>	<u>                    1,003</u>
Total	<u>\$ 1,432</u>	<u>\$ 1,003</u>

E. Property transactions

(A) Acquisition of office equipment

	<u>2019</u>	<u>2018</u>
Other Related Parties	\$ <u>                    -</u>	\$ <u>                    1,790</u>

(B) Acquisition of financial assets

			<u>2018</u>	
	<u>Item</u>	<u>No. of shares</u>	<u>Objects</u>	<u>Consideration</u>
Other Related Parties	Investment under Equity Method	141,103	Weida Hi-Tech CO., LTD.	\$ <u>                    1,646</u>

F. Loans to /from related parties: ( 「 Other Receivables - Related Parties 」 )

Loans to related parties

(A) Outstanding balance

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Innova Vision INC.	\$ <u>                    180,000</u>	\$ <u>                                    -</u>

(B) Interest income

	2019	2018
Innova Vision INC.	\$ 3,179	\$ -

The loans to associates are reimbursement within 1 year and carry interest at 2.616% per annum for the year ended December 31, 2019, respectively.

(三) Key management compensation

	2019	2018
Salaries and short-term employee benefits	\$ 21,941	\$ 20,715
Post-employment benefits	-	20,886
Share-based payment transaction	240	-
Total	\$ 22,181	\$ 41,601

8、PLEGGED ASSETS

The Group's assets pledged as collateral are as follows:

Asset item	Book value		Purpose
	December 31, 2019	December 31, 2018	
Cash in Banks(Financial assets at amortised cost-Non current)	\$ 3,004	\$ -	Long (Short)-term loan and reserves accounts
Time deposits(Financial assets at amortised cost-Non current)	54,254	29,727	Short-term loans, outbound goods guarantees and lease guarantees
Land and buildings	198,314	-	Long-term loan
Machinery and equipment	591,999	-	Long (Short)-term loan
Other equipment	4,491	-	Long (Short)-term loan
	\$ 852,062	\$ 29,727	

9、SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitment

A. Signed but not yet paid equipment maintenance contracts

	December 31, 2019	December 31, 2018
Machine maintenance	\$ 28,355	\$ 33,765

B. Capital expenditures have been contracted but have not yet occurred

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Properties, Plants and Equipment	\$ 44,063	\$ 138,555

C. Operation lease contracts

Please refer to Note 6(9), (10) and (30).

10、 SIGNIFICANT DISASTER LOSS

None.

11、 SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL REPORTING PERIOD

As resolved by the board of meeting on March 17, 2020, the deficit in 2019 shall be compensated by legal reserve for \$252,714, and still waiting for resolved by stockholders meeting. Please refer Note 6(19).

12、 OTHERS

(1) Capital management

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

During the year ended December 31, 2019, the Group's strategy, which was unchanged from 2018, was to maintain the gearing ratio within reasonable security range. The gearing ratios at December 31, 2019 and 2018 were as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Total borrowings	\$ 1,256,554	\$ 591,000
Less: Cash and cash equivalents	( 946,517)	( 563,408)
Net debt	310,037	27,592
Total equity	3,121,458	2,573,811
Total capital	\$ 3,431,495	\$ 2,601,403
Gearing ratio	9.04%	1.06%

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ <u>993,284</u>	\$ <u>731,826</u>
Financial Assets at Amortized Cost		
Cash and cash equivalents	\$ 946,517	\$ 563,408
Financial assets at amortised cost	74,490	84,062
Notes receivable	-	1,277
Accounts receivable	731,104	601,330
Other receivables	222,600	18,243
Guarantee deposits paid	8,727	12,867
	<u>\$ 1,983,438</u>	<u>\$ 1,281,187</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 804,938	\$ 591,000
Notes payable	65	54
Accounts payable	369,827	236,387
Other accounts payable	413,944	288,678
Lease obligations	431,391	-
Lease account payable	-	18,119
Long-term borrowings (including current portion)	451,616	-
Guarantee deposits received	1,544	3,223
	<u>\$ 2,473,325</u>	<u>\$ 1,137,461</u>

B. Financial risk management policies

- (A) The daily operations of the Group are subject to a number of financial risks, including market risks (including exchange rate risk, interest rate risk, and price risk), credit risk and liquidity risk. The Group's overall risk management policy focuses on unpredictable events in the financial markets and seeks to mitigate potential adverse effects on the Group's financial position and financial performance.
- (B) Risk management is carried out by financial department under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks



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

				2019			
				Sensitivity Analysis			
(Foreign currency: functional currency)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income				
<u>Financial assets</u>							
<u>Monetary items</u>							
USD:NTD	1%	\$ 8,264	\$ -				
RMB:NTD	1%	2,493	-				
JPY:NTD	1%	135	-				
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD:NTD	1%	( 2,192)	-				
JPY:NTD	1%	( 646)	-				
				2018			
				Sensitivity Analysis			
(Foreign currency: functional currency)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income				
<u>Financial assets</u>							
<u>Monetary items</u>							
USD:NTD	1%	\$ 1,898	\$ -				
RMB:NTD	1%	2,034	-				
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD:NTD	1%	( 791)	-				
JPY:NTD	1%	( 315)	-				

#### Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.
- ii. The Group mainly invests in equity instruments comprised of shares and open-end funds. The value of equity instruments are susceptible to market price risk arising from uncertainties about future performance of equity markets. Assuming a hypothetical increase of 1% in the price of the aforementioned financial assets

at fair value through profit or loss while the other conditions remain unchanged could increase the Group's non-operating revenue for the year ended December 31, 2019 and 2018 by \$9,933 and \$7,318, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$0 and \$0, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

#### Cash flow and fair value Interest rate risk

- i. The Group's main interest rate risk arises from long (short)-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. For the year ended December 31, 2019 and 2018, the Group's borrowings at variable rate were mainly denominated in New Taiwan dollars and US Dollars.
- ii. The Group's borrowings are measured at amortized cost. The borrowings are periodically contractually reprised and to that extent are also exposed to the risk of future changes in market interest rates.
- iii. If the long (short)-term borrowing short term interest rate had increased/decreased by 1% with all other variables held constant, profit, net of tax for the year ended December 31, 2019 and 2018 would have decreased / increased by \$12,565 and \$5,910, 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 Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost, at fair value through profit or loss and at fair value through other comprehensive income.
- ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. When the individual contract payment is not paid according to

- the expected transaction terms, the default has occurred.
- iv. The Group adopts following assumptions under IFRS 9 to assess whether there has been significant increase in credit risk on that instrument since initial recognition:
    - (i) 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.
    - (ii) For investments in bonds that are traded over the counter, if any external credit rating agency rates these bonds as investment grade, the credit risk of these financial assets is low.
  - v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
    - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
    - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
    - (iii) Adverse changes in national or regional economic conditions that are expected to cause
    - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
  - vi. The Group classifies customer's accounts receivable in accordance with credit risk on trade. The Group applies the modified approach using provision matrix to estimate expected credit loss under the provision matrix basis.
  - vii. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.
  - viii. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2019 and 2018, the provision matrix is as follows:

	Not past due	Up to 30 days	31 to 90 days	91 to 180 days	Over 180 days	Total
<u>December 31, 2019</u>						
Expected loss rate	0.01~1%	0.01~3.22%	0.01~19.02%	0.01~30.16%	1.24~100%	
Total book value	\$ 636,020	\$ 64,111	\$ 32,938	\$ 5,562	\$ 232	738,863
Loss allowance	\$ -	\$ -	(\$ 2,604)	(\$ 5,155)	\$ -	( 7,759)

	Not past due	Up to 30 days	31 to 90 days	91 to 180 days	Over 180 days	Total
<u>December 31, 2018</u>						
Expected loss rate	0.01~1%	0.01~3.89%	0.01~22.98%	0.01~27.27%	7.92~100%	
Total book value	\$ 483,098	\$ 76,987	\$ 32,436	\$ 2,288	\$ 9,301	604,110
Loss allowance	\$ -	\$ -	(\$ 590)	(\$ 174)	(\$ 2,016)	( 2,780)

- ix. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable are as follows:

	<u>2019</u>	
	<u>Accounts receivable</u>	
January 1	\$	2,780
Provision for impairment		7,006
Foreign currency conversion difference	(	130)
Loss of changes in control of subsidiaries	(	1,897)
December 31	\$	<u>7,759</u>
	<u>2018</u>	
	<u>Accounts receivable</u>	
January 1	\$	21,655
Reversal of impairment loss	(	2,753)
Reclassified to other income in this period	(	12,628)
Amount that was written off due to uncollectible	(	2,072)
Reclassified	(	1,422)
December 31	\$	<u>2,780</u>

(C) Liquidity risks

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by the Group financial department. The Group financial department monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii. The surplus cash generated by each operating entities of the Group will be gathered back to the Group financial department. The Group financial department then invests surplus cash in demand deposits, time deposits, financial assets at fair value through profit or loss, financial assets at amortized cost and debt investments in no active market (time deposits with 3-12 months period), choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. As of December 31, 2019 and 2018, the Group held financial assets at monetary market of \$986,482 and \$614,561, respectively. Those are expected to readily generate cash inflows for managing liquidity risk.
- iii. The Group has the following undrawn borrowing facilities:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Floating rate		
Less than 1 year	\$ 833,776	\$ -
Over 1 year	798,573	-
Fixed rate:		
Less than 1 year	-	249,000
Over 1 year	-	-
	<u>\$ 1,632,349</u>	<u>\$ 249,000</u>

iv. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for nonderivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities

	<u>Less than 1</u>	<u>Between 1</u>	<u>Between 2</u>	<u>Over 5</u>
	<u>year</u>	<u>and 2 years</u>	<u>and 5 years</u>	<u>years</u>
December 31, 2019				
<u>Non-derivative financial liabilities</u>				
Short-term borrowings	\$ 804,938	\$ -	\$ -	\$ -
Notes payable	65	-	-	-
Accounts payable	369,827	-	-	-
Other payables	413,944	-	-	-
Lease liability	39,764	32,334	93,926	313,965
Long-term borrowings	20,577	228,611	219,291	-
Guarantee Deposits Received	-	1,544	-	-
	<u>Less than 1</u>	<u>Between 1</u>	<u>Between 2</u>	<u>Over 5</u>
	<u>year</u>	<u>and 2 years</u>	<u>and 5 years</u>	<u>years</u>

December 31, 2018

<u>Non-derivative financial liabilities</u>				
Short-term borrowings	\$ 591,000	\$ -	\$ -	\$ -
Notes payable	54	-	-	-
Accounts payable	236,387	-	-	-
Other payables	288,678	-	-	-
Lease liability	8,987	10,132	-	-
Guarantee Deposits Received	-	3,223	-	-

(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 takes 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.

Level 3: Unobservable inputs for the asset or liability, including financial assets available for sale in the Group.

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, notes and trade receivables, other receivables, short-term borrowings, notes and trade payables, and other payables are reasonably approximate to the fair values.

C. The related information on 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 is as follows:

December 31, 2019	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 899,981	\$ -	\$ 92,803	\$ 992,784
Beneficiary certificate	500	-	-	500
<b>Total</b>	<u>\$ 900,481</u>	<u>\$ -</u>	<u>\$ 92,803</u>	<u>\$ 993,284</u>
December 31, 2018	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	<u>\$ 598,163</u>	<u>\$ -</u>	<u>\$ 133,663</u>	<u>\$ 731,826</u>

D. The methods and assumptions the Group used to measure fair value

are as follows:

- (A) The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	<u>Listed and OTC stocks</u>	<u>Open-end fund</u>
<b>Market quoted price</b>	<b>Closing price</b>	<b>Net asset value</b>

- (B) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the financial reporting date.
- (C) The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheets. The pricing and inputs information used during valuation are carefully assessed and adjusted based on current market conditions.
- (D) The Group adjusted credit risks assessment into fair value calculation of financial and non-financial instruments to reflect the credit risk of counterparty and quality of the Group.
- E. For the years ended December 31, 2019 and 2018, there was no transfer between Level 1 and Level 2.
- F. The following chart is the movement of Level 3 for the years ended December 31, 2019 and 2018:

	<u>Equity securities</u>
January 1, 2019	\$ 133,663
Acquired in the period	65,000
Recognized in profit (loss)	21,094
Sold in the period	( 127,398)
Transfers into level 3	12,464
Transfers out from level 3	( 9,928)
The investment capital is refunded in this period	( 2,092)
December 31, 2019	<u>\$ 92,803</u>

	<u>Equity securities</u>
January 1, 2018	\$ 143,502
Acquired in the period	28,075
The investment capital is refunded in this period	( 16,026)
Reversal of impairment	3,735
Recognized in profit (loss)	( 25,623)
December 31, 2018	<u>\$ 133,663</u>

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

<u>December 31, 2019</u>					
	<u>Fair value</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Nonderivative equity instrument:					
Unlisted shares	\$ 27,803	Net asset value	Net asset value		- The higher the net asset value, the higher the fair value
Unlisted shares	65,000	Discounted cash flow	Long-term revenue growth rate	2.5%	- the higher the long-term revenue growth rate, the higher the fair value;
<u>December 31, 2018</u>					
	<u>Fair value</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Nonderivative equity instrument:					
Unlisted shares	\$ 48,915	Net asset value	Net asset value		- The higher the net asset value, the higher the fair value
Venture capital shares	84,748	Net asset value	Net asset value		- The higher the net asset value, the higher the fair value
Private equity fund					

H. The Group has carefully assessed the valuation models and

assumptions used to measure fair value; therefore, the fair value measurement is reasonable. However, use of different valuation models or assumptions may result in a different outcome. For financial assets and liabilities classified as Level 3, if the factors of assessment changed, then the impact to income or other comprehensive income is:

				December 31, 2019			
				Recognised in profit or loss		Recognised in other comprehensive income	
		Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets							
Equity instrument	Net asset value	± 1%	\$ 278	(\$ 278)	\$ -	\$ -	-
Equity instrument	Long-term revenue growth rate	± 1%	468	( 481)	-	-	-
Total			<u>\$ 746</u>	<u>(\$ 759)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
				December 31, 2018			
				Recognised in profit or loss		Recognised in other comprehensive income	
		Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets							
Equity instrument	Net asset value	± 1%	\$ 1,337	(\$ 1,337)	\$ -	\$ -	-

### 13、 SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

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 (not including subsidiaries, associates and joint ventures): Please refer to table 3.

D. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital: None.

E. Total purchases from or sales to related parties of at least \$100 million or 20% of the paid-in capital: None.

F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.

G. Total purchases from or sales to related parties of at least \$100 million

or 20% of the paid-in capital: None.

H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 4.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to table 5.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 6.

(3) Information on investments in Mainland China

Please refer to table 7.

SEGMENT INFORMATION

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the chief operating decision maker that are used to make strategic decisions.

The basis of the Group's corporate composition, divisional basis and departmental information has not changed significantly during the period

(2) Measurement of segment information

The Group allocates resources based on the adjusted net profit of each department to assess the performance of the operation department.

(3) Segment information

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

For the year ended December 31, 2019 :

	Mask and Semiconductor division	Medical division	Total
Revenue from external customers	\$ 3,422,370	\$ 46,312	\$ 3,468,682
Inter-segment revenue	\$ 157,049	\$ 21,294	\$ 178,343
Total segment revenue	\$ 413,568	(\$ 39,051)	\$ 374,517
Segment income (loss) including:			
Depreciation	(\$ 273,431)	(\$ 6,039)	(\$ 279,470)
Amortisation	(\$ 7,741)	(\$ 38)	(\$ 7,779)
Financial cost	(\$ 15,607)	(\$ 242)	(\$ 15,849)
Interest income	\$ 9,269	\$ 1	\$ 9,270
Recognised investment profit or loss which is adopting equity method	(\$ 45,535)	\$ -	(\$ 45,535)
Segment assets	\$ 5,726,370	\$ -	\$ 5,726,370

For the year ended December 31, 2018 :

	Mask and Semiconductor division	Medical division	Total
Revenue from external customers	\$ 2,724,906	\$ 161,076	\$ 2,885,982
Inter-segment revenue	\$ 218,921	\$ 706	\$ 219,627
Total segment revenue	\$ 328,134	(\$ 124,488)	\$ 203,646
Segment income (loss) including:			
Depreciation	(\$ 120,921)	(\$ 25,502)	(\$ 146,423)
Amortisation	(\$ 2,990)	(\$ 141)	(\$ 3,131)
Financial cost	(\$ 4,861)	(\$ 712)	(\$ 5,573)
Interest income	\$ 2,963	\$ 195	\$ 3,158
Recognised investment profit or loss which is adopting equity method	(\$ 43,946)	\$ -	(\$ 43,946)
Segment assets	\$ 3,559,561	\$ 304,757	\$ 3,864,318

The impact of the Group's initial application of IFRS 16 "Leases" on the department information of the year ended of December 31, 2019 is as follows:

	Mask and Semiconductor division	Medical division	Total
Increase in depreciation expenses	\$ 37,855	\$ 2,693	\$ 40,548
Increase in segment assets	\$ 427,729	\$ -	\$ 427,729
Increase in segment liabilities	\$ 431,391	\$ -	\$ 431,391

(4) Reconciliation for segment income (loss)

Inter-department sales are conducted on a fair-trade basis. External income reported to the chief operating decision is measured in a consistent manner with income in the income statement.

The consolidated profit and loss, assets and liabilities of the relevant departments are consistent with the consolidated profit and loss, consolidated assets and consolidated liabilities, so there is no adjustment information.

(5) Information on products and services

External customer income mainly comes from reticle and semiconductor sales revenue and medical equipment revenue, and related product performance is the same as Note 14 (III)

(6) Geographical information

Geographical information for the years ended December 31, 2019 and 2018 is as follows:

	2019		2018	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 1,961,238	\$ 1,974,505	\$ 1,662,696	\$ 966,369
Asia	1,223,337	143	1,053,309	194
America	9,033	-	143,579	-
Others	275,074	-	26,398	-
Total	\$ 3,468,682	\$ 1,974,648	\$ 2,885,982	\$ 966,563

(7) Major customer information

For the years ended December 31, 2019 and 2018 there was no single external customer's income accounting for 10% of the total combined income.

