

TAIWAN MASK CORPORATION AND  
SUBSIDIARIES  
Consolidated Financial Statements  
With Independent Auditors' Report Thereon  
December 31, 2020 and 2019  
(Stork code : 2338)

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## **Latest financial report**

### **Independent Auditors' Report**

(110) TWSE Review No. 20004138

To Taiwan Mask Corporation,

### **Opinions**

We have audited the accompanying consolidated balance sheets of Taiwan Mask Corporation and its subsidiaries (the "Group") as of December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years ended December 31, 2020 and 2019, 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, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2020 and 2019 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 2020 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, 2020; 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, 2019. 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 fiscal year 2020. 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 fiscal year 2020 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 detailed description of inventory accounts. The inventory amount and allowance for inventory valuation loss as of December 31, 2020 is NT\$288,686 thousand and NT\$ 83,272 thousand respectively.

The Group is primarily engaged in mask and integrated circuit services in the semiconductor industry. Due to rapid technological innovations, short life-cycle and competition within the mask industry, the risk of price fluctuations, Loss on decline in value of inventories and obsolescence is higher than that of other industries. 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, applying whichever is lower. This includes 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, evaluating and confirming 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 (27) of the financial report. For sales revenue please refer to Note 6(20); the operating income in fiscal year 2020 is NT\$4,666,756 thousand.

The Group mainly produces and sells products such as masks and integrated circuits used in semiconductors, and has a large and diversified sales base. Trading conditions vary according to market conditions and customer needs. Considering that sales revenue is a major transaction that has a significant impact on the consolidated financial statements, we believe that the recognition of sales revenue is one of the most important matters to be considered in this year's audit.

### How our audit addressed the matter

We have performed primary audit procedures for the above matter 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 determine 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 matters—Parent company only financial reports**

We have audited and expressed an unmodified opinion on the parent company only standalone financial statements of Taiwan Mask Corporation as of and for the years ended December 31, 2020 and 2019.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as

management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### **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 Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 conducted in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also conduct the following undertakings:

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 communicated 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 for the current period.

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 2020 consolidated financial statements of the current period and are therefore deemed key audit matters. We describe these matters in our Auditors' Report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonable are expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers, Taiwan

Tien-I Li



Accountant

Ya-Hui Che



Financial Supervisory Commission of the Executive Yuan  
Approval Certificate No. 1020028992  
Securities and Futures Bureau of Financial Supervisory  
Commission of the Executive Yuan  
Approval Certificate No. 0960072936

March 15, 2021



Taiwan Mask Corporation and Subsidiaries  
Consolidated Balance Sheets  
December 31, 2020 and 2019

Unit: NT\$Thousand

| Assets                    | Notes                                | December 31, 2020 |                     | December 31, 2019 |                     |            |
|---------------------------|--------------------------------------|-------------------|---------------------|-------------------|---------------------|------------|
|                           |                                      | Amount            | %                   | Amount            | %                   |            |
| <b>Current assets</b>     |                                      |                   |                     |                   |                     |            |
| 1100                      | Cash and Cash Equivalents            | 6(1)              | \$ 1,036,658        | 11                | \$ 946,517          | 16         |
| 1110                      | Financial Assets at Fair Value       | 6(2)              |                     |                   |                     |            |
|                           | Through Profit or Loss - Current     |                   | 500                 | -                 | 500                 | -          |
| 1136                      | Financial Assets at Amortized Cost - | 6(4) and 8        |                     |                   |                     |            |
|                           | Current                              |                   | 34,212              | -                 | 40,236              | 1          |
| 1140                      | Contract Asset - Current             | 6(20)             | 93,809              | 1                 | 18,121              | -          |
| 1150                      | Notes Receivables (Net)              | 6(5)              | 879                 | -                 | -                   | -          |
| 1170                      | Accounts Receivables (Net)           | 6(5)              | 894,743             | 10                | 729,536             | 13         |
| 1180                      | Accounts Receivables - Related       | 6(5) and 7        |                     |                   |                     |            |
|                           | Parties (Net)                        |                   | 6,599               | -                 | 1,568               | -          |
| 1200                      | Other Receivables                    |                   | 47,668              | 1                 | 17,032              | -          |
| 1210                      | Other Receivables - Related Parties  | 7                 | 3,068               | -                 | 205,568             | 4          |
| 1220                      | Tax Assets                           |                   | 2,490               | -                 | 269                 | -          |
| 130X                      | Inventories                          | 6(6)              | 205,414             | 2                 | 245,157             | 4          |
| 1410                      | Prepayments                          |                   | 59,271              | 1                 | 48,240              | 1          |
| 1470                      | Other Current Assets                 |                   | 53,982              | 1                 | 6,190               | -          |
| 11XX                      | <b>Total Current Assets</b>          |                   | <u>2,439,293</u>    | <u>27</u>         | <u>2,258,934</u>    | <u>39</u>  |
| <b>Non-Current Assets</b> |                                      |                   |                     |                   |                     |            |
| 1510                      | Financial Asset at Fair Value        | 6(2) and 8        |                     |                   |                     |            |
|                           | Through Profit or Loss - Non Current |                   | 2,134,913           | 24                | 992,784             | 17         |
| 1517                      | Financial assets measured at fair    | 6(3)              |                     |                   |                     |            |
|                           | value through other comprehensive    |                   |                     |                   |                     |            |
|                           | income - Non Current                 |                   | -                   | -                 | -                   | -          |
| 1535                      | Financial Assets at Amortized Cost - | 6(4) and 8        |                     |                   |                     |            |
|                           | Non Current                          |                   | 40,922              | 1                 | 34,254              | 1          |
| 1550                      | Investment under Equity Method       | 6(7)              | 361,161             | 4                 | 98,429              | 2          |
| 1600                      | Property, plant and equipment        | 6(8) and 8        | 3,116,087           | 34                | 1,546,919           | 27         |
| 1755                      | Right-of-use Asset                   | 6(9)              | 508,467             | 6                 | 427,729             | 8          |
| 1760                      | Investment property (Net)            | 6(11) and 8       | 313,099             | 3                 | 38,687              | 1          |
| 1780                      | Intangible assets                    |                   | 124,426             | 1                 | 126,776             | 2          |
| 1840                      | Deferred Income Tax Assets           | 6(27)             | 2,332               | -                 | 5,079               | -          |
| 1900                      | Other Non-Current Assets             |                   | 29,265              | -                 | 196,779             | 3          |
| 15XX                      | <b>Total Non-Current Assets</b>      |                   | <u>6,630,672</u>    | <u>73</u>         | <u>3,467,436</u>    | <u>61</u>  |
| 1XXX                      | <b>Total Assets</b>                  |                   | <u>\$ 9,069,965</u> | <u>100</u>        | <u>\$ 5,726,370</u> | <u>100</u> |



Taiwan Mask Corporation and Subsidiaries  
Consolidated Balance Sheets  
December 31, 2020 and 2019

Unit: NT\$Thousand

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Taiwan Mask Corporation and Subsidiaries  
Consolidated Balance Sheets  
December 31, 2020 and 2019

Unit: NT\$Thousand

| Liabilities and Equities   |  | Notes | December 31, 2020 |           | December 31, 2019 |           |
|--|--|-------|-------------------|-----------|-------------------|-----------|
|  |  |       | Amount            | %         | Amount            | %         |
| <b>Current liabilities</b>                                       |  |       |                   |           |                   |           |
| 2100   | Short Term Loans                                     | 6(12) | \$ 2,298,718      | 25        | \$ 804,938        | 14        |
| 2130   | Contract Liabilities - Current                       | 6(20) | 99,418            | 1         | 39,856            | 1         |
| 2150   | Notes Payable  |       | 66                | -         | 65                | -         |
| 2170   | Accounts Payable                                     |       | 397,237           | 4         | 369,827           | 5         |
| 2200   | Other Payables                                       | 6(13) | 436,980           | 5         | 412,512           | 7         |
| 2220   | Other Payables - Related Parties                     | 7     | -                 | -         | 1,432             | -         |
| 2230   | Current Income Tax Liabilities                       |       | 80,722            | 1         | 17,668            | -         |
| 2250   | Provision for Liabilities - Current                  |       | 12,917            | -         | -                 | -         |
| 2280   | Lease Liability - Current                            |       | 244,651           | 3         | 38,005            | 1         |
| 2300   | Other Current Liabilities                            | 6(14) | 106,707           | 1         | 34,103            | 1         |
| 21XX   | <b>Total Current Liabilities</b>                     |       | <u>3,677,416</u>  | <u>40</u> | <u>1,718,406</u>  | <u>29</u> |
| <b>Non-current liabilities</b>                                   |  |       |                   |           |                   |           |
| 2540   | Long-term Loans                                      | 6(14) | 1,635,872         | 18        | 439,084           | 8         |
| 2570   | Deferred Income Tax                                  | 6(27) | 53,268            | 1         | 32,181            | -         |
| 2580   | Lease liability - Non Current                        |       | 262,275           | 3         | 393,386           | 7         |
| 2640   | Defined Benefit Liabilities - Non Current            | 6(15) | 18,213            | -         | 20,311            | -         |
| 2645   | Guarantee Deposits Received                          |       | 5,129             | -         | 1,544             | -         |
| 2670   | Other Non-Current Liabilities - Other                |       | 1,102             | -         | -                 | -         |
| 25XX   | <b>Total Non-Current Liabilities</b>                 |       | <u>1,975,859</u>  | <u>22</u> | <u>886,506</u>    | <u>15</u> |
| 2XXX   | <b>Total Liabilities</b>                             |       | <u>5,653,275</u>  | <u>62</u> | <u>2,604,912</u>  | <u>44</u> |
| <b>Equity attributable to shareholders of the parent company</b> |  |       |                   |           |                   |           |
| Capital  |  |       |                   |           |                   |           |
| 3110   | Capital stock  | 6(16) | 2,527,136         | 28        | 2,527,136         | 44        |
| Capital surplus  |  |       |                   |           |                   |           |
| 3200   | Capital surplus                                      | 6(17) | 439,898           | 5         | 322,777           | 5         |
| Retained earnings  |  |       |                   |           |                   |           |
| 3310   | Legal reserve  | 6(18) | 587,990           | 6         | 544,712           | 10        |
| 3320   | Special reserve                                      |       | 2,666             | -         | -                 | -         |
| 3350   | Unappropriated earnings                              |       | 814,617           | 9         | 432,801           | 9         |
| Other equity interests   |  |       |                   |           |                   |           |
| 3400   | Other equity interests                               | 6(19) | 889               | -         | (1,872)           | -         |
| 3500   | Treasury stock                                       | 6(16) | (834,598)         | (9)       | (835,332)         | (15)      |
| 31XX   | <b>Total Equities Attributable to Parent Company</b> |       | <u>3,538,598</u>  | <u>39</u> | <u>2,990,222</u>  | <u>53</u> |
| 36XX   | <b>Non-controlling Interests</b>                     | 4(3)  | (121,908)         | (1)       | 131,236           | 3         |
| 3XXX   | <b>Total Equities</b>                                |       | <u>3,416,690</u>  | <u>38</u> | <u>3,121,458</u>  | <u>56</u> |

Major Commitments and Contingencies 9

Major Events after Financial Statement 11

Date

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

Chairman: Sean Chen

Manager: Lidon Chen

Accounting Supervisor: Yi-Ting Yang



Taiwan Mask Corporation and Subsidiaries  
Consolidated Balance Sheets  
December 31, 2020 and 2019

Unit: NT\$Thousand

|      |                                       |    |                  |            |    |                  |            |
|------|---------------------------------------|----|------------------|------------|----|------------------|------------|
| 3X2X | <b>Total Liabilities and Equities</b> | \$ | <u>9,069,965</u> | <u>100</u> | \$ | <u>5,726,370</u> | <u>100</u> |
|------|---------------------------------------|----|------------------|------------|----|------------------|------------|

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

Chairman: Sean Chen



Manager: Lidon Chen



Accounting Supervisor: Yi-Ting Y



  
Taiwan Mask Corporation and Subsidiaries  
Consolidated Comprehensive Income Statements  
For the Years Ended December 31, 2020 and 2019

Unit: NT\$Thousand  
(Except for earnings per share)

| Items   | Notes       | 2020              |              | 2019              |              |
|---|-------------|-------------------|--------------|-------------------|--------------|
|   |             | Amount            | %            | Amount            | %            |
| 4000 Operating revenue  | 6(20) and 7 | \$ 4,666,756      | 100          | \$ 3,468,682      | 100          |
| 5000 Operating costs  | 6(6)        | ( 3,723,670)      | ( 80)        | ( 2,856,280)      | ( 82)        |
| 5900 Gross profit   |             | <u>943,086</u>    | <u>20</u>    | <u>612,402</u>    | <u>18</u>    |
| Operating expenses  |             |                   |              |                   |              |
| 6100 Selling Expenses   |             | ( 131,841)        | ( 3)         | ( 147,481)        | ( 4)         |
| 6200 Administrative Expenses  |             | ( 324,379)        | ( 7)         | ( 229,701)        | ( 7)         |
| 6300 R&D Expenses   |             | ( 144,913)        | ( 3)         | ( 220,885)        | ( 7)         |
| 6450 Expected Credit Impairment   | 12(2)       |                   |              |                   |              |
| Benefit (Loss)  |             | <u>2,200</u>      | <u>-</u>     | <u>( 7,006)</u>   | <u>-</u>     |
| 6000 Total Operating Expenses   |             | <u>( 598,933)</u> | <u>( 13)</u> | <u>( 605,073)</u> | <u>( 18)</u> |
| 6900 Operating profit   |             | <u>344,153</u>    | <u>7</u>     | <u>7,329</u>      | <u>-</u>     |
| Non-operating income and expenses   |             |                   |              |                   |              |
| 7100 Interest income  | 6(21)       | 4,826             | -            | 9,270             | -            |
| 7010 Other Incomes  | 6(22)       | 58,758            | 1            | 50,364            | 1            |
| 7020 Other Gains and Losses   | 6(23)       | 360,836           | 8            | 368,938           | 11           |
| 7050 Financial Costs  | 6(24)       | ( 33,026)         | ( 1)         | ( 15,849)         | -            |
| 7060 The share of affiliates and joint venture profits and losses recognized by the equity method | 6(7)        | <u>( 105,006)</u> | <u>( 2)</u>  | <u>( 45,535)</u>  | <u>( 1)</u>  |
| 7000 Total Non-Operating Incomes and Losses   |             | <u>286,388</u>    | <u>6</u>     | <u>367,188</u>    | <u>11</u>    |
| 7900 <b>Earnings Before Tax</b>   |             | 630,541           | 13           | 374,517           | 11           |
| 7950 Income Tax Expense   | 6(27)       | <u>( 144,234)</u> | <u>( 3)</u>  | <u>( 62,577)</u>  | <u>( 2)</u>  |
| 8200 <b>Net Income (Loss)</b>   |             | <u>\$ 486,307</u> | <u>10</u>    | <u>\$ 311,940</u> | <u>9</u>     |

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Taiwan Mask Corporation and Subsidiaries  
Consolidated Comprehensive Income Statements  
For the Years Ended December 31, 2020 and 2019

Unit: NT\$Thousand  
(Except for earnings per share)

| Items                                    | Notes  | 2020       |    | 2019       |   |
|--|--|------------|----|------------|---|
|  |  | Amount     | %  | Amount     | % |
| <b>Other Comprehensive Incomes</b>       |  |            |    |            |   |
| <b>(Net)</b>                             |  |            |    |            |   |
| <b>Components of other</b>               |  |            |    |            |   |
| <b>comprehensive income that will</b>    |  |            |    |            |   |
| <b>not be reclassified to profit or</b>  |  |            |    |            |   |
| <b>loss</b>                              |  |            |    |            |   |
| 8311                                     | Re-measurements of defined benefit plan  | \$ 424     | -  | \$ 1,527   | - |
| 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                                     | 424        | -  | ( 1,262)   | - |
| <b>Components of other</b>               |  |            |    |            |   |
| <b>comprehensive income that will</b>    |  |            |    |            |   |
| <b>be reclassified to profit or loss</b> |  |            |    |            |   |
| 8361                                     | Financial statement translation differences of foreign operations  | 2,761      | -  | ( 7,078)   | - |
| 8360                                     | Total Components of other comprehensive income that will be reclassified to profit or loss                   | 2,761      | -  | ( 7,078)   | - |
| 8500                                     | <b>Total comprehensive income for the year</b>   | \$ 489,492 | 10 | \$ 303,600 | 9 |

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

Chairman: Sean Chen

Manager: Lidon Chen

Accounting Supervisor: Yi-Ting Yang

Taiwan Mask Corporation and Subsidiaries  
Consolidated Comprehensive Income Statements  
For the Years Ended December 31, 2020 and 2019



Unit: NT\$Thousand  
(Except for earnings per share)

Net Incomes (Losses) Attributable

to:

|      |                           |    |                |           |    |                |          |
|------|---------------------------|----|----------------|-----------|----|----------------|----------|
| 8610 | Parent Company            | \$ | 683,897        | 14        | \$ | 431,254        | 12       |
| 8620 | Non-controlling Interests |    | ( 197,590)     | ( 4)      |    | ( 119,314)     | ( 3)     |
|      | Total                     | \$ | <u>486,307</u> | <u>10</u> | \$ | <u>311,940</u> | <u>9</u> |

Total Comprehensive Incomes

(Losses) Attributable to:

|      |                           |    |                |           |    |                |          |
|------|---------------------------|----|----------------|-----------|----|----------------|----------|
| 8710 | Parent Company            | \$ | 687,082        | 14        | \$ | 423,056        | 12       |
| 8720 | Non-controlling Interests |    | ( 197,590)     | ( 4)      |    | ( 119,456)     | ( 3)     |
|      | Total                     | \$ | <u>489,492</u> | <u>10</u> | \$ | <u>303,600</u> | <u>9</u> |

Earnings per share 6(28)

|      |                                  |    |             |    |             |
|------|----------------------------------|----|-------------|----|-------------|
| 9750 | Net Income (Loss)                | \$ | <u>3.34</u> | \$ | <u>2.19</u> |
|      | Diluted Earnings per share 6(28) |    |             |    |             |
| 9850 | Net Income (Loss)                | \$ | <u>3.30</u> | \$ | <u>2.18</u> |

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

Chairman: Sean Chen




Manager: Lidon Chen



Accounting Supervisor: Yi-Ting Yan



  
 Taiwan Mask Corporation and Subsidiaries  
 Consolidated Statement of Changes in Equity  
 For the Years Ended December 31, 2020 and 2019