TAIWAN MASK CORPORATION AND SUBSIDIARIES  
FINANCINGS PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

Table 1

No.	Financing Company	Counterparty	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Interest Rate (%)	Nature for Financing	Transaction Amounts	Reason for Financing	Loss Ending Balance allowanc	Collateral		Financing Limits for Each Borrowing Company	Financing Company's Total Financing Amount Limits	Note
													Item	Value			
0	TAIWAN MASK CORPORATION	Miracle Technology CO., LTD.	Accounts Receivables — Related Parties	Y	\$ 200,000	\$ 200,000	\$ 66,190	2.616%	The need for short-term financing	-	Capital turnover	-	-	-	\$ 1,196,089	\$ 1,196,089	1
0	TAIWAN MASK CORPORATION	Youe Chung Capital Corporation	Accounts Receivables — Related Parties	Y	300,000	300,000	288,000	2.616%	The need for short-term financing	-	Capital turnover	-	-	-	1,196,089	1,196,089	1
0	TAIWAN MASK CORPORATION	Innova Vision INC.	Accounts Receivables — Related Parties	Y	200,000	200,000	180,000	2.616%	The need for short-term financing	-	Capital turnover	-	-	-	1,196,089	1,196,089	1
1	Adi Engineering INC.	Aptos Technology INC.	Accounts Receivables — Related Parties	Y	30,000	30,000	30,000	3%	The need for short-term financing	-	Capital turnover	-	Aptos's Machinery and Other equipment	21,286	30,726	30,726	2

TAIWAN MASK CORPORATION AND SUBSIDIARIES  
 ENDORSEMENTS/GUARANTEES PROVIDED  
 FOR THE YEAR ENDED DECEMBER 31, 2019

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

Table 2

No.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement / Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement / Guarantee Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Remark
		Name	Nature of Relationship											
0	Adl Engineering INC.	Aptos Technology INC.	3	\$ 23,044	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	26.04%	\$ 30,726	N	Y	N	

TAIWAN MASK CORPORATION AND SUBSIDIARIES  
MARKETABLE SECURITIES HELD  
(EXCLUDING INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)  
FOR THE YEAR ENDED DECEMBER 31, 2019

Table 3

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

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	For the nine-month periods ended December 31, 2019				
				Shares	Carrying Value	%	Fair Value	Note
TAIWAN MASK CORPORATION	Wk Technology Fund-Common Stock	-	Financial Asset at Fair Value Through Profit or Loss-Non Cur.	806,400	\$ -	1.89%	\$ -	
TAIWAN MASK CORPORATION	Tech Alliance Corp.-Common Stock	-	Financial Asset at Fair Value Through Profit or Loss-Non Cur.	652,129	-	2.07%	-	
TAIWAN MASK CORPORATION	Furun Investment Co., Ltd.-Common Stock	-	Financial Asset at Fair Value Through Profit or Loss-Non Cur.	1,533,840	15,338	10.53%	15,338	
TAIWAN MASK CORPORATION	Innova Vision INC.-Common Stock	The company is director	Financial Asset at Fair Value Through Profit or Loss-Non Cur.	605,157	6,052	8.65%	6,052	
TAIWAN MASK CORPORATION	Unicon Optical Co., Ltd.-Common Stock	The company is director	Financial Asset at Fair Value Through Profit or Loss-Non Cur.	10,000,000	347,500	5.86%	347,500	
Youe Chung Capital Corporation	Macroblock, INC.-Common Stock	The company is director	Financial Asset at Fair Value Through Profit or Loss-Non Cur.	3,361,609	381,542	8.21%	381,542	
Youe Chung Capital Corporation	P-TWO INDUSTRIES INC.-Common Stock	-	Financial Asset at Fair Value Through Profit or Loss-Non Cur.	1,280,500	38,159	2.43%	38,159	
Youe Chung Capital Corporation	TAIWAN MASK CORPORATION-Common Stock	Parent Company	Financial Asset at Fair Value Through Profit or Loss-Non Cur.	37,081,440	1,227,456	14.67%	1,227,456	
Youe Chung Capital Corporation	Innova Vision INC.-Common Stock	The parent company of the company is a director of the company	Financial Asset at Fair Value Through Profit or Loss-Non Cur.	641,281	6,413	9.16%	6,413	
Youe Chung Capital Corporation	Image Match Design Inc.-Common Stock	-	Financial Asset at Fair Value Through Profit or Loss-Non Cur.	1,300,000	65,000	3.91%	65,000	
Youe Chung Capital Corporation	Unicon Optical Co., Ltd.-Common Stock	The parent company of the company is a director of the company	Financial Asset at Fair Value Through Profit or Loss-Non Cur.	3,821,000	132,780	2.24%	132,780	
Jingjing Investment Co., Ltd.	G-TECH ELECTRONICS LTD.-Common Stock	-	Financial Asset at Fair Value Through Profit or Loss-Non Cur.	1,097,092	-	8.08%	-	
Jingjing Investment Co., Ltd.	MEMCHIP TECHNOLOGY CO., LTD.	-	Financial Asset at Fair Value Through Profit or Loss-Non Cur.	187,915	-	3.13%	-	
Aptos Technology Co., Limited	TOKAI OPTRONICS CO., LTD.-Common Stock	-	Financial assets measured at fair value through other comprehensive income – Non Cur.	350,000	-	0.85%	-	
Aptos Technology Co., Limited	Athentek Holding Inc.-Common Stock	-	Financial assets measured at fair value through other comprehensive income – Non Cur.	1,077,107	-	8.14%	-	
Aptos Technology Co., Limited	TOPFUN TECHNOLOGY INC.-Common Stock	-	Financial assets measured at fair value through other comprehensive income – Non Cur.	100,000	-	9.52%	-	
Adl Engineering INC.	TOKAI OPTRONICS CO., LTD.-Common Stock	-	Financial assets measured at fair value through other comprehensive income – Non Cur.	226,759	-	1.71%	-	
Adl Engineering INC.	Franklin Templeton SAm Asia Pac Bal Acc-Beneficiary Certificate	-	Financial Asset at Fair Value Through Profit or Loss-Cur.	50,000	500	-	529	

TAIWAN MASK CORPORATION AND SUBSIDIARIES  
RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2019

Table 4

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

Company Name	Related Party	Nature or Relationship	Ending Balance	Turnover	Overdue		Amounts received in Subsequent	Loss allowance
					Amount	Action Taken		
TAIWAN MASK CORPORATION	Youe Chung Capital Corporation	Subsidiary	\$ 254,000	-	\$ -	-	\$ 227,000	\$ -
TAIWAN MASK CORPORATION	Innova Vision INC.	Related Parties	205,568	-	22,389	Execution according to repayment plan	32,389	-

TAIWAN MASK CORPORATION AND SUBSIDIARIES  
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2019

Table 5

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

No. (Note 1)	Company Name	Related Party	Nature of Relationship (Note 2)	Intercompany Transactions			Percentage of Consolidated Net Revenue or Total Assets (Note 3)
				Financial Statements Account	Amount	Terms	
0	TAIWAN MASK CORPORATION	Youe Chung Capital Corporation	1	Other receivables	\$ 254,000	Pay by agreed time	4.44%
0	TAIWAN MASK CORPORATION	Youe Chung Capital Corporation	1	Interest income	6,425	Pay by agreed time	0.19%
0	TAIWAN MASK CORPORATION	Miracle Technology CO., LTD.	1	Other receivables	66,190	Pay by agreed time	1.16%
0	TAIWAN MASK CORPORATION	Miracle Technology CO., LTD.	1	Sales	5,402	Month-end 60 days	0.16%
0	TAIWAN MASK CORPORATION	Miracle Technology CO., LTD.	1	Interest income	1,728	Pay by agreed time	0.05%
0	TAIWAN MASK CORPORATION	Miracle Technology CO., LTD.	1	Rental income	1,584	Pay by agreed time	0.05%
0	TAIWAN MASK CORPORATION	Miko Technology co., Ltd.	1	Sales	10,404	Month-end 60 days	0.30%
0	TAIWAN MASK CORPORATION	Miracle International Enterprise(ShanHai) Co., Ltd.	1	Sales	28,638	Month-end 60 days	0.83%
0	TAIWAN MASK CORPORATION	Miracle International Enterprise(ShanHai) Co., Ltd.	1	Trade receivables	8,129	Month-end 60 days	0.14%
0	TAIWAN MASK CORPORATION	Weida Hi-Tech CO., LTD.	1	Rental income	3,300	Pay by agreed time	0.10%
0	TAIWAN MASK CORPORATION	Aptos Technology INC.	1	Rental income	1,901	Pay by agreed time	0.05%
1	Miracle Technology CO., LTD.	Miko Technology co., Ltd.	3	Sales	1,300	Month-end 30 days	0.04%
1	Miracle Technology CO., LTD.	Miko Technology co., Ltd.	3	Other current liabilities	58,728	Pay by agreed time	1.03%
2	Miko Technology co., Ltd.	Miracle International Enterprise(ShanHai) Co., Ltd.	3	Sales	5,890	Month-end 30 days	0.17%
3	Miracle International Enterprise(ShanHai) Co., Ltd.	Sichuan Miracle Power Technology Co., Ltd.	3	Sales	84,244	Month-end 30 days	2.43%
3	Miracle International Enterprise(ShanHai) Co., Ltd.	Sichuan Miracle Power Technology Co., Ltd.	3	Advance payment	17,101	Month-end 30 days	0.30%
4	Touch Hi-Tech	Miko-China Enterprise (Shanghai) Co., Ltd.	3	Sales	12,659	Month-end 30 days	0.36%
5	Aptos Technology INC.	Adl Engineering INC.	3	short-term borrowing	30,000	The same with general	0.52%
6	Adl Engineering INC.	Aptos Technology INC.	3	Endorsements/Guarantee	20,000	The same with general	0.35%

Note 1: TAIWAN MASK CORPORATION and its subsidiaries are coded as follows:

- a. TAIWAN MASK CORPORATION is coded 0.
- b. The subsidiaries are coded consecutively beginning from 1 in the order presented in the table above.

Note 2: Transactions are categorized as follows:

- a. The parent company to subsidiary.
- b. Subsidiary to parent company.
- c. Subsidiary to subsidiary.

Note 3: The transaction amount accounts for the calculation of the combined total revenue or total assets ratio. In the case of assets and liabilities, the ending balance is calculated as the total assets. If it is a profit or loss item,

Note 4: Only transactions with a total amount of NTS1 million or more will be disclosed, and the transaction will not be disclosed separately.

TAIWAN MASK CORPORATION AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)  
FOR THE YEAR ENDED DECEMBER 31, 2019

Table 6

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

Investor Company	Investee Company	Location	Main Businesses	Original Investment Amount		Balance as of December 31, 2019			Net Income (Loss) of the Investee	Share of Profit/Loss of Investee	Note
				December 31, 2019	December 31, 2018	Shares	Percentage of Ownership	Carrying Value			
Taiwan Mask Corporation	SunnyLake Park International Holdings, Inc.	British Virgin Islands	Investing in communication business	103,045	203,026	3,120,000	100%	\$ 5,699	\$ 20,219	\$ 20,219	
Taiwan Mask Corporation	Youe Chung Capital Corporation	Taiwan	Investing in communication business	1,140,000	1,140,000	142,329,470	100%	479,446	681,425	39,560	
Taiwan Mask Corporation	ADVAGENE BIOPHARMA CO., LTD.	Taiwan	Medical, research and development, manufacturing	165,691	165,691	12,549,652	28.27%	76,724	( 91,615)	( 25,969)	
Taiwan Mask Corporation	Miracle Technology CO., LTD.	Taiwan	Electronic component manufacturing, wholesale of electronic materials and precision instruments, power component design, etc.	252,651	252,651	22,955,035	100%	309,025	( 19,478)	( 19,749)	
Taiwan Mask Corporation	Weida Hi-Tech CO., LTD.	Taiwan	Research, design, development, manufacturing and sales of display panel control chips and modules	293,371	293,371	25,510,500	100%	214,130	( 34,718)	( 33,344)	
Youe Chung Capital Corporation	ADVAGENE BIOPHARMA CO., LTD.	Taiwan	Medical, research and development, manufacturing	65,719	65,719	3,550,223	8%	21,704	( 91,516)	( 7,346)	
Youe Chung Capital Corporation	Aptos Technology INC.	Taiwan	Design, packaging and testing of NAND flash memory and solid state hard disk and other related products	134,928	-	33,732,108	38.16%	58,716	( 150,820)	( 70,110)	
Aptos Technology INC.	Adl Engineering INC.	Taiwan	Electronic components	375,809	375,809	6,255,069	52.19%	40,092	( 8,582)	( 4,479)	
Aptos Technology INC.	New Sunrise Limited	Samoa	Investing in communication business	-	-	-	100%	-	-	-	Note
Adl Engineering INC.	Aptos Global Holding Corp.	Seychelles	Investing in communication business	29,795	29,795	10,000,000	100%	-	-	-	
Apotos Global Holding Corp.	Aptos Technology Co., Limited	Hong Kong	Investing in communication business	29,648	29,648	78,000,000	100%	-	-	-	
Miracle Technology CO., LTD.	Jingjing Investment Co., Ltd.	Taiwan	Investing in communication business	10,012	10,012	14,316,212	100%	175,305	21,638	21,638	
Miracle Technology CO., LTD.	Miracle(Samoa)Co., Ltd	Samoa	Investing in communication business	10,215	10,215	-	100%	18,687	( 901)	( 901)	
MIRACLE(SAMOA)CO.,LTD	Misun Technology Co., Ltd	Mauritius	Investing in communication business	10,215	10,215	-	100%	18,687	( 865)	( 865)	
Jingjing Investment Co., Ltd.	Miko Technology Co., Ltd	Hong Kong	Electronic component manufacturing, wholesale of electronic materials and precision instruments, power component design, etc.	37	37	10,000	100%	63,677	377	377	
Weida Hi-Tech CO., LTD.	Smart Touch Co.,Ltd	British Virgin	Investing in communication business	14,602	14,602	9,145	100%	2	-	-	
Weida Hi-Tech CO., LTD.	Central Star Ltd	Seychelles	Investing in communication business	4,076	4,076	129,200	22.30%	-	-	-	
Smart Touch Co.,Ltd	Central Star Ltd	British Virgin	Investing in communication business	13,714	13,714	450,000	77.70%	1	-	-	

Note: As of the end of December 31, 2019, investment amount have not been remitted.

TAIWAN MASK CORPORATION AND SUBSIDIARIES  
INFORMATION ON INVESTMENT IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2019

Table 7

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

Investee Company	Main Businesses	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Beginning Balance of Accumulated Outflow of Investment from Taiwan	Investment Flows		Ending Balance of Accumulated Outflow of Investment from Taiwan	Net Income (Loss) of the Investee Company	Percentage of Ownership (%)	Investment Income (Loss) Recognized in Current Period (Note 2)	Carrying Amount as of December 31, 2019	Ending Balance of Accumulated Inward Remittance of Earnings	Note
					Outflow	Inflow							
Miko-China Enterprise (Shanghai) Co., Ltd.	Electronic component manufacturing, wholesale of electronic materials and precision instruments, power component design, etc.	\$ 3,283	2	\$ 3,283	\$ -	\$ -	\$ 3,283	\$ 36,661	100%	\$ 36,661	\$ 140,911	\$ -	note2(2)B
Miracle International Enterprise(ShanHai) Co., Ltd.	Electronic component manufacturing, wholesale of electronic materials and precision instruments, power component design, etc.	10,215	2	10,215	-	-	10,215	( 900)	100%	( 900)	18,651	-	note2(2)B
Sichuan Miracle Power Touch Hi-Tech	IC product design, production and sales Research, design, development, manufacturing and sales of display panel control chips and modules	32,529 25,684	2 2	- 25,684	- -	- -	- 25,684	( 2,799) 544	100% 100%	( 2,799) 544	21,738 2,492	- -	note2(2)B note2(2)B

Company Name	Ending Balance of Accumulated Investment in Mainland China	Upper Limits on Investment Amounts Authorized by Investment Commission, MOEA	
		Investment Authorized by Investment Commission, MOEA	Investment Authorized by Investment Commission, MOEA
Miko-China Enterprise (Shanghai) Co., Ltd.	\$ 3,283	\$ 3,283	\$ 163,749
Miracle International Enterprise(ShanHai) Co., Ltd.	10,215	10,215	163,749
Sichuan Miracle Power Technology Co., Ltd.	-	-	163,749
Touch Hi-Tech	25,684	25,684	80,950

Note 1 : The methods for engaging in investment in Mainland China include the following:

- a. Direct investment in Mainland China.
- b. Indirectly investment in Mainland China through companies registered in a third region (Please specify the name of the company in third region).
- c. Other methods.

Note 2 : The investment income (loss) recognized in current period: Please specify no investment income (loss) has been recognized due to the investment is still during development stage.

The investment income (loss) were determined based on the following basis:

- a. The financial report was audited and certified by an international accounting firm in cooperation with an R.O.C. accounting firm.
- b. The financial statements was audited and certified by independent auditors of the parent company in Taiwan.
- c. Others.

Note 3: The relevant figures in this table should be listed in NTD.

## **V. Standalone financial report for the most recent fiscal year audited and validated by a certified public accountant**

### 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:

1. Assessed the policy on allowance for inventory valuation loss based on our understanding of the Company' 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 (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 :

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.

## **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	%	
<b>Current assets</b>						
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	<b>Total Current Assets</b>		<u>1,561,615</u>	<u>32</u>	<u>1,162,525</u>	<u>33</u>
<b>Non-Current Assets</b>						
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	<b>Total Non-Current Assets</b>		<u>3,352,297</u>	<u>68</u>	<u>2,370,908</u>	<u>67</u>
1XXX	<b>Total Assets</b>		<u>\$ 4,913,912</u>	<u>100</u>	<u>\$ 3,533,433</u>	<u>100</u>

(Continued)

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

LIABILITIES AND EQUITY	Notes	DECEMBER 31, 2019		DECEMBER 31, 2018		
		AMOUNT	%	AMOUNT	%	
<b>Current Liabilities</b>						
2100	Short Term 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	<b>Total Current Liabilities</b>		<u>1,157,150</u>	<u>23</u>	<u>935,415</u>	<u>27</u>
<b>Non-Current Liabilities</b>						
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	<b>Total Non-Current Liabilities</b>		<u>766,540</u>	<u>16</u>	<u>39,524</u>	<u>1</u>
2XXX	<b>Total Liabilities</b>		<u>1,923,690</u>	<u>39</u>	<u>974,939</u>	<u>28</u>
<b>Equity</b>						
<b>Stock</b>						
3110	Common Stock	6(15)	2,527,136	51	2,527,136	72
<b>Additional Paid-in Capital</b>						
3200	Additional Paid-in Capital	6(16)	322,777	7	169,431	4
<b>Retained Earnings</b>						
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
<b>Other Equities</b>						
3400	Other Equities	6(15)	( 1,872)	-	7,853	-
3500	Treasury Stock	6(15)	( 835,332)	( 17)	( 884,741)	( 25)
3XXX	<b>Total Equities</b>		<u>2,990,222</u>	<u>61</u>	<u>2,558,494</u>	<u>72</u>
<b>Major Commitments and Contingencies</b>						
<b>Major Events after Financial Statement Date</b>						
3X2X	<b>Total Liabilities and Equities</b>		<u>\$ 4,913,912</u>	<u>100</u>	<u>\$ 3,533,433</u>	<u>100</u>

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 <b>Operating Incomes</b>	6(19)	\$ 1,658,131	100	\$ 1,448,393	100
5000 <b>Operating Costs</b>	6(5)	( 1,144,949)	( 69)	( 977,165)	( 67)
5900 <b>Gross Income from Operations</b>		<u>513,182</u>	<u>31</u>	<u>471,228</u>	<u>33</u>
<b>Operating Expenses</b>					
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 <b>Total Operating Expenses</b>		<u>( 278,489)</u>	<u>( 17)</u>	<u>( 183,665)</u>	<u>( 13)</u>
6900 <b>Operating Gain &amp; Loss</b>		<u>234,693</u>	<u>14</u>	<u>287,563</u>	<u>20</u>
<b>Non-Operating Incomes and Losses</b>					
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 <b>Total Non-Operating Incomes and Losses</b>		<u>230,133</u>	<u>14</u>	<u>( 61,955)</u>	<u>( 4)</u>
7900 <b>Earnings (Loss) Before Tax</b>		464,826	28	225,608	16
7950 Income Tax Expense (Benefit)	6(25)	( 33,572)	( 2)	( 26,405)	( 2)
8000 <b>Profit from continuing operations for the year</b>		<u>431,254</u>	<u>26</u>	<u>199,203</u>	<u>14</u>
8200 <b>Net Income (Loss)</b>		<u>\$ 431,254</u>	<u>26</u>	<u>\$ 199,203</u>	<u>14</u>
<b>Other comprehensive income</b>					
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
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		<u>( 1,139)</u>	<u>-</u>	<u>406</u>	<u>-</u>
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361 Financial statement translation differences of foreign operations	6(18)	( 7,059)	-	402	-
8360 <b>Total Components of other comprehensive income that will be reclassified to profit or loss</b>		<u>( 7,059)</u>	<u>-</u>	<u>402</u>	<u>-</u>
8500 <b>Total Comprehensive Incomes (Losses)</b>		<u>\$ 423,056</u>	<u>26</u>	<u>\$ 200,011</u>	<u>14</u>
<b>Basic Gain (Loss) per Share</b>					
9750 <b>Net Gain (Loss)</b>	6(26)	<u>\$ 2.19</u>		<u>\$ 1.02</u>	
<b>Diluted Gain or Loss per Share</b>					
9850 <b>Net Gain (Loss)</b>	6(26)	<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			Treasury Stock	Total 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		
<b>2018/1/1-2018/12/31</b>										
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	<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>
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	<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>
<b>2019/1/1-2019/12/31</b>										
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	<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>

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)

	Notes	2019	2018
<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)

	Notes	2019	2018
<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.

TAIWAN MASK CORPORATION  
NOTES TO SEPARATE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,  
EXCEPT AS OTHERWISE INDICATED)

1、HISTORY AND ORGANISATION

TAIWAN MASK CORPORATION (TMC or the Company) was established in the Republic of China (R.O.C.) on 1988/10/21 and first operated in March, 1989. Based on the resolution made on 2000/6/12 shareholders' meeting, TMC merged Shin-Tai Corporation on 2000/12/1. The company's main business items are mask research, development, manufacturing, sales and supply of technical support, consulting, inspection and repair services of the aforementioned products

2、THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These separate financial statements were authorized for issuance by the Board of Directors on March 17, 2020.

3、APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments to IFRSs as endorsed by the FSC effective from 2019 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 9, "Prepayment features with negative compensation"	January 1, 2019
IFRS 16, "Leases"	January 1, 2019
Amendments to IAS 19, "Plan amendment, curtailment or settlement"	January 1, 2019
Amendments to IAS 28, "Long-term interests in associates and joint ventures"	January 1, 2019
IFRIC 23, "Uncertainty over income tax treatments"	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment:

## IFRS 16, "Leases"

- A. IFRS 16, "Leases", replaces IAS 17, "Leases" and related interpretations and Standing Interpretations Committee (SICs). The standard requires lessees to recognize a "right-of-use asset" and a lease liability (except for those leases with terms of 12 months or less and leases of low value assets). Lessor accounting still uses the dual classification approach: operating lease and finance lease, and only increases the related disclosures.
- B. When applying the version of the International Financial Reporting Standards, International Accounting Standards, Interpretation and Interpretation (hereinafter referred to as IFRSs), which is recognized by Financial Supervisory Commission, the Company expects to recognize the lease contract of lessees in line with IFRS 16. Accordingly, on January 1, 2019, the Company will have to increase 'right-of-use asset' by \$336,011 and increase lease liability by \$337,017, respectively
- C. The Company has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:
  - (A) Reassessment as to whether a contract is, or contains, a lease is not required, and instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.
  - (B) The use of single discount rate to a portfolio of leases with reasonably similar characteristics.
  - (C) The exclusion of initial direct costs for the measurement of 'right-of-use asset'.
  - (D) The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- D. The Company calculated the present value of lease liabilities by using the incremental borrowing interest rate which ranging from 1.136% to 2.63%.
- E. The Company recognized lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate and lease liabilities recognized as of January 1, 2019 is as follows:

Operating lease commitments disclosed under IAS 17 as of December 31, 2018	\$ 127,688
Add: Lease payable recognised under finance lease by applying IAS 17 as at December 31, 2018	7,339
Less: Low-value assets	( 804)
Add/Less: Adjustments as a result of a different treatment of extension and termination options	<u>318,408</u>
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019	<u>\$ 452,631</u>
Incremental borrowing interest rate at the date of initial application	1.136%~2.63%
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	<u>\$ 337,017</u>

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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 IFRS 7, "Interest rate benchmark reform"	January 1, 2020

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) International Financial Reporting Standards 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:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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, 2021
Amendments to IAS 1, "Classification of liabilities as current or noncurrent"	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 consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

##### (1) Compliance statement

These separate financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Statements by Securities Issuers".

##### (2) Basis of preparation

A. Except for the following items, the separate 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) Defined benefit liabilities recognized 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 Financial Supervisory Commission, R.O.C. requires IFRSs and International Accounting Standard the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

##### (3) Foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity

operates (the “ functional currency ” ). The separate financial statements are presented in “ New Taiwan Dollars (NTD)” , 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 premeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized 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 recognized 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 recognized in other comprehensive income. However, nonmonetary 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 other foreign exchange gains and losses based on the nature of those transactions 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 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.

(C) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

(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 realized, 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 realized 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 amortized 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 recognized and derecognized using trade date accounting.

C. At initial recognition, the Company measures the financial assets at fair

value and recognizes the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.

D. The Company recognizes 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 amortized cost

A. Financial assets at amortized 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. 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.

(7) 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.

(8) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortized cost including accounts receivable or contract assets that have a significant financing component and lease receivables, at each reporting date, the Company recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes 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 recognizes the impairment provision for lifetime ECLs.

(9) Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(10) Leasing arrangements (lessor) – operating leases

Lease income from an operating lease (net of any incentives given to the

lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(11) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the 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 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 realizable value. Net realizable 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 / associates and subsidiaries

- A. Subsidiaries are all entities (including structured entity) 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. Unrealized gains on transactions between the Company and its subsidiaries are eliminated to the extent of the Company's interest in the subsidiaries. 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 recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company should continue to recognize losses in proportion to its ownership.
- D. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transaction with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
- E. When the Company loses control of a subsidiary, the Company re-measures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial

recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss, on the same basis as would be required if all the related assets or liabilities were disposed of. That is, other comprehensive income in relation to the subsidiary should be reclassified to profit or loss.

- F. 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 recognized at cost.
- G. The Company's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized 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 recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- H. 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 recognizes the Company's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- I. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized 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.
- J. 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 recognized 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.

K. According to “ Regulations Governing the Preparation of Financial Reports by Securities Issuers ” , profit and other comprehensive income in the separate financial statements should be the same as profit and other comprehensive income attributable to shareholders of the parent in the consolidated financial statements, and the equity in the separate financial statements should be the same as the equity attributable to shareholders of the parent in the consolidated financial statements.

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset’s carrying amount or recognized 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 derecognized. 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. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. 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 depreciated separately.
- 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	5~56years
Machinery and equipment	5~14years
Transportation equipment	years
Utility equipment	3~6years

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

Effective 2019

- A. Leases are recognized 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 recognized 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 fixed payment, less any lease incentives receivable. The Company subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is re-measured and the amount of re-measurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
  - (A) The amount of the initial measurement of lease liability,
  - (B) Any lease payments made at or before the commencement date,
  - (C) Any initial direct costs incurred by the lessee, and
  - (D) Estimated cost of requisitioning, removing the underlying asset and restoring its location, or restoring the underlying asset to the state required by the terms and conditions of the lease.

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

(15) Leased assets/ operating leases

Effective 2018

- A . Based on the terms of a lease contract, a lease is classified as a finance lease if the Group assumes substantially all the risks and rewards incidental to ownership of the leased asset.
  - (A) A finance lease is recognised as an asset and a liability at the lease' s commencement at the lower of the fair value of the leased asset or the present value of the minimum lease payments.
  - (B) The minimum lease payments are apportioned between the finance charges and the reduction of the outstanding liability. The finance charges are allocated to each period over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.
  - (C) Property, plant and equipment held under finance leases are depreciated over their estimated useful lives. If there is no

reasonable certainty that the Group will obtain ownership at the end of the lease, the asset shall be depreciated over the shorter of the lease term and its useful life.

- B. Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(16) Intangible assets

Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 3 years.

(17) Impairment of non-financial assets

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 recognized 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 amortized historical cost would have been if the impairment had not been recognized.

(18) Borrowings

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

(19) Notes and accounts 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.

(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 recognized as expense in that period when the employees render service.

B. Pensions

(A) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(B) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized 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 government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.
- ii. Re-measurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognized immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognizes expense as it can no longer withdraw an offer of termination benefits or it recognizes 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' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognized 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) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at the end of the financial reporting period. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

(22) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized 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 recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, 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 realized or the deferred tax liability is settled.

- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.

(23) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. 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.

(24) 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.

(25) Revenue recognition

- A. The Company manufacturing and selling of Mask. Sales are recognized 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. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Company does not adjust the transaction price to reflect the time value of money.
- C. A receivable is recognized when the goods are delivered 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 separate 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; and the related information is addressed below:

### (1) Critical judgments in applying the Company's accounting policies

None.

### (2) Critical accounting estimates and assumptions

#### Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the Company must determine the net realizable 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 realizable 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 2019, the carrying amount of inventories was \$137,745.

## 6、 DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>January 1, 2018</u>
Demand deposits	\$ 320,237	\$ 179,950	\$ 107,273
Time deposits	<u>161,720</u>	<u>24,800</u>	<u>-</u>
Total	<u>\$ 481,957</u>	<u>\$ 204,750</u>	<u>\$ 107,273</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 equivalents pledged to others.

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

Items	December 31, 2019	December 31, 2018
Non-current items:		
Financial assets mandatorily measured at fair value through profit		
Listed and OTC stocks	\$ 150,000	\$ 199,533
Unlisted and non-OTC stocks	36,402	32,442
	186,402	231,975
Valuation adjustment	182,488	( 37,876)
Total	\$ 368,890	\$ 194,099

A. Amounts recognized in profit or loss in relation to financial assets at fair value through profit or loss is listed below:

	2019	2018
Financial assets mandatorily measured at fair value through profit or loss		
Listed and OTC stocks	\$ 222,908	(\$ 29,253)
Unlisted and non-OTC stocks	5,582	3,768
Beneficiary certificates	-	14
Total	\$ 228,490	(\$ 25,471)

B. The Company has no financial assets at fair value through profit or loss pledged to others.

C. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2) and (3).

(3) Financial assets at amortized cost

Items	December 31, 2019	December 31, 2018
Current item:		
Time deposits	\$ 3,000	\$ 25,000
Non-current items:		
Time deposits	\$ 29,418	\$ 29,413

A. Amounts recognized in profit or loss in relation to financial assets at amortized cost is listed below:

	2019	2018
Interest income	\$ 190	\$ 797

B. As of December 31, 2019 and 2018, 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 amortized cost held by the Company were \$32,418 and \$54,413, respectively.

C. Details of the Group's financial assets at amortized cost pledged to others as collateral are provided in Note 8.

(4) Notes and accounts receivable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Notes receivable	\$ -	\$ 1,151
Accounts receivable	\$ 369,881	\$ 338,069
Accounts receivable - related parties	8,970	6,762
	<u>378,851</u>	<u>344,831</u>
Less: Loss allowance	( 1,568)	( 776)
	<u>\$ 377,283</u>	<u>\$ 344,055</u>

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

	<u>December 31, 2019</u>		<u>December 31, 2018</u>	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 301,945	\$ -	\$ 262,325	\$ 1,151
Less than 30 days	60,809	-	70,170	-
Between 31 and 90 days	13,552	-	11,816	-
Between 91 and 180 days	2,545	-	498	-
More than 181 days	-	-	22	-
	<u>\$ 378,851</u>	<u>\$ -</u>	<u>\$ 344,831</u>	<u>\$ 1,151</u>

The above ageing analysis was based on past due date.

- B. As of December 31, 2019 and 2018, the balances of receivables (including notes receivable) from contracts with customers. As of January 1, 2018, the balances of receivables amounted to \$261,531, respectively.
- C. As of December 31, 2019 and 2018, 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 were \$377,283 and \$344,055, respectively.
- D. Information about credit risk of notes and accounts receivable is provided in Note 12(2).

(5) Inventories

	December 31, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 107,188	(\$ 5,125)	\$ 102,063
Work in process	4,026	-	4,026
Finished goods	31,656	-	31,656
Total	<u>\$ 142,870</u>	<u>(\$ 5,125)</u>	<u>\$ 137,745</u>

	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 99,364	(\$ 4,966)	\$ 94,398
Work in process	10,608	-	10,608
Finished goods	23,318	-	23,318
Total	<u>\$ 133,290</u>	<u>(\$ 4,966)</u>	<u>\$ 128,324</u>

The cost of inventories recognized as expense for the period:

	2019	2018
Cost of sold inventory	\$ 1,144,790	\$ 987,756
Allowance(reversal) for valuation and obsolescence loss	<u>159</u>	<u>( 10,591)</u>
	<u>\$ 1,144,949</u>	<u>\$ 977,165</u>

The Company's inventory portion prepared for the depreciation loss in the previous period has been sold, resulting in a rebound in the net realizable value of the inventory and recognition as a decrease in the cost of goods sold.

(6) Investments accounted for using equity method

	December 31, 2019	December 31, 2018
SunnyLake Park International Holdings, Inc.	\$ 5,699	\$ 84,774
Youe Chung Capital Corporation	479,446	413,877
Innova Vision INC.	-	12,301
Advagene Biopharma Co., Ltd.	76,724	98,808
Miracle Technology CO., LTD.	309,025	313,715
Weida Hi-tech	214,130	233,623
	<u>\$ 1,085,024</u>	<u>\$ 1,157,098</u>

A. Information about the Company's subsidiaries is provided in Note

4(3) of the 2019 consolidated financial statements.

- B. The company did not subscribe for the share capital of the company's employee stock options in accordance with the shareholding ratio in June, 2018. In addition, the company purchased 2,679,652 shares of the company in cash at \$66,991 in October, 2018. °
- C. From August to October, 2018, the Company acquired 100% equity of Wei Da Hi-Tech Co., Ltd. in cash of \$ 293,371 and obtained control of Wei Da Hi-Tech Co., Ltd. Information about Wei Da Hi-Tech Co., Ltd. is provided in Note 6(29) of the 2019 consolidated financial statements.
- D. Innova Vision INC. issued new shares to increase cash on May 3, 2019. The Company did not apply for the shareholding ratio, resulting in 17.81% of its comprehensive shareholding and loss of control over the company. Therefore, the Company stopped to use equity method to Innova Vision INC. Please refer to Note 6 (31) of the 2019 consolidated financial statements.

(7) Property, plant and equipment

	Buildings (Land)	Machinery and equipment	Transportation	Office Equipment	Construction in progress and equipment under installation	Total
January 1, 2019						
Cost	\$ 1,482,944	\$ 1,955,719	\$ 11,727	\$ 19,372	\$ 15,346	\$ 3,485,108
Accumulated depreciation and impairment	( 997,953)	( 1,619,623)	( 4,177)	( 8,221)	-	( 2,629,974)
	<u>\$ 484,991</u>	<u>\$ 336,096</u>	<u>\$ 7,550</u>	<u>\$ 11,151</u>	<u>\$ 15,346</u>	<u>\$ 855,134</u>
<u>2019</u>						
January 1	\$ 484,991	\$ 336,096	\$ 7,550	\$ 11,151	\$ 15,346	\$ 855,134
Acquisitions	22,080	386,836	-	943	243,563	653,422
Disposals-Cost	( 506,556)	( 796,857)	-	( 5,080)	-	( 1,308,493)
Disposals-Accumulated depreciation	506,556	796,857	-	5,080	-	1,308,493
Depreciation	( 38,508)	( 88,592)	( 365)	( 3,828)	-	( 131,293)
Reclassifications-Cost	4,304	-	( 9,538)	-	( 5,265)	( 10,499)
Reclassifications- Accumulated depreciation	-	-	3,204	-	-	3,204
December 31	<u>\$ 472,867</u>	<u>\$ 634,340</u>	<u>\$ 851</u>	<u>\$ 8,266</u>	<u>\$ 253,644</u>	<u>\$ 1,369,968</u>
December 31, 2019						
Cost	\$ 1,002,772	\$ 1,545,698	\$ 2,189	\$ 15,235	\$ 253,644	\$ 2,819,538
Accumulated depreciation	( 529,905)	( 911,358)	( 1,338)	( 6,969)	-	( 1,449,570)
	<u>\$ 472,867</u>	<u>\$ 634,340</u>	<u>\$ 851</u>	<u>\$ 8,266</u>	<u>\$ 253,644</u>	<u>\$ 1,369,968</u>

	Buildings (Land)	Machinery and equipment	Transportation	Office Equipment	Construction in progress and equipment under installation	Total
January 1, 2018						
Cost	\$ 1,439,964	\$ 1,882,717	\$ 8,092	\$ 11,707	\$ 10,666	\$ 3,353,146
Accumulated depreciation	( 960,474)	( 1,546,637)	( 608)	( 4,720)	-	( 2,512,439)
	<u>\$ 479,490</u>	<u>\$ 336,080</u>	<u>\$ 7,484</u>	<u>\$ 6,987</u>	<u>\$ 10,666</u>	<u>\$ 840,707</u>
<u>2018</u>						
January 1	\$ 479,490	\$ 336,080	\$ 7,484	\$ 6,987	\$ 10,666	\$ 840,707
Acquisitions	42,394	73,002	3,635	7,665	5,266	131,962
Depreciation	( 37,479)	( 72,986)	( 3,569)	( 3,501)	-	( 117,535)
Reclassifications	586	-	-	-	( 586)	-
December 31	<u>\$ 484,991</u>	<u>\$ 336,096</u>	<u>\$ 7,550</u>	<u>\$ 11,151</u>	<u>\$ 15,346</u>	<u>\$ 855,134</u>
December 31, 2018						
Cost	\$ 1,482,944	\$ 1,955,719	\$ 11,727	\$ 19,372	\$ 15,346	\$ 3,485,108
Accumulated depreciation	( 997,953)	( 1,619,623)	( 4,177)	( 8,221)	-	( 2,629,974)
	<u>\$ 484,991</u>	<u>\$ 336,096</u>	<u>\$ 7,550</u>	<u>\$ 11,151</u>	<u>\$ 15,346</u>	<u>\$ 855,134</u>

A. Amount of borrowing costs capitalized as part of property, plant and equipment and the range of the interest rates for such capitalization are as follows:

	2019	2018
Amount capitalised	\$ 943	\$ -
Range of the interest rates for capitalisation	1.797%	

- B. The significant components of buildings include main land, building and factory, which is/are depreciated over 3 and 56 years, respectively.
- C. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.
- D. The property, plant and equipment of the Company are used for their own use.

(8) Leasing arrangements - lessee

Effective 2019

- A. The Company leases various assets including lands, buildings and transportation equipment. Rental contracts are typically made for periods of 3 to 20 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. Short-term leases with a lease term of 12 months or less comprise other equipment. Low-value assets comprise other equipment.
- C. The carrying amount of right-of-use assets and the depreciation are as follows:

	<u>December 31, 2019</u>	<u>2019</u>
	<u>Book value</u>	<u>Depreciation</u>
Land	\$ 313,911	\$ 11,564
Buildings	2,506	871
Transportation	3,154	3,179
	<u>\$ 319,571</u>	<u>\$ 15,614</u>

- D. As of the year ended December 31, 2019, the reduced to right-of-use assets was \$826.
- E. The information on income and expense accounts relating to lease contracts is as follows:

	<u>2019</u>
<u>Items affecting profit or loss</u>	
Interest expense of lease liabilities	\$ 3,846
Expenses of leases of low-value assets	311

- F. As of the year ended December 31, 2019, the Company's total cash outflow for leases was \$17,135, respectively.
- G. Lease extension option and lease termination option

When the Company determines the lease term, it considers all the facts and circumstances in which the exercise of the option is extended or the termination of the option does not result in an economic incentive. The lease period will be re-estimated when a significant event occurs that affects the exercise of the extension option or the non-exercise termination option.

(9) Leasing arrangements – lessor

Effective 2019

- A. The underlying assets leased by the Company are construction. The

duration of the lease contract is usually between 1 and 5 years. The lease contract is negotiated separately and contains various terms and conditions. In order to preserve the use of leased assets, the lessee is usually required not to use the leased assets as a loan guarantee.

B. The maturity date of the Company's undiscounted lease payments leased under operating leases is as follows:

	<u>December 31, 2019</u>
2020	\$ 6,151
2021	4,884
2022	4,884
2023	3,806
Total	<u>\$ 19,725</u>

(10) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31 2019</u>	<u>Interest rate range</u>	<u>Collateral</u>
Credit borrowings	\$ <u>700,000</u>	1.05%~1.797%	NA
<u>Type of borrowings</u>	<u>December 31 2018</u>	<u>Interest rate range</u>	<u>Collateral</u>
Credit borrowings	\$ <u>591,000</u>	1.138%~1.35%	NA

Interest expense recognized in profit or loss amounted to \$9,817 and \$3,187 for the years ended December 31, 2019 and 2018, respectively.

(11) Other Payables

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Salary and Wages Payable	22,637	21,543
Employee Bonus Payable and Commensation Due to Directors	79,393	31,073
Balance Payable-Machinery and Equipment	100,062	75,620
Machine Maintenance Payable	28,355	33,765
Others	73,204	69,519
	<u>\$ 303,651</u>	<u>\$ 231,520</u>

(12) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2019
Bank borrowings secured borrowings	According to the agreed period in installments and repayment from August 26, 2019 to August 26, 2022.	1.797%	Guaranteed buildings, machine equipment (note)	\$ 414,427
Credit borrowings	According to the agreed period in installments and repayment from December 20, 2019 to August 12, 2022.	1.658%	NA	30,000
				<u>444,427</u>
Less: Current portion of long-term borrowings				( 9,000)
				<u>\$ 435,427</u>

Note: According to the loan contract requirements of banks, the Company should maintain a specific net debt ratio and interest solvency every six months during the duration of the loan.

As of December 31, 2018: None.

(13) Finance lease liabilities

Effective 2018

The Company leases in transportation under finance lease. Future minimum lease payments and their present values for the year ended December 31, 2018 are as follows:

	December 31, 2018		
	Total finance lease liabilities	Future finance charges	Present value of finance lease liabilities
<u>Current</u>			
Not later than one year	\$ 2,411	(\$ 166)	\$ 2,245
<u>Non-current</u>			
Later than one year but not later than five years	5,200	( 106)	5,094
Over five years	-	-	-
	<u>5,200</u>	<u>( 106)</u>	<u>5,094</u>
	<u>\$ 7,611</u>	<u>(\$ 272)</u>	<u>\$ 7,339</u>

(14) Pensions

A. (A) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, 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 Act. 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 contributes 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 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 will make contributions for the deficit by next March.

(B) The amounts recognized in the balance sheet are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Determine the present value of the welfare obligation (\$	24,072)	(\$ 26,622)
Project equity fair value	<u>4,957</u>	<u>7,054</u>
Net defined benefit liability	<u>(\$ 19,115)</u>	<u>(\$ 19,568)</u>

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

	Determine the present value of the welfare obligation	Project equity fair value	Net defined benefit liability
2019			
January 1	(\$ 26,622)	\$ 7,054	(\$ 19,568)
Current service costs	( 120)	-	( 120)
Interest (expense) income	( 299)	82	( 217)
	( 27,041)	7,136	( 19,905)
Recognized:			
Plan assets rewards (not including amount of interest income and expense)	-	222	222
Effect from financial assumption differences	( 1,012)	-	( 1,012)
Effect from demographic assumption differences	( 203)	-	( 203)
Experience adjustment	1,429	-	1,429
	214	222	436
Deposited retirement fund	-	354	354
Pension benefits	2,755	( 2,755)	-
December 31	<u>(\$ 24,072)</u>	<u>\$ 4,957</u>	<u>(\$ 19,115)</u>

	Determine the		
	present value of the welfare obligation	Project equity fair value	Net defined benefit liability
2018			
January 1	(\$ 32,996)	\$ 6,584	(\$ 26,412)
Current service costs	( 264)	-	( 264)
Interest (expense) income	( 370)	85	( 285)
	( 33,630)	6,669	( 26,961)
Recognized:			
Plan assets rewards (not including amount of interest income and expense)	-	176	176
Effect from financial assumption	( 435)	-	( 435)
Effect from demographic assumption differences	( 87)	-	( 87)
Experience adjustment	321	-	321
	( 201)	176	( 25)
Deposited retirement fund	-	532	532
Pension benefits	7,209	( 323)	6,886
December 31	(\$ 26,622)	\$ 7,054	(\$ 19,568)

(D) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization 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 utilization 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 are less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has

no right to participate in managing and operating that fund and hence the Company is 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, 2018 and 2017 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

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

	<u>2019</u>	<u>2018</u>
Discount rate	<u>0.8%</u>	<u>1.125%</u>
Future salary increase rate	<u>2.125%</u>	<u>2.125%</u>

The assumptions of future mortality in 2019 and 2018 are estimated according to the Taiwan Annuity Insurance Life 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 increase rate</u>	
	<u>Increase by 0.25%</u>	<u>Reduced by 0.25%</u>	<u>Increase by 0.25%</u>	<u>Reduced by 0.25%</u>
December 31, 2019				
Impact on determining the present value of welfare obligations	(\$ <u>786</u> )	<u>\$ 820</u>	<u>\$ 790</u>	(\$ <u>762</u> )
December 31, 2018				
Impact on determining the present value of welfare obligations	(\$ <u>876</u> )	<u>\$ 915</u>	<u>\$ 884</u>	(\$ <u>852</u> )

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analyzing 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, 2020 amount to \$354.