Unit: NT\$Thousand

| Equity attributable to shareholders of the parent company |  |                 |               |                 |                         |   |  |                      |                |              |                           |              |
|---|--|-----------------|---------------|-----------------|-------------------------|---|--|----------------------|----------------|--------------|---------------------------|--------------|
| Notes   | Retained earnings  |                 |               |                 |                         | Other equity interests  |  |                      | Treasury stock | Total        | Non-controlling Interests | Total Equity |
|   | Capital stock  | Capital surplus | Legal reserve | Special reserve | Unappropriated earnings | Financial statement translation differences of foreign operations | Unrealized gain (loss) on investments on financial assets at fair value through other comprehensive income | comprehensive income |                |              |                           |              |
| <b>2019</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 | \$ 15,317                 | \$ 2,573,811 |
|   | Net Income (Loss)  | -               | -             | -               | -                       | 431,254   | -  | -                    | -              | 431,254      | ( 119,314 )               | 311,940      |
| 6(19)   | Other Comprehensive Profit or Loss   | -               | -             | -               | -                       | 1,527   | ( 7,059 )  | ( 2,666 )            | -              | ( 8,198 )    | ( 142 )                   | ( 8,340 )    |
|   | Total comprehensive income for the year  | -               | -             | -               | -                       | 432,781   | ( 7,059 )  | ( 2,666 )            | -              | 423,056      | ( 119,456 )               | 303,600      |
| 6(18)   | Distribution and allocation of surplus earnings for FY2018                               | -               | -             | -               | -                       | -   | -  | -                    | -              | -            | -                         | -            |
|   | Legal capital reserve  | -               | -             | 19,920          | -                       | ( 19,920 )  | -  | -                    | -              | -            | -                         | -            |
|   | Reversal of Special capital  | -               | -             | -               | ( 14,287 )              | 14,287  | -  | -                    | -              | -            | -                         | -            |
|   | Cash dividends   | -               | -             | -               | -                       | ( 194,083 )   | -  | -                    | -              | ( 194,083 )  | -                         | ( 194,083 )  |
| 6(17)   | Adjustment of capital reserve by dividends paid to subsidiaries                          | -               | 30,926        | -               | -                       | -   | -  | -                    | -              | 30,926       | -                         | 30,926       |
| 6(17)   | Difference between actual acquisition price and carrying value of equity in subsidiaries | -               | ( 5,333 )     | -               | -                       | -   | -  | -                    | -              | ( 5,333 )    | 47,132                    | 41,799       |
| 6(17)   | Changes in shares of affiliates and joint ventures recognized under the equity method    | -               | 17,809        | -               | -                       | -   | -  | -                    | -              | 17,809       | -                         | 17,809       |
| 6(17)   | Share-based payment transaction  | -               | 109,628       | -               | -                       | -   | -  | -                    | 49,409         | 159,037      | -                         | 159,037      |
| 6(17)   | Unclaimed dividends of shareholders  | -               | 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  | \$ 2,527,136    | \$ 322,777    | \$ 544,712      | \$ -                    | \$ 432,801  | \$ 794   | (\$ 2,666 )          | (\$ 835,332 )  | \$ 2,990,222 | \$ 131,236                | \$ 3,121,458 |
| <b>2020</b>   |  |                 |               |                 |                         |   |  |                      |                |              |                           |              |
|   | Beginning Balance as of 2020/1/1   | \$ 2,527,136    | \$ 322,777    | \$ 544,712      | \$ -                    | \$ 432,801  | \$ 794   | (\$ 2,666 )          | (\$ 835,332 )  | \$ 2,990,222 | \$ 131,236                | \$ 3,121,458 |
|   | Net Income (Loss)  | -               | -             | -               | -                       | 683,897   | -  | -                    | -              | 683,897      | ( 197,590 )               | 486,307      |
| 6(19)   | Other Comprehensive Profit or Loss   | -               | -             | -               | -                       | 424   | 2,761  | -                    | -              | 3,185        | -                         | 3,185        |
|   | Total comprehensive income for the year  | -               | -             | -               | -                       | 684,321   | 2,761  | -                    | -              | 687,082      | ( 197,590 )               | 489,492      |
| 6(18)   | Distribution and allocation of surplus earnings for FY2019                               | -               | -             | -               | -                       | -   | -  | -                    | -              | -            | -                         | -            |
|   | Legal capital reserve  | -               | -             | 43,278          | -                       | ( 43,278 )  | -  | -                    | -              | -            | -                         | -            |
|   | Special Capital  | -               | -             | -               | 2,666                   | ( 2,666 )   | -  | -                    | -              | -            | -                         | -            |
|   | Cash dividends   | -               | -             | -               | -                       | ( 252,714 )   | -  | -                    | -              | ( 252,714 )  | -                         | ( 252,714 )  |
| 6(17)   | Adjustment of capital reserve by dividends paid to subsidiaries                          | -               | 37,081        | -               | -                       | -   | -  | -                    | -              | 37,081       | -                         | 37,081       |

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

Chairman: Sean Chen

Manager: Lidon Chen

Accounting Supervisor: Yi-Ting Yang

  
 Taiwan Mask Corporation and Subsidiaries  
 Consolidated Statement of Changes in Equity  
 For the Years Ended December 31, 2020 and 2019

Unit: NT\$ Thousand

| Equity attributable to shareholders of the parent company                             |                   |                 |               |                 |                         |   |  |                |               |                           |                           |              |
|---|-------------------|-----------------|---------------|-----------------|-------------------------|---|--|----------------|---------------|---------------------------|---------------------------|--------------|
|   | Retained earnings |                 |               |                 |                         | Other equity interests  |  |                |               |                           | Non-controlling Interests | Total Equity |
|   | Capital stock     | Capital surplus | Legal reserve | Special reserve | Unappropriated earnings | Financial statement translation differences of foreign operations | Unrealized gain (loss) on investments on financial assets at fair value through other comprehensive income | Treasury stock | Total         |                           |                           |              |
| Notes   | Capital stock     | Capital surplus | Legal reserve | Special reserve | Unappropriated earnings | Financial statement translation differences of foreign operations | Unrealized gain (loss) on investments on financial assets at fair value through other comprehensive income | Treasury stock | Total         | Non-controlling Interests | Total Equity              |              |
| Changes in shares of affiliates and joint ventures recognized under the equity method | 6(17)             | -               | ( 11,799 )    | -               | -                       | ( 3,847 )   | -  | -              | -             | ( 15,646 )                | -                         | ( 15,646 )   |
| Share-based payment transaction   | 6(17)             | -               | 88,273        | -               | -                       | -   | -  | 307,654        | 395,927       | -                         | -                         | 395,927      |
| Treasury Stock Buyback  |                   | -               | -             | -               | -                       | -   | -  | ( 306,920 )    | ( 306,920 )   | -                         | -                         | ( 306,920 )  |
| Unclaimed dividends of shareholders   | 6(17)             | -               | 3,566         | -               | -                       | -   | -  | -              | 3,566         | -                         | -                         | 3,566        |
| Reduction in non-controlling interests in mergers                                     |                   | -               | -             | -               | -                       | -   | -  | -              | -             | ( 55,554 )                | -                         | ( 55,554 )   |
| Ending Balance as of 2020/12/31   |                   | \$ 2,527,136    | \$ 439,898    | \$ 587,990      | \$ 2,666                | \$ 814,617  | \$ 3,555   | (\$ 2,666 )    | (\$ 834,598 ) | \$ 3,538,598              | (\$ 121,908 )             | \$ 3,416,690 |

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

Chairman: Sean Chen



Manager: Lidon Chen



Accounting Supervisor: Yi-Ting Yang



  
Taiwan Mask Corporation and Subsidiaries  
Consolidated Statements of Cash Flow  
For the Years Ended December 31, 2020 and 2019

Unit: NT\$Thousand

|  | Notes | January 1 to<br>December 31, 2020 | January 1 to<br>December 31, 2019 |
|--|-------|-----------------------------------|-----------------------------------|
| <u>Cash Flow from Operating Activities</u>                                     |       |                                   |                                   |
| Net Income (Loss) Before Tax   |       | \$ 630,541                        | \$ 374,517                        |
| Adjustments to Reconcile Net Income to Net Cash Flow from Operating Activities |       |                                   |                                   |
| Revenues and Expenses  |       |                                   |                                   |
| Depreciation   | 6(25) | 379,560                           | 279,470                           |
| Amortization   | 6(25) | 7,395                             | 7,779                             |
| Expected Credit Impairment Benefit / Bad Debt Expenses                         | 12(2) | ( 2,200 )                         | 7,006                             |
| Interest income  | 6(21) | ( 4,826 )                         | ( 9,270 )                         |
| Interest Incomes   | 6(24) | 33,026                            | 15,849                            |
| Net Profit of Financial Asset at Fair Value Through Loss (Profit)              | 6(23) | ( 461,862 )                       | ( 354,635 )                       |
| Gain (loss) on disposal of investments   | 6(23) | ( 74,561 )                        | ( 22,121 )                        |
| Impairment Loss of Financial Assets  | 6(23) | 165,253                           | -                                 |
| Dividend income  | 6(22) | ( 25,128 )                        | ( 25,755 )                        |
| Share-based payment transaction  | 6(16) | 88,273                            | 109,628                           |
| Share of losses of affiliated companies recognized under the equity method     | 6(7)  | 105,006                           | 45,535                            |
| Disposal of interests in property, plant and equipment                         | 6(23) | ( 1 )                             | ( 1,916 )                         |
| Gains (losses) on Disposal of Property, Plants and Equipment                   |       | 72                                | 962                               |
| The Changes of Assets/ Liabilities related to Operating Activities             |       |                                   |                                   |
| Net Changes of Assets related to Operating Activities                          |       |                                   |                                   |
| Mandatory financial assets at fair value through profit or loss                |       | ( 692,023 )                       | 81,328                            |
| Contract Assets  |       | ( 75,688 )                        | ( 2,618 )                         |
| Notes Receivables  |       | ( 879 )                           | 1,241                             |
| Accounts Receivables   |       | ( 143,401 )                       | ( 95,589 )                        |
| Accounts Receivables – Related Parties   |       | ( 5,031 )                         | 2,610                             |
| Other Receivables  |       | ( 28,480 )                        | ( 1,906 )                         |
| Other Receivables – Related Parties  |       | ( 3,068 )                         | ( 11,390 )                        |
| Inventories  |       | 18,383                            | 39,020                            |
| Prepayments  |       | ( 20,011 )                        | 29,030                            |
| Other Current Assets   |       | ( 47,960 )                        | 3,390                             |
| Other Non-Current Assets   |       | ( 614 )                           | ( 45 )                            |
| Net Changes of Liabilities related to Operating Activities                     |       |                                   |                                   |
| Contract Liabilities   |       | 56,759                            | ( 18,541 )                        |
| Notes Payable  |       | 1                                 | -                                 |
| Accounts Payable   |       | 24,673                            | 94,562                            |
| Other Payables   |       | 80,593                            | 104,264                           |
| Other Payables- related Parties  |       | ( 1,432 )                         | 96                                |
| Other Current Liabilities  |       | ( 10,266 )                        | 22,649                            |
| Defined Benefit Liabilities  |       | ( 2,098 )                         | ( 79 )                            |
| Other Non-Current Liabilities  |       | 1,035                             | -                                 |
| Net Cash In-Flow (Out-Flow) from Operating                                     |       | ( 8,959 )                         | 675,071                           |
| Interest Received  |       | 5,156                             | 7,601                             |
| Dividends Received   |       | 25,128                            | 51,365                            |
| Interest Paid  |       | ( 30,871 )                        | ( 15,313 )                        |
| Income Tax Paid  |       | ( 60,398 )                        | ( 46,979 )                        |

Taiwan Mask Corporation and Subsidiaries  
Consolidated Statements of Cash Flow  
For the Years Ended December 31, 2020 and 2019



Unit: NT\$Thousand

|  | <u>Notes</u> | <u>January 1 to<br/>December 31, 2020</u> | <u>January 1 to<br/>December 31, 2019</u> |
|--|--------------|---|---|
| Net Cash In-Flow (Out-Flow) from<br>Operating Activities |              | ( <u>69,944</u> )                         | <u>671,745</u>                            |

(continued on next page)

  
Taiwan Mask Corporation and Subsidiaries  
Consolidated Statements of Cash Flow  
For the Years Ended December 31, 2020 and 2019

Unit: NT\$Thousand

|   | Notes | January 1 to<br>December 31, 2020 | January 1 to<br>December 31, 2019 |
|---|-------|-----------------------------------|-----------------------------------|
| <u>Cash Flow from Investment Activities</u>                   |       |                                   |                                   |
| Acquisition of Amortized Cost Financial Assets                |       | (\$ 141,012 )                     | (\$ 90,548 )                      |
| Disposal of Amortized Cost Financial Assets                   |       | 137,960                           | 129,275                           |
| Acquisition of investment property by the Equity Method       |       | ( 268,965 )                       | ( 65,000 )                        |
| Cash effect of changes in consolidated entities               | 6(29) | 12,100                            | 86,656                            |
| Cash effect of changes in consolidated entities               | 6(30) | ( 43,089 )                        | ( 25,037 )                        |
| Acquisition of Property, Plants and Equipment                 | 6(30) | ( 2,029,071 )                     | ( 703,667 )                       |
| Disposal of Property, Plants and Equipment                    |       | 618                               | 4,396                             |
| Acquisition of Intangible Assets                              |       | ( 3,653 )                         | ( 3,420 )                         |
| Decrease (Increase) of Refundable Deposits                    |       | ( 4,323 )                         | 82                                |
| Other Receivables – Related Parties                           |       | -                                 | ( 20,000 )                        |
| Net Cash Outflow from Investing Activities                    |       | <u>( 2,339,435 )</u>              | <u>( 687,263 )</u>                |
| <u>Cash Flows from Financing Activities</u>                   |       |                                   |                                   |
| Increase of Short Term Loan                                   | 6(31) | 3,709,278                         | 1,292,495                         |
| Redemption of Short Term Loan                                 | 6(31) | ( 2,215,498 )                     | ( 1,209,845 )                     |
| Increase of Long Term Loan                                    | 6(31) | 1,342,000                         | 444,428                           |
| Redemption of Long Term Loan                                  | 6(31) | ( 61,533 )                        | ( 8,045 )                         |
| Distribution of cash dividends                                |       | ( 215,633 )                       | ( 163,157 )                       |
| Treasury stocks transfer to employees                         |       | 307,591                           | 49,409                            |
| Treasury stock buyback cost                                   |       | ( 306,920 )                       | -                                 |
| Redemption of Lease Principal                                 | 6(31) | ( 60,382 )                        | ( 37,157 )                        |
| Increase (Decrease) of Guarantee Deposits                     | 6(31) | 3,585                             | ( 2,512 )                         |
| Transfer of unclaimed dividends as Additional Paid-in Capital |       | 3,566                             | 316                               |
| Cash increase of non-controlling equity in Subsidiaries       |       | -                                 | 40,000                            |
| Net Cash In-Flow (Out-Flow) from Funding Activities           |       | <u>2,506,054</u>                  | <u>405,932</u>                    |

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

Chairman: Sean Chen

Manager: Lidon Chen

Accounting Supervisor: Yi-Ting Yang

  
Taiwan Mask Corporation and Subsidiaries  
Consolidated Statements of Cash Flow  
For the Years Ended December 31, 2020 and 2019

Unit: NT\$Thousand

| Notes  | January 1 to<br>December 31, 2020 | January 1 to<br>December 31, 2019 |
|--|-----------------------------------|-----------------------------------|
| Adjustments of Exchange Rate                     | ( 6,534 )                         | ( 7,305 )                         |
| Increase (Decrease) of Cash and Cash Equivalents | 90,141                            | 383,109                           |
| Beginning Balance of Cash and Cash Equivalents   | 946,517                           | 563,408                           |
| Ending Balance of Cash and Cash Equivalents      | \$ 1,036,658                      | \$ 946,517                        |

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

Chairman: Sean Chen



Manager: Lidon Chen



Accounting Supervisor: Yi-Ting Ya



Taiwan Mask Corporation and Subsidiaries  
Notes to the Consolidated Financial Statements  
2020 and 2019

Unit: NT\$Thousand  
(Unless otherwise specified)

I. Company history

Taiwan Mask Corporation (hereinafter referred to as the "Company") was established on October 21, 1988, and started its operations in March 1989. The Company was approved by the shareholders meeting on June 12, 2000 to acquire Shin-Tai Technology Co., Ltd., on the merger record date of December 1, 2000, with the Company being the surviving entity. The Company and its subsidiary (collectively referred to as the "Group") mainly engage in the research, development, manufacturing and sales of photomask and integrated circuits, providing technical assistance, consultation, inspection and repair of the abovementioned products, and manufacturing and buying and selling of medical equipment.

Date and procedures for passing the financial report

The accompanying consolidated financial statements were approved and authorized for issuance by the Board of Directors on March 15, 2021.

Application of New and Revised International Financial Reporting Standards

(I) (1) The impact from adopting the newly released and revised International Financial Reporting Standards recognized by the Financial Supervisory Commission (FSC).

The following table summarizes the applicable newly released, corrected and amended standards and interpretations of the International Financial Reporting Standards recognized by the Financial Supervisory Commission in 2020:

| <u>Newly released / corrected / amended standards and interpretations</u>   | <u>Effective Date Issued by IASB</u> |
|---|--------------------------------------|
| IAS 1 and IAS 8 amendments, Disclosure Initiative - Definition of Material. | January 1, 2020                      |
| IFRS 3 amendments, Definition of a business                                 | January 1, 2020                      |
| Amendments to IFRS 9, IAS 39 and IFRS 7 -- Interest rate benchmark reform   | January 1, 2020                      |
| Amendment to IFRS 16 for Rent Concessions in the Coronavirus Pandemic       | June 1, 2020 (Note)                  |

Note: The FSC allows the application in advance starting January 1, 2020.

The Group believes that the adoption of aforementioned IFRSs will not have a significant effect on the financial position and performance.

(II) (2) Impact of the newly released and amended IFRS recognized by the FSC not yet adopted by the Company.

The following table summarizes the applicable newly released, corrected and amended

standards and interpretations of the International Financial Reporting Standards recognized by the Financial Supervisory Commission in 2021:

| <u>Newly released / corrected / amended standards and interpretations</u>                           | <u>Effective Date Issued by IASB</u> |
|---|--------------------------------------|
| Amendment to IFRS 4, "Extension to Temporary Exemption from Application of IFRS 9"                  | January 1, 2021                      |
| IFRS 9, IAS 39, IFRS 7, IFRS 4 and Phase II amendment to interest rate benchmark reform of IFRS 16. | January 1, 2021                      |

The Group believes that the adoption of aforementioned IFRSs will not have a significant effect on the financial position and performance.

(III) IFRSs issued by the IASB but not yet recognized by the FSC.

The following table summarizes the applicable newly released, corrected and amended standards and interpretations of the International Financial Reporting Standards issued by the IASB but not yet recognized by the FSC:

| <u>Newly released / corrected / amended standards and interpretations</u>  | <u>Effective Date Issued by IASB</u> |
|--|--------------------------------------|
| IFRS 3 amendment, "Reference to Conceptual Framework"  | January 1, 2022                      |
| IFRS 10 and IAS 28 amendments, Sale or contribution of assets between an investor and its associate or joint venture | To be determined by the IASB         |
| IFRS 17 - Insurance contracts  | January 1, 2023                      |
| Amendment to IFRS 17 - Insurance contracts   | January 1, 2023                      |
| Amendment to IAS 1 "Classification of Liabilities as Current or Non-Current"   | January 1, 2023                      |
| Amendment to IAS 1 - "Disclosure of Accounting Policies"   | January 1, 2023                      |
| Amendment to IAS 8 - "Definition of Accounting Estimates"  | January 1, 2023                      |
| Amendment to IAS 16 - "Property, Plant and Equipment: Proceeds before Intended Use".                                 | January 1, 2022                      |
| Amendment to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"  | January 1, 2022                      |
| Annual improvements to 2018 - 2020 cycle   | January 1, 2022                      |

The Group believes that the adoption of aforementioned IFRSs will not have a significant effect on the financial position and performance.