(G) As of December 31, 2019, the weighted average duration of the retirement plan is 15 years.

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. Under the New Plan, the Company and its domestic subsidiaries contribute 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 year ended December 31, 2019 and 2018 were \$7,007 and \$6,371, respectively.

(15) Share capital

- A. As of December 31, 2019, the Company's authorized capital was \$5,000,000, consisting of 500,000,000 shares of common stock (including 20,000,000 shares which were reserved for employee stock options), and the paid-in capital was \$2,527,136, with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows:

	Unit: share in thousands	
	2019	2018
January 1	195,632	195,632
Treasury shares to be reissued to employees	2,768	-
December 31	<u>198,400</u>	<u>195,632</u>

B. Treasury shares

- (A) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows:

Shares held by	Reason for reacquisition	December 31, 2019	
		(Expressed in thousands of shares)	Book value
Subsidiary-			
Youe Chung Capital Corporation	Subsidiary holds shares of the company	37,081	\$ 527,678
Taiwan Mask Corporation	To be reissued to employees	17,232	307,654
		<u>54,313</u>	<u>\$ 835,332</u>

		December 31, 2018	
		(Expressed in thousands of shares)	
Shares held by	Reason for reacquisition	of shares	Book value
Subsidiary-			
Youe Chung Capital Corporation	Subsidiary holds shares of the company	37,081	\$ 527,678
Taiwan Mask Corporation	To be reissued to employees	20,000	357,063
		<u>57,081</u>	<u>\$ 884,741</u>

- (B) The book value of the company's treasury shares is NT\$17.85 per share. As of December 31, 2019, the company has transferred 20,000 shares of the treasury shares bought back to the employees and immediately acquired them on the date of the grant. But the transfer process still on going.
- (C) The Company's remuneration costs incurred for the transfer of treasury shares from January 1 to December 31, 2019 were \$84,922.
- (D) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus.
- (E) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.
- (F) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within three years from the reacquisition date and shares not reissued within the three-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.
- (G) Subsidiary-Youe Chung Company holds TMC stocks as treasury shares processing. AS of December 31, 2019 and 2018, Youe Chung Company held 37,081 and 37,081 thousand shares, with an average book value of \$14.23 per share. The fair values per share were \$34.45 and \$18.35. The transfer of treasury stock costs is based on the book value of the shares held by Youe Chung Company in each period, based on the indirect shareholding ratio of the Company.

(16) Capital surplus

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 capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient. Detail of capital surplus as below:

	Recognition of changes in			Changes in equity of affiliated companies		Total
	Treasury shares	ownership interest in subsidiaries	Employee stock options	companies	Other	
January 1, 2019	\$ 145,471	\$ 16,904	\$ 7,056	\$ -	\$ -	\$ 169,431
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)
Equity method Recognition Affiliates						
Number of changes	-	15,684	( 7,056)	9,181	-	17,809
Share-based payment transaction	11,476	-	98,152	-	-	109,628
Shareholders failed to receive dividends	-	-	-	-	316	316
December 31, 2019	<u>\$ 187,873</u>	<u>\$ 27,255</u>	<u>\$ 98,152</u>	<u>\$ 9,181</u>	<u>\$ 316</u>	<u>\$ 322,777</u>

	Recognition of changes in			Total
	Treasury shares	ownership interest in subsidiaries	Employee stock options	
January 1, 2018	\$ 145,471	\$ 62,959	\$ 4,518	\$ 212,948
Adjustment of the shareholding ratio of the invested company	- (	7,484)	2,538	( 4,946)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	- (	38,571)	-	( 38,571)
December 31, 2018	<u>\$ 145,471</u>	<u>\$ 16,904</u>	<u>\$ 7,056</u>	<u>\$ 169,431</u>

(17) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall

be set aside as legal reserve. When such legal reserve amounts to the total authorized capital, the Company shall not be subject to this requirement. The Company may then appropriate or reverse a certain amount as special reserve according to the demand for the business or relevant regulations. After the distribution of earnings, the remaining earnings and prior years' undistributed earnings may be appropriated according to a resolution of the Board of Directors adopted in the shareholders' meeting.

- B. To well design a long term financial plan and stabilize the operation, the company chose a residual dividend policy to plan the future capital fund needs based on capital investment budget. First to appropriate the retained earnings to get capital funds fulfilled and residual earnings will be paid off as dividends. The steps are:
  - (A) Define an optimized capital budget.
  - (B) Define the fund needs to fulfill one capital budget.
  - (C) Define how much fund shall be fulfilled by retained earnings. (Unfulfilled part shall be fulfilled by fund raising or bond issuing.)
  - (D) To reserve a certain amount of residual earnings, then dividends shall be paid off to shareholders. According to the dividend policy of the company, cash dividend ratio shall not be lower than 20% of total dividends.
- C. Except for covering accumulated deficit, increasing capital or payment of cash in proportion to ownership percentage, the legal reserve shall not be used for any other purpose. The amount capitalized or the cash payment shall be limited to the portion of legal reserve which exceeds 25% of the paid-in capital.
- D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the end of the financial reporting period before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- E. As resolved by the borad of meeting on March 17, 2020, the deficit in 2019 shall be compensated by legal reserve for \$252,714, and still waiting for resolved by stockholders meeting.
- F. On June 11, 2019, the Board of Directors proposed to stockholders meeting that total dividends for the distribution of earnings for the year of 2018 were \$194,083 at \$0.834 (in dollars) per share.

(18) Other equity items

	2019		
	Unrealized evaluation gains and losses	Foreign currency translation	Total
January 1	\$ -	\$ 7,853	\$ 7,853
Valuation adjustment	( 2,666)	-	( 2,666)
Foreign currency conversion difference:	-	( 7,059)	( 7,059)
December 31	<u>(\$ 2,666)</u>	<u>\$ 794</u>	<u>(\$ 1,872)</u>

	2018		
	Unrealized evaluation gains and losses	Foreign currency translation	Total
January 1	\$ 3,756	\$ 7,451	\$ 11,207
Effect on retrospective application	( 3,756)	-	( 3,756)
Foreign currency conversion difference:	-	402	402
December 31	<u>\$ -</u>	<u>\$ 7,853</u>	<u>\$ 7,853</u>

(19) Operating revenue

	2019	2018
Revenue from contracts with customers	<u>\$ 1,658,131</u>	<u>\$ 1,448,393</u>

A. Disaggregation of revenue from contracts with customers

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:

2019	Mask
Revenue from external customer contracts	<u>\$ 1,658,131</u>
Timing of revenue recognition	
At a point in time	<u>\$ 1,658,131</u>

<u>2018</u>	<u>Mask</u>
Revenue from external customer contracts	\$ <u>1,448,393</u>
Timing of revenue recognition	
At a point in time	\$ <u>1,448,393</u>

B. Contract liabilities

(A) The Company has recognized the following revenue-related contract liabilities:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>January 1, 2018</u>
Contract liability	\$ <u>6,310</u>	\$ <u>21,857</u>	\$ <u>20,296</u>

(B) Initial contract liabilities recognized income in the current period:

	<u>2019</u>	<u>2018</u>
The revenue recognized from the beginning balance of contract liability	\$ <u>16,222</u>	\$ <u>10,466</u>

(20) Other income

	<u>2019</u>	<u>2018</u>
Interest income :		
Bank deposits	\$ 2,054	\$ 300
Financial assets at amortised cost	190	797
Interest income		
Interest income-Related Parties	12,805	6,368
Other interest income	31	21
Total interest income	<u>15,080</u>	<u>7,486</u>
Rent income	7,982	9,968
Dividend income	4,095	4,170
Others	10,703	8,474
	<u>\$ 37,860</u>	<u>\$ 30,098</u>

(21) Other gains and losses

	<u>2019</u>	<u>2018</u>
Gains(Losses) on disposals of property, plant and equipment	\$ 8,126	\$ 47
Currency exchange gains(loss)	( 4,673)	6,154
Gains(Loss) on financial assets at fair value through profit or loss	220,364	( 29,253)
Reversal of impairment loss(Impairment loss) recognised in profit or loss, financial	-	3,735
Other expenses	-	( 391)
	<u>\$ 223,817</u>	<u>(\$ 19,708)</u>

(22) Finance costs

	<u>2019</u>	<u>2018</u>
Interest expense	\$ 15,316	\$ 3,187
Less: Qualified assets Amount capitalised	( 943)	-
Other finance expense	-	353
	<u>\$ 14,373</u>	<u>\$ 3,540</u>

(23) Expenses by nature

	<u>2019</u>	<u>2018</u>
Employee benefit expenses	\$ 334,135	\$ 204,944
Depreciation charges on property, plant and equipment	146,907	117,535
Amortisation charges on intangible assets	1,972	897

(24) Employee benefit expense

	<u>2019</u>		<u>2018</u>
Wages and salaries	\$ 219,135	\$	178,068
Employee stock options	84,922		-
Labour and health insurance fees	15,205		12,741
Pension costs	7,344		6,920
Other personnel expenses	7,529		7,215
	<u>\$ 334,135</u>	\$	<u>204,944</u>

A. According to the Articles of Incorporation of the Company, the current year's profit shall be used first to cover accumulated deficit, if any, and then the remaining balance shall be distributed as follows: no less than 10% as employees' compensation, and no more than 2% as directors' remuneration.

B. For the years ended December 31, 2019 and 2018, employees' compensation were accrued at \$53,404 and \$25,965, respectively; directors' and supervisors' remuneration were accrued at \$10,522 and \$5,108, respectively. The aforementioned amounts were recognized in salary expenses.

The employees' compensation and directors' remuneration amounting to \$25,965 and \$5,108, respectively, for 2018 as resolved by the Board of Directors were in agreement with the amounts recognized in the 2018 financial statements. The employees' compensation and directors' remuneration will be distributed in cash.

Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors during its meeting is available at the Market Observation Post System website.

(25) Income tax

A. Income tax expense

Components of income tax expense:

	<u>2019</u>	<u>2018</u>
Current tax:		
Current tax on profits for the year	\$ 34,251	\$ 17,981
Tax on undistributed surplus earnings	1	-
Previous income tax low (high) estimate	<u>601</u>	<u>( 1,858)</u>
Total current tax	<u>34,853</u>	<u>16,123</u>
Deferred tax:		
Origination and reversal of temporary differences	( 1,281)	11,939
Impact of change in tax rate	<u>-</u>	<u>( 1,657)</u>
Total deferred tax	<u>( 1,281)</u>	<u>10,282</u>
Income tax expense	<u>\$ 33,572</u>	<u>\$ 26,405</u>

B. Reconciliation between income tax expense and accounting profit:

	<u>2019</u>	<u>2018</u>
Tax calculated based on profit before tax and statutory tax rate	\$ 92,965	\$ 45,122
Tax on undistributed surplus earnings	1	-
Effect from investment tax credits	( 3,084)	-
Profit disallowed by tax regulation	( 56,810)	( 6,322)
Change in assessment of realisation of deferred tax assets	( 101)	( 8,880)
Prior year income tax (over) underestimation	601	( 1,858)
Effect from changes in tax regulation	<u>-</u>	<u>( 1,657)</u>
Income tax expense	<u>\$ 33,572</u>	<u>\$ 26,405</u>

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

		2019				
		January 1	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	December 31
Temporary differences:						
-Deferred tax assets:						
Unrealised exchange loss		6	1,042	-	-	1,048
Total		<u>\$ 6</u>	<u>\$ 1,042</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,048</u>
-Deferred tax liabilities:						
Unrealised exchange gain		<u>(\$ 899)</u>	<u>\$ 239</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 660)</u>
Total		<u>(\$ 893)</u>	<u>\$ 1,281</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 388</u>
		2018				
		January 1	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	December 31
Temporary differences:						
-Deferred tax assets:						
Foreign operating institutions investment gains and losses		\$ 4,900	(\$ 4,900)	\$ -	\$ -	\$ -
Net defined benefit liability		4,490	( 4,490)	-	-	-
Unrealised exchange loss		144	( 138)	-	-	6
Total		<u>\$ 9,534</u>	<u>(\$ 9,528)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6</u>
-Deferred tax liabilities:						
Unrealised exchange gain		<u>(\$ 145)</u>	<u>(\$ 754)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 899)</u>
Total		<u>\$ 9,389</u>	<u>(\$ 10,282)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 893)</u>

D. Expiration dates of unused tax losses and amounts of unrecognized deferred tax assets are as follows:

	December 31, 2019	December 31, 2018
Can deduct temporary differences	<u>\$ 106,043</u>	<u>\$ 148,468</u>

E. The Company's income tax returns through 2017 have been assessed and approved by the Tax Authority.

F. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February, 2018, the Company's applicable income tax rate was raised from 17%

to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(26) Earnings per share

	2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to the parent	\$ 431,254	196,474	\$ 2.19
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 431,254	196,474	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	1,765	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 431,254	198,239	\$ 2.18
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to the parent	\$ 199,203	195,632	\$ 1.02
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 199,203	195,632	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	1,411	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 199,203	197,043	\$ 1.01

The weighted average number of shares outstanding in 2019 and 2018, which has been deducted from the number of shares held by the subsidiary company, Yu Chuan Investment company, which are

regarded as treasury shares of the company (the number of shares is calculated according to the shareholding ratio of the company).

(27) Operating leases

Effective 2018

The Company leases in land and building assets under non-cancellable operating lease agreements. The lease terms to 2034. The Company recognized rental expenses of \$14,661 in profit or loss for the year ended December 31, 2018, respectively.

	<u>December 31, 2018</u>
No more than 1 year	\$ 13,521
More than 1 year but not more than 5 years	54,084
More than 5 years	<u>60,083</u>
	<u>\$ 127,688</u>

(28) Supplemental cash flow information

Investing activities with partial cash payments:

	<u>2019</u>	<u>2018</u>
Acquisition of property, plant and equipment	\$ 653,422	\$ 131,962
Plus: Equipment payable at the beginning of the period	75,620	4,629
Prepayment equipment at end of the period	173,122	131,048
Less: Equipment payable at the end of the period	( 100,062)	( 75,620)
Prepaid equipment at the beginning of the period	<u>( 131,048)</u>	<u>( 45,828)</u>
Cash payment in the current period	<u>\$ 671,054</u>	<u>\$ 146,191</u>

(29) Changes in liabilities from financing activities

	<u>Short-term</u>	<u>Long-term</u>	<u>Lease</u>	<u>Guarantee</u>	<u>Total</u>
	<u>borrowings</u>	<u>borrowings</u>	<u>obligations</u>	<u>Deposits</u>	<u>liabilities</u>
				<u>Received</u>	<u>from</u>
					<u>financing</u>
					<u>activities</u>
January 1, 2019	\$ 591,000	\$ -	\$ 337,017	\$ 36	\$ 928,053
Changes in cash flow	109,000	444,427	( 12,978)	974	541,423
from financing					
Interest Expenses	-	-	3,846	-	3,846
Interest Paid	-	-	( 3,846)	-	( 3,846)
Other non-cash	-	-	( 826)	-	( 826)
changes					
December 31, 2019	<u>\$ 700,000</u>	<u>\$ 444,427</u>	<u>\$ 323,213</u>	<u>\$ 1,010</u>	<u>\$ 1,468,650</u>

	<u>Short-term</u>	<u>Deposits</u>	<u>Total liabilities</u>
	<u>borrowings</u>	<u>received</u>	<u>from financing</u>
			<u>activities</u>
January 1, 2018	\$ -	\$ 27	\$ 27
Changes in cash flow	591,000	9	591,009
from financing			
December 31, 2018	<u>\$ 591,000</u>	<u>\$ 36</u>	<u>\$ 591,036</u>

## 7、RELATED PARTY TRANSACTIONS

### (1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Group</u>
Miracle Technology CO., LTD.	Subsidiary
Miracle International Enterprise(ShanHai) Co., Ltd.	Subsidiary
Weida Hi-Tech	Subsidiary
Youe Chung Capital Corporation	Subsidiary
Aptos Technology INC.	Sub-Subsidiary (Note1)
MIKO Technology Company LTD	Sub-Subsidiary
Innova Vision Kabushiki Kaisha	The company is a director of the company's parent company (Note2)
Innova Vision INC.	The company is a director of the company (Note2)
Maxchip Electronics Corporation	The director of the company is the chairman of the company
MACROBLOCK, INC.	The company's subsidiaries are directors of the company
Other Related Parties	President

Note1: On June 28, 2019, Aptos Technology INC. held a shareholders' meeting to select the directors. The company's subsidiary, Youe Chung Capital Corporation was elected as the company's board of directors and obtained substantial control over the company. Thus, Aptos became sub-subsidiary from that date.

Note2 : The Group loss of control over Innova Vision INC. and significant influence in May 2019, but still keep a member of direct.

### (2) Significant related party transactions

#### A. Operating revenue:

	<u>2019</u>	<u>2018</u>
Sales of goods:		
Subsidiary	\$ 6,076	\$ 9,821
Sub-subsidiary	39,043	49,321
Other Related Parties	528	7,730
	<u>\$ 45,647</u>	<u>\$ 66,872</u>

Goods are sold based on the price lists in force and terms that would be available to third parties.

#### B. Purchases:

	<u>2019</u>	<u>2018</u>
Purchases of goods:		
Subsidiaries	\$ <u><u>                    -</u></u>	\$ <u><u>                    635</u></u>

Goods and services are purchased from associates on normal commercial terms and conditions.

C. Receivables from related parties:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Trade receivables:		
Subsidiaries	\$ <u><u>                    757</u></u>	\$ <u><u>                    626</u></u>
Sub-subsidiary	<u><u>                    8,129</u></u>	<u><u>                    5,810</u></u>
Other related parties	<u><u>                    84</u></u>	<u><u>                    326</u></u>
Total	<u><u>                    8,970</u></u>	<u><u>                    6,762</u></u>
Other receivables:		
Subsidiaries	<u><u>                    457</u></u>	<u><u>                            -</u></u>
Innova Vision INC.	<u><u>                   25,568</u></u>	<u><u>                   16,236</u></u>
	<u><u>                   26,025</u></u>	<u><u>                   16,236</u></u>
Total	<u><u>                   34,995</u></u>	<u><u>                   22,998</u></u>

D. Payables to related parties:

	<u>2019</u>		<u>2018</u>	
	<u>Account balance</u>	<u>Interest income</u>	<u>Account balance</u>	<u>Interest income</u>
Subsidiaries:				
Miracle Technology CO.,	\$ <u><u>          66,190</u></u>	\$ <u><u>          1,728</u></u>	\$ <u><u>          65,780</u></u>	\$ <u><u>          905</u></u>
Youe Chung Capital	<u><u>          254,000</u></u>	<u><u>          6,425</u></u>	<u><u>          138,000</u></u>	<u><u>          2,282</u></u>
Innova Vision INC.	<u><u>                    -</u></u>	<u><u>          1,473</u></u>	<u><u>          166,710</u></u>	<u><u>          3,181</u></u>
Other related parties:				
Innova Vision INC.	<u><u>          180,000</u></u>	<u><u>          3,179</u></u>	<u><u>                    -</u></u>	<u><u>                    -</u></u>
Total	<u><u>          500,190</u></u>	<u><u>          12,805</u></u>	<u><u>          370,490</u></u>	<u><u>          6,368</u></u>

The conditions for related companies and subsidiaries are loans and repayment within one year. Interests are charged at an annual interest rate of 2.616% in 2019 and 2018.

E. Property transactions:

(A) Acquisition of office equipment:

	<u>2019</u>	<u>2018</u>
Other related party	<u><u>                    -</u></u>	<u><u>                    1,790</u></u>

(B) Acquisition of financial assets:

	Item	No. of shares	Objects	2018 Consideration
Other Related Parties	Investment under Equity Method	141,103	Weida Hi-Tech CO., LTD.	\$ 1,646

F. Others

	2019	2018
Deposits received: Sub-subsidiary	\$ 950	\$ -
Rental income: Subsidiary	4,884	9,968
Sub-subsidiary	1,901	-
	\$ 6,785	\$ 9,968

The company leases buildings to subsidiaries and sub-subsidiary. The lease contract period is from 2018 to 2023 years, and the rental income is collected monthly.

(3) Key management compensation

	2019	2018
Salaries and short-term employee benefits	\$ 8,983	\$ 10,749
Post-employment benefits	-	20,886
Share-based payment transaction	240	-
Total	\$ 9,223	\$ 31,635

8、PLEDGED ASSETS

The Company's assets pledged as collateral are as follows:

Asset item	Book value		Purpose
	December 31, 2019	December 31, 2018	
Time deposits(Financial assets at amortised cost-Non current)	\$ 29,418	\$ 29,413	Outbound cargo guarantee and lease deposit
Land and buildings	198,314	-	Long-term borrowings
Machinery and equipment	530,872	-	Long-term borrowings
	\$ 758,604	\$ 29,413	

9、 SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A. Signed but not yet paid equipment maintenance contracts

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Machine maintenance	\$ 28,355	\$ 33,765

B. Capital expenditures have been contracted but have not yet occurred

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Property, plant and equipment	\$ 44,063	\$ 138,555

C. Operation lease contracts

Please refer to Note 6(8), (9) and (27).

10、 SIGNIFICANT DISASTER LOSS

None.

11、 SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL REPORTING PERIOD

As resolved by the board of meeting on March 17, 2020, the deficit in 2019 shall be compensated by legal reserve for \$252,714, and still waiting for resolved by stockholders meeting. Please refer to Note6(17).

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 consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

During the year ended December 31, 2019, the Company's strategy, which was unchanged from 2018, was to maintain the gearing ratio within reasonable security range. The gearing ratios at December 31, 2019 and 2018 were as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Total Loans	\$ 1,144,427	\$ 591,000
Less: Cash and cash equivalents	( 481,957)	( 204,750)
Net debt	662,470	386,250
Total equity	<u>2,990,222</u>	<u>2,558,494</u>
Total capital	<u>\$ 3,652,692</u>	<u>\$ 2,944,744</u>
Debts ratio	<u>18.14%</u>	<u>13.12%</u>

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	<u>\$ 368,890</u>	<u>\$ 194,099</u>
Financial Assets at Amortized Cost		
Cash and cash equivalents	\$ 481,957	\$ 204,750
Financial assets at amortised cost	32,418	54,413
Notes receivable	-	1,151
Accounts receivable	377,283	344,055
Other receivables	533,212	394,442
Guarantee deposits paid	3,078	3,170
	<u>\$ 1,427,948</u>	<u>\$ 1,001,981</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 700,000	\$ 591,000
Accounts payable	95,876	66,879
Other accounts payable	303,651	231,520
Lease obligations	323,213	-
Lease account payable	-	7,339
Long-term borrowings (including current portion)	444,427	-
Guarantee deposits received	1,010	36
	<u>\$ 1,868,177</u>	<u>\$ 896,774</u>

B. Financial risk management policies

(A) The daily operations of the Company are subject to a number of financial risks, including market risks (including exchange rate

risk, interest rate risk, and price risk), credit risk and liquidity risk. The Company's overall risk management policy focuses on unpredictable events in the financial markets and seeks to mitigate potential adverse effects on the Company's financial position and financial performance.

- (B) Risk management is carried out by financial department under policies approved by the Board of Directors. Group 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 and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(A) Market risks

i. Foreign exchange risk

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

(Foreign currency: functional currency)	December 31, 2019			
	Foreign currency		Book value	
	amount	Exchange rate	(NTD)	
Financial assets				
<u>Monetary items</u>				
USD:NTD	USD	14,778	29.98 \$	443,046
JPY:NTD	JPY	48,841	0.2760	13,480
Financial liabilities				
<u>Monetary items</u>				
USD:NTD	USD	2,710	29.98 \$	81,256
JPY:NTD	JPY	233,984	0.2760	64,580

<b>(Foreign currency: functional currency)</b>	December 31, 2018				
	Foreign currency amount		Exchange rate	Book value (NTD)	
Financial assets					
<u>Monetary items</u>					
USD:NTD	USD	6,037	30.715	\$	185,412
JPY:NTD	JPY	66,040	0.2782		18,372
Financial liabilities					
<u>Monetary items</u>					
USD:NTD	USD	2,378	30.715	\$	73,027
JPY:NTD	JPY	113,352	0.2782		31,534

ii. The total exchange gain (loss), including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2019 and 2018, amounted to (\$4,673) and \$6,154.

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

<b>(Foreign currency: Functional assets)</b>	2019		
	Sensitivity Analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 4,430	\$ -
JPY:NTD	1%	135	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	(\$ 813)	-
JPY:NTD	1%	( 646)	-

		2018		
		Sensitivity Analysis		
		Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<b>functional currency)</b>				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$	1,854	\$ -
JPY:NTD	1%		184	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	(\$	730)	-
JPY:NTD	1%	(	315)	-

Price risk

- i. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss.
- ii. The Company mainly invests in equity instruments comprised of shares and open-end funds. The value of equity instruments are susceptible to market price risk arising from uncertainties about future performance of equity markets. Assuming a hypothetical increase of 1% in the price of the aforementioned equity instruments at fair value through profit or loss while the other conditions remain unchanged could reduce the Company's net income after tax for the year ended December 31, 2019 and 2018 by \$3,689 and \$1,941, respectively.

Cash flow and fair value Interest rate risk

- i. The Company's main interest rate risk arises from long (short)-term borrowings with variable rates, which expose the Company to cash flow interest rate risk. For the year ended December 31, 2019 and 2018, the Company's borrowings at variable rate were mainly denominated in New Taiwan dollars.
- ii. The Company's borrowings are measured at amortized cost. The borrowings are periodically contractually reprised and to that extent are also exposed to the risk of future changes in market interest rates.
- iii. If the long (short)-term borrowing short term interest rate had increased/decreased by 1% with all other variables held constant, profit, net of tax for the year ended December 31, 2019 and 2018 would have decreased / increased by \$11,444 and \$5,910, 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.
- ii. The Company manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. According to the 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. When the individual contract payment is not paid according to the expected transaction terms, the default has occurred.
- iv. The Company adopts following assumptions under IFRS 9 to assess whether there has been significant increase in credit risk on that instrument since initial recognition:
  - (i) 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.
  - (ii) For investments in bonds that are traded over the counter, if any external credit rating agency rates these bonds as investment grade, the credit risk of these financial assets is low.
- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
  - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
  - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
  - (iii) Default or delinquency in interest or principal repayments;
  - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vi. The Company classifies customer's accounts receivable in

accordance with credit risk on trade. The Company applies the modified approach using provision matrix to estimate expected credit loss under the provision matrix basis.

vii. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights.

viii. The Company used the forecastability of to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2019 and 2018, the provision matrix is as follows:

	<u>Not past due</u>	<u>Up to 30 days</u>	<u>31 to 90 days</u>	<u>91 to 180 days</u>	<u>Over 180 days</u>	<u>Total</u>
<u>December 31, 2019</u>						
Expected loss rate	0.01%	3.22%	19.02%	22.57%	50%~100%	
Total book value	\$ 301,945	\$ 60,809	\$ 13,552	\$ 2,545	\$ -	\$ 378,851
Loss allowance	\$ -	\$ -	(\$ 677)	(\$ 891)	\$ -	(\$ 1,568)
	<u>Not past due</u>	<u>Up to 30 days</u>	<u>31 to 90 days</u>	<u>91 to 180 days</u>	<u>Over 180 days</u>	<u>Total</u>
<u>December 31, 2018</u>						
Expected loss rate	0.01%	3.89%	22.98%	27.27%	50%~100%	
Total book value	\$ 262,325	\$ 70,170	\$ 11,816	\$ 498	\$ 22	\$ 344,831
Loss allowance	\$ -	\$ -	(\$ 591)	(\$ 174)	(\$ 11)	(\$ 776)

xi. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable are as follows:

	<u>2019</u>	
	<u>Accounts receivable</u>	
January 1	\$	776
Provision for impairment		792
December 31	\$	<u>1,568</u>
	<u>2018</u>	
	<u>Accounts receivable</u>	
January 1	\$	2,710
Reversal of impairment loss	(	361)
Amount that was written off due to uncollectible	(	<u>1,573)</u>
December 31	\$	<u>776</u>

### (C) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by the Company financial department. The Company financial department monitors rolling forecasts of the Company's liquidity requirements to

ensure it has sufficient cash to meet operational needs.

ii. The surplus cash generated by each operating entities of the Company will be gathered back to the Company financial department. The Company financial department then invests surplus cash in demand deposits, time deposits, financial assets at fair value through profit or loss, financial assets at amortized cost and debt investments in no active market (time deposits with 3-12 months period), choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. As of December 31, 2019 and 2018, the Company held financial assets at monetary market of \$484,957 and \$229,750, respectively. Those are expected to readily generate cash inflows for managing liquidity risk.

iii. The Company has the following undrawn borrowing facilities:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Floating rate		
Less than 1 year	\$ 768,000	\$ -
Over 1 year	798,573	-
Fixed rate:		
Less than 1 year	<u>-</u>	<u>249,000</u>
	<u>\$ 1,566,573</u>	<u>\$ 249,000</u>

iv. The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for nonderivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities

December 31, 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<u>Non-derivative financial liabilities</u>				
Short-term borrowings	\$ 700,000	\$ -	\$ -	\$ -
Accounts payable	95,876	-	-	-
Other payables	303,651	-	-	-
Lease liability	14,596	14,596	41,638	301,529
Long-term borrowings	16,907	226,469	217,685	-
Guarantee Deposits Received	-	1,010	-	-
December 31, 2018	Less than 1	Between 1 and	Between 2 and	Over 5 years
<u>Non-derivative financial liabilities</u>				
Short-term borrowings	\$ 591,000	\$ -	\$ -	\$ -
Accounts payable	66,879	-	-	-
Other payables	231,520	-	-	-
Lease liability	2,411	5,200	-	-
Guarantee Deposits Received	-	36	-	-

(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 takes 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.

Level 3: Unobservable inputs for the asset or liability, including financial assets available for sale in the Company.

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, notes and trade receivables, other receivables, short-term borrowings, notes and trade payables, and other payables are reasonably approximate to the fair values.

- C. The related information on 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 is as follows:

December 31, 2019	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 347,500	\$ -	\$ 21,390	\$ 368,890
Total	<u>\$ 347,500</u>	<u>\$ -</u>	<u>\$ 21,390</u>	<u>\$ 368,890</u>

December 31, 2018	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 176,669	\$ -	\$ 17,430	\$ 194,099
Total	<u>\$ 176,669</u>	<u>\$ -</u>	<u>\$ 17,430</u>	<u>\$ 194,099</u>

- D. The methods and assumptions the Company used to measure fair value are as follows:

- (A) The instruments the Company used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	<u>Listed and OTC stocks</u>	<u>Open-end fund</u>
Market quoted price	Closing price	Net asset value

- (B) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including

calculated by applying model using market information available at the financial reporting date.

- (C) The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Company's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk. In accordance with the Company's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheets. The pricing and inputs information used during valuation are carefully assessed and adjusted based on current market conditions.
- (D) The Company adjusted credit risks assessment into fair value calculation of financial and non-financial instruments to reflect the credit risk of counterparty and quality of the Company.
- E. For the years ended December 31, 2019 and 2018, there was no transfer between Level 1 and Level 2.
- F. The following chart is the movement of Level 3 for the years ended December 31, 2019 and 2018:

	<u>Equity securities</u>
January 1, 2019	\$ 17,430
The investment capital is refunded in this period	( 2,092)
Transfers into level 3	<u>6,052</u>
December 31, 2019	<u>\$ 21,390</u>
	<u>Equity securities</u>
January 1, 2018	\$ 30,000
The investment capital is refunded in this period	( 16,026)
Acquired in the period	( 12)
Recognized in profit (loss)	( 267)
Reversal of impairment	<u>3,735</u>
December 31, 2018	<u>\$ 17,430</u>

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

December 31, 2019

	<u>Fair value</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Nonderivative equity instrument:					
Unlisted shares	\$ 21,390	Net asset value	Net asset value		- The higher the net asset value, the higher the fair value

December 31, 2018

	<u>Fair value</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Nonderivative equity instrument:					
Unlisted shares	\$ 17,430	Net asset value	Net asset value		- The higher the net asset value, the higher the fair value

H. The Company has carefully assessed the valuation models and assumptions used to measure fair value; therefore, the fair value measurement is reasonable. However, use of different valuation models or assumptions may result in a different outcome. For financial assets and liabilities classified as Level 3, if the factors of assessment changed, then the impact to income or other comprehensive income is:

		<u>December 31, 2019</u>				
			<u>Recognised in profit or loss</u>		<u>Recognised in other comprehensive income</u>	
			<u>Favourable change</u>	<u>Unfavourable change</u>	<u>Favourable change</u>	<u>Unfavourable change</u>
<u>Input</u>	<u>Change</u>					
Financial assets						
Equity instrument	Net asset value	± 1%	<u>\$ 214</u>	<u>(\$ 214)</u>	<u>\$ -</u>	<u>\$ -</u>
		<u>December 31, 2018</u>				
			<u>Recognised in profit or loss</u>		<u>Recognised in other comprehensive income</u>	
			<u>Favourable change</u>	<u>Unfavourable change</u>	<u>Favourable change</u>	<u>Unfavourable change</u>
<u>Input</u>	<u>Change</u>					
Financial assets						
Equity instrument	Net asset value	± 1%	<u>\$ 174</u>	<u>(\$ 174)</u>	<u>\$ -</u>	<u>\$ -</u>

13、 SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- 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 (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: None.
- H. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: talbe 4.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Intercompany relationships and significant intercompany transactions: Please refer to table 5.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 6.

(3) Information on investments in Mainland China

Please refer to table 7.

14、 SEGMENT INFORMATION

Not applicable.

TAIWAN MASK CORPORATION  
STATEMENT OF CASH AND CASH EQUIVALENTS  
DECEMBER 31, 2019

STATEMENT 1

In Thousands of New  
Taiwan Dollars

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash in Bank		
Cash in banks -NTD		\$ 164,122
-Foreign Currency	USD 4,724,035.44 @29.98	141,627
	JPY 48,840,783 @0.276	13,480
	SGD 29,221.43 @22.28	651
	EUR 10,635.89 @33.59	357
Time deposits - NTD		41,800
Time deposits -Foreign Currency	USD 4,000,000 @29.98	<u>119,920</u>
		<u>\$ 481,957</u>

TAIWAN MASK CORPORATION  
STATEMENT OF NOTES AND ACCOUNTS RECEIVABLE  
DECEMBER 31, 2019

STATEMENT 2

In Thousands of New  
Taiwan Dollars

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Remark</u>
Client			
WIN SEMICONDUCTORS CORP.		\$ 34,758	
VANGUARD INTERNATIONAL SEMICONDUCTOR CORP.		28,673	
Global Foundries Singapore Pte. Ltd.		28,643	
TSMC		26,516	
Others		<u>251,291</u>	The amount of individual client included in others does not exceed 5% of the account balance.
		369,881	The accounts receivable past due over one year amounted to NT\$0
Less: Allowance for doubtful accounts		( <u>1,568</u> )	
		<u>\$ 368,313</u>	
Related Parties			
Miracle International Enterprise(ShanHai) Co., Ltd.		\$ 8,129	
Miracle Technology CO., LTD.		757	
Powerchip Semiconductor Manufacturing Corp		<u>84</u>	The amount of individual client included in others does not exceed 5% of the account balance.
		8,970	The accounts receivable past due over one year amounted to NT\$0
Less: Allowance for doubtful accounts		<u>-</u>	
		<u>\$ 8,970</u>	

TAIWAN MASK CORPORATION  
STATEMENT OF INVENTORIES  
DECEMBER 31, 2019

STATEMENT 3

In Thousands of New  
Taiwan Dollars

		Amount		
Item	Description	Cost	Value	Remark
		\$ 107,188	\$ 102,063	Net Realizable Value
Work in process		4,026	4,026	Net Realizable Value
Finished goods		31,656	31,656	Net Realizable Value
		142,870	\$ 137,745	
Less: Allowance for valuation loss		( 5,125)		
			\$ 137,745	

TAIWAN MASK CORPORATION  
STATEMENT OF FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS  
FOR THE YEAR ENDED DECEMBER 31, 2019

STATEMENT 4

In Thousands of New Taiwan Dollars

Name	Beginning Balance		Acquisition		Disposal		Ending Balance		Collateral	Note
	Shares/Units	Carrying Value	Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Carrying Value		
Wk Technology Fund-Common Stock	806,400	\$ -	-	\$ -	-	\$ -	806,400	\$ -	None	
Tech Alliance Corp.-Common Stock	652,129	-	-	-	-	-	652,129	-	None	
Furun Investment Co., Ltd.-Common Stock	1,743,000	17,430	-	-	( 209,160)	( 2,092)	1,533,840	15,338	None	
Spirox Corporation-Common Stock	2,229,000	59,069	-	-	( 2,229,000)	( 59,069)	-	-	None	
Unicon Optical Co., Ltd.-Common Stock	10,000,000	117,600	-	229,900	-	-	10,000,000	347,500	None	
Innova Vision INC.	-	-	605,157	6,052	-	-	605,157	6,052	None	
Total		<u>\$ 194,099</u>		<u>\$ 235,952</u>		<u>(\$ 61,161)</u>		<u>\$ 368,890</u>		

TAIWAN MASK CORPORATION  
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD  
FOR THE YEAR ENDED DECEMBER 31, 2019

STATEMENT 5

In Thousands of New Taiwan Dollars

Name	Beginning Balance		Acquisition		Disposal		Ending Balance			Carrying Value			
	Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Percentage of Ownership	Amount	Unit Price	Amount	Collatera	Note
SunnyLake Park International Holdings, Inc.	6,344,000	84,774	-	20,906	( 3,224,000)	( 99,981)	3,120,000	100%	\$ 5,699	\$ -	\$ 5,699		None
Youe Chung Capital Corporation	142,329,470	413,877	-	65,569	-	-	142,329,470	100%	479,446	-	479,446		None
Innova Vision INC.(Note)	5,203,956	12,301	-	( 5,203,956)	( 12,301)	-	-	-	-	-	-		None
Advagene Biopharma Co., Ltd.	12,549,652	98,808	-	-	-	( 22,084)	12,549,652	28.27%	76,724	-	76,724		None
Miracle Technology CO., LTD.	18,287,168	313,715	4,667,865	-	-	( 4,690)	22,955,033	100%	309,025	-	309,025		None
Weida Hi-Tech	25,510,500	233,623	-	-	-	( 19,493)	25,510,500	100%	214,130	-	214,130		None
Total		<u>\$ 1,157,098</u>		<u>\$ 86,475</u>		<u>(\$ 158,549)</u>			<u>\$ 1,085,024</u>				

Note: Innova Vision INC. issued new shares to increase cash on May 3, 2019. The Group did not apply for the shareholding ratio, resulting in 17.81% of its comprehensive shareholding and loss of control over the company. Therefore, the Group stopped to use equity method to Innova Vision INC. Please refer to Note 6 (6).