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.

(IV) Compliance statement

These consolidated financial statements of the Group have been prepared in accordance with the "Rules Governing the Preparation of Financial Statements 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").

(V) Basis of preparation

1. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention.
  - (1) Financial assets and financial liabilities at fair value through profit or loss (including derivatives).
  - (2) Financial assets at fair value through other comprehensive income
  - (3) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
2. 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 V.

(VI) Basis of consolidation

1. The basis for preparation of consolidated financial statements
  - (1) All subsidiaries are included in the Corporate Group's consolidated financial statements. Subsidiaries are all entities controlled by the Corporate Group. The Corporate 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.
  - (2) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Corporate Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Corporate Group.
  - (3) The profit and loss and the components of other comprehensive income attribute to the owners of the parent company and non-controlling interest. The total comprehensive income also attributes to the owners of the parent company and non-controlling interest, even if this results in the non-controlling interests having a deficit balance.
  - (4) 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 equity transactions, and they are considered as 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 directly recognized in equity.
  - (5) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is 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.

## 2. Subsidiaries included in the consolidated financial statements:

| Name of Investor               | Name of Subsidiary                         | Main Business Activity  | Ownership (%)     |                   | Explanation    |
|--------------------------------|--|---|-------------------|-------------------|----------------|
|                                |  |   | December 31, 2020 | December 31, 2019 |                |
| Taiwan Mask Corporation        | SunnyLake Park International Holding, Inc. | Name of Investor  | 100               | 100               |                |
| Taiwan Mask Corporation        | Youe Chung Capital Corporation             | Name of Investor  | 100               | 100               |                |
| Taiwan Mask Corporation        | Miracle Technology CO., LTD.               | Electronics components manufacturing, electronics materials and precision equipment distribution and power component design | 100               | 100               |                |
| Taiwan Mask Corporation        | Weida Hi-Tech Company                      | Display panel control chip and other module's research, design, development, manufacturing and sales                        | -                 | 100               | Note 3         |
| Taiwan Mask Corporation        | Innova Vision INC.                         | Manufacturing, retail, wholesale and international trade of medical equipment   | 13.00             | -                 | Note 4         |
| Youe Chung Capital Corporation | Innova Vision INC.                         | Manufacturing, retail, wholesale and international trade of medical equipment   | 3.21              | -                 | Note 4         |
| Youe Chung Capital Corporation | Aptos Technology INC.                      | Design, packaging and testing of NAND flash memory, solid state drives and the related products                             | 38.16             | 38.16             | Note 1         |
| Aptos Technology INC.          | Adl Engineering INC.                       | Electronics components  | 52.19             | 52.19             | Note 1         |
| Aptos Technology INC.          | New Sunrise Limited                        | Name of Investor  | 100               | 100               | Note 1, Note 2 |
| Adl Engineering INC.           | Aptos Global Holding Corp.                 | Name of Investor  | 100               | 100               | Note 1         |
| Aptos Global Holding Corp.     | Aptos Technology Co., Ltd.                 | Name of Investor  | 100               | 100               | Note 1         |
| Miracle Technology CO., LTD.   | Jingjing Investment Co., Ltd.              | Name of Investor  | 100               | 100               |                |
| Miracle Technology CO., LTD.   | Miracle Technology (Samoa) Co., Ltd.       | Name of Investor  | 100               | 100               |                |

|                               |  |   |     |     |
|-------------------------------|--|---|-----|-----|
| Jingjing Investment Co., Ltd. | Miko-China Enterprise (Shanghai) Co., Ltd. | Electronics components manufacturing, electronics materials and precision equipment distribution and power component design | 100 | 100 |
| Jingjing Investment Co., Ltd. | MIKO Technology Co., Ltd.                  | Electronics components manufacturing, electronics materials and precision equipment distribution and power component design | 100 | 100 |

| Name of Investor                                      | Name of Subsidiary                                    | Main Business Activity  | Ownership (%)     |                   | Explanation |
|---|---|---|-------------------|-------------------|-------------|
|   |   |   | December 31, 2020 | December 31, 2019 |             |
| Miracle Technology (Samoa) Co., Ltd.                  | Misun Technology Co., Ltd.                            | Name of Investor  | 100               | 100               |             |
| Misun Technology Co., Ltd.                            | Miracle International Enterprise (Shanghai) Co., Ltd. | Electronics components manufacturing, electronics materials and precision equipment distribution and power component design | 100               | 100               |             |
| Miko-China Enterprise (Shanghai) Co., Ltd.            | Sichuan Miracle Power Technology Co., Ltd.            | IC product design, production and sales   | 64.29             | 64.29             |             |
| 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 Company                                 | Touch Hi-Tech Co., Ltd.                               | Touch panel system hardware design and software development   | -                 | 100               | Note 3      |
| Weida Hi-Tech Company                                 | Smart Touch Co., Ltd.                                 | Name of Investor  | -                 | 100               | Note 3      |
| Weida Hi-Tech Company                                 | Central Star Ltd.                                     | Name of Investor  | -                 | 22.30             | Note 3      |
| Smart Touch Co., Ltd.                                 | Central Star Ltd.                                     | Name of Investor  | -                 | 77.70             | Note 3      |
| Innova Vision INC.                                    | Innova Technology                                     | Medical equipment retail and wholesale  | 100               | -                 | Note 4      |
| Innova Vision INC.                                    | InnoVa Vision (B.V.I.) Inc.                           | Name of Investor  | 100               | -                 | Note 4      |
| Innova Vision INC.                                    | InnoVa Vision Kabushiki Kaisha                        | Medical equipment retail and wholesale  | 9.23              | -                 | Note 4      |
| Innova Vision INC.                                    | CalaView International Holding Company Limited        | Name of Investor  | 100               | -                 | Note 4      |
| InnoVa Vision (B.V.I.) Inc.                           | InnoVa Vision Kabushiki Kaisha                        | Medical equipment retail and wholesale  | 90.77             | -                 | Note 4      |

Note 1: On June 28, 2019, Aptos Technology INC. held elections for all directors at its shareholders meeting. The Company's subsidiary Youe Chung Capital Corporation won more than half of the director seats obtaining substantial control of this company. Therefore, it has been included in consolidated financial statements as a consolidated entity from that date on.

Note 2: As of December 31, 2020, the funds for shares have not been remitted.

Note 3: Weida Hi-Tech Company issued new stocks for cash capital increase separately on April 10, 2020 and May 15, 2020. The Group did not keep up with the subscription for shareholding, which caused the shareholding to drop to 36.70%. Weida Hi-Tech Company then held an extraordinary general meeting of shareholders on June 2, 2020 to elect new directors. The Company won one seat of director and lost the control of the Weida. Therefore, the Group has stopped including Weida Hi-Tech and its subsidiaries in the consolidated financial statements since June 2, 2020. For cash flow information related to its subsidiaries, please refer to Note 6 (30) for supplementary cash flow information.

Note 4: On December 16, 2020, Innova Vision held elections for all directors at its extraordinary general meeting. The Company's subsidiary Youe Chung Capital Corporation won all the director seats, obtaining substantial control of this company. Therefore, it is included in consolidated financial statements as a consolidated entity from that date.

3. Subsidiaries not included in the consolidated financial report: None.
4. Adjustments for subsidiaries with different balance sheet dates: None.
5. Significant restrictions: None.
6. Subsidiaries that have non-controlling interests that are material to the Corporate Group: None.

The total non-controlling interests of the Group as of December 31, 2020 and 2019 were (\$121,908) and (\$131,236). The following information shows subsidiaries that have non-controlling interests that are material to the Corporate Group:

| Name of Subsidiary                    | Main location of business | Non-controlling Interests |                |                   |                | Explanation |
|---------------------------------------|---------------------------|---------------------------|----------------|-------------------|----------------|-------------|
|                                       |                           | December 31, 2020         |                | December 31, 2019 |                |             |
|                                       |                           | Amount                    | Ownership in % | Amount            | Ownership in % |             |
| Aptos Technology and its subsidiaries | Taiwan                    | (\$ 63,630)               | 61.84%         | \$ 131,236        | 61.84%         |             |
| Innova Vision and its subsidiaries    | Taiwan                    | ( 58,278)                 | 39.82%         | -                 | -              |             |

Aggregate financial information of subsidiaries:  
Balance Sheet

|                         | <u>Aptos Technology and its subsidiaries</u> |                          |
|-------------------------|--|--------------------------|
|                         | <u>December 31, 2020</u>                     | <u>December 31, 2019</u> |
| Current assets          | \$ 227,618                                   | \$ 227,392               |
| Non-Current Assets      | 462,810                                      | 233,035                  |
| Current liabilities     | ( 657,891)                                   | ( 246,988)               |
| Non-current liabilities | ( 156,705)                                   | ( 87,471)                |
| Total net assets        | <u>(\$ 124,168)</u>                          | <u>\$ 125,968</u>        |

|                         | <u>Innova Vision and its subsidiaries</u> |                          |
|-------------------------|---|--------------------------|
|                         | <u>December 31, 2020</u>                  | <u>December 31, 2019</u> |
| Current assets          | \$ 51,636                                 | \$ -                     |
| Non-Current Assets      | 35,523                                    | -                        |
| Current liabilities     | ( 233,167)                                | -                        |
| Non-current liabilities | ( 355)                                    | -                        |
| Total net assets        | <u>(\$ 146,363)</u>                       | <u>\$ -</u>              |

Statement of Comprehensive Income

|  | <u>Aptos Technology and its subsidiaries</u> |                     |
|--|--|---------------------|
|  | <u>2020</u>                                  | <u>2019</u>         |
| Revenue  | \$ 377,749                                   | \$ 530,067          |
| Net loss before taxes  | ( 254,537)                                   | ( 154,925)          |
| Income Tax Expense   | -  | -                   |
| Net loss of current period from continuing operations                | ( 254,537)                                   | ( 154,925)          |
| Net loss   | ( 254,537)                                   | ( 154,925)          |
| Other comprehensive income (net after tax)                           | -  | ( 8,978)            |
| Total comprehensive income for the year                              | <u>(\$ 254,537)</u>                          | <u>(\$ 163,903)</u> |
| Total comprehensive income attributable to non-controlling interests | <u>\$ 194,866</u>                            | <u>(\$ 104,723)</u> |

|   | <u>Innova Vision and its subsidiaries</u> |             |
|---|---|-------------|
|   | <u>2020</u>                               | <u>2019</u> |
| Revenue   | \$ -                                      | \$ -        |
| Net loss before taxes                                 | -   | -           |
| Income Tax Expense                                    | -   | -           |
| Net loss of current period from continuing operations | -   | -           |
| Net loss  | -   | -           |
| Other comprehensive income (net after tax)            | -   | -           |

|  |    |   |    |   |
|--|----|---|----|---|
| Total comprehensive income for the year                              | \$ | - | \$ | - |
| Total comprehensive income attributable to non-controlling interests | \$ | - | \$ | - |

Cash Flow Statement

Aptos Technology and its subsidiaries

|  | <u>2020</u>      | <u>2019</u>      |
|--|------------------|------------------|
| Net cash outflow from operating activities           | (\$ 212,692)     | (\$ 87,991)      |
| Cash In-Flow (Out-Flow) from Investing Activities    | ( 28,581)        | ( 2,314)         |
| Net Cash In-Flow (Out-Flow) from Funding Activities  | <u>192,864</u>   | <u>123,541</u>   |
| Net increase (decrease) in cash and cash equivalents | ( 48,409)        | 33,236           |
| Beginning Balance of Cash and Cash Equivalents       | <u>87,602</u>    | <u>54,366</u>    |
| Ending Balance of Cash and Cash Equivalents          | <u>\$ 39,193</u> | <u>\$ 87,602</u> |

Innova Vision and its subsidiaries

|  | <u>2020</u>      | <u>2019</u> |
|--|------------------|-------------|
| Net cash outflow from operating activities                   | \$ -             | \$ -        |
| Net Cash Outflow from Investing Activities                   | -                | -           |
| Net Cash In-Flow (Out-Flow) from Funding Activities          | <u>-</u>         | <u>-</u>    |
| Effect of exchange rate changes on cash and cash equivalents | <u>-</u>         | <u>-</u>    |
| Net increase (decrease) in cash and cash equivalents         | -                | -           |
| Beginning Balance of Cash and Cash Equivalents               | <u>12,100</u>    | <u>-</u>    |
| Ending Balance of Cash and Cash Equivalents                  | <u>\$ 12,100</u> | <u>\$ -</u> |

(VII) Foreign currency translation

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

1. Foreign currency transactions and balances

- (1) Foreign currency transactions are translated into the functional currency using spot exchange rate at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (2) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated using spot exchange rate at the balance sheet date. Exchange differences arising from re-translation at the balance sheet date are recognized in profit or loss.
- (3) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated using spot exchange rate 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 using spot exchange at the balance sheet date. Their translation differences are recognized in other comprehensive income. For those which are not measured at fair value, they measured by the historical exchange rate of the initial transaction date.

- (4) All foreign exchange gains and losses are presented in the statement of comprehensive income within "Other gains and losses".

## 2. Translation of foreign operations

- (1) The operating results and financial position of all corporate group entities and affiliates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
  - A. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet.
  - B. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period.
  - C. All resulting exchange differences are recognized in other comprehensive income.
- (2) When the foreign operation that is partially disposed of or sold is a subsidiary, the accumulated conversion difference recognized as other comprehensive income is re-attributed to the foreign operation's non-controlling interests on a pro rata basis. However, even if the Group retains part of its equity in the former subsidiary, but has lost control of the subsidiary of the foreign operation, it will be treated with as a disposal of the entire equity of the foreign operation
- (3) Goodwill and fair value adjustments arising on acquisition of a foreign entity are regarded as assets and liabilities of the foreign entity, and are translated at the closing rate.

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

1. Assets that meet one of the following criteria are classified as current assets:
  - (1) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle.
  - (2) Assets held mainly for trading purposes.
  - (3) Assets that are expected to be realized within twelve months from the balance sheet date.
  - (4) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

Those that do not meet the above criteria are considered non-current.

2. Liabilities that meet one of the following criteria are classified as current liabilities:
  - (1) Liabilities that are expected to be paid off within the normal operating cycle.
  - (2) Assets held mainly for trading purposes.
  - (3) Liabilities that are to be paid off within twelve months from the balance sheet date.
  - (4) 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.

Those that do not meet the above criteria are considered non-current.

(IX) Financial assets at fair value through profit and loss

1. Refer to the financial assets that are not measured at amortized cost, or are measured at fair value through other comprehensive gain or loss.
2. 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.
3. The Group measures financial assets at fair value in initial recognition. The related transaction costs are recognized in profit and loss. These financial assets are subsequently re-measured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss.
4. When the right to receive dividends is established, the economic benefits associated with the dividends are likely to flow in, and the amount of dividends can be reliably measured, the Group recognizes dividend income in profit or loss.

(X) Financial assets at fair value through other comprehensive profit and loss

1. Refers to an irrevocable election at the time of initial recognition to report the fair value changes of equity investments that are not held for trading in other comprehensive income.
2. 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.
3. The Corporate Group measures financial assets at fair value plus transaction costs at the initial recognition. The financial assets are subsequently measured at fair value. The fair value changes of equity investments are recognized in other comprehensive income. At the time derecognition, the accumulated gains or losses previously recognized in other comprehensive income shall not subsequently reclassified to profit or loss, and shall be transferred to retained earnings. When the right to receive dividends is established, the economic benefits associated with the dividends are likely to flow in, and the amount of dividends can be reliably measured, the Group recognizes dividend income in profit or loss.

(XI) Financial assets measured at amortized cost

1. Refer to those that meet the following criteria at the same time:
  - (1) The objective of the business model is achieved by collecting contractual cash flows.
  - (2) The assets' contractual cash flows solely represent payments of principal and interest.
2. The Corporate Group holds time deposits that are not considered cash equivalents. Due to the short holding period, the impact of discounting is insignificant and is measured by the amount of investment.

(XII) Accounts and notes receivable

1. Refers to accounts and notes that have been unconditionally charged for the right to exchange the value of the consideration due to the transfer of goods or services.
2. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(XIII) Impairment Loss of Financial Assets

Regarding debt instruments measured at FVTOCI, financial assets measured at amortized cost, accounts receivable or contract assets and lease receivables that contain significant financing components, the Group, on each balance sheet date, considers all reasonable and supportable information (including forward-looking ones) and measure the loss allowance based on the 12-month expected credit losses for those that do not have their credit risk increased significantly since initial recognition. For those that have increased significantly since initial recognition, the loss allowance is measured based on the full lifetime expected credit losses. A loss allowance for full lifetime expected credit losses is also required for contract assets or trade receivables that do not constitute a financing transaction.

(XIV) De-recognition of financial assets

A financial asset is derecognized when the Group's rights to receive cash flows from the financial assets have expired.

(XV) Lessor's lease transaction -- Operating lease

Lease income from operating leases, less any incentives given to the lessee, is amortized in current profit or loss on a straight-line basis over the lease term.

(XVI) Inventories

Inventories are measured at the lower of cost or net realizable value, and the cost is determined by weighted-average method. The cost of finished goods and work-in-progress comprises raw materials, direct labor, other direct costs and related production overheads (amortized according to normal production capacity), but excludes borrowing costs. At the end of year, inventories are evaluated at the lower of cost or net realizable value. 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 applicable variable costs of completion and selling expenses.

(XVII) Investments accounted for using equity method -- Associates

1. Associates refer to entities over which the Corporate Group has significant influence but is not in control. In general, the associates may have more than 20% of their voting shares directly or indirectly owned by the Group. The Corporate Group accounts for its investment in associates using the equity method, and the investment is initially recognized at cost.
2. The Corporate Group recognizes the profit and loss upon the acquisition of associates as the current profit and loss. Other comprehensive profit and loss after the acquisition are recognized as the other comprehensive profit and loss. When the Corporate Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group will not recognize further losses, unless it has incurred legal or constructive obligations or make payments on behalf of the associate.
3. If an associate has changes in equity not from profit or loss or other comprehensive income, and such changes do not affect the Corporate Group's shareholding in the associate, the Group will recognize all changes in equity attributable to the Group's share of the associate as "capital surplus" according to the shareholding percentage.
4. Unrealized gains on transactions between the Corporate Group and 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 Corporate Group.

5. In the event that an associate issues new shares and the Corporate Group does not subscribe to or acquire the new shares in proportion, which results in a change to the Group's shareholding percentage but the Group maintains a significant influence on the associate, the increase or decrease of the Group's share of equity interest is the adjustment of "capital surplus" and "investments accounted for under the equity method". If the investment percentage is reduced, in addition to the above adjustments, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionally on the same basis as would be required if the relevant assets or liabilities were disposed of.