TAIWAN MASK CORPORATION  
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT  
FOR THE YEAR ENDED DECEMBER 31, 2019

STATEMENT 6

In Thousands of New Taiwan Dollars

<u>Item</u>	<u>Beginning Balance</u>	<u>Acquisition</u>	<u>Disposal</u>	<u>Transferred</u>	<u>Ending Balance</u>	<u>Collateral</u>	<u>Note</u>
Buildings (Land)	\$ 1,482,944	\$ 22,080	(\$ 506,556)	\$ 4,304	\$ 1,002,772	None	
Machinery and equipment	1,955,719	386,836	( 796,857)	-	1,545,698	None	
Transportation	11,727	-	-	( 9,538)	2,189	None	
Office Equipment	19,372	943	( 5,080)	-	15,235	None	
Construction in progress and equipment under installation	<u>15,346</u>	<u>243,563</u>	<u>-</u>	<u>( 5,265)</u>	<u>253,644</u>	None	
	<u>\$ 3,485,108</u>	<u>\$ 653,422</u>	<u>(\$ 1,308,493)</u>	<u>(\$ 10,499)</u>	<u>\$ 2,819,538</u>		

TAIWAN MASK CORPORATION  
STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION PROPERTY, PLANT AND EQUIPMENT  
FOR THE YEAR ENDED DECEMBER 31, 2019

STATEMENT 7

In Thousands of New Taiwan Dollars

<u>Item</u>	<u>Beginning Balance</u>	<u>Acquisition</u>	<u>Disposal</u>	<u>Transferred</u>	<u>Ending Balance</u>	<u>Note</u>
Buildings	\$ 997,953	\$ 38,508	(\$ 506,556)	\$ -	\$ 529,905	
Machinery and equipment	1,619,623	88,592	( 796,857)	-	911,358	
Transportation	4,177	365	-	( 3,204)	1,338	
Office Equipment	8,221	3,828	( 5,080)	-	6,969	
	<u>\$ 2,629,974</u>	<u>\$ 131,293</u>	<u>(\$ 1,308,493)</u>	<u>(\$ 3,204)</u>	<u>\$ 1,449,570</u>	

TAIWAN MASK CORPORATION  
STATEMENT OF CHANGES IN RIGHT OF USE ASSET  
FOR THE YEAR ENDED DECEMBER 31, 2019

STATEMENT 8

In Thousands of New Taiwan Dollars

Item	Beginning Balance	Increase in the current period	Decrease in the current period	Disposal in the Current period	Ending Balance	Remark
Land	\$ 325,475	\$ -	\$ -	\$ -	\$ 325,475	
Buildings	4,203	-	-	( 826)	3,377	
Transportation	6,333	-	-	-	6,333	
Total	<u>\$ 336,011</u>	<u>-</u>	<u>-</u>	<u>( 826)</u>	<u>335,185</u>	

TAIWAN MASK CORPORATION  
STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION RIGHT OF USE ASSET  
FOR THE YEAR ENDED DECEMBER 31, 2019

STATEMENT 9

In Thousands of New Taiwan Dollars

Item	Beginning Balance	Increase in the current period	Decrease in the current period	Disposal in the Current period	Ending Balance	Remark
Land	\$ -	\$ 11,564	\$ -	\$ -	\$ 11,564	
Buildings	-	871	-	-	871	
Transportation	-	3,179	-	-	3,179	
Total	<u>\$ -</u>	<u>15,614</u>	<u>-</u>	<u>-</u>	<u>15,614</u>	

TAIWAN MASK CORPORATION  
STATEMENT OF SHORT TERM LOAN  
FOR THE YEAR ENDED DECEMBER 31, 2019

STATEMENT 10

In Thousands of New Taiwan Dollars

Type	Description	Ending Balance	Contract Period	Range of Interest Rates (%) (Note)	Loan Commitments	Collateral	Remark
Bank SinoPac		\$ 60,000	108.12.06~109.01.20	floating interest rate	\$ 60,000	None	
Taipei Fubon Bank		80,000	108.11.28~109.03.27	floating interest rate	80,000	None	
EnTie Commercial Bank		50,000	108.12.20~109.03.19	floating interest rate	50,000	None	
CTBC Bank Co., Ltd.		270,000	108.09.18~109.03.18	floating interest rate	928,000	None	
Taishin International Bank		50,000	108.12.23~109.01.22	floating interest rate	80,000	None	
Far Eastern International Bank Co., Ltd.		30,000	108.11.19~109.02.17	floating interest rate	60,000	None	
First Commercial Bank		50,000	108.11.11~109.02.07	floating interest rate	100,000	None	
Shin Kong Commercial Bank Co., Ltd.		80,000	108.12.23~109.01.20	floating interest rate	80,000	None	
Chang Hwa Commercial Bank, Ltd.		<u>30,000</u>	108.12.13~109.01.13	floating interest rate	30,000	None	
		<u>\$ 700,000</u>					

Note: Range of Interest Rates 1.05% ~ 1.797%.

TAIWAN MASK CORPORATION  
STATEMENT OF LONG TERM LOAN  
FOR THE YEAR ENDED DECEMBER 31, 2019

STATEMENT 11

In Thousands of New Taiwan Dollars

Creditor	Summary	Amount	Contract Period	Interest Rates (Note1)	Collateral	Remark
CTBC Bank Co., Ltd.	long-term secured loans	\$ 414,427	108.08.26~111.08.26	floating interest rate	Buildings、Machinery and equipment	Note2
Taipei Fubon Commercial Bank	long-term credit loans	<u>30,000</u>	108.12.20~111.08.12	floating interest rate	None	
		444,427				
Less: due within one year		<u>( 9,000)</u>				
		<u>\$ 435,427</u>				

Note1: Range of Interest Rates 1.658% ~ 1.797%。

Note2: According to the loan contract requirements for some banks, the company should maintain a specific net debt ratio and interest solvency every six months during the duration of the loan.

TAIWAN MASK CORPORATION  
STATEMENT OF LEASE LIABILITY  
FOR THE YEAR ENDED DECEMBER 31, 2019

STATEMENT 12

In Thousands of New Taiwan  
Dollars

Item	Description	Lease Term	Discount Rate (%)	Balance, End of Year	Remark
Land	Hsinchu	94/1/13~123/12/31	1.136%	\$ 315,600	
Buildings	Hsinchu	107/1/1~111/12/31	1.136%	2,520	
Transportation	-	106/11/2~110/3/26	1.136%	5,093	
				<u>\$ 323,213</u>	

TAIWAN MASK CORPORATION  
STATEMENT OF NET REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2019

STATEMENT 13

In Thousands of New Taiwan  
Dollars

<u>Item</u>	<u>Quantity</u>	<u>Amount</u>	<u>Note</u>
Mask	49,401pcs	<u>\$ 1,658,131</u>	

TAIWAN MASK CORPORATION  
STATEMENT OF COST OF REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2019

STATEMENT 14

In Thousands of New Taiwan  
Dollars

<u>Item</u>	<u>Amount</u>	<u>Note</u>
Raw materials used		
Balance, beginning of year	\$ 99,364	
Raw material purchased	491,098	
Raw materials, end of year	( 107,188)	
Less: transferred to expense	( 9,111)	
Subtotal	474,163	
Direct labor	41,766	
Manufacturing expenses	<u>630,617</u>	
Manufacturing cost	1,146,546	
Work in process, beginning of year	10,608	
Work in process, end of year	( 4,026)	
Cost of finished goods	1,153,128	
Finished goods, beginning of year	23,318	
Finished goods, end of year	( 31,656)	
Subtotal	1,144,790	
Other cost of revenue		
Reversal for inventory valuation and obsolescence loss	<u>159</u>	
Total	<u>\$ 1,144,949</u>	

TAIWAN MASK CORPORATION  
STATEMENT OF MANUFACTURING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2019

STATEMENT 15

In Thousands of New Taiwan  
Dollars

Item	Summary	Amount	Note
Contract maintenance fee		\$ 243,848	
Depreciation		135,533	
Payroll and related expense		116,495	
Water and electricity costs		54,186	
Others		80,555	The amount of each item in others does not exceed 5% of the account balance.
		<u>\$ 630,617</u>	

TAIWAN MASK CORPORATION  
STATEMENT OF SELLING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2019

STATEMENT 16

In Thousands of New Taiwan  
Dollars

Item	Summary	Amount	Note
Marketing Expense			
Payroll and related expense		\$ 17,194	
Freight		13,017	
Export customs declaration fee		9,704	
Water and electricity		3,398	
Other		6,083	The amount of each item in others does not exceed 5% of the account balance.
		<u>\$ 49,396</u>	
General and administrative Expense			
Payroll and related		\$ 96,235	
Depreciation		6,681	
Banking fee		6,412	
Other		20,672	The amount of each item in others does not exceed 5% of the account balance.
		<u>\$ 130,000</u>	
R & D expenses			
Payroll and related expense		\$ 46,221	
Repair and maintenance costs		21,062	
Research and experiment fee		9,087	
Water and electricity costs		6,487	
Other		15,444	The amount of each item in others does not exceed 5% of the account balance.
		<u>\$ 98,301</u>	

TAIWAN MASK CORPORATION  
STATEMENT OF LABOR, DEPRECIATION AND AMORTIZATION BY FUNCTION  
FOR THE YEAR ENDED DECEMBER 31, 2019

STATEMENT 17

In Thousands of New Taiwan Dollars

Function	Year Ended December 31, 2019			Year Ended December 31, 2018		
	Classified as Cost of Revenue	Classified as Operating Expenses	Total	Classified as Cost of Revenue	Classified as Operating Expenses	Total
Labor cost						
Salary and bonus	\$ 119,485	\$ 86,008	\$ 205,493	\$ 108,723	\$ 64,237	\$ 172,960
Employee stock options	27,431	57,491	84,922	-	-	-
Labor and health insurance	10,898	4,307	15,205	9,246	3,495	12,741
Pension	4,835	2,509	7,344	4,726	2,194	6,920
Board compensation	-	13,642	13,642	-	5,108	5,108
Others	5,801	1,728	7,529	5,588	1,627	7,215
Depreciation	135,533	11,373	146,907	110,116	7,419	117,535
Amortization	242	1,730	1,972	150	747	897

Note 1: For the year of 2019 and 2018, the Company had average 235 and 236 employees, respectively, which included 7 and 7 non-employee directors for both years.

Note 2:

- (1) Average labor cost for the year ended December 31, 2019 and 2018 were NT\$1,406 thousand and 873 thousand, respectively.
- (2) Average salary and bonus for the year ended December 31, 2019 and 2018 were NT\$901 thousand and 755 thousand, respectively.
- (3) The average salary and bonus increased by 19.34% year over year

TAIWAN MASK CORPORATION  
FINANCINGS PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2019

Table 1

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

No.	Financing Company	Counterparty	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Interest Rate (%)	Nature for Financing	Transaction Amounts	Reason for Financing	Ending Balance allowanc	Collateral		Limits for Each Borrowing Company	Company's Total Financing Amount Limits	Note
													Item	Value			
0	TAIWAN MASK CORPORATION	Miracle Technology CO., LTD.	Accounts Receivables – Related Parties	Y	\$ 200,000	\$ 200,000	\$ 66,190	2.616%	The need for short-term financing	\$ -	Capital turnover	\$ -	-	\$ -	\$ 1,196,089	\$ 1,196,089	1
0	TAIWAN MASK CORPORATION	Youe Chung Capital Corporation	Accounts Receivables – Related Parties	Y	300,000	300,000	254,000	2.616%	The need for short-term financing	-	Capital turnover	-	-	-	1,196,089	1,196,089	1
0	TAIWAN MASK CORPORATION	Innova Vision INC.	Accounts Receivables – Related Parties	Y	200,000	200,000	180,000	2.616%	The need for short-term financing	-	Capital turnover	-	-	-	1,196,089	1,196,089	1
1	Adl Engineering INC.	Aptos Technology INC.	Accounts Receivables – Related Parties	Y	30,000	30,000	30,000	3%	The need for short-term financing	-	Capital turnover	-	Aptos's Machinery and Other equipment	21,286	30,726	30,726	2

TAIWAN MASK CORPORATION  
 ENDORSEMENTS/GUARANTEES PROVIDED  
 FOR THE YEAR ENDED DECEMBER 31, 2019

Table 2

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

No.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsemen t/ Guarantee Collateralize d by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Remark
		Name	Nature of Relationship											
0	Adl Engineering INC.	Aptos Technology INC.	3	\$ 23,044	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	26.04%	\$ 30,726	N	Y	N	

TAIWAN MASK CORPORATION  
MARKETABLE SECURITIES HELD  
(EXCLUDING INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)  
FOR THE YEAR ENDED DECEMBER 31, 2019

Table 3

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

Company Name		Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	DECEMBER 31, 2019				Note
					Shares	Carrying Value	%	Fair Value	
TAIWAN MASK CORPORATION	Wk Technology Fund-Common Stock	-	-	Financial Asset at Fair Value Through Profit or Loss-Non Cur.	\$ 806,400	\$ -	1.89%	\$ -	
TAIWAN MASK CORPORATION	Tech Alliance Corp.-Common Stock	-	-	Financial Asset at Fair Value Through Profit or Loss-Non Cur.	652,129	-	2.07%	-	
TAIWAN MASK CORPORATION	Furun Investment Co., Ltd.-Common Stock	-	-	Financial Asset at Fair Value Through Profit or Loss-Non Cur.	1,533,840	15,338	10.53%	15,338	
TAIWAN MASK CORPORATION	Innova Vision INC.-Common Stock	The company is director	-	Financial Asset at Fair Value Through Profit or Loss-Non Cur.	605,157	6,052	8.65%	6,052	
TAIWAN MASK CORPORATION	Unicon Optical Co., Ltd.-Common Stock	The company is director	-	Financial Asset at Fair Value Through Profit or Loss-Non Cur.	10,000,000	347,500	5.86%	347,500	
Youe Chung Capital Corporation	Macroblock, INC.-Common Stock	The company is director	-	Financial Asset at Fair Value Through Profit or Loss-Non Cur.	3,361,609	381,542	8.21%	381,542	
Youe Chung Capital Corporation	P-TWO INDUSTRIES INC.-Common Stock	-	-	Financial Asset at Fair Value Through Profit or Loss-Non Cur.	1,280,500	38,159	2.43%	38,159	
Youe Chung Capital Corporation	TAIWAN MASK CORPORATION-Common Stock	Parent Company	-	Financial Asset at Fair Value Through Profit or Loss-Non Cur.	37,081,440	1,277,456	14.67%	1,277,456	
Youe Chung Capital Corporation	Innova Vision INC.-Common Stock	The parent company of the company is a director of the company	-	Financial Asset at Fair Value Through Profit or Loss-Non Cur.	641,281	6,413	9.16%	6,413	
Youe Chung Capital Corporation	Image Match Design Inc.-Common Stock	-	-	Financial Asset at Fair Value Through Profit or Loss-Non Cur.	1,300,000	65,000	3.91%	65,000	
Youe Chung Capital Corporation	Unicon Optical Co., Ltd.-Common Stock	The parent company of the company is a director of the company	-	Financial Asset at Fair Value Through Profit or Loss-Non Cur.	3,821,000	132,780	2.24%	132,780	
Jingjing Investment Co., Ltd.	G-TECH ELECTRONICS LTD.-Common Stock	-	-	Financial Asset at Fair Value Through Profit or Loss-Non Cur.	1,097,092	-	8.08%	-	
Jingjing Investment Co., Ltd.	MEMCHIP TECHNOLOGY CO., LTD.	-	-	Financial Asset at Fair Value Through Profit or Loss-Non Cur.	187,915	-	3.13%	-	
Aptos Technology Co., Limited	TOKAI OPTRONICS CO., LTD.-Common Stock	-	-	Financial assets measured at fair value through other comprehensive income – Non Cur.	350,000	-	0.85%	-	
Aptos Technology Co., Limited	Athentek Holding Inc.-Common Stock	-	-	Financial assets measured at fair value through other comprehensive income – Non Cur.	1,077,107	-	8.14%	-	
Aptos Technology Co., Limited	TOPFUN TECHNOLOGY INC.-Common Stock	-	-	Financial assets measured at fair value through other comprehensive income – Non Cur.	100,000	-	9.52%	-	
Adl Engineering INC.	TOKAI OPTRONICS CO., LTD.-Common Stock	-	-	Financial assets measured at fair value through other comprehensive income – Non Cur.	226,759	-	1.71%	-	
Adl Engineering INC.	Franklin Templeton SAM Asia Pac Bal Acc-Beneficiary Certificate	-	-	Financial Asset at Fair Value Through Profit or Loss-Cur.	50,000	500	-	529	

TAIWAN MASK CORPORATION  
RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2019

Table 4

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

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover	Overdue		Amounts Received in Subsequent Period	Loss allowance
					Amount	Action Taken		
TAIWAN MASK CORPORATION	Youe Chung Capital Corporation	Subsidiary	\$ 254,000	-	\$ -	-	\$ 227,000	\$ -
TAIWAN MASK CORPORATION	Innova Vision INC.	Related Parties	205,568	-	22,389	Execution according to repayment plan	32,389	-

TAIWAN MASK CORPORATION  
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

				Intercompany Transactions			Percentage of Consolidated
No. (Note 1)	Company Name	Related Party	Nature of Relationship (Note 2)	Financial Statements Account	Amount	Terms	Net Revenue or Total Assets (Note 3)
0	TAIWAN MASK CORPORATION	Youe Chung Capital Corporation	1	Other receivables	254,000	Pay by agreed time	4.44%
0	TAIWAN MASK CORPORATION	Youe Chung Capital Corporation	1	Interest income	6,425	Pay by agreed time	0.19%
0	TAIWAN MASK CORPORATION	Miracle Technology CO., LTD.	1	Other receivables	66,190	Pay by agreed time	1.16%
0	TAIWAN MASK CORPORATION	Miracle Technology CO., LTD.	1	Sales	5,402	Month-end 60 days	0.16%
0	TAIWAN MASK CORPORATION	Miracle Technology CO., LTD.	1	Interest income	1,728	Pay by agreed time	0.05%
0	TAIWAN MASK CORPORATION	Miracle Technology CO., LTD.	1	Interest income	1,584	Pay by agreed time	0.05%
0	TAIWAN MASK CORPORATION	Miko Technology co., Ltd.	1	Sales	10,404	Month-end 60 days	0.30%
0	TAIWAN MASK CORPORATION	Miracle International Enterprise(ShanHai) Co.,	1	Sales	28,638	Month-end 60 days	0.83%
0	TAIWAN MASK CORPORATION	Miracle International Enterprise(ShanHai) Co.,	1	Trade receivables	8,129	Month-end 60 days	0.14%
0	TAIWAN MASK CORPORATION	Weida Hi-Tech CO., LTD.	1	Rantal income	3,300	Pay by agreed time	0.10%
0	TAIWAN MASK CORPORATION	Aptos Technology INC.	1	Rantal income	1,901	Pay by agreed time	0.05%
1	Miracle Technology CO., LTD.	Miko Technology co., Ltd.	3	Sales	1,300	Month-end 30 days	0.04%
1	Miracle Technology CO., LTD.	Miko Technology co., Ltd.	3	Other current liabilities	58,728	Pay by agreed time	1.03%
2	Miko Technology co., Ltd.	Miracle International Enterprise(ShanHai) Co.,	3	Sales	5,890	Month-end 30 days	0.17%
3	Miracle International Enterprise(ShanHai) Co., Ltd.	Sichuan Miracle Power Technology Co., Ltd.	3	Sales	84,244	Month-end 30 days	2.43%
3	Miracle International Enterprise(ShanHai) Co., Ltd.	Sichuan Miracle Power Technology Co., Ltd.	3	Advance payment	17,101	Month-end 30 days	0.30%
4	Touch Hi-Tech	Miko-China Enterprise (Shanghai) Co., Ltd.	3	Sales	12,659	Month-end 30 days	0.36%
5	Aptos Technology INC.	Adl Engineering INC.	3	short-term borrowing	30,000	The same with general customers term	0.52%
6	Adl Engineering INC.	Aptos Technology INC.	3	Endorsements/Guarantees	20,000	The same with general customers term	0.35%

Note 1: TAIWAN MASK CORPORATION and its subsidiaries are coded as follows:

- a. TAIWAN MASK CORPORATION is coded 0.
- b. The subsidiaries are coded consecutively beginning from 1 in the order presented in the table above.

Note 2: Transactions are categorized as follows:

- a. The parent company to subsidiary.
- b. Subsidiary to parent company.
- c. Subsidiary to subsidiary.

Note 3: The transaction amount accounts for the calculation of the combined total revenue or total assets ratio. In the case of assets and liabilities, the ending balance is calculated as the total assets. If it is a profit or loss item,

Note 4: Only transactions with a total amount of NT\$1 million or more will be disclosed, and the transaction will not be disclosed separately.

TAIWAN MASK CORPORATION  
 NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)  
 FOR THE YEAR ENDED DECEMBER 31, 2019

Table 6

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

Investor Company	Investee Company	Location	Main Businesses	Original Investment Amount		Balance as of December 31, 2019			Net Income (Loss) of the Investee	Share of Profit/ Loss of Investee	Note
				December 31, 2019	December 31, 2018	Shares	Percentage of Ownership	Carrying Value			
Taiwan Mask Corporation	SunnyLake Park International Holdings, Inc.	British Virgin Islands	Investing in communication business	103,045	203,026	3,120,000	100%	5,699	20,219	20,219	
Taiwan Mask Corporation	Youe Chung Capital Corporation	Taiwan	Investing in communication business	1,140,000	1,140,000	142,329,470	100%	479,446	681,425	39,560	
Taiwan Mask Corporation	ADVAGENE BIOPHARMA CO., LTD.	Taiwan	Medical, research and development, manufacturing	165,691	165,691	12,549,652	28.27%	76,724 (	91,615) (	25,969)	
Taiwan Mask Corporation	Miracle Technology CO., LTD.	Taiwan	Electronic component manufacturing, wholesale of electronic materials and precision instruments, power component design, etc.	252,651	252,651	22,955,033	100%	309,025 (	19,748) (	19,749)	
Taiwan Mask Corporation	Weida Hi-Tech CO., LTD.	Taiwan	Research, design, development, manufacturing and sales of display panel control chips and modules	293,371	293,371	25,510,500	100%	214,130 (	34,718) (	33,344)	
Youe Chung Capital Corporation	ADVAGENE BIOPHARMA CO., LTD.	Taiwan	Medical, research and development, manufacturing	65,719	65,719	3,550,223	8.00%	21,704 (	91,615) (	7,346)	
Youe Chung Capital Corporation	Aptos Technology INC.	Taiwan	Design, packaging and testing of NAND flash memory and solid state hard disk and other related products	134,928	-	33,732,108	38.16%	58,716 (	150,820) (	70,110)	
Aptos Technology INC.	Adl Engineering INC.	Taiwan	Electronic components	375,809	375,809	6,255,069	52.19%	40,092 (	8,582) (	4,479)	
Aptos Technology INC.	New Sunrise Limited	Samoa	Investing in communication business	-	-	-	100%	-	-	-	Note
Adl Engineering INC.	Apotos Global Holding Corp.	Seychelles	Investing in communication business	29,795	29,795	10,000,000	100%	-	-	-	
Apotos Global Holding Corp.	Apotos Global Holding Co., Limited	Hong Kong	Investing in communication business	29,648	29,648	78,000,000	100%	-	-	-	
Miracle Technology CO., LTD.	Jingjing Investment Co., Ltd.	Taiwan	Investing in communication business	10,012	10,012	14,316,212	100%	175,305	21,638	21,638	
Miracle Technology CO., LTD.	Miracle(Samoa)Co.,Ltd.	Samoa	Investing in communication business	10,215	10,215	-	100%	18,687 (	901) (	901)	
MIRACLE(SAMOA)CO.,LTD	Minsun Technology Co.,Ltd	Mauritius	Investing in communication business	10,215	10,215	-	100%	18,687 (	865) (	865)	
Jingjing Investment Co., Ltd.	Miko Technology Co.,Ltd	Hong Kong	Electronic component manufacturing, wholesale of electronic materials and precision instruments, power component design, etc.	37	37	10,000	100%	63,677	377	377	
Weida Hi-Tech CO., LTD.	Smart Touch Co.,Ltd	British Virgin Islands	Investing in communication business	14,602	14,602	9,145	100%	2	-	-	
Weida Hi-Tech CO., LTD.	Central Star Ltd	Seychelles	Investing in communication business	4,076	4,076	129,200	22.30%	-	-	-	
Smart Touch Co.,Ltd	Central Star Ltd	British Virgin Islands	Investing in communication business	13,714	13,714	450,000	77.70%	1	-	-	

Note: As of the end of December 31, 2019, investment amount have not been remitted.

TAIWAN MASK CORPORATION  
INFORMATION ON INVESTMENT IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

Table 7

Investee Company	Main Businesses	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Beginning Balance of Accumulated Outflow of Investment from Taiwan	Investment Flows		Ending Balance of Accumulated Outflow of Investment from Taiwan	Net Income (Loss) of the Investee Company	Percentage of Ownership (%)	Investment Income (Loss) Recognized in Current Period (Note 2)	Carrying Amount as of December 31, 2019	Ending Balance of Accumulated Inward Remittance of Earnings	Note
					Outflow	Inflow							
Miko-China Enterprise (Shanghai) Co., Ltd.	Electronic component manufacturing, wholesale of electronic materials and precision instruments, power component design, etc.	\$ 3,283	2	\$ 3,283	\$ -	\$ -	\$ 3,283	\$ 36,661	100%	\$ 36,661	\$ 140,911	\$ -	note2(2)B
Miracle International Enterprise(ShanHai) Co., Ltd.	Electronic component manufacturing, wholesale of electronic materials and precision instruments, power component design, etc.	10,215	2	10,215	-	-	10,215	( 900)	100%	( 900)	18,651	-	note2(2)B
Sichuan Miracle Power Technology Co., Ltd.	IC product design, production and sales	32,529	2	-	-	-	-	( 2,799)	100%	( 2,799)	21,738	-	note2(2)B
Touch Hi-Tech	Research, design, development, manufacturing and sales of display panel control chips and	25,684	2	25,684	-	-	25,684	544	100%	544	2,492	-	note2(2)B

Company Name	Ending Balance of Accumulated Investment in Mainland China	Investment Amounts Authorized by	Upper Limit on Investment Authorized by
		Investment Commission, MOEA	Investment Commission, MOEA
Miko-China Enterprise (Shanghai) Co., Ltd.	\$ 3,283	\$ 3,283	\$ 163,749
Miracle International Enterprise(ShanHai) Co., Ltd.	10,215	10,215	163,749
Sichuan Miracle Power Technology Co., Ltd.	-	-	163,749
Touch Hi-Tech	25,684	25,684	80,950

Note 1 : The methods for engaging in investment in Mainland China include the following:

- a. Direct investment in Mainland China.
- b. Indirectly investment in Mainland China through companies registered in a third region (Please specify the name of the company in third region).
- c. Other methods.

Note 2 : The investment income (loss) recognized in current period: Please specify no investment income (loss) has been recognized due to the investment is still during development stage.

The investment income (loss) were determined based on the following basis:

- a. The financial report was audited and certified by an international accounting firm in cooperation with an R.O.C. accounting firm.
- b. The financial statements was audited and certificated by independent auditors of the parent company in Taiwan.
- c. Others.

Note 3: The relevant figures in this table should be listed in NTD.

**VI. If the company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the company's financial situation: None.**

## Seven. Review and Analysis of Financial Position and Financial Performance and Risks

### I. Financial position

(I) Changes to liabilities and stockholders' equity in the two most recent years

Unit: NT\$Thousand

Items \ Year	2018	2019	Difference	
			Amount	%
Current assets	1,734,383	2,258,934	524,551	30.24
Fixed assets	966,563	1,546,919	580,356	60.04
Other assets	1,163,372	1,920,517	757,145	65.08
Total assets	3,864,318	5,726,370	1,862,052	48.19
Current liabilities	1,238,297	1,718,406	480,109	38.77
Non-current liabilities	52,210	886,506	834,296	1597.96
Total Liabilities	1,290,507	2,604,912	1,314,405	101.85
Capital	2,527,136	2,527,136	0	0
Capital surplus	169,431	322,777	153,346	90.51
Retained earnings	738,815	977,513	238,698	32.31
Other equity interests	7,853	(1,872)	(9,725)	(123.84)
Treasury stock	(884,741)	(835,332)	49,409	5.58
Non-controlling Interests	15,317	131,236	115,919	756.80
Total Equity	2,573,811	3,121,458	547,647	21.28

(II) Analysis of changes in proportion

1. Current assets have increased by 30.24%, fixed assets increased by 60.04% due to capital increase after merger with Aptos Technology.
2. Increase in other assets at 65.08%, due to a recent increase of right-of-use assets.
3. Increase in total assets at 48.19%, due to capital increase after merger with Aptos Technology.
4. Increase in current liabilities at 38.77%, due to adjustments in operations conditions, increasing short-term debts to replenish operations capital.
5. Increase in non-current liabilities at 1,597.96%, due to a recent increase of Right-of-use liabilities in the current period.
6. Increase in total liabilities at 101.85%, due to increase in short-term debts for photomask and increased liabilities after merger with Aptos Technology.
7. Increase in capital surplus at 90.51%, due to acknowledgement of increase in changes in equity to subsidiaries and acknowledgement of employee warrants.
8. Increase in retained earnings at 32.31%, due to the Company actively increasing production capability, current net income as earnings, thus, an increase in retained earnings.
9. Decrease in other equity interests at 123.84%, due to valuation adjustment and translation of foreign financial statements.
10. Increase in non-controlling Interests at 756.80%, due to merger with Aptos Technology that resulted in increase in non-controlling Interests.
11. Increase in equity at 21.28%, due to merger with Aptos Technology that resulted in increase in equity.

## II. Financial performance

### (I) Financial performance comparison analysis table

Unit: NT\$Thousand

Items	Year		Amount increase (decrease)	Change in proportion (%)
	2018	2019		
Operating revenue	2,885,982	3,468,682	582,700	20.19
Operating costs	2,256,974	2,856,280	599,306	26.55
Gross profit	629,008	612,402	(16,606)	(2.64)
Operating expenses	369,472	605,073	235,601	63.77
Operating profit (loss)	259,536	7,329	(252,207)	(97.18)
Non-operating income and expenses	(55,890)	367,188	423,078	756.98
Net income (loss) of this period from continuing operations	145,820	311,940	166,120	113.92
Other comprehensive income (loss) for the year:				
Net income (loss)	1,299	(8,340)	(9,639)	(742.03)
Total comprehensive income for the year	147,119	303,600	156,481	106.36

### (II) Analysis of changes in proportion

1. Increase in revenues at 20.19% and increase in operating costs at 26.55%, due to increase in the Company's production capacity and increase in benefits after merger with Aptos Technology.
2. Increase in operating expenses at 63.77%, mainly due to increase in expenses after merger with Aptos Technology.
3. Decrease in operating profit at 97.18%, mainly due to increase in expenses after merger with Aptos Technology.
4. Increase in non-operating income and expenses at 756.98%, mainly due to increase in valuation of investments in shares of listed companies.
5. Increase in net income for this period from continuing operations at 113.92%, mainly due to increase in non-operating income.
6. Decrease in other comprehensive income for the year (net after tax) is at 742.03%, mainly due to current translation of foreign financial statements.
7. Increase in total comprehensive income for the year at 106.36%, mainly due to increase in non-operating income.

### (III) Expected sales volume and its basis, potential effects to future company finance and operations and contingency plan

In response to future trends of IC manufacturing technology advancement, current matured technology facilities owned by the Company are not sufficient to meet the demands of IC design companies. Thus, there are plans to purchase photomask equipment with high-level technology to satisfy customer demands for high-level manufacturing, and to elevate the Company's overall competitiveness. Estimated photomask sales volume in 2020 is expected to increase by 20% from 2019. The Company is actively reducing cost and various expenses, continues to research and develop and upgrade its technology to improve operations and increase profits.

### III. Cash flow

(I) Analysis of the changes in the cash flow in the past two years

Items \ Year	2018	2019	Ratio increase (decrease)
Cash flow ratio	(12.88)	39.09	403.49%
Cash flow adequacy ratio	115.66	95.24	(17.66%)
Cash flow reinvestment ratio	(3.34)	11.71	450.60%

(II) Explanation of changes in the ratio

1. Cash flow ratio: Mainly due to increase in 2019 cash flow from operating activities as compared to 2018.
2. Cash flow adequacy ratio: Mainly due to cash dividends paid for 2019.
3. Cash flow reinvestment ratio: Mainly due to increase in 2019 cash flow from operating activities as compared to 2018.

(III) Improvement plan for liquidity shortfall

The Company does not observe signs of insufficient liquidity, thus, not applicable.

(IV) Cash flow analysis for the coming year

Unit: NT\$Thousand

Opening Balance (1)	Estimated cash flow from operating activities (2)	Estimated cash flow from investment and financing activities (3)	Estimated cash balance (shortfall) amount (1) + (2) + (3)	Remedy for insufficient cash	
				investment plan	Financing plan
946,517	500,000	(200,000)	1,246,517	-	-

1. Operating activities: Mainly estimated cash generated from sales and added depreciation with no cash flow.
2. Investment activities: It is expected that there will be purchases of machinery and equipment, therefore, investment activities will have situations of net cash used.

### IV. Effects of major capital expenditures on finance and operation in the most recent fiscal year

(I) Usage situations of major capital expenditures and funds transactions

Unit: NT\$ 1000

Project item	Actual or scheduled funds sources	Actual usage of funds	
		2018	2019
1. Exposure equipment	Earned surplus	205,618	703,667
2. Test system			
3. Measurement equipment			
4. Process equipment			
5. Repair system			
6. Environmental equipment			

(II) Expected possible benefits generated

1. Estimated to increase production and sales volume, value and gross profit

Unit: Pieces; NTD in thousands

Year	Items	Unit	Production volume	Sales volume	Sales value	Gross profit
2021	Photomask	Pieces	9,715	9,715	508,041	155,710
2022	Photomask	Pieces	9,436	9,436	692,275	208,140

2. Description of other benefits

- (1) Continue to invest and develop unique and large-size photomasks, improve yield rate and increase market share. In response to the domestic industrial development, develop the technology required for finer fabrication in support of the domestic IC industry development.
- (2) The photomask needed in submicron requires precision equipment to work with, the equipment purchased can inspect for defects that are smaller, so as to provide better quality photomask to downstream wafer plants, further improving the yield rate of wafer manufacturing.
- (3) Since the opening of the Company's plant, has placed environmental protection as first priority. The environmental equipment used are the most advanced wastewater and air emissions treatment systems globally, wastewater and air emissions are released within standards.

**V. The Company's reinvestment policy for the most recent fiscal year, the main reasons for the generated profits/losses, the plan for improving re-investment profitability and investment plans for the coming year**

The Company's re-investment are strategic investments, recognized investment losses based on the equity method of the 2019 consolidated financial statement is at NT\$45,535,000. Reasons for the loss and improvement plan are as shown below:

Investee	Net profit (loss) of the investee for the current period	Investment income(loss) recognized by the Company for the current period	Reasons	Improvement plan
Advagene Biopharma Co., Ltd.	(91,615)	(33,315)	Currently is at the research and development stage, and continue to invest in research and development expenditures, resulting in the net losses.	Emphasize on business expansion, actively seeking to win technology transfer of major international manufacturers and collaborations development and so on models, in the hope that the current new dosage form of drug can enter the market for sales in the shortest time, maximizing the value.
Aptos Technology INC.	(150,820)	(12,220)	Reduced purchase orders, insufficient capacity utilization, depreciation and so on fixed charges were not efficiently amortized resulting in losses.	Actively develop and expand new customers and new product lines, increase the added-value of product portfolio, raising the gross profit margin to elevate the economic performance.

## VI. Analysis and assessment of risks

(I) Impact of interest rate, exchange rate fluctuation and inflation on the Company's profit and loss and the future responsive measures for the most recent fiscal year and until annual report publication date.

Items	Impact to the Company's profit and loss	Future countermeasures
Changes in interest rate	Increased interest rate/Increased interests' expenditure/Reduced net income NT\$12,565,000 in 2019 NT\$16,681,000 in 2020 Quarter 1	As photomask manufacturing is considered an industry with high capital intensity, besides capital generated from the Company's operations, may use methods such as increased investments or long-term debts as sources of capital for the company's operations and purchase of machinery and equipment. Current capital held is sufficient to respond to the company's future operations requirements. In the future, will adjust capital usage situations dependent upon the changes to financial interests and hedging policy as countermeasures, to reduce impacts to gains (losses).
Exchange rate fluctuation	Exchange rate fluctuation 1% / Increase in gains (losses) NT\$8,054,000 in 2019 NT\$8,059,000 in 2020 Quarter 1	Continue to monitor foreign exchange market information, conduct hedging strategies, to effectively control the company's gains (losses) situation.
Inflation	No impacts	Inflation situations in the most recent fiscal year have limited impacts to the Company's gains or losses, continue to take note of changes in domestic and overseas economies.

(II) In the two most recent fiscal years and until the publication date of the annual report, the policy, main reason for profit or loss, and future countermeasures of high-risk investments, high-leverage investments, loans to other parties, endorsements/guarantees, and derivatives transactions.

1. In the most recent fiscal year and until the publication date of the annual report, high-risk investments, high-leverage investments and derivatives transactions: None.
2. Loans to Others

Unit: NT\$Thousand

Company that lent funds	Borrowing party	Type	2019/12/31	2020/03/31
Taiwan Mask Corporation	Miracle Technology CO., LTD.	Working capital	200,000	100,000
	Youe Chung Capital Corporation	Working capital	300,000	300,000
	Innova Vision INC.	Working capital	200,000	180,000
Adl Engineering INC.	Aptos Technology INC.	Working capital	30,000	30,000

3. Endorsement and guarantee

Unit: NT\$Thousand

Endorser/guarantor	Party being endorsed/guaranteed	2019/12/31	2020/03/31
Taiwan Mask Corporation	Miracle Technology CO., LTD.	-	181,350
Adl Engineering INC.	Aptos Technology INC.	20,000	20,000

(III) Research and development programs in the future and the expenditures expected

To elevate competitiveness and to satisfy demands from customers and markets, it is expected to continue to invest in human resources and expenditures to research and develop high level photomask products, advanced manufacturing processes and so on technology development in the future, to maintain leading position in technology and product yield rate. The expected investments in R&D expenditures in 2020 and 2021 are NT\$1,300,000,000 and NT\$1,500,000,000 respectively.

(IV) Effect on the Company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response

The Company abides by national policies and laws, related units monitor closely to any changes in major policies and laws and cooperate to adjust the company's internal system and operations activities to ensure smooth operations of the company.

(V) Effect on the Company's financial operations of developments in science and technology as well as industrial change, and measures to be taken in response

1. Semiconductor technology is constantly developing towards the precision manufacturing process, it will increase demands for high level photomasks relatively. The Company continues to expand its production capacity, purchase high level manufacturing machinery, and currently the company is in sound financial position, which is sufficient to respond to the company's future technology development demand. Impacts to the company's finance and business from technology changes and industry changes are limited.

2. Information security risk assessment

(1) Information security risk management framework

To raise information security management, the Company's dedicated information security unit "IT Management department" and management department's managers, are responsible for the Company's information security governance, planning, supervision and execution, to build a total information security defense capability and good employee awareness of information security.

(2) Information security policy and specific management program

- Establish procedures for information processing system management to protect computer and internet security, implementing information security management through strengthening the concept, preventive measures, conduct records, active precaution, regular audits and so on procedures.
- Formulate information security risk events notification management procedures assigning related personnel with necessary responsibility to facilitate rapid handling of information security incidents.
- Establish information security facilities and systems change management notification mechanisms to prevent leaks in system security.
- Handle prudently and protect personal data in accordance with the provisions as stipulated in "Computer-Processed Personal Data Protection Law."
- Establish backup facility, regular execution of necessary data, software and backup procedures, to prepare for disaster or malfunction in storage media, enabling rapid recovery back to normal operation. However, it is not possible to guarantee a complete avoidance of illegal intrusion by third parties who use internet virus attack, serious internet attacks may result in system problems interrupting the company's operations or prying of confidential information. These attacks may result in compensations to customers of the losses incurred from delays or interruptions from the company, or the need to bear expenses for rebuilding system security protection.

(3) Information security risk events

The Company has not discovered any information security risk events in 2019.

(VI) Effect on the Company's crisis management from changes in the Company's corporate image and measures to be taken in response: None of such situations.

(VII) Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken: None of such situations.

(VIII) Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken: None of such situations.

(IX) Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken:

1. In response to frequent changes to market demands, supply aspects need to have flexibility. Various major materials required by the Company's operations are steadily supplied by multiple suppliers. There have been plans each year in assessing new suppliers. The company plans to collaborate actively with suppliers for the supply of raw materials and equipment required by operations in the coming one year.

2. Major sales customers of the Company are well-known companies, proportion of revenues from customers are diverted across major industries, there are no risks of concentration of sales.

(X) Effect upon and risk to the Company in the event a major quantity of shares belonging to a director or shareholder holding greater than a 10% stake in the Company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken:

The Company's major shareholders are fairly supportive of the company's operations and management levels and submit timely reports to the Board of Directors and on shareholding situations of the top 10% major shareholders in accordance with the Securities and Exchange Act. There have been no situations of transfer of major quantities of shares or changed hands in the most recent fiscal year and up to the annual report publication date, thus, it has no effects on the Company.

(XI) Effect upon and risk to Company associated with any change in governance personnel or top management, and mitigation measures being or to be taken:

The Company's shareholders special meeting in March 2020 held reelection of all directors, will continue to cultivate photomask core business and increase new business model, integrate upstream and downstream of semiconductor industry, to increase revenues and profits for the Company.

(XII) Litigation or non-litigation matters, list major litigations, non-litigation or administrative litigation matters where a court's decision has been made or action is still pending of the company and company directors, supervisors, general manager, the de facto responsible persons, shareholders with over 10% shareholding, where the results may have a significant impact on shareholders' rights and interests or prices of securities, shall disclose facts of disputes, price or claim value, litigation start date, major parties of the litigation and handling situation up to publication date of the annual report.

The case concerning Securities and Exchange Act of the Company's former Chairperson, the company has on January 17, 2020 released material information announcement on the Market Observation Post System website of the Taiwan Stock Exchange. The case involves the former chairperson's individual investment and has no involvement with the Company's business. The Company's operations and finance are in normal status, not impacted.

(XIII) Other important risks, and mitigation measures being or to be taken:

#### Our Philosophy

There is only one earth. Since the establishment of Taiwan Mask Corporation (TMC) in 1988, the Company is committed to protecting the earth's environment and the pursuit of sustainable development. Persistence in its management philosophy of equal importance between environmental protection and economy, ongoing enhancement of its pollution prevention work and continue working on energy savings improvements, formulated environmental policy covering four major directions in "Energy saving and carbon reduction, pollution prevention, legal compliance, and continuous improvement," promoting related work in environmental protection and implementation details. The Company's three facilities had successfully passed the ISO14001 management system and ISO9001 quality management system certifications. Adopting the plan-do-check-act model in combination with the company's internal audit, continue to promote environmental work. TMC has actively participated in environmental protection missions, implementing The Restriction of Hazardous Substances in Electrical and Electronic Equipment Directive, RoHS, effectively implemented RoHS Directive and REACH\_SVHC within the enterprise, with its products regularly sent to SGS for inspections and to obtain compliance status reports.

#### ● Environmental policy

##### *1. Energy saving and waste reduction*

Continue to track various energy exhaustion situations, adjust parameters or add new inverters, replace equipment to achieve energy saving effects. Establish water usage records for each system, analyze wastewater quality of each system, after treatment of reusable wastewater and recycle back to manufacturing or supply to water cooling tanks or wash towers for use, reducing replenished water use from municipality. Top priority is for waste to be recycled and reused, followed by treatment by an incinerator. For waste not suitable for the first two options, are sent for landfill. Promote waste recycling and separation to increase resource recycling rate, and through educational training and company systems to raise employees' environmental protection concept. The office promotes paperless operations using electronic signature systems as replacement, other paper information is requested for double sided printing to reduce paper use.

##### Water saving (2019)

Closure of the water-cooling tower can save up to 25,000 tonnes of municipality water/recycling water.