(XVIII) Property, plant and equipment

1. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
2. 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 Corporate 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.
3. 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.

4. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. 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 years to 56 years |
| Machinery and equipment  | 2 years to 14 years |
| Office equipment         | 3 years to 6 years  |
| Transportation equipment | 3 years to 6 years  |
| Leasehold improvements   | 2 years to 10 years |
| Mold equipment           | 2 years             |
| Other equipment          | 3 years to 5 years  |

(XIX) Leasing agreements (lessee) - Right-of-use assets/lease liabilities

1. Leases are recognized as right-of-use assets and lease liabilities at the date at which the leased assets are available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognized as expenses on a straight-line basis over the lease term.

2. 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 include fixed payments, less any lease incentives receivables.

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 remeasured 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.

3. At the commencement date, the right-of-use asset is recognized at cost which includes:

- (1) The amount of initial measurement of lease liability.
- (2) Any lease payments made at or before the commencement date.
- (3) Any original direct costs incurred.
- (4) The estimated cost of dismantling, removing the underlying asset and restoring its location, or restoring the underlying asset to the condition required in the lease terms and conditions.

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 service life or the end of lease term. When the lease liability is remeasured, the amount of re-measurement is recognized as an adjustment to the right-of-use asset.

(XX) Real estate investment

Investment properties are initially measured at cost, and may be subsequently measured using a cost model. Except for land, the service life is recognized on a straight-line basis of depreciation and is about 45 years.

(XXI) Intangible assets

1. Trademark and concession

Trademarks and concession obtained separately are recognized at the cost of acquisition, and trademarks and concessions obtained as a result of a business combination are recognized at fair value on the acquisition date. Trademarks and concessions are assets with a limited useful life and are amortized based on the estimated useful life of 10 to 15 years based on the straight-line method.

2. Computer software

Computer software is recognized at the cost of acquisition, and amortized based on the estimated useful life of 3 years based on the straight-line method.

3. Goodwill

Goodwill is measured in a business combination using the acquisition method.

(XXII) Impairment of non-financial assets

1. The Corporate 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 disposal cost or value in use. 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.
2. Goodwill, intangible assets with indefinite useful life and intangible assets not yet available for use are regularly estimated for their recoverable amounts. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The goodwill impairment loss will not be reversed in subsequent years.
3. Goodwill is allocated to cash-generating units for the purpose of conducting the impairment testing. The allocation identified based on the operating segment, and the goodwill is allocated to cash-generation units or groups of cash-generation units expected to benefit from the business combination that generates goodwill.

(XXIII) Borrowings

Refers to long- and short-term funds borrowed from banks. 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.

(XXIV) Accounts and notes receivable

1. Refers to debts incurred as a result of the purchase of raw materials, goods or services and the notes payable due to business and non-business purposes.
2. The short-term accounts and notes payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(XXV) Employee benefits

1. 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 expenses in that period when the employees render service.

## 2. Pension

### (1) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expenses 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.

### (2) Defined benefit plans

A. 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 the current interest rates of government bonds (at the balance sheet date) consistent with the currency and period of the defined-benefit plan instead.

B. 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.

The related expenses of the past service cost are immediately recognized as profit and loss.

## 3. Termination benefits

Refer to when companies decide to terminate the employees before the normal retirement date, or when employees decide to accept the benefits in exchange for the termination. The Group recognizes expenses when it is no longer able to withdraw the offer of termination benefits or when the relevant restructuring costs are recognized, whichever is earlier. Liabilities that are not expected to be paid off within twelve months from the balance sheet date should be discounted.

## 4. Remuneration for employees and directors and supervisors

Employees' bonuses 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.

### (XXVI) Share-based payment to employees

The share-based payment agreement for delivery of equity is a transaction in which employees' labor service received as consideration for the Company's equity instrument at fair value, and it is recognized as compensation costs during the vesting period, and the equity is adjusted accordingly. The fair value of equity instrument shall reflect the effects of vesting and non-vesting conditions of market value. The recognized remuneration costs are adjusted in accordance with the expected service conditions to be met and the non-vesting market value conditions, until the final recognized amount is recognized with the vesting amount on the vesting date.

(XXVII) Income tax

1. 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.
2. 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.
3. Deferred income 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 income 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 income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income 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 income tax asset is realized or the deferred income tax liability is settled.
4. Deferred income 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 income tax assets are reassessed.
5. 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 income 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. 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.

(XXVIII) Capital

1. 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.
2. When the Company buys back the issued shares, the consideration paid, including any directly attributable incremental costs, is recognized as a deduction of shareholders' equity with the net amount after tax. When the purchased shares are subsequently reissued, the difference between the consideration received and the

book value after deducting any directly attributable incremental costs and the impact of income tax is recognized as an adjustment to shareholders' equity.

(XXIX) Dividend distribution

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 dividends to be distributed and transferred to be common stocks and share premium on the record date of issuance of new shares.

(XXX) Recognized revenue

1. Product sales

- (1) The Group manufactures and sells photomasks and integrated circuit products, medical equipment products, etc. The sales revenue is recognized when the control of the product is transferred to the customer. That is, once products are delivered to customers, the customers have discretion on the channel and price of product sales, and the Corporate Group has no outstanding performance obligations that may affect customers' acceptance of the products. The delivery of products occurs when products are shipped to a designated location and the risk of obsolescence and loss has been transferred to customers, and the customers accept the products in accordance with the sales contract or have objective evidence that all criteria have been met.
- (2) The time interval between the transfer products or services promised to customers and the customers' payment has not exceeded one year, so the Corporate Group has not adjusted the transaction price to reflect the time value of money.
- (3) Accounts receivable are recognized when goods are delivered to customers. The Corporate Group has unconditional rights to the contract price, and will be able to collect the amount from the customers after the time has passed.

2. Sales of services

The Group mainly provides integrated circuit packaging services. The actual services provided and fees will vary according to different customers. Prices are negotiated separately before providing services, and are based on the prevailing market price. The performance obligations identified based on customer contracts are mainly for packaging services, and revenue is recognized by measuring the degree of completion of performance obligations during the period of service provision.

With the packaging service provided, the customer simultaneously receives and consumes the performance benefits, and the customer has control over the asset when the asset is created or enhanced. The related revenue is recognized by measuring the degree of completion of the performance obligation during the service period. The packaging service is based on the input of the technical staff on the basis of the service, and the progress of completion is measured based on the percentage of the incurred cost to the estimated total cost. After the agreed service or shipment is fulfilled for the contract agreement, a bill is issued, so the contract assets are recognized when the service provided, and transferred to account receivables when the customer agrees to the Group to issue the bill.

(XXXI) Government subsidies

Government subsidies are recognized at fair value once it is reasonably convinced that

the Company complies with the conditions for subsidies and will be receiving the subsidies. If the nature of the government subsidies is to compensate the expenses incurred by the Group, the government subsidies are recognized as current gains and losses on a systematic basis during the period in which the related expenses are incurred.

(XXXII) Business combination

1. The Corporate Group adopts the acquisition method for business combination. The combination consideration is calculated based on the fair value of transferred assets, liabilities incurred or assumed, and equity instruments issued. The transferred consideration includes the fair value of any assets and liabilities arising from contingent consideration agreed. The acquisition-related costs are recognized as expenses when incurred. The identifiable assets acquired and the liabilities assumed in a business combination are measured at the fair value on the acquisition date. The Group uses individual acquisition transactions as the basis. If the non-controlling interest is part of the current ownership interest and the holder has the right to a proportional share of the company's net assets at the time of liquidation, it is measured at a fair value on the acquisition date or based on the proportion of identifiable assets of acquiree. Other components of non-controlling interests are measured at fair value of the acquisition date.
2. If the total fair value of transfer of consideration, non-controlling interests of acquiree and the interest of acquiree that has been held previously exceeds the fair value of identifiable assets and the assumed liabilities, it is recognized as goodwill on the acquisition date. If the identifiable assets acquired and the assumed liabilities exceed the transfer of consideration, the difference between the non-controlling interests of acquiree and the total fair value of acquiree's interests previously held is recognized as the current profit or loss.

(XXXIII) Operating segments

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

Critical Accounting Judgments and Key Sources of Estimation and Uncertainty

The preparation of these consolidated financial statements requires the management to make critical judgments 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. Please see the following explanation of critical accounting judgments and key sources of estimation and uncertainty:

(I) Important judgments adopted by the accounting policies

Not applicable.

(II) Critical accounting estimates and assumptions

Evaluation of Inventories

The Group is primarily engaged in mask and integrated circuit services in the semiconductor

industry. Due to rapid technological innovations, short life-cycle and competition within the mask industry, the risk of price fluctuations, Loss on decline in value of inventories and obsolescence is higher than that of other industries. The Group measures inventory based on the lower of cost and net realizable value. For inventories that are older than a certain period of age or are outdated and obsolete, the Group must use judgment and estimation to determine the net realizable value of the inventory on the balance sheet date. The valuation of inventory may undergo major changes.

As of December 31, 2020, the book value of the Corporate Group's inventory was NT\$205,414.

#### Statements of main accounting items

##### (I) Cash

|                                       | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---------------------------------------|--------------------------|--------------------------|
| Cash on hand                          | \$ 309                   | \$ 771                   |
| Checking accounts and demand deposits | 905,755                  | 760,760                  |
| Time deposits                         | <u>130,594</u>           | <u>184,986</u>           |
| Total                                 | <u>\$ 1,036,658</u>      | <u>\$ 946,517</u>        |

1. The Group associates 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.

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

##### (II) Financial assets at fair value through profit and loss

| <u>Items</u>  | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|--------------------------|--------------------------|
| Current items:  |                          |                          |
| Mandatory financial assets at fair value through profit or loss |                          |                          |
| Beneficiary certificates  | \$ 500                   | \$ 500                   |
| Valuation adjustment  | <u>-</u>                 | <u>-</u>                 |
|   | <u>\$ 500</u>            | <u>\$ 500</u>            |
| Non-current items:  |                          |                          |
| Mandatory financial assets at fair value through profit or loss |                          |                          |
| Shares of listed and OTC company                                | \$ 1,302,315             | \$ 560,954               |
| Not listed, OTC or emerging stock board stocks                  | 102,023                  | 112,694                  |
| Private equity  | <u>10,000</u>            | <u>-</u>                 |
|   | 1,414,338                | 673,648                  |
| Valuation adjustment  | <u>720,575</u>           | <u>319,136</u>           |
|   | <u>\$ 2,134,913</u>      | <u>\$ 992,784</u>        |

1. Financial assets at fair value through profit or loss are detailed as follows:

|   | <u>2020</u>       | <u>2019</u>       |
|---|-------------------|-------------------|
| Mandatory financial assets at fair value through profit or loss |                   |                   |
| Shares of listed and OTC company                                | \$ 542,937        | \$ 344,139        |
| Not listed, OTC or emerging stock board stocks                  | ( 92,831)         | 12,570            |
| Private equity  | -                 | <u>20,047</u>     |
|   | <u>\$ 450,106</u> | <u>\$ 376,756</u> |

2. Please see Note VIII on how the Group provides financial assets at fair value through profit or loss as a pledged collateral.

3. Please see Note 12 (2) and (3) for the price risk and fair value information related to financial assets at fair value through profit or loss.

The Group holds financial assets-equity instruments compulsorily measured at fair value through profit or loss, and received cash dividends in 2020 and 2019. Part of the cash dividends were investment costs returned as cost deductions, and the remainder belonged to dividend income. Please refer to details in Note 6 (22).

(III) Financial assets at fair value through other comprehensive profit and loss

| <u>Items</u>                                   | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|--------------------------|--------------------------|
| Non-current items:                             |                          |                          |
| Equity instruments                             |                          |                          |
| Not listed, OTC or emerging stock board stocks | \$ -                     | \$ 199                   |
| Valuation adjustment                           | <u>-</u>                 | <u>(199)</u>             |
|  | <u>\$ -</u>              | <u>\$ -</u>              |

1. The Group elects to classify equity instruments that are strategic investments as financial assets measured at fair value through other comprehensive income. The fair values of these investments on December 31, 2020 and 2019 were all \$0.

2. Financial assets at fair value through other comprehensive income recognized in income and comprehensive income are detailed as follows:

|  | <u>2020</u> | <u>2019</u>       |
|--|-------------|-------------------|
| <u>Equity instruments at fair value through other comprehensive income</u> |             |                   |
| Changes in fair value recognized in other comprehensive income             | <u>\$ -</u> | <u>(\$ 2,789)</u> |

3. While not considering the collaterals or other credit enhancements, the financial assets at fair value through other comprehensive income held by the Group had the maximum exposure of credit risk at \$0 and \$0 as of December 31, 2020 and 2019, respectively.

4. Please see Note 12 (2) and (3) for the price risk and fair value information related to financial assets at fair value through other comprehensive income.

(IV) Financial assets measured at amortized cost

| <u>Items</u>       | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--------------------|--------------------------|--------------------------|
| Current items:     |                          |                          |
| Demand Deposit     | \$ 11,111                | \$ 3,004                 |
| Time deposits      | <u>23,101</u>            | <u>37,232</u>            |
|                    | <u>\$ 34,212</u>         | <u>\$ 40,236</u>         |
| Non-current items: |                          |                          |
| Time deposits      | <u>\$ 40,922</u>         | <u>\$ 34,254</u>         |
|                    | <u>\$ 40,922</u>         | <u>\$ 34,254</u>         |

1. Financial assets at amortized cost is recognized in the profit or loss shown as follows:

|                 | <u>2020</u>   | <u>2019</u>   |
|-----------------|---------------|---------------|
| Interest income | <u>\$ 138</u> | <u>\$ 364</u> |

2. While not considering the collaterals or other credit enhancements, the financial assets at amortized cost held by the Group had the maximum exposure of credit risk at \$75,134 and \$74,490 as of December 31, 2020 and 2019, respectively.

3. Please see Note VIII on how the Group provides financial assets at amortized cost as a pledged collateral.

(V) Notes and accounts receivable

|                                      | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--------------------------------------|--------------------------|--------------------------|
| Notes Receivables                    | <u>\$ 879</u>            | <u>\$ -</u>              |
| Accounts Receivables                 | 906,142                  | 737,295                  |
| Accounts Receivables—Related Parties | <u>6,599</u>             | <u>1,568</u>             |
|                                      | 912,741                  | 738,863                  |
| Less: Loss allowance                 | <u>( 11,399)</u>         | <u>( 7,759)</u>          |
|                                      | <u>\$ 901,342</u>        | <u>\$ 731,104</u>        |

2. Aging of accounts receivable notes receivable is as follows:

|               | <u>December 31, 2020</u> |                    | <u>December 31, 2019</u> |                    |
|---------------|--------------------------|--------------------|--------------------------|--------------------|
|               | <u>Accounts</u>          | <u>Notes</u>       | <u>Accounts</u>          | <u>Notes</u>       |
|               | <u>Receivables</u>       | <u>Receivables</u> | <u>Receivables</u>       | <u>Receivables</u> |
| Not past due  | \$ 723,020               | \$ 879             | \$ 636,020               | \$ -               |
| Up to 30 days | 149,442                  | -                  | 64,111                   | -                  |
| 31-90 days    | 32,507                   | -                  | 32,938                   | -                  |

|                             |                   |               |                   |             |
|-----------------------------|-------------------|---------------|-------------------|-------------|
| 91-180 days                 | 2,169             | -             | 5,562             | -           |
| More than 181 days past due | <u>5,603</u>      | <u>-</u>      | <u>232</u>        | <u>-</u>    |
|                             | <u>\$ 912,741</u> | <u>\$ 879</u> | <u>\$ 738,863</u> | <u>\$ -</u> |

The above is an aging report based on the number of days past due.

- As of December 31, 2020 and 2019, accounts receivable and notes receivable were from contracts with customers. The balances of notes and accounts receivable as of January 1, 2019 was NT\$605,387.
- While not considering the collaterals or other credit enhancements, the accounts receivable held by the Group had the maximum exposure of credit risk at \$901,342 and \$731,104, respectively, as of December 31, 2020 and 2019.
- Please refer to Note 12 (2) for the information on credit risk of accounts receivable.

(VI) Inventories

|                 | <u>December 31, 2020</u> |   |                   |
|-----------------|--------------------------|---|-------------------|
|                 | <u>Cost</u>              | <u>(Gain from reversal of) loss allowance on decline in market value of inventories</u> | <u>Book value</u> |
| Raw materials   | \$ 236,557               | (\$ 57,847)   | \$ 178,710        |
| Work in process | 16,363                   | ( 7,257)  | 9,106             |
| Finished goods  | 27,684                   | ( 17,653)   | 10,031            |
| Merchandise     | <u>8,082</u>             | <u>( 515)</u>   | <u>7,567</u>      |
|                 | <u>\$</u>                |   | <u>\$</u>         |
| Total           | <u>288,686</u>           | <u>(\$ 83,272)</u>  | <u>205,414</u>    |

|                 | <u>December 31, 2019</u> |   |                   |
|-----------------|--------------------------|---|-------------------|
|                 | <u>Cost</u>              | <u>(Gain from reversal of) loss allowance on decline in market value of inventories</u> | <u>Book value</u> |
| Raw materials   | \$ 201,044               | (\$ 54,945)   | \$ 146,099        |
| Work in process | 36,657                   | ( 5,408)  | 31,249            |
| Finished goods  | 68,350                   | ( 17,673)   | 50,677            |
| Merchandise     | <u>25,529</u>            | <u>( 8,397)</u>   | <u>17,132</u>     |
|                 | <u>\$</u>                |   | <u>\$</u>         |
| Total           | <u>331,580</u>           | <u>(\$ 86,423)</u>  | <u>245,157</u>    |

The cost of inventories recognized as losses by the Corporate Group.

|                                 | <u>2020</u>         | <u>2019</u>         |
|---------------------------------|---------------------|---------------------|
| Cost of goods sold              | \$ 3,704,961        | \$ 2,836,245        |
| Loss on inventory               | 2,635               | 11,743              |
| Loss on scrapping of inventory  | 16,074              | 7,187               |
| Revenue from sales of leftovers | -                   | ( 141)              |
| Others                          | -                   | 1,246               |
|                                 | <u>\$ 3,723,670</u> | <u>\$ 2,856,280</u> |

(VII) Investment under Equity Method

|                               | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|-------------------------------|--------------------------|--------------------------|
| Affiliates:                   |                          |                          |
| Advagene Biopharma Co., Ltd.  | \$ 88,915                | \$ 98,429                |
| Xsense Technology Corporation | 186,821                  | -                        |
| Weida Hi-Tech Company         | 85,425                   | -                        |
|                               | <u>\$ 361,161</u>        | <u>\$ 98,429</u>         |

The book value and the share of operating results of each of the Group's insignificant affiliates are summarized as follows:

|   | <u>2020</u>         | <u>2019</u>        |
|---|---------------------|--------------------|
| Net loss of current period from continuing operations | (\$ 105,006)        | (\$ 45,535)        |
| Other comprehensive income (net after tax)            | -                   | -                  |
| Total comprehensive income for the year               | <u>(\$ 105,006)</u> | <u>(\$ 45,535)</u> |

The Group has invested in Advagene Biopharma, Xsense Technology Corporation and Weida Hi-Tech, and held 29.71%, 35.38% and 36.70%, respectively, of their equity, and is there single largest shareholder. However, the Group does not actually participate in the business decisions and operating policies, including strategic decisions (such as financing, acquisitions, personnel and dividend policies) of Advagene Biopharma, Xsense Technology (BVI) and Weida Hi-Tech. The Group's shareholding alone does no reach the statutory attendance percentage of shareholders meetings, indicating that the Group has no actual ability to direct relevant activities. Therefore it is judged that the Group has no control over the companies, and only has a significant influence on them.

(VIII) Property, plant and equipment

|   | Buildings and<br>structures (including<br>land) | Machinery and<br>equipment | Office equipment | Transportation<br>equipment | Mold equipment | Other equipment | Unfinished<br>construction and<br>equipment under<br>acceptance | Total        |
|---|---|----------------------------|------------------|-----------------------------|----------------|-----------------|---|--------------|
| January 1, 2020   |   |                            |                  |                             |                |                 |   |              |
| Cost  | \$ 1,013,344                                    | \$ 1,767,700               | \$ 21,509        | \$ 3,090                    | \$ 5,700       | \$ 52,091       | \$ 253,644  | \$ 3,117,078 |
| Accumulated<br>depreciation   | ( 529,905)                                      | ( 1,004,444)               | ( 11,377)        | ( 2,194)                    | ( 2,960)       | ( 19,279)       | -   | ( 1,570,159) |
|   | \$ 483,439                                      | \$ 763,256                 | \$ 10,132        | \$ 896                      | \$ 2,740       | \$ 32,812       | \$ 253,644  | \$ 1,546,919 |
| January 1, 2020   | \$ 483,439                                      | \$ 763,256                 | \$ 10,132        | \$ 896                      | \$ 2,740       | \$ 32,812       | \$ 253,644  | \$ 1,546,919 |
| Add - Cost  | 1,086,372                                       | 928,787                    | 8,901            | 570                         | 4,294          | 7,524           | 123,585   | 2,160,033    |
| Disposals - Cost  | -   | ( 89)                      | ( 661)           | -                           | -              | ( 8,952)        | -   | ( 9,702)     |
| Disposal - Accumulated<br>depreciation  | -   | 27                         | 661              | -                           | -              | 8,397           | -   | 9,085        |
| Depreciation  | ( 37,015)                                       | ( 269,307)                 | ( 4,929)         | ( 412)                      | ( 3,430)       | ( 13,731)       | -   | ( 328,824)   |
| Reclassification - Cost   | ( 262,122)                                      | 229,016                    | -                | -                           | -              | -               | ( 242,057)  | ( 275,163)   |
| Consolidated transfer in  | 2,590   | 13,513                     | -                | -                           | 397            | 2,353           | 1,539   | 20,392       |
| Consolidated standalone<br>entities reduce the<br>number of transfer out -<br>Cost                        | -   | -                          | ( 1,215)         | -                           | -              | ( 13,160)       | -   | ( 14,375)    |
| Consolidated standalone<br>entities reduce the<br>number of transfer out -<br>Accumulated<br>depreciation | -   | -                          | 645              | -                           | -              | 7,074           | -   | 7,719        |
| Net exchange differences<br>- Cost  | -   | -                          | 6                | 15                          | -              | -               | -   | 21           |
| Net exchange differences<br>- Accumulated<br>depreciation   | -   | -                          | ( 4)             | ( 14)                       | -              | -               | -   | ( 18)        |
| December 31   | \$ 1,273,264                                    | \$ 1,665,203               | \$ 13,536        | \$ 1,055                    | \$ 4,001       | \$ 22,317       | \$ 136,711  | \$ 3,116,087 |
| December 31, 2020   |   |                            |                  |                             |                |                 |   |              |

|                          |    |                  |    |                  |    |               |    |              |    |              |    |               |    |                |            |                  |
|--------------------------|----|------------------|----|------------------|----|---------------|----|--------------|----|--------------|----|---------------|----|----------------|------------|------------------|
| Cost                     | \$ | 1,840,184        | \$ | 2,938,927        | \$ | 28,540        | \$ | 3,675        | \$ | 10,391       | \$ | 39,856        | \$ | 136,711        | \$         | 4,998,284        |
| Accumulated depreciation | (  | 566,920)         | (  | 1,273,724)       | (  | 15,004)       | (  | 2,620)       | (  | 6,390)       | (  | 17,539)       | -  | (              | 1,882,197) |                  |
|                          | \$ | <u>1,273,264</u> | \$ | <u>1,665,203</u> | \$ | <u>13,536</u> | \$ | <u>1,055</u> | \$ | <u>4,001</u> | \$ | <u>22,317</u> | \$ | <u>136,711</u> | \$         | <u>3,116,087</u> |

|   | Buildings and<br>structures (including<br>land) | Machinery and<br>equipment | Office<br>equipment | Transportation<br>equipment | Leasehold<br>improvements | Mold<br>equipment | Other<br>equipment | Leased assets | Unfinished<br>construction and<br>equipment under<br>acceptance | Total        |
|---|---|----------------------------|---------------------|-----------------------------|---------------------------|-------------------|--------------------|---------------|---|--------------|
| 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<br>depreciation and<br>impairments  | ( 1,003,788)                                    | ( 1,840,719)               | ( 14,694)           | ( 3,029)                    | ( 23,515)                 | ( 3,148)          | ( 18,026)          | ( 3,204)      | -   | ( 2,910,123) |
|   | \$ 540,120                                      | \$ 376,635                 | \$ 13,730           | \$ 1,263                    | \$ 4,646                  | \$ 1,939          | \$ 6,552           | \$ 6,333      | \$ 15,345   | \$ 966,563   |
| January 1, 2019   | \$ 540,120                                      | \$ 376,635                 | \$ 13,730           | \$ 1,263                    | \$ 4,646                  | \$ 1,939          | \$ 6,552           | \$ 6,333      | \$ 15,345   | \$ 966,563   |
| Add - Cost  | 22,080  | 390,338                    | 1,145               | -                           | -                         | 570               | 21,067             | -             | 243,564   | 678,764      |
| Disposals - Cost  | ( 509,460)                                      | ( 796,857)                 | ( 5,788)            | -                           | -                         | -                 | -                  | -             | -   | ( 1,312,105) |
| Disposal - Accumulated<br>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 -<br>Accumulated<br>depreciation   | 4,641   | 6,060                      | -                   | -                           | -                         | -                 | -                  | 3,204         | -   | 13,905       |
| Consolidated transfer in  | -   | 212,999                    | -                   | -                           | -                         | 5,130             | 18,387             | -             | -   | 236,516      |
| Consolidated standalone<br>entities reduce the<br>number of transfer out<br>- Cost                        | ( 3,480)  | ( 227,855)                 | ( 2,256)            | ( 1,167)                    | ( 28,161)                 | ( 5,087)          | ( 11,941)          | -             | -   | ( 279,947)   |
| Consolidated standalone<br>entities reduce the<br>number of transfer out<br>- Accumulated<br>depreciation | 795   | 146,348                    | 2,217               | 1,167                       | 24,119                    | 3,556             | 11,123             | -             | -   | 189,325      |
| Consolidated standalone<br>entities reduce the<br>number of transfer out<br>- Impairment                  | -   | 65,308                     | -                   | -                           | -                         | -                 | -                  | -             | -   | 65,308       |
| Net exchange<br>differences - Cost  | -   | -                          | ( 16)               | ( 35)                       | -                         | -                 | -                  | -             | -   | ( 51)        |

|  |              |              |           |          |      |          |           |      |            |              |    |
|--|--------------|--------------|-----------|----------|------|----------|-----------|------|------------|--------------|----|
| Net exchange differences -               | -            | -            | -         | -        | -    | -        | -         | -    | -          | -            | -  |
| Accumulated depreciation                 |              |              | 11        | 33       |      |          |           |      |            |              | 44 |
| December 31                              | \$ 483,439   | \$ 763,256   | \$ 10,132 | \$ 896   | \$ - | \$ 2,740 | \$ 32,812 | \$ - | \$ 253,644 | \$ 1,546,919 |    |
| 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 impairments | ( 529,905)   | ( 1,004,444) | ( 11,377) | ( 2,194) | -    | ( 2,960) | ( 19,279) | -    | -          | ( 1,570,159) |    |
|  | \$ 483,439   | \$ 763,256   | \$ 10,132 | \$ 896   | \$ - | \$ 2,740 | \$ 32,812 | \$ - | \$ 253,644 | \$ 1,546,919 |    |

1. The capitalized borrowing costs for property, plant and equipment and their interest rates are as follows:

|                               | <u>2020</u> |       | <u>2019</u> |
|-------------------------------|-------------|-------|-------------|
| Capitalized amount            | \$          | 2,364 | \$ 943      |
| Range of capitalized interest | 1.797%      |       | 1.797%      |

- The major components of the Group's houses and buildings include land, buildings and factory renovation projects. Except for land, they are depreciated for 3 to 56 years.
- Information on property, plant and equipment pledged to others as collateral is provided in Note 8.
- The abovementioned property, plant and equipment of the Group are for self-use.

(IX) Leasing arrangements - lessee

- The underlying assets leased by the Group include land, buildings, machine equipment and company vehicles. Leasing contracts are typically made for periods of 3 to 20 years. Lease contracts are negotiated separately and include a variety of terms and conditions. There are no restrictions for the leased assets, except that they cannot be used as loan collaterals.
- The lease periods of other equipment leased by the Group did not exceed 12 months and the leased underlying assets were other equipment of low value.
- The carrying amount of right-of-use assets and the depreciation charge are as follows:

|   | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|--------------------------|--------------------------|
|   | <u>Book value</u>        | <u>Book value</u>        |
| Land  | \$ 390,879               | \$ 313,911               |
| Buildings and structures                    | 107,547                  | 109,918                  |
| Machinery and equipment                     | 6,060                    | -                        |
| Transportation equipment (company vehicles) | 3,981                    | 3,900                    |
|   | <u>\$ 508,467</u>        | <u>\$ 427,729</u>        |

|   | <u>2020</u>         | <u>2019</u>         |
|---|---------------------|---------------------|
|   | <u>Depreciation</u> | <u>Depreciation</u> |
| Land  | \$ 12,341           | \$ 11,564           |
| Buildings and structures                    | 33,598              | 22,952              |
| Machinery and equipment                     | -                   | 2,693               |
| Transportation equipment (company vehicles) | 4,118               | 3,339               |
|   | <u>\$ 50,057</u>    | <u>\$ 40,548</u>    |

- For 2020 and 2019, the increases of right-of-use assets were \$135,138 and \$69,292, respectively. The decreases of right-of-use assets of the Group in 2020 and 2019 were

\$1,211 and \$826, respectively. Due to the transfer in of consolidated entities to the Group, the right-of-use assets in 2020 increased by \$6,060. Due to the transfer in and out of consolidated entities of the Group, the increase and decrease of right-of-use assets in 2019 were \$60,772 and \$19,525, respectively.

5. The information on profit or loss items related to lease contracts is as follows:

|  | <u>2020</u> |    | <u>2019</u> |
|--|-------------|----|-------------|
| <u>Items affecting current profit and loss</u> |             |    |             |
| Interest expenses on lease liabilities         | \$ 4,913    | \$ | 4,118       |
| Expenses for short-term lease contracts        | 7,088       |    | 181         |
| Lease of low-value assets                      | 220         |    | 600         |

6. The Group's total cash outflow on leases for 2020 and 2019 was \$72,603 and \$42,056, respectively.

7. Options to extend or terminate leases

In determining lease terms, the Corporate Group takes into consideration all facts and circumstances that create economic incentives to exercise an option to extend or terminate leases. The assessment of lease period is reviewed if a significant event occurs which affects the assessment of options to extend or options not to terminate.

(X) Leasing arrangements - lessor

1. The Corporate Group leases out assets such buildings. The lease contracts are typically made for periods of 1 to 2 years. The terms of lease contracts are negotiated separately and include various terms and conditions. In order to preserve the condition of leased assets, the Group usually requires lessees not to pledge the underlying leased assets.
2. The Group recognized rental income of \$17,485 and \$10,211 based on operating lease contracts in 2020 and 2019, respectively, and none of the lease contracts were variable lease payments.
3. The maturity analysis of the undiscounted lease payments under the operating leases is as follows:

|      | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|------|--------------------------|--------------------------|
| 2020 | \$ -                     | \$ 2,043                 |
| 2021 | 46,446                   | -                        |
| 2022 | 32,833                   | -                        |
| 2023 | 24,900                   | -                        |
|      | <u>\$ 104,179</u>        | <u>\$ 2,043</u>          |

(XI) Real estate investment

|   | <u>Buildings and<br/>structures</u> |
|---|-------------------------------------|
| January 1, 2020                             |                                     |
| Cost  | \$ 44,007                           |
| Accumulated depreciation                    | ( 5,320)                            |
|   | <u>\$ 38,687</u>                    |
| <u>2020</u>                                 |                                     |
| January 1                                   | \$ 38,687                           |
| Reclassification - Cost                     | 275,550                             |
| Reclassification - Accumulated depreciation | ( 459)                              |
| Depreciation                                | ( 679)                              |
| December 31                                 | <u>\$ 313,099</u>                   |
| December 31, 2020                           |                                     |
| Cost  | \$ 319,557                          |
| Accumulated depreciation                    | ( 6,458)                            |
|   | <u>\$ 313,099</u>                   |
|   | <u>Buildings and<br/>structures</u> |
| January 1, 2019                             |                                     |
| Cost  | \$ -                                |
| Accumulated depreciation                    | -                                   |
|   | <u>\$ -</u>                         |
| <u>2019</u>                                 |                                     |
| January 1                                   | \$ -                                |
| Reclassification - Cost                     | 44,007                              |
| Reclassification - Accumulated depreciation | ( 4,641)                            |
| Depreciation                                | ( 679)                              |
| December 31                                 | <u>\$ 38,687</u>                    |
| December 31, 2019                           |                                     |
| Cost  | \$ 44,007                           |
| Accumulated depreciation                    | ( 5,320)                            |
|   | <u>\$ 38,687</u>                    |

1. Rental income and direct operating expenses of investment real estate:

|  | <u>2020</u>     | <u>2019</u>     |
|--|-----------------|-----------------|
| Rental income from investment property | <u>\$ 2,229</u> | <u>\$ 2,229</u> |

|   |           |            |           |            |
|---|-----------|------------|-----------|------------|
| Direct operating expenses incurred by investment property that generates rental income for the period | <u>\$</u> | <u>758</u> | <u>\$</u> | <u>758</u> |
|---|-----------|------------|-----------|------------|

2. The fair value of the investment property held by the Corporate Group as of December 31, 2020 and 2019 were \$314,845 and \$33,203, respectively. They were valued using the income method and were of Level 3 fair value, and the major assumptions are as follows:

|                          | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--------------------------|--------------------------|--------------------------|
| Discount rate            | 5.03%                    | 6.34%                    |
| Annual rent (net income) | \$ 31,778                | \$ 2,245                 |
| Number of years          | 2~20                     | 2                        |

3. No capitalization of interest for investment property in 2020 and 2019.

4. As of December 31, 2020 and 2019, the investment properties had been used as collaterals.

(XII) Short Term Loans

| <u>Type of borrowings</u>            | <u>December 31,</u><br><u>2020</u> | <u>Range of</u><br><u>interest rate</u> | <u>Collateral</u>  |
|--------------------------------------|------------------------------------|---|--|
| Bank borrowings                      |                                    |   |  |
| Credit loan                          | \$ 1,660,118                       | 0.90%~2.60%                             | None   |
| Secured borrowings                   | 571,000                            | 1.05%~2.25%                             | Certificates of deposit, reserve accounts, stocks of listed and OTC companies and investment properties. |
| Funds borrowed to purchase materials | <u>67,600</u>                      | 0.89%~1.06%                             | None   |
|                                      | <u>\$ 2,298,718</u>                |   |  |

| <u>Type of borrowings</u>            | <u>December 31,</u><br><u>2019</u> | <u>Range of</u><br><u>interest rate</u> | <u>Collateral</u>                        |
|--------------------------------------|------------------------------------|---|--|
| Bank borrowings                      |                                    |   |  |
| Credit loan                          | \$ 758,000                         | 1.05%~2.60%                             | None                                     |
| Secured borrowings                   | 30,000                             | 1.13%~2.03%                             | Certificate of deposit, reserve accounts |
| Funds borrowed to purchase materials | <u>16,938</u>                      | 1.27%~3.02%                             | None                                     |
|                                      | <u>\$ 804,938</u>                  |   |  |

The interest expenses recognized in profit and loss in 2020 and 2019 were \$15,849 and \$11,291, respectively.

(XIII) Other Payables

|  | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|--------------------------|--------------------------|
| Payroll and bonus payable                        | \$ 42,582                | \$ 34,380                |
| Remunerations payable to employees and directors | 113,311                  | 79,422                   |
| Payable on equipment                             | 53,809                   | 103,845                  |
| Machine maintenance payable                      | 31,851                   | 28,355                   |
| Others   | <u>195,427</u>           | <u>166,510</u>           |
|  | <u>\$ 436,980</u>        | <u>\$ 412,512</u>        |

(XIV) Long-term Loans

| <u>Type of borrowings</u>  | <u>Borrowing period and payment method</u>  | <u>Range of interest rate</u> | <u>Collateral</u>  | <u>December 31, 2020</u> |
|--|---|-------------------------------|--|--------------------------|
| Long-term bank borrowings  |   |                               |  |                          |
| Secured borrowings   | Repaid in instalments and different amounts according to the agreed period between 2017/09/27 and 2022/09/27. | 1.797%~2.64%                  | Houses and buildings, machine and other equipment and reserve account (Note) | \$ 882,083               |
| Secured borrowings   | Repaid in instalments and different amounts according to the agreed period between 2020/11/09 and 2022/08/14. | 1.070%                        | Buildings and structures   | 850,000                  |
|  |   |                               |  | <u>-</u>                 |
|  |   |                               |  | 1,732,083                |
| Less: Long-term borrowings (including current portion) (recognized in other current liabilities) |   |                               |  | <u>( 96,211)</u>         |
|  |   |                               |  | <u>\$1,635,872</u>       |

| <u>Type of borrowings</u> | <u>Borrowing period and payment method</u>  | <u>Range of interest rate</u> | <u>Collateral</u>  | <u>December 31, 2019</u> |
|---------------------------|---|-------------------------------|--|--------------------------|
| Long-term bank borrowings |   |                               |  |                          |
| Secured borrowings        | Repaid in instalments and different amounts according to the agreed period between 2015/03/11 and 2022/09/27. | 1.797%~2.74%                  | Houses and buildings, machine and other equipment and reserve account (Note) | \$ 421,616               |
| Credit loan               | Repaid in instalments and different amounts according to the agreed period between 2019/12/20 and 2022/08/12. | 1.658%                        | None   | 30,000                   |
|                           |   |                               |  | <u>-</u>                 |

|  |                   |
|--|-------------------|
|  | 451,616           |
| Less: Long-term borrowings (including current portion) | ( 12,532)         |
| (recognized in other current liabilities)              | <u>\$ 439,084</u> |

With respect to the long-term loan contracts of the Group that expire between December 20, 2019 to August 12, 2022, the Group had already settled the loan in advance in March 2022 due to financial planning considerations.