##### Energy saving (2019)

The works of the second plant to supply cold water to the first plant, add heat inverter for usage by the second plant cooling machine supplying to the first plant replacing the use of the first plant's cooling machine. Actual testing shows savings of NT\$3,864,000 each year.

## *2. Pollution prevention*

To avoid polluting the environment, effectively adopt preventive measures to prevent raw materials or manufacturing processes from generating wastes and harmful substances, leaks of untreated wastes into the surrounding environment, resulting in environmental pollution.

### Set-up leakage detection equipment

for early detection to avoid resulting in pollution to spread, affecting personnel, equipment, and safety of the environment.

### Preventive equipment's

maintenance and improvement, wastewater, air emissions and wastes generated from manufacturing operations can be treated appropriately, important parameters of various equipment are connected to the central monitoring system for instant monitoring.

#### (1) Water pollution preventive system and recycling and reuse

Wastewater system control parameters are connected to the Siemens monitoring system for wastes, enabling instant monitoring of system operations situations. Adopts onsite second time prevention setup with overflow tank and detection equipment setup, to avoid incidents such as wastewater leakage or returning water from the release pond with abnormal water quality during system malfunction or tank damage resulting in environmental pollution. To avoid release of wastewater that does not qualify for the standards, carry out regular maintenance, raise treatment efficiency to achieve lowering added drug dosage and raise the capability for appropriate handling, early detection of abnormality and treatment to maintain normal operations of systems. Results from regular testing every half year shows that they are lower than discharge standards.

#### (2) Air pollution prevention

Wash tower undergoes routine maintenance changing raschig ring and nozzle to guarantee prevention performance, elevating equipment stability, to ensure gas releases meets legal requirements. Important parameters are connected to Siemens monitoring system for instant monitoring of operations situations. Regular testing results show that various pollutants density is lower than legal limits.

#### (3) Waste management

The waste storage area meets legal requirements, avoids open air storage, and ensures that packaging does not scatter around. Qualified waste service providers are commissioned for waste cleanup, controlling flow volume according to laws and regulations, requesting the service providers to provide necessary documents of appropriate handling.

## *3. Complying with laws and regulations*

Truly understand the government's request relating to environmental laws and regulations, prepare analysis of the registration form of the regulations and the company's legality, actively participate in various regulatory briefings held by government units. Regular inspection and testing in accordance to laws and regulations to ensure meeting environmental legal standards, and promote the government's environmental policies to employees, increasing their environmental protection and legal requirements knowledge, ensuring effective implementation of the company's environmental protection policies.

## *4. Continuous improvements*

Formulate annual environmental protection targets and key implementation items. Review and audit implementation outcomes each year to ensure effective implementation of continuous improvements of the policies raising environmental quality.

The Company's greenhouse gas emissions, water consumption volume and total weight of wastes generated over the past two years.

	2018	2019
Water consumption (tonnes)	207,505	195,049
Total waste weight (tonnes)	13.45	20.48
Greenhouse gas emissions volume (kilograms CO <sub>2</sub> e)	11,122,324	10,861,900

● **Management of safety and health**

The Company achieves prevention of accidents from occurrence through management spirit of planning, implementation, inspections and actions under the management of safety and health framework, promoting the objectives of employee safety and health, and protecting company assets. The key point of the policy is on establishing a safe work environment, actively prevent occupational harm and illness, protecting employees' wellbeing and health, and enhancing the awareness of all employees towards environmental protection, safety and health, responsibilities and accountabilities, and shaping a photomask company culture of environmental protection, safety and health values.

*1. Education and training*

Regularly conduct safety and health educational trainings, such as contractor management, chemicals safety management, personal protective equipment (PPE)s, safety audit management and various preventive measures, and conduct practical drills, reducing employee and company assets damages and impacts to society and environment due to disasters to the minimum.

*2. Environmental monitoring*

In terms of operations environment, conduct environmental inspections every half a year, including legal definitions of physical and chemical factors such as carbon dioxide concentrations, lighting, noise, harmful substances as regulated by domestic laws and regulations. Through operations environmental monitoring, if there are occurrence of signs of abnormality in the operations environment, or evaluation results show impacts to employee health, the factory unit will immediately implement operations behavior observations and improvement measures, ensuring risk exposures from harmful factors are reduced to acceptable range.

*3. Wellbeing and health*

In terms of ensuring protection and promotion of employee wellbeing and health, regularly organize free employee health checkup each year. For this year, the employee health checkup items are better than the implementation items listed by law, and established big fours of labor health protection (human induced risk prevention plan, illegal violation prevention plan, maternal health protection plan, and irregular workload management plan) under collaborations between the company's labor safety and environmental protection unit and specialized medical doctors and nurses. Conduct one-to-one medical consultation services according to the company's employee's individual health report, and commits to prevention, planning and execution of projects for prevention of brain and cardiovascular diseases due to long work hours and night shift work, and maternal health protection and management. Provide various wellbeing and health promoting resources and organize related activities from time to time in the future. Proactively promotes employee health in addition to protecting employees from work hazards.

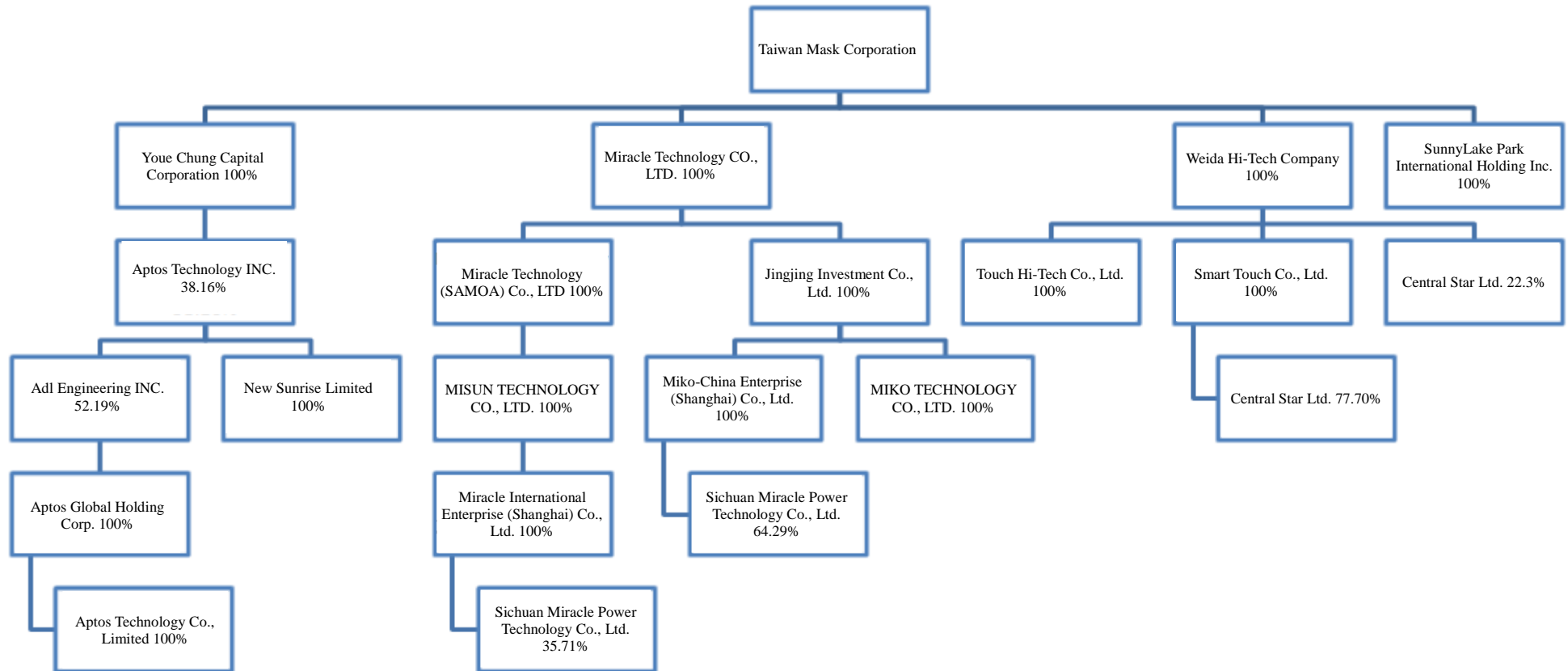
**VII. Other important matters: None.**

## Eight. Special Items to be Included

### I. Information of affiliated companies

(I) Organizational chart of affiliated companies

December 31, 2019



## (II) Performance of affiliated companies

December 31, 2019

Unit: NT\$Thousand

Name of entity	Amount of Capital	Total assets	Total Liabilities	Total Equity	Operating revenue	Operating income	Profit and Loss of the Period (after taxes)
Youe Chung Capital Corporation	1,423,295	2,026,464	269,562	1,756,902	0	(394)	681,425
SunnyLake Park International Holdings, Inc	103,045	5,699	0	5,699	0	(304)	20,219
Miracle Technology CO., LTD.	229,550	564,365	291,448	272,917	757,118	(36,931)	(19,478)
Jingjing Investment Co., Ltd.	143,162	204,948	29,643	175,305	0	(51)	21,638
Miracle (SAMOA) Co.,Ltd	10,215	18,687	0	18,687	0	0	(901)
Misun Technology Co.,Ltd	10,215	18,687	0	18,687	0	0	(865)
Miko Technology Co.,Ltd	37	63,767	91	63,676	11,781	2	377
Miko-China Enterprise (Shanghai) Co., Ltd.	3,283	150,288	9,377	140,911	101,914	48,983	36,661
Miracle International Enterprise (Shanghai) Co., Ltd.	10,215	115,931	97,280	18,651	424,573	(204)	(900)
Weida Hi-Tech Company	255,105	169,111	34,195	134,916	213,574	(33,405)	(34,718)
Smart Touch Co., Ltd	14,044	2	0	2	0	0	0
Central Star Ltd	17,790	1	0	1	0	(1)	0
Touch Hi-Tech Co., Ltd.	25,684	4,297	1,805	2,492	12,660	540	544
Sichuan Miracle Power Technology Co., Ltd.	32,529	53,966	32,228	21,738	139,780	(2,976)	(2,799)
Aptos Technology INC.	883,900	448,287	359,043	89,244	530,812	(70,770)	(150,820)
Adl Engineering INC.	119,845	83,914	7,100	76,814	0	(15,994)	(8,582)
New Sunrise Limited	0	0	0	0	0	0	0
Aptos Global Holding Corp.	29,795	0	0	0	0	0	0
Aptos Technology Co., Limited	29,648	0	0	0	0	0	0

Note: Innova Vision INC. organized cash capital increase by issuance of new shares on May 3, 2019. The Group has not executed based on shares proportion, comprehensive shareholding ratio decreased by 17.81% resulting in loss in control of this company. Thus, the Group has not included Innova Vision INC. and its subsidiaries into the consolidated financial report since the aforementioned date onwards.

## (III) Information on the directors, supervisors, general manager of each affiliated company

December 31, 2019; Unit: Shares; NT\$; %

Name of entity	Job title	Name or Representative	Shareholding	
			Number of shares	Proportion
Youe Chung Capital Corporation	Chairperson	Taiwan Mask Corporation, Representative: Parkson, Chen	142,329,470	100%
	Director	Taiwan Mask Corporation, Representative: Yarn, Chen		
	Director	Taiwan Mask Corporation, Representative: Vincent, Tsai		
	Supervisor	Taiwan Mask Corporation, Representative: Shih-Chia Hsu		
SunnyLake Park International Holdings, Inc	Director	Taiwan Mask Corporation, Representative: Parkson, Chen	3,120,000	100%
Miracle Technology CO., LTD.	Chairperson	Taiwan Mask Corporation, Representative: Chang-Ji Hsu	22,955,033	100%
	Director	Taiwan Mask Corporation, Representative: Yarn, Chen		
	Director	Taiwan Mask Corporation, Representative: Vincent, Tsai		
	Supervisor	Taiwan Mask Corporation, Representative: Shih-Chia Hsu		
Jingjing Investment Co., Ltd.	Chairperson	Miracle Technology CO., LTD., Representative: Yung-Ming Chao	14,316,212	100%
Miracle(SAMOA)Co.,Ltd	Chairperson	Miracle Technology CO., LTD., Representative: Hsien-Jen Ting	750,000	100%
Misun Technology Co.,Ltd	Chairperson	Miracle Technology (SAMOA) Co., LTD., Representative: Hsien-Jen Ting	750,000	100%
Miko Technology Co.,Ltd	Chairperson	Jingjing Investment Co., Ltd., Representative: Vincent, Tsai	10,000	100%
Miko-China Enterprise (Shanghai) Co., Ltd.	Chairperson	Jingjing Investment Co., Ltd., Representative: Yung-Ming Chao	CNY696,466.20	100%
Miracle International Enterprise (Shanghai) Co., Ltd.	Chairperson	Misun Technology Co., Ltd, Representative: Vincent, Tsai	CNY2,483,070	100%
Sichuan Miracle Power Technology Co., Ltd.	Executive Director	Vincent, Tsai	CNY7,000,000	100%
	Supervisor	Marie, Wu		
Weida Hi-Tech Company	Chairperson	Taiwan Mask Corporation, Representative: Yarn, Chen	25,510,500	100%
	Director	Taiwan Mask Corporation, Representative: Pa Lan Hu Sen		
	Director	Taiwan Mask Corporation, Representative: Shou-Shan Chen		
	Supervisor	Taiwan Mask Corporation, Representative: Shih-Chia Hsu		
Smart Touch Co., Ltd	Director	Weida Hi-Tech Company, Representative:	4,573	100%
Central Star Ltd	Director	Smart Touch Co., Ltd, Representative:	579,200	100%
Touch Hi-Tech Co., Ltd.	Chairperson	Weida Hi-Tech Company, Representative: Shou-Shan Chen	CNY5,743,206.4	100%
	Supervisor	Weida Hi-Tech Company, Representative: Shih-Chia Hsu		
Aptos Technology INC.	Chairperson	Youe Chung Capital Corporation, Representative: Lung-Hua Wang	33,732,108	38%
	Director	Youe Chung Capital Corporation, Representative: Chi-Chang Lo		
	Director	Youe Chung Capital Corporation, Representative: Chang-Ji Hsu		
	Director	Youe Chung Capital Corporation, Representative: Pin Pao		
	Director	Chang-Chien Chen	2,650,000	3%
	Independent Director	Shih-An Chang	0	0
	Independent Director	Chih-Yuan Chang	600,000	0.7%
	Supervisor	Chin-Hsiung Lin	624,089	0.7%
	Supervisor	Chupo Investment Co., Ltd., Representative: Shen-Fu Hsu	420,000	0.5%
Supervisor	Chin-I Chou	0	0	
Adl Engineering INC.	Chairperson	Aptos Technology INC., Representative: Chia-Jung Wu	6,255,069	52%
	Director	Aptos Technology INC., Representative: Chi-Chang Lo		
	Director	Chen-Chuan Fan	0	0
	Supervisor	Chin-I Chou	174	0
New Sunrise Limited	Director	Aptos Technology INC.	Note	100%
Aptos Global Holding Corp.	Director	Adl Engineering INC.	NTD29,795,000	100%
Aptos Technology Co., Limited	Director	Aptos Global Holding Corp.	NTD29,647,500	100%

Note: New Sunrise Limited was established in 2015, Aptos Technology has not invested at that time.

## (IV) Basic information of each affiliate

December 31, 2019; Unit: NT\$1,000

Name of entity	Date of incorporation	Address	Paid-up capital	Main business activities
Youe Chung Capital Corporation	2004/03/10	No. 231-1, Wende Road, Qionglin, Hsinchu County	NTD1,423,295	Investment
SunnyLake Park International Holdings, Inc	2000/10/17	Citco Building, Wickhams Cay, P.O. Box662, Road Town, Tortola, British Virgin Islands	USD3,120	Investment
Miracle Technology CO., LTD.	1993/11/22	No. 231-1, Wende Road, Qionglin, Hsinchu County	NTD229,550	Electronics components manufacturing, electronics materials and precision equipment distribution and product design business
Jingjing Investment Co., Ltd.	2006/10/13	6-7F, No. 472, Section 1, Guangfu Road, Longshan District, Hsinchu City	NTD143,162	Investment
Miracle (SAMOA) Co.,Ltd	2002/11/21	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	USD300	Investment
Misun Technology Co., Ltd	2002/12/03	Suite 802, St James Court St Denis Street, Port Louis, Mauritius.	USD300	Investment
Miko Technology Co., Ltd	1997/12/08	Room 1203, 12/F., Tung Wah Mansion,199-203 Hennessy Road, Wanchai, Hong Kong.	HK10	Electronics components manufacturing, electronics materials and precision equipment distribution and power component design
Aptos Technology INC.	2006/03/10	No. 398-1, Youyi Road, Zhunan Township, Miaoli County	NTD883,900	Electronics components
Adl Engineering INC.	2007/05/29	5F, No. 65, Guangfu North Road, Hukou Township, Hsinchu County	NTD119,845	Electronics components
New Sunrise Limited	2015/12/10	Offshore Chambers, P.O. Box 217, Apia, Samoa	(註)	Investment
Aptos Global Holding Corp.	2010/08/02	Second Floor, Capital City, Independence Avenue, P.O. Box 1008, Vicotria, Seychelles	NTD29,795	Investment
Aptos Technology Co., Limited	2010/08/20	Room 6, 16/F., Workingbond Commercial Centre 162-164 Prince Edward RD West, Mong Kok, Kowloon, Hong Kong	NTD29,648	Investment
Miko-China Enterprise (Shanghai) Co., Ltd.	2010/05/17	Room 301, Building #3, No. 1077, ZuChongZhi Road, ZhangJiang Hi-Tech Science Park, PuDong, Shanghai Zip: 201203	CNY696	Electronics components manufacturing, electronics materials and precision equipment distribution and power component design
Miracle International Enterprise (Shanghai) Co., Ltd.	2004/02/09	Room 204, Building #3, No. 1077, ZuChongZhi Road, ZhangJiang Hi-Tech Science Park, PuDong, Shanghai Zip: 201203	CNY2,483	IC product design, production and sales
Weida Hi-Tech Company	2010/07/16	No. 11, Chuangxin 1st Road, Baoshan, Hsinchu County, Hsinchu Science Park	NTD255,105	Display panel control chip and other module's research, design, development, manufacturing and sales
Smart Touch Co., Ltd	2014/09/17	Jipfa Building, 3 <sup>rd</sup> Floor, Main Street, Road Town, Tortola, British Virgin, Islands	USD457	Investment
Central Star Ltd	2014/07/22	1 <sup>st</sup> Floor, #5 DEKK House, De Zippora Street, Providence Industrial Estate, Mahe, Republic of Seychelles	USD579	Investment
Touch Hi-Tech Co., Ltd.	2014/11/18	Rm 1324, No. 498, Guoshoujing Rd, Zhangjiang Hi-Tech Park, Pudong New District, Shanghai City, PR China	CNY5,743	Touch panel system hardware design and software development
Sichuan Miracle Power Technology Co., Ltd.	2017/06/06	No. 598, Yulong Rd, Chuanshan District, Suining City, Sichuan Province, PR China Innovative Innovation Incubation Center, 5F, No. 5001-5002	CNY7,000	IC product design, production and sales

Note: New Sunrise Limited was established in 2015, Aptos Technology has not invested at that time.

(V) Consolidated Financial Statements

The companies that are required to be included in the affiliated companies' consolidated financial statements are the same as those included in the consolidated financial statements of parent company and subsidiaries prepared in conformity with the International Accounting Standard 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the affiliated companies' consolidated financial statements is included in the consolidated financial statements of the aforesaid parent company and subsidiaries. Thus, the Company only presents the declaration on the cover page of the consolidated financial report of parent company and subsidiaries, and will not prepare separate affiliated companies' consolidated financial statements and its declaration (Please refer to this handbook Chapter "Six. Overview of Financial Status" and "IV. Latest financial report").

(VI) Relationship report: Not applicable.

(VII) Information on the controlling and controlled entities presumably sharing the same shareholders:  
None.

**II. Status of private placement of securities during the most recent fiscal year and up to the date of publication of the annual report:** None.

**III. Holding or disposal of shares in the Company by the Company's subsidiaries during the most recent fiscal year and up to the date of publication of the annual report:**

Unit: NTD in thousands; Thousand shares; %

Name of Subsidiary	Paid-up capital	Source of funds	The Company's shareholding ratio	Date of acquisition or disposal	Number of shares and amount acquired (Note 1)	Number of shares and amount disposed (Note 1)	Investment income (loss)	Number of shares and amount held up to publication date of annual report	Status of creation of pledge	Endorsements/guarantees of amount by parent company to subsidiary	Amount the Company lends to subsidiary
Youe Chung Capital Corporation	1,423,295	Proprietary funds	100%	2019 until April 30, 2020	-	-	-	Number of shares 37,081,000 shares  Amount: 1,105,027,000	-	-	27,000,000

Note 1: "Amount" refers to the actual amount acquired or disposed of.

Note 2: Effects to the financial performance and financial situation of the company: Not applicable.

**IV. Other supplementary information:** None.

**V. Situations listed in Article 36, paragraph 2, sub-paragraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, have occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, such situations shall be listed:** None.

Taiwan Mask Corporation

Chairperson: Michael, Tsai