Note: According to the loan contract provisions of some banks, the Group shall maintain a specific debt-to-equity ratio and interest solvency every six months during the loan duration.

(XV) Pensions

1. (1) The Company and its domestic subsidiaries operate a defined benefit pension plan in accordance with the Labor Standards Act, which cover 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 Labor Standards 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 six months prior to retirement. The Company and its domestic subsidiaries contribute a monthly amount equal to 2% of employees' monthly salaries and wages to a retirement fund at the 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 not enough 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 contribution for the deficit by the end of next March.

(2) The amounts recognized in the balance sheet are as follows:

|  | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|--------------------------|--------------------------|
| Present value of defined benefit obligations | (\$ 23,846)              | (\$ 26,873)              |
| Fair value of plan assets                    | <u>5,723</u>             | <u>6,562</u>             |
| Defined Benefit Liabilities                  | <u>(\$ 18,123)</u>       | <u>(\$ 20,311)</u>       |

(3) Changes in net defined benefit liabilities are as follows:

|                      | <u>Present value of defined benefit obligations</u> | <u>Fair value of plan assets</u> | <u>Defined Benefit Liabilities</u> |
|----------------------|---|----------------------------------|------------------------------------|
| 2020                 |   |                                  |                                    |
| Balance on January 1 | (\$ 26,873)   | \$ 6,562                         | (\$ 20,311)                        |

|  |                    |                 |                    |
|--|--------------------|-----------------|--------------------|
| Current service cost (   | 123)               | -               | ( 123)             |
| Interest (expense) (   | 215)               | 62              | ( 153)             |
| income   |                    |                 |                    |
|  | <u>( 27,211)</u>   | <u>6,624</u>    | <u>( 20,587)</u>   |
| Re-measurements:   |                    |                 |                    |
| Return on plan assets (excluding amounts included in interest income or expense) | -                  | 240             | 240                |
| Change in financial assumptions (  | 1,387)             | -               | ( 1,387)           |
| Change in demographic assumptions (  | 277)               | -               | ( 277)             |
| Experience adjustments   | <u>1,848</u>       | <u>-</u>        | <u>1,848</u>       |
|  | <u>184</u>         | <u>240</u>      | <u>424</u>         |
| Pension fund contribution  | -                  | 2,040           | 2,040              |
| Paid pension   | <u>3,181</u>       | <u>( 3,181)</u> | <u>-</u>           |
| Balance on December 31   | <u>(\$ 23,846)</u> | <u>\$ 5,723</u> | <u>(\$ 18,123)</u> |

|  | <u>Present value of defined benefit obligations</u> | <u>Fair value of plan assets</u> | <u>Defined Benefit Liabilities</u> |
|--|---|----------------------------------|------------------------------------|
| 2019   |   |                                  |                                    |
| Balance on January 1   | (\$ 41,564)   | \$ 29,020                        | (\$ 12,544)                        |
| Current service cost (   | 130)  | -                                | ( 130)                             |
| Interest (expense) (   | 342)  | 99                               | ( 243)                             |
| income   |   |                                  |                                    |
|  | <u>( 42,036)</u>                                    | <u>29,119</u>                    | <u>( 12,917)</u>                   |
| Re-measurements:   |   |                                  |                                    |
| Return on plan assets (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)         | -                  |
| Consolidated standalone entities reduce the number of transfer out | <u>11,149</u>      | <u>( 20,511)</u> | <u>( 9,362)</u>    |
| Balance on December 31   | <u>(\$ 26,873)</u> | <u>\$ 6,562</u>  | <u>(\$ 20,311)</u> |

- (4) 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 the aforementioned rates, government shall make payments for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating the fund and hence the Company is unable to disclose the classification of fair value of plan asset in accordance with IAS19 paragraph 142. The composition of fair value of plan assets as of December 31, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.
- (5) The principal actuarial assumptions used were as follows:

|                         |                     |                     |
|-------------------------|---------------------|---------------------|
|                         | <u>2020</u>         | <u>2019</u>         |
| Discount rate           | <u>0.35%</u>        | <u>0.80%</u>        |
| Future salary increases | <u>2.125%~2.50%</u> | <u>2.125%~2.50%</u> |

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with the published statistics and experience of various countries.

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

|  | <u>Discount rate</u>      |                           | <u>Future salary increases</u> |                           |
|--|---------------------------|---------------------------|--------------------------------|---------------------------|
|  | <u>0.25%<br/>increase</u> | <u>0.25%<br/>decrease</u> | <u>0.25%<br/>increase</u>      | <u>0.25%<br/>decrease</u> |
| December 31, 2020  |                           |                           |                                |                           |
| Effect on present value of<br>defined benefit obligation | (\$ 778)                  | \$ 811                    | \$ 779                         | (\$ 751)                  |
| December 31, 2019  |                           |                           |                                |                           |
| Effect on present value of<br>defined benefit obligation | (\$ 873)                  | \$ 911                    | \$ 878                         | (\$ 847)                  |

The sensitivity analysis above analyzes the impact from changing one of the assumptions while others remain constant. In practice, more than one assumption may change all at once. The sensitivity analysis is the same with the method used to calculate the net pension liabilities of the balance sheet.

- (6) The expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2021 are \$2,187.
  - (7) As of December 31, 2020, the weighted average duration of the retirement plan is 14 years.
2. (1) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (hereinafter referred to as the “New Plan”) under the Labor Pension Act (hereinafter referred to as the “Act”), covering all regular employees with domestic citizenship. 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.
  - (3) For 2020 and 2019, the pension costs recognized by the Corporate Group in accordance with the abovementioned pension measures were \$18,833 and \$25,433, respectively.

(XVI) Capital

1. As of December 31, 2020, the Company's authorized capital was \$5,000,000, consisting of 500,000 thousand shares (including 20,000 thousand shares which can be subscribed to as employee stock options). The paid-in capital was \$2,527,136 with a par value of NT\$10. All proceeds from shares issued have been collected.

The movements in the number of the Company's common stocks outstanding are as follows:

|           | Unit: Thousand shares |             |
|-----------|-----------------------|-------------|
|           | <u>2020</u>           | <u>2019</u> |
| January 1 | 198,400               | 195,632     |

|                                       |                |                |
|---------------------------------------|----------------|----------------|
| Treasury stocks transfer to employees | 17,232         | 2,768          |
| Treasury Stock Buyback                | (10,000)       | -              |
| December 31                           | <u>205,632</u> | <u>198,400</u> |

2. Treasury stock

(1) Reasons for repurchase of shares and changes in the quantity:

|   |                                      |  | <u>December 31, 2020</u>    |                |  |
|---|--------------------------------------|--|-----------------------------|----------------|--|
| <u>Company</u><br><u>name of the</u><br><u>shareholding</u> | <u>Reasons for buyback</u>           | <u>Number of shares</u><br><u>(thousand)</u> | <u>Book</u><br><u>value</u> |                |  |
| Subsidiary:   |                                      |  |                             |                |  |
| Youe Chung  |                                      |  |                             |                |  |
| Capital Corporation   | Subsidiary holds the company's stock | 37,081                                       | \$                          | 527,678        |  |
| The Company   | Transfer shares to employees         | <u>10,000</u>                                |                             | <u>306,920</u> |  |
|   |                                      |  | <u>\$</u>                   | <u>834,598</u> |  |
|   |                                      |  | <u>47,081</u>               |                |  |

|   |                                      |  | <u>December 31, 2019</u>    |                |  |
|---|--------------------------------------|--|-----------------------------|----------------|--|
| <u>Company</u><br><u>name of the</u><br><u>shareholding</u> | <u>Reasons for buyback</u>           | <u>Number of shares</u><br><u>(thousand)</u> | <u>Book</u><br><u>value</u> |                |  |
| Subsidiary:   |                                      |  |                             |                |  |
| Youe Chung  |                                      |  |                             |                |  |
| Capital Corporation   | Subsidiary holds the company's stock | 37,081                                       | \$                          | 527,678        |  |
| The Company   | Transfer shares to employees         | <u>17,232</u>                                |                             | <u>307,654</u> |  |
|   |                                      |  | <u>\$</u>                   | <u>835,332</u> |  |
|   |                                      |  | <u>54,313</u>               |                |  |

- (2) The Company bought back a total of 20,000 thousand shares of treasury stocks in Q3 2017, with a book value of N\$17.85 per share, of which 2,768 thousand shares and 17,232 thousand shares were issued in the Q1 of 2019 and 2020, respectively. The employee immediately obtains the shares on the same day, and the transfer of related treasury stocks has been completed.
- (3) Remuneration costs related to the transfer of treasury stocks of the Group in 2020 and 2019 were \$88,273 and \$109,628, respectively.
- (4) The Securities and Exchange Act stipulates that the percentage of the Company's repurchase of outstanding shares shall not exceed 10% of the Company's total issued shares, and the total value of shares purchased shall not exceed the retained earnings plus the premium of issued shares and the amount of realized capital reserve.
- (5) The shares bought back by the Company in accordance with the Securities and Exchange Act shall not be pledged. Before transfer, shareholders are not entitled to the shareholders' rights.
- (6) According to the provisions of the Securities and Exchange Act, the share repurchased to be transferred to employees shall be transferred within three years from the date of the purchase. If the transfer is not made within the time limit, the shares are deemed as unissued shares, and change of registration shall be made to cancel the shares. In order to maintain the Company's credit and shareholders

equity, the shares bought back should have the registration changed to cancel the shares within six months from the date of the purchase.

- (7) The Company's stock held by the subsidiary Youe Chung Capital is treated as treasury stock. As of December 31, 2020 and 2019, Youe Chung Capital held 37,081 thousand shares of the Company. The average book value per share was NT\$14.23, and the fair value per share was NT\$40.35 and NT\$34.45, respectively. The cost of transferring treasury stocks is calculated based on the book value of the Company's stock held by Youe Chung Capital and the Company's indirect shareholding during each period.
- (8) The Company was approved by the board of directors on August 5, 2020, to buy back 10,000 thousand shares of the Company in the centralized trading market and transfer them to employees, and the number of shares repurchased accounted for 3.96% of the total issued shares. The buy-back was completed and executed between August 6 and September 30, 2020.

(XVII) Capital surplus

In accordance with the Company Act, any capital surplus arising from paid-in capital in excess of the 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 Securities and Exchange Act requires that the amount of capital surplus to be capitalized, as above, should not exceed 10% of paid-in capital each year. Capital reserves should not be used to cover accumulated deficit unless the legal reserve is insufficient. The following is a breakdown of the capital reserve:

|  | Trading of<br>treasury stock | Changes in ownership interests in<br>subsidiaries recognized | Employee<br>stock options | Equity changes<br>in affiliates | Othe<br>rs | Total            |
|--|------------------------------|--|---------------------------|---------------------------------|------------|------------------|
| January 1,<br>2020   | \$ 187,873                   | \$ 27,255  | \$ 98,152                 | \$ 9,181                        | \$ 316     | \$322,777        |
| Adjustment<br>of capital<br>reserve by<br>dividends<br>paid to<br>subsidiaries       | 37,081                       | -  | -                         | -                               | -          | 37,081           |
| Changes in<br>shares of<br>affiliates<br>recognized<br>under the<br>equity<br>method | -                            | ( 21,158)  | -                         | 9,359                           | -          | ( 11,799)        |
| Share-based<br>payment<br>transaction  | 186,425                      | -  | (98,152)                  | -                               | -          | 88,273           |
| Unclaimed<br>dividends of<br>shareholder<br>s  | -                            | -  | -                         | -                               | 3,566      | 3,566            |
| December<br>31, 2020   | <u>\$ 411,379</u>            | <u>\$ 6,097</u>  | <u>\$ -</u>               | <u>\$ 18,540</u>                | <u>82</u>  | <u>\$439,898</u> |

|  | Trading of<br>treasury stock | Changes in ownership interests in<br>subsidiaries recognized | Employee<br>stock options | Equity changes<br>in affiliates | Othe<br>rs | Total            |
|--|------------------------------|--|---------------------------|---------------------------------|------------|------------------|
| January 1,<br>2019   | \$145,471                    | \$ 16,904  | \$7,056                   | \$ -                            | -          | \$169,431        |
| Adjustment<br>of capital<br>reserve by<br>dividends<br>paid to<br>subsidiaries                                   | 30,926                       | -  | -                         | -                               | -          | 30,926           |
| Difference<br>between<br>actual<br>acquisition<br>price and<br>carrying<br>value of<br>equity in<br>subsidiaries | -                            | ( 5,333)   | -                         | -                               | -          | ( 5,333)         |
| Changes in<br>shares of<br>affiliates<br>recognized<br>under the<br>equity<br>method                             | -                            | 15,684   | ( 7,056)                  | 9,181                           | -          | 17,809           |
| Share-based<br>payment<br>transaction  | 11,476                       | -  | 98,152                    | -                               | -          | 109,628          |
| Unclaimed<br>dividends of<br>shareholder<br>s  | -                            | -  | -                         | -                               | -          | 316              |
| December<br>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> |

(XVIII) Retained earnings

1. According to the Articles of Incorporation, 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.
2. The Company takes into account the overall business environment, industrial growth, and the Company's long-term financial planning for stable operation and development to adopt a residual dividend policy, which is mainly based on the Company's future capital budgeting plan to measure the annual capital needs. After using the retained earnings for funding, the remaining surplus will be distributed in the form of dividends, and the distribution steps are shown as follows:
  - (1) Decide on the best capital budgeting.
  - (2) Decide on the financing required for one of the capital budgeting 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.
3. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of the legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
  4. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
  5. The Company's board of directors resolved on March 15, 2021 to distribute a cash dividend of NT\$1.50 per ordinary share from the 2020 surpluses, with a total dividend of \$359,570. The proposal is yet to be resolved by the shareholders' meeting.
  6. The Company's shareholders meeting resolved on June 10, 2020 to distribute a cash dividend of NT\$1.07 per ordinary share from the 2019 surpluses, with a total dividend of \$252,714.
  7. The Company's shareholders meeting resolved on June 11, 2019 to distribute a cash dividend of NT\$0.834 per ordinary share from the 2018 surpluses, with a total dividend of \$194,083.

(XIX) Other equity interests

|  | <u>2020</u>                        |                                     |               |
|--|------------------------------------|-------------------------------------|---------------|
|  | <u>Unrealized gains and losses</u> | <u>Foreign currency translation</u> | <u>Total</u>  |
| January 1                                      | (\$ 2,666)                         | \$ 794                              | (\$ 1,872)    |
| Difference in foreign<br>currency translation: |                                    |                                     |               |
| - Group  | <u>-</u>                           | <u>2,761</u>                        | <u>2,761</u>  |
| December 31                                    | <u>(\$ 2,666)</u>                  | <u>\$ 3,555</u>                     | <u>\$ 889</u> |

|  | <u>2019</u>                        |                                     |              |
|--|------------------------------------|-------------------------------------|--------------|
|  | <u>Unrealized gains and losses</u> | <u>Foreign currency translation</u> | <u>Total</u> |
| January 1                                      | \$ -                               | \$ 7,853                            | \$ 7,853     |
| Valuation adjustment                           |                                    |                                     |              |
| - Group  | ( 2,666)                           | -                                   | ( 2,666)     |
| Difference in foreign<br>currency translation: |                                    |                                     |              |

|             |                   |                 |                   |
|-------------|-------------------|-----------------|-------------------|
| - Group     | <u>-</u>          | <u>( 7,059)</u> | <u>( 7,059)</u>   |
| December 31 | <u>(\$ 2,666)</u> | <u>\$ 794</u>   | <u>(\$ 1,872)</u> |

(XX) Operating revenue

|                                       |                     |                     |
|---------------------------------------|---------------------|---------------------|
|                                       | <u>2020</u>         | <u>2019</u>         |
| Revenue from contracts with customers | <u>\$ 4,666,756</u> | <u>\$ 3,468,682</u> |

1. Segmentation of revenue from contracts with customers

The Corporate Group derives its revenue from the transfer of goods and services either over time or at a point in time. The revenue can be divided into the following main product lines:

| <u>2020</u>                                     | <u>Photomask and<br/>semiconductor segment</u> | <u>Medical segment</u> | <u>Total</u>        |
|---|--|------------------------|---------------------|
| Revenue from contracts with external customers  | <u>\$ 4,666,756</u>                            | <u>\$ -</u>            | <u>\$ 4,666,756</u> |
| Cut-off point of income recognition             |  |                        |                     |
| Income recognized at a particular point in time | \$ 4,289,007                                   | \$ -                   | \$ 4,289,007        |
| Income recognized gradually over time           | <u>377,749</u>                                 | <u>-</u>               | <u>377,749</u>      |
|   | <u>\$ 4,666,756</u>                            | <u>\$ -</u>            | <u>\$ 4,666,756</u> |
| <br>  |  |                        |                     |
| <u>2019</u>                                     | <u>Photomask and<br/>semiconductor segment</u> | <u>Medical segment</u> | <u>Total</u>        |
| Segment revenue                                 | \$ 3,579,419                                   | \$ 67,606              | \$ 3,647,025        |
| Revenue from internal transactions              | <u>(157,049)</u>                               | <u>(21,294)</u>        | <u>(178,343)</u>    |
| Revenue from contracts with external customers  | <u>\$ 3,422,370</u>                            | <u>\$ 46,312</u>       | <u>\$ 3,468,682</u> |
| Cut-off point of income recognition             |  |                        |                     |
| Income recognized at a particular point in time | \$ 3,163,174                                   | \$ 46,312              | \$ 3,209,486        |
| Income 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> |

2. Contract Liabilities

(1) Contract liabilities related to contracts with customers recognized by the Corporate Group:

|                      | <u>December 31, 2020</u> | <u>December 31, 2019</u> | <u>January 1, 2019</u> |
|----------------------|--------------------------|--------------------------|------------------------|
| Contract Assets      | <u>\$ 93,809</u>         | <u>\$ 18,121</u>         | <u>\$ -</u>            |
| Contract Liabilities | <u>\$ 99,418</u>         | <u>\$ 39,856</u>         | <u>\$ 58,701</u>       |

(2) Contract liabilities at the beginning of the period recognized as revenue of the period

|   | <u>2020</u>      | <u>2019</u>      |
|---|------------------|------------------|
| Opening balance of contract liabilities recognized in the current period (including other income transferred) | <u>\$ 38,619</u> | <u>\$ 43,049</u> |

(XXI) Interest income

|                             |             |             |
|-----------------------------|-------------|-------------|
|                             | <u>2020</u> | <u>2019</u> |
| Interest from bank deposits | \$ 3,323    | \$ 5,662    |

|  |                   |                   |
|--|-------------------|-------------------|
| Interest income from financial assets measured at amortized cost | 138               | 364               |
| Other interest incomes   | <u>1,365</u>      | <u>3,244</u>      |
|  | <u>\$ 4,826</u>   | <u>\$ 9,270</u>   |
| <b>(XXII) <u>Other Incomes</u></b>                               |                   |                   |
|  | <u>2020</u>       | <u>2019</u>       |
| Rental income  | \$ 25,925         | \$ 9,374          |
| Dividend income  | 25,128            | 25,755            |
| Other income -- Others   | <u>7,705</u>      | <u>15,235</u>     |
|  | <u>\$ 58,758</u>  | <u>\$ 50,364</u>  |
| <b>(XXIII) <u>Other Gains and Losses</u></b>                     |                   |                   |
|  | <u>2020</u>       | <u>2019</u>       |
| Disposal of interests in property, plant and equipment           | \$ 1              | \$ 1,916          |
| Gain (loss) on disposal of investments                           | 74,561            | 22,121            |
| Gain on lease modifications                                      | 2,486             | -                 |
| Losses from exchange   | ( 9,801)          | ( 8,287)          |
| Gain on financial assets at fair value through profit or loss    | 450,106           | 354,635           |
| Impairment Loss of Financial Assets                              | ( 165,253)        | -                 |
| Other losses -- Depreciation of investment properties            | ( 679)            | ( 679)            |
| Other Gains and Losses   | <u>9,415</u>      | <u>( 768)</u>     |
|  | <u>\$ 360,836</u> | <u>\$ 368,938</u> |
| <b>(XXIV) <u>Financial Costs</u></b>                             |                   |                   |
|  | <u>2020</u>       | <u>2019</u>       |
| Interest Incomes   | \$ 35,390         | \$ 16,792         |
| Less: Amount of capitalization of qualifying assets              | <u>( 2,364)</u>   | <u>( 943)</u>     |
|  | <u>\$ 33,026</u>  | <u>\$ 15,849</u>  |
| <b>(XXV) <u>Expenses by nature</u></b>                           |                   |                   |
|  | <u>2020</u>       | <u>2019</u>       |
| Employee benefits expenditure                                    | \$ 640,329        | \$ 658,368        |
| Depreciation   | 379,560           | 279,470           |
| Amortization   | 7,395             | 7,779             |
| <b>(XXVI) <u>Employee benefits expenditure</u></b>               |                   |                   |
|  | <u>2020</u>       | <u>2019</u>       |
| Payroll expenses   | \$ 477,522        | \$ 464,334        |
| Employee stock options   | 88,273            | 109,628           |
| Labor and health insurance fees                                  | 35,185            | 37,534            |
| Pension expense  | 19,109            | 25,806            |

|                          |                   |                   |
|--------------------------|-------------------|-------------------|
| Other personnel expenses | <u>20,240</u>     | <u>21,066</u>     |
|                          | <u>\$ 640,329</u> | <u>\$ 658,368</u> |

1. According to the Articles of Incorporation, 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.
2. For 2020 and 2019, employees' remuneration was accrued at \$85,723 and 53,404, respectively, and director remunerations was accrued at \$16,969 and \$10,522, respectively. The abovementioned amounts were listed as payroll expenses.

The employee remuneration and director remuneration were estimated and accrued based on 10% and 1.9% of profit of current year distributable for the year ended December 31, 2020, respectively.

The employee remuneration and director remuneration resolved by the Board of Directors for 2019 were \$55,000 and \$10,000, respectively, which were different from \$53,404 and \$10,522 recognized in the 2018 financial report by \$1,596 and (\$522). This is mainly due to changes in estimates which have been adjusted to the income of 2020.

Information about employees remuneration and director remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System".

(XXVII) Income tax

1. Income tax expense

Components of income tax expense:

|   | <u>2020</u>       | <u>2019</u>      |
|---|-------------------|------------------|
| Current tax:                                      |                   |                  |
| Current tax on profits for the year               | \$ 120,400        | \$ 46,886        |
| Additional surtax on undistributed earnings       | -                 | 1                |
| Over provision of prior year's income tax         | <u>-</u>          | <u>601</u>       |
| Total current tax                                 | <u>120,400</u>    | <u>47,488</u>    |
| Deferred income tax:                              |                   |                  |
| Origination and reversal of temporary differences | <u>23,834</u>     | <u>15,089</u>    |
| Total deferred income tax                         | <u>23,834</u>     | <u>15,089</u>    |
| Income Tax Expense                                | <u>\$ 144,234</u> | <u>\$ 62,577</u> |

2. Reconciliation between income tax expense and accounting profit

|  | <u>2020</u> | <u>2019</u> |
|--|-------------|-------------|
| Tax calculated based on profit before tax and statutory tax rate | \$ 314,691  | \$ 228,289  |
| Fees (benefit) excluded according to the tax law                 | ( 263,499)  | ( 206,327)  |
| Temporary difference of unrecognized                             | 2,070       | -           |

|  |                   |                  |
|--|-------------------|------------------|
| deferred income tax assets   |                   |                  |
| Tax loss of unrecognized deferred income tax assets                  | 59,331            | 19,027           |
| Impact tax deductibles of investment                                 | -                 | ( 3,084)         |
| Changes in assessment of realizability of deferred income tax assets | 31,641            | 24,070           |
| Over provision of prior year's income tax                            | -                 | 601              |
| Additional surtax on undistributed earnings                          | -                 | 1                |
| Income Tax Expense   | <u>\$ 144,234</u> | <u>\$ 62,577</u> |

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

|                                  | <u>January 1</u>   | <u>Consolidated</u> | <u>2020</u>           | <u>December 31</u> |
|----------------------------------|--------------------|---------------------|-----------------------|--------------------|
|                                  |                    | <u>transfer in</u>  | <u>Recognized in</u>  |                    |
|                                  |                    |                     | <u>profit or loss</u> |                    |
| Deferred income tax assets:      |                    |                     |                       |                    |
| - Temporary differences:         |                    |                     |                       |                    |
| Loss on inventory                | \$ 3,746           | \$ -                | (\$ 3,352)            | \$ 394             |
| Unrealized exchange loss         | 1,333              | -                   | 605                   | 1,938              |
| Subtotal                         | <u>\$ 5,079</u>    | <u>\$ -</u>         | <u>(\$ 2,747)</u>     | <u>\$ 2,332</u>    |
| Deferred income tax liabilities: |                    |                     |                       |                    |
| - Temporary differences:         |                    |                     |                       |                    |
| Unrealized gain on exchange      | ( 721)             | -                   | 434                   | ( 287)             |
| Long-term investments            | ( 31,460)          | -                   | ( 21,521)             | ( 52,981)          |
| Subtotal                         | <u>( 32,181)</u>   | <u>-</u>            | <u>( 21,087)</u>      | <u>( 53,268)</u>   |
| Total                            | <u>(\$ 27,102)</u> | <u>\$ -</u>         | <u>(\$ 23,834)</u>    | <u>(\$ 50,936)</u> |

|                             | <u>January 1</u> | <u>Consolidated</u> | <u>2019</u>           | <u>December 31</u> |
|-----------------------------|------------------|---------------------|-----------------------|--------------------|
|                             |                  | <u>transfer in</u>  | <u>Recognized in</u>  |                    |
|                             |                  |                     | <u>profit or loss</u> |                    |
| Deferred income tax assets: |                  |                     |                       |                    |
| - Temporary differences:    |                  |                     |                       |                    |
| Loss on inventory           | \$ 4,587         | \$ -                | (\$ 841)              | \$ 3,746           |
| Unrealized exchange loss    | 6                | -                   | 1,327                 | 1,333              |
| Others                      | 645              | -                   | ( 645)                | -                  |
| Subtotal                    | <u>\$ 5,238</u>  | <u>\$ -</u>         | <u>(\$ 159)</u>       | <u>\$ 5,079</u>    |

|                                  |              |          |              |              |
|----------------------------------|--------------|----------|--------------|--------------|
| Deferred income tax liabilities: |              |          |              |              |
| - Temporary differences:         |              |          |              |              |
| Unrealized gain on exchange      | ( 899)       | -        | 178          | ( 721)       |
| Long-term investments            | ( 16,290)    | ( 62)    | ( 15,108)    | ( 31,460)    |
| Subtotal                         | ( 17,189)    | ( 62)    | ( 14,930)    | ( 32,181)    |
| Total                            | ( \$ 11,951) | ( \$ 62) | ( \$ 15,089) | ( \$ 27,102) |

4. Deductible temporary difference not recognized as deferred income tax assets

|                                 |                          |                          |
|---------------------------------|--------------------------|--------------------------|
|                                 | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
| Deductible temporary difference | <u>\$ 349,735</u>        | <u>\$ 339,383</u>        |

5. The Company's income tax returns through 2018 have been assessed and approved by the tax authority.

(XXVIII) Earnings per share

|  |                         |   |                     |
|--|-------------------------|---|---------------------|
|  | <u>2020</u>             |   | Earnings            |
|  | <u>Amount after tax</u> | <u>Weighted average share outstanding (thousand shares)</u> | <u>(in dollars)</u> |
| <u>Earnings per share</u>                                    |                         |   |                     |
| Profit attributable to ordinary shareholders of the parent   | <u>\$ 683,897</u>       | <u>204,801</u>  | <u>\$ 3.34</u>      |
| <u>Diluted Earnings per share</u>                            |                         |   |                     |
| Profit attributable to ordinary shareholders of the parent   | \$ 683,897              | 204,801   |                     |
| Assumed conversion of all dilutive potential ordinary shares |                         |   |                     |
| Employee   | -                       | <u>2,599</u>  |                     |

remuneration

Profit  
attributable  
to ordinary  
shareholders  
of the parent  
company  
plus  
assumed  
conversion  
of all  
dilutive  
potential  
ordinary  
shares

\$ 683,897

207,400

\$ 3.30

2019

Earnings

Amount after tax Weighted average share outstanding (thousand shares)

(in dollars)

Earnings per  
share

Profit  
attributable  
to ordinary  
shareholders  
of the parent

\$ 431,254

196,474

\$ 2.19

Diluted  
Earnings per  
share

Profit  
attributable  
to ordinary  
shareholders  
of the parent  
Assumed  
conversion  
of all  
dilutive  
potential  
ordinary  
shares

\$ 431,254

196,474

Employee  
remuneration

-

1,765

Profit  
attributable  
to ordinary  
shareholders

\$ 431,254

198,239

\$ 2.18

of the parent  
company  
plus  
assumed  
conversion  
of all  
dilutive  
potential  
ordinary  
shares

The weighted average number of shares outstanding in 2020 and 2019 has deducted the number of shares held by the subsidiary company Youe Chung Capital deemed as the Company's treasury stock (the number of shares is based on the Company's shareholding).

(XXIX) Business combination

1. The Group originally held 16.21% of Innova Vision. On December 15, 2020, Youe Chung Capital Corporation signed a share purchase with other original shareholders of Innova Vision to acquire another 8,795,795 shares, increasing the Group's shareholding to 60.02%. On December 16, 2020, Innova Vision held elections for all directors at its extraordinary general meeting. The Company's subsidiary Youe Chung Capital won all the director seats, obtaining substantial control of this company. Therefore, it is included in consolidated financial statements as a consolidated entity from that date.

(1). The information on the fair value of the acquired assets and assumed liabilities on the acquisition date and the share of non-controlling interests in the acquiree's identifiable net assets for the acquisition of Innova Vision is shown as follows:

|   | <u>December 16,</u><br><u>2020</u> |
|---|------------------------------------|
| The fair value of the previously held equity of Innova Vision at the acquisition date | \$ 648                             |
| Payment to acquire the equity of Innova Vision again                                  | 1,759                              |
| Share of non-controlling interests in the identifiable net assets of the acquiree     | <u>( 58,278)</u>                   |
| Fair value of acquired identifiable assets and assumed liabilities                    | <u>( 55,871)</u>                   |
| Cash  | 12,100                             |
| Accounts Receivables  | 21,213                             |
| Other Receivables   | 2,486                              |
| Inventories   | 12,345                             |
| Prepayments   | 1,804                              |
| Other Current Assets  | 1,688                              |
| Property, plant and equipment   | 20,390                             |
| Right-of-use Asset  | 6,060                              |
| Intangible assets   | 268                                |
| Other Non-Current Assets  | 8,805                              |
| Contract Liabilities  | ( 5,235)                           |
| Accounts Payable  | ( 23,183)                          |
| Other Payables  | ( 191,573)                         |
| Provisions  | ( 12,917)                          |
| Other Current Liabilities   | ( 258)                             |
| Deferred Income Tax   | ( 289)                             |
| Other Non-Current Liabilities   | <u>( 67)</u>                       |
| Total identifiable net assets   | <u>( 146,363)</u>                  |
| Goodwill  | <u>\$ 90,492</u>                   |

(2) The assessment of the fair value of acquired identifiable assets and assumed liabilities is in progress. At present, it is recorded at the initial valuation, and the relevant acquisition price allocation will be completed within one year.

(3) Since the acquisition of Innova Vision in December 16, 2020, the contribution to operating income and profit before tax have both been \$0. Assuming that Innova Vision has been included in the consolidated reports since January 1, 2020, the operating

income and profit before tax of the Group are \$4,757,757 and \$361,021, respectively.

2. The Group has a 29.55% shareholding of Aptos Technology. On June 28, 2019, Aptos Technology INC. held elections for all directors at its shareholders meeting. The Company's subsidiary Youe Chung Capital Corporation won more than half of the director seats obtaining actual control of this company. Therefore, it is included in consolidated financial statements as a consolidated entity from that date.

- (1). The information on the fair value of the acquired assets and assumed liabilities on the acquisition date and the share of non-controlling interests in the acquiree's identifiable net assets for the acquisition of Aptos Technology is shown as follows:

|  | <u>June 28, 2019</u> |
|--|----------------------|
| The fair value of the previously held equity of Aptos Technology at the acquisition date | \$ 63,427            |
| Share of non-controlling interests in the identifiable net assets of the acquiree        | <u>188,826</u>       |
|  | <u>252,253</u>       |
| Fair value of acquired identifiable assets and assumed liabilities                       |                      |
| Cash   | 86,656               |
| Financial assets at fair value through profit and loss                                   | 514                  |
| Financial assets at amortized cost - Current   | 24,638               |
| Contract Asset - Current   | 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 Current | 199                  |
| Financial Assets at Amortized Cost - Non Current   | 4,517                |
| Property, plant and equipment  | 236,516              |
| Right-of-use Asset   | 60,772               |
| Intangible assets  | 7,832                |
| Prepayments for equipment  | 1,233                |
| Refundable deposit   | 4,860                |
| Bank borrowings  | ( 131,288)           |
| Contract Liabilities   | ( 7,138)             |
| Notes Payable  | ( 66)                |
| Accounts Payable   | ( 56,475)            |
| Other Payables   | ( 33,370)            |
| Lease Liability - Current  | ( 20,506)            |
| Other Current Liabilities  | ( 2,209)             |
| Long-term liabilities due within one year or one business cycle                          | ( 10,563)            |
| Long-term Loans  | ( 4,670)             |
| Deferred Income Tax  | ( 62)                |
| Lease liability - Non Current  | ( 40,273)            |

|                               |                   |
|-------------------------------|-------------------|
| Guarantee Deposits Received   | <u>( 900)</u>     |
| Total identifiable net assets | <u>\$ 252,253</u> |

- (2) The fair values of the identifiable property, plant and equipment and intangible assets obtained were \$236,516 and \$7,832, respectively.
- (3) Since the acquisition of Aptos Technology in June 28, 2019, the contribution to operating income and profit before tax have both been \$259,196 and (\$98,877), respectively. Assuming that Aptos Technology has been included in the consolidated reports since January 1, 2019, the operating income and profit before tax of the Group are \$3,739,553 and \$318,471, respectively.

(XXX) Supplemental cash flow information

1. Investing activities with partial cash payments:

|  | <u>2020</u>         | <u>2019</u>       |
|--|---------------------|-------------------|
| Purchase of property, plant and equipment                      | \$ 2,160,033        | \$ 678,764        |
| Add: Opening balance of payable on equipment                   | 103,845             | 75,777            |
| Prepayments for equipment at the end of the period             | 5,608               | 186,606           |
| Less: Prepayments for equipment at the beginning of the period | ( 186,606)          | ( 133,635)        |
| Ending balance of payable on equipment                         | <u>( 53,809)</u>    | <u>( 103,845)</u> |
| Cash paid during the year                                      | <u>\$ 2,029,071</u> | <u>\$ 703,667</u> |

2. The Group's subsidiary Weida Hi-Tech Company conducted cash capital increase separately on April 10, 2020 and May 15, 2020. The Group did not keep up with the subscription for shareholding, which caused the shareholding to drop to 36.70%. Weida Hi-Tech Company then held an extraordinary general meeting of shareholders on June 2, 2020 to elect new directors. The Company won one seat of director and lost the control of the Weida (Please see Note 4, (3) 2 and Note 3) for the relevant assets and liabilities of the subsidiary:

|  | <u>June 2, 2020</u> |
|--|---------------------|
| Carrying amount of assets and liabilities of Weida Hi-Tech Company |                     |
| Cash   | \$ 43,089           |
| Accounts Receivables   | 41,607              |
| Tax Assets   | 16                  |
| Inventories  | 33,705              |
| Prepayments  | 10,783              |
| Other Current Assets   | 1,856               |
| Property, plant and equipment                                      | 6,656               |
| Intangible assets  | 9,817               |
| Refundable deposit   | 258                 |
| Contract Liabilities   | ( 2,432)            |
| Accounts Payable   | ( 20,446)           |

|                           |    |                       |
|---------------------------|----|-----------------------|
| Other Payables            | (  | 11,818)               |
| Other Current Liabilities | (  | <u>1,067</u> )        |
| Total net assets          | \$ | <u><u>112,024</u></u> |

3. On May 3, 2019, the Group's subsidiary Innova Vision conducted cash capital increase. The group did not subscribe in accordance with the shareholding percentage, and lost control of the subsidiary. The information on the related assets and liabilities of the subsidiary is as follows:

|  | <u>May 3, 2019</u> |
|--|--------------------|
| Carrying amount of assets and liabilities of Innova Vision |                    |
| Cash   | \$ 25,037          |
| Notes Receivables  | 36                 |
| Accounts Receivables                                       | 29,328             |
| Other Receivables  | 20                 |
| Inventories  | 159,656            |
| Prepayments  | 2,774              |
| Other Current Assets                                       | 1,125              |
| Property, plant and equipment                              | 25,314             |
| Right-of-use Asset   | 19,525             |
| Intangible assets  | 558                |
| Other Non-Current Assets                                   | 22,194             |
| Contract Liabilities                                       | ( 7,443)           |
| Notes Payable  | ( 53)              |
| Accounts Payable   | ( 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>\$ 1,550</u>    |

(XXXI) Changes in liabilities arising from financing activities

|   | <u>Short Term Loans</u> | <u>Long-term Loans<br/>(Mature within one<br/>year)</u> | <u>Lease liabilities</u> | <u>Guarantee<br/>Deposits<br/>Received</u> | <u>Total liabilities<br/>arising from<br/>financing<br/>activities</u> |
|---|-------------------------|---|--------------------------|--|--|
| January 1, 2020                                     | \$ 804,938              | \$ 451,616  | \$431,391                | \$ 1,544                                   | \$ 1,689,489   |
| Change in cash<br>flow from<br>financing activities | 1,493,780               | 1,280,467   | ( 60,382)                | 3,585                                      | 2,717,450  |
| Interest Incomes                                    | -                       | -   | 4,913                    | -  | 4,913  |
| Interest Paid                                       | -                       | -   | ( 4,913)                 | -  | ( 4,913)   |
| Other non-cash<br>transactions                      | -                       | -   | 135,917                  | -  | 135,917  |
| December 31, 2020                                   | <u>\$ 2,298,718</u>     | <u>\$ 1,732,083</u>                                     | <u>\$506,926</u>         | <u>\$ 5,129</u>                            | <u>\$ 4,542,856</u>  |

|   | <u>Short Term Loans</u> | <u>Long-term Loans</u><br><u>(Mature within one</u><br><u>year)</u> | <u>Lease liabilities</u> | <u>Guarantee</u><br><u>Deposits</u><br><u>Received</u> | <u>Total liabilities</u><br><u>arising from</u><br><u>financing</u><br><u>activities</u> |
|---|-------------------------|---|--------------------------|--|--|
| January 1, 2019                               | \$ 591,000              | \$ -  | \$348,133                | \$ 3,223   | \$ 942,356   |
| Change in cash flow from financing activities | 82,650                  | 436,383   | ( 37,157)                | ( 2,512)   | 479,364  |
| Change in obtaining control of the subsidiary | 131,288                 | 15,233  | 60,779                   | 900  | 208,200  |
| Change in losing control of the subsidiary    | -                       | -   | ( 8,830)                 | ( 67)  | ( 8,897)   |
| Interest Incomes                              | -                       | -   | 4,118                    | -  | 4,118  |
| Interest Paid                                 | -                       | -   | ( 4,118)                 | -  | ( 4,118)   |
| Other non-cash transactions                   | -                       | -   | 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>  |

## Related-Party Transactions

### (I) Related parties' names and relationship

| Name of the related parties                 | Relationship with the Group  |
|---|--|
| Innova Vision                               | The Company is a director of the company (Note 1)                              |
| AdVanced Silicon SA                         | The chairman of the Company's subsidiary is a director of the company (Note 2) |
| Powerchip Semiconductor Manufacturing Corp. | The Company's chairman is the vice chairman of the company.                    |
| Image Match Design Inc.                     | The Company's subsidiary is a director of the company                          |
| Weida Hi-Tech Company                       | The Company is a director of that company                                      |
| Xsense Technology Corporation               | Investment by the company by using the equity method.                          |

Note 1: The Group's shareholding of Innova Vision has dropped to 17.81% in May 2019, thus losing control of and significant influence on the company, but still held its board seats. On June 18, 2020, the Company resigned as a legal entity director of Innova Vision, and is no longer a related party of that company.

On December 16, 2020, Innova Vision held elections for all directors at its extraordinary general meeting. The Company's subsidiary Youe Chung Capital Corporation won all the director seats, obtaining substantial control of this company. Therefore, it has been included as a consolidated entity from that date.

Note 2: The Company's shareholding of Weida Hi-Tech has dropped to 36.70% in May 2020, and there are changes to the number of board seats, thus losing control of the company. Since then, Weida Hi-Tech is no longer a subsidiary of the Company, but is still the Group's related party.

(II) Significant transactions with the related parties

1. Operating revenue

|                     | <u>2020</u>      | <u>2019</u>      |
|---------------------|------------------|------------------|
| Product sales:      |                  |                  |
| Other related party | \$ <u>32,025</u> | \$ <u>44,002</u> |

There are no major abnormalities in the transaction prices and payment terms of the related party compared to that of non-related parties.

2. Account receivable from related parties

|                               | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|-------------------------------|--------------------------|--------------------------|
| Accounts Receivables:         |                          |                          |
| Other related party           | \$ 6,599                 | \$ 1,568                 |
| Other receivables:            |                          |                          |
| Innova Vision                 | -                        | 25,568                   |
| Xsense Technology Corporation | <u>3,068</u>             | <u>-</u>                 |
| Subtotal                      | <u>3,068</u>             | <u>25,568</u>            |
| Total                         | <u>\$ 9,667</u>          | <u>\$ 27,136</u>         |

3. Account payable from related parties

|                     | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---------------------|--------------------------|--------------------------|
| Other Payables:     |                          |                          |
| Other related party | <u>\$ -</u>              | <u>\$ 1,432</u>          |

4. Loans to related parties (recognized as "Other accounts receivable -- related parties")

Loans to related parties

(1) Balance at the end of period:

|               | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---------------|--------------------------|--------------------------|
| Innova Vision | <u>\$ -</u>              | <u>\$ 180,000</u>        |

(2) Income from interests

|               | <u>2020</u>     | <u>2019</u>     |
|---------------|-----------------|-----------------|
| Innova Vision | <u>\$ 1,081</u> | <u>\$ 3,179</u> |

The loans to affiliated companies are to be repaid within one year. The interests in 2020 and 2019 were charged at an annual interest rate of 2%~2.616% and 2.616%, respectively.

(III) Compensation of key management personnel

|  | <u>2020</u> | <u>2019</u> |
|--|-------------|-------------|
|--|-------------|-------------|

|   |    |               |    |               |
|---|----|---------------|----|---------------|
| Salary and short-term employee benefits | \$ | 24,673        | \$ | 21,941        |
| Post-employment benefits                |    | 3,301         |    | -             |
| Other long-term employee benefits       |    | 11,885        |    | -             |
| Share-based payment to employees        |    | <u>5,200</u>  |    | <u>240</u>    |
| Total                                   | \$ | <u>45,059</u> | \$ | <u>22,181</u> |

## Pledge assets

Assets pledged by the Corporate Group as collateral are as follows:

| <u>Assets</u>  | <u>Book value</u>        |                          | <u>Purpose</u>   |
|--|--------------------------|--------------------------|--|
|  | <u>December 31, 2020</u> | <u>December 31, 2019</u> |  |
| Demand deposit<br>(Recognized as "Financial assets at amortized cost")   | \$ 11,111                | \$ 3,004                 | Reserve accounts for long- and short-term borrowings           |
| Time deposit<br>(Recognized as "Financial assets at amortized cost")   | 41,236                   | 54,254                   | Short-term loans and guarantees for goods out of the free zone |
| Stocks of publicly traded and OTC companies<br>(recognized as "Financial assets at fair value through profit or loss") | 1,249,775                | -                        | Short Term Loans   |
| Buildings and structures<br>(including land)   | 953,601                  | 198,314                  | Long-term Loans  |
| Machinery and equipment<br>and equipment under acceptance  | 1,146,700                | 591,999                  | Long- and short-term borrowings                                |
| Real estate investment   | 313,099                  | -                        | Long- and short-term borrowings                                |
| Other equipment  | <u>1,615</u>             | <u>4,491</u>             | Long- and short-term borrowings                                |
|  | <u>\$ 3,717,137</u>      | <u>\$ 852,062</u>        |  |

## Material contingent liabilities and unrecognized contractual commitments

### (I) Contingencies

Not applicable.

(II) Commitments

1. Machine equipment maintenance contracts that have been signed but not yet paid

|                     | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---------------------|--------------------------|--------------------------|
| Machine maintenance | \$ 31,851                | \$ 28,355                |

2. Capital expenditures that have been signed but not yet incurred

|                               | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|-------------------------------|--------------------------|--------------------------|
| Property, plant and equipment | \$ 153,985               | \$ 44,063                |

3. Lease agreement

Please see Note 6 (9) and (10)

Losses due to major disasters

Not applicable.

Major Events after Financial Statement Date

The resolution of the Company's board on March 15, 2021 passed the appropriation of earnings. The proposal has yet to be resolved by the shareholders meeting. Please refer to Note 6 (18) for details.

Others

(I) 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.

The Group's strategy in 2020 was to borrow long-term loans to purchase new factories, which was different from that in 2019. For the years ended December 31, 2020 and 2019, the debt-to-capital ratios were as follows:

|                                 | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---------------------------------|--------------------------|--------------------------|
| Total borrowings                | \$ 4,030,801             | \$ 1,256,554             |
| Less: Cash and cash equivalents | ( 1,036,658)             | ( 946,517)               |
| Net debt                        | 2,994,143                | 310,037                  |
| Total equity                    | <u>3,416,690</u>         | <u>3,121,458</u>         |
| Total capital                   | <u>\$ 6,410,833</u>      | <u>\$ 3,431,495</u>      |
| Debt-to-equity ratio            | <u>46.70%</u>            | <u>9.04%</u>             |

## Financial instruments

### 1. Types of financial instrument

|   | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|--------------------------|--------------------------|
| <u>Financial assets</u>   |                          |                          |
| Financial assets at fair value through profit and loss          |                          |                          |
| Mandatory financial assets at fair value through profit or loss | <u>\$ 2,135,413</u>      | <u>\$ 993,284</u>        |
| Financial assets measured at amortized cost                     |                          |                          |
| Cash  | \$ 1,036,658             | \$ 946,517               |
| Financial assets measured at amortized cost                     | 75,134                   | 74,490                   |
| Notes Receivables   | 879                      | -                        |
| Accounts receivable (Including related parties)                 | 901,342                  | 731,104                  |
| Other accounts receivable (Including related parties)           | 50,736                   | 222,600                  |
| Refundable deposit  | <u>12,792</u>            | <u>8,727</u>             |
|   | <u>\$ 2,077,541</u>      | <u>\$ 1,983,438</u>      |

|  | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|--------------------------|--------------------------|
| Financial liabilities                              |                          |                          |
| Financial liabilities at amortized cost            |                          |                          |
| Short Term Loans                                   | \$ 2,298,718             | \$ 804,938               |
| Notes Payable                                      | 66                       | 65                       |
| Accounts payable (Including related parties)       | 397,237                  | 369,827                  |
| Other accounts payable (Including related parties) | 436,980                  | 413,944                  |
| Long-term borrowings (including current portion)   | 1,732,083                | 451,616                  |
| Guarantee Deposits Received                        | 5,129                    | 1,544                    |
|  | <u>\$ 4,870,213</u>      | <u>\$ 2,041,934</u>      |
| Lease liabilities                                  | <u>\$ 506,926</u>        | <u>\$ 431,391</u>        |

## 2. Risk management policies

- (1) The Group's activities expose it to a variety of financial risks, including market risk (exchange rate, interest rate and price), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial position and performance.
- (2) Risk management is carried out by a central finance department (Group finance) under policies approved by the Board of Directors. Group finance identifies, evaluates and hedges financial risks in close collaboration 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 currency exchange risk, interest rate risk, credit risk, the use of derivatives and non-derivative financial instruments and investment of excess liquidity.

### 3. Significant financial risks and degrees of financial risks

#### (1) Market risk

##### A. Foreign exchange risk

The Group's operations involve certain non-functional currencies (the Company's and certain subsidiaries' functional currency is the New Taiwan dollar (NTD), and for other certain subsidiaries, the functional currency is the US Dollars, Japanese Yen and China's Renminbi (RMB)), so it is subject to the impact of exchange rate fluctuation. The details of assets and liabilities denominated in foreign currencies whose values that would be materially affected by exchange rate fluctuations are as follows:

|  |                                       |                      |                                  |    | <u>December 31, 2020</u> |  |  |
|--|---------------------------------------|----------------------|----------------------------------|----|--------------------------|--|--|
| <b>(Foreign currency: functional currency)</b> | <u>Foreign currency (in thousand)</u> | <u>Exchange rate</u> | <u>Book value (NT\$Thousand)</u> |    |                          |  |  |
| Financial assets                               |                                       |                      |                                  |    |                          |  |  |
| <u>Monetary items</u>                          |                                       |                      |                                  |    |                          |  |  |
| USD : NTD                                      | USD                                   | 27,563               | 28.480                           | \$ | 784,994                  |  |  |
| RMB : NTD                                      | CNY                                   | 108,362              | 4.377                            |    | 474,300                  |  |  |
| JPY : NTD                                      | JPY                                   | 83,532               | 0.276                            |    | 23,055                   |  |  |
| Financial liabilities                          |                                       |                      |                                  |    |                          |  |  |
| <u>Monetary items</u>                          |                                       |                      |                                  |    |                          |  |  |
| USD : NTD                                      | USD                                   | 5,266                | 28.480                           |    | 149,976                  |  |  |
| RMB : NTD                                      | CNY                                   | 34,457               | 4.377                            |    | 150,818                  |  |  |
| JPY : NTD                                      | JPY                                   | 273,112              | 0.276                            |    | 75,379                   |  |  |
|  |                                       |                      |                                  |    | <u>December 31, 2019</u> |  |  |
| <b>(Foreign currency: functional currency)</b> | <u>Foreign currency (in thousand)</u> | <u>Exchange rate</u> | <u>Book value (NT\$Thousand)</u> |    |                          |  |  |
| Financial assets                               |                                       |                      |                                  |    |                          |  |  |
| <u>Monetary items</u>                          |                                       |                      |                                  |    |                          |  |  |
| USD : NTD                                      | USD                                   | 27,566               | 29.980                           | \$ |                          |  |  |
| RMB : NTD                                      | CNY                                   | 57,908               | 4.305                            |    |                          |  |  |
| JPY : NTD                                      | JPY                                   | 48,841               | 0.2760                           |    |                          |  |  |
| Financial liabilities                          |                                       |                      |                                  |    |                          |  |  |
| <u>Monetary items</u>                          |                                       |                      |                                  |    |                          |  |  |
| USD : NTD                                      | USD                                   | 7,311                | 29.980                           |    |                          |  |  |
| JPY : NTD                                      | JPY                                   | 234,022              | 0.2760                           |    |                          |  |  |

##### B. Total exchange gain, including realized and unrealized gains from significant foreign

exchange variations on monetary items held by the Group amounted to a loss of \$9,801 and a loss of \$8,287 for the years ended December 31, 2020 and 2019, respectively.

C. The analysis of foreign currency risk due to significant exchange rate fluctuation is as follows:

| <u>2020</u>                                    |                    |                                 |   |
|--|--------------------|---------------------------------|---|
| <u>Sensitivity Analysis</u>                    |                    |                                 |   |
| <b>(Foreign currency: functional currency)</b> | <u>Fluctuation</u> | <u>Effect on profit or loss</u> | <u>Other comprehensive profit and loss affected</u> |
| <u>Financial assets</u>                        |                    |                                 |   |
| <u>Monetary items</u>                          |                    |                                 |   |
| USD : NTD                                      | 1%                 | \$ 7,850                        | \$ -  |
| RMB : NTD                                      | 1%                 | 4,743                           | -   |
| JPY : NTD                                      | 1%                 | 231                             | -   |
| <u>Financial liabilities</u>                   |                    |                                 |   |
| <u>Monetary items</u>                          |                    |                                 |   |
| USD : NTD                                      | 1%                 | ( 1,500)                        | -   |
| RMB : NTD                                      | 1%                 | ( 1,508)                        | -   |
| JPY : NTD                                      | 1%                 | ( 754)                          | -   |

| <u>2019</u>                                    |                    |                                 |   |
|--|--------------------|---------------------------------|---|
| <u>Sensitivity Analysis</u>                    |                    |                                 |   |
| <b>(Foreign currency: functional currency)</b> | <u>Fluctuation</u> | <u>Effect on profit or loss</u> | <u>Other comprehensive profit and loss affected</u> |
| <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)                          | -   |

Price risk

- A. The equity instruments owned by the Company exposing to the price risk are financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.
- B. The Group invests primarily in equity instruments and open-end funds issued by domestic and foreign companies. The price of such equity instrument is subject to the uncertainty of the future value of investment target. If the price of such equity instrument increases or decreases by 1%, while all other factors remain unchanged, the net profit affected by equity instruments at fair value through profit or loss after tax for 2020 and 2019 is an increase of \$21,354 and a decrease of \$9,933, respectively; as for the other comprehensive income classified as equity instruments at fair value through

other comprehensive income, it is \$0 and \$0 for 2020 and 2019, respectively.

### Cash flow and fair value interest rate risk

- A. The Group's interest rate risk mainly comes from long-term borrowings issued at floating rates, which exposes the Group to cash flow interest rate risk. For 2020 and 2019, the Group's borrowings issued at floating rates were mainly denominated in New Taiwan dollars and US dollars.
- B. The Group's borrowings are measured at amortized cost, and the annual interest rate is re-priced according to the contract, which exposes the Group to the risk of future market interest rate changes.
- C. If the long- and short-term borrowing rates increase or decrease by 0.25%, while all other factors remain constant, the net income after tax for 2020 and 2019 is a decrease or increase of \$11,526 and \$12,565, respectively, mainly due to the interest expense changes caused by the floating interest rate.

### (2) Credit risk

- A. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments under contract obligations, and the defaults are accounts receivable and the contract cash flow from debt instruments measured at amortized cost, measured at fair value through other comprehensive income and measured at fair value through profit or loss.
- B. The management of credit risk is established with a Group perspective. Only the banks and financial institutionals with an independent credit rating of at least "A" can be accepted as transaction partners of the Group. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing 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 utilization of credit limits is regularly monitored.
- C. The Group considers a contract payment overdue in accordance with the agreed payment terms a breach of contract.
- D. The Group uses IFRS 9 to provide the following assumption as a basis for determining whether there is a significant increase in the credit risk of financial instruments after the original recognition:
  - (A) If the contract payment is overdue for more than 30 days in accordance with the agreed payment terms, the credit risk of the financial asset is significantly increased since the original recognition.
  - (B) For bond investments in Taipei Exchange, if any external rating agency rates it as an investment grade on the balance sheet date, the credit risk of the financial asset is considered low.
- E. The Group uses the following indicators to determine the status of credit impairments of debt instruments:
  - (A) The issuer has suffered significant financial difficulties or is likely to enter bankruptcy or other financial restructuring.
  - (B) The issuer has suffered significant financial difficulties or is likely to enter

bankruptcy or other financial restructuring.

(C) The issuer delays or does not pay for the interest or principal.

(D) Unfavorable changes in the national- or regional-level economic situation resulting in the issuer's default.

F. The Group categorizes the accounts receivable from customers based on the characteristics of trade credit risks. The simplified approach is adopted for estimating the expected credit loss based on the provision matrix.

G. The Group may write off the amount of financial assets that cannot be reasonably expected to be recovered after recourse. However, the Group will continue the recourse to protect the rights of the claims.

H. The Company has incorporated forward-looking considerations to adjust the loss rate built according to historic and current data in order to estimate the loss allowance of accounts receivables. The provision matrix for the years ended December 31, 2020 and 2019 are shown as follows:

|                          | <u>Not past due</u> | <u>Up to 30 days</u> | <u>31-90 days</u> | <u>91-180 days</u> | <u>More than<br/>181 days past<br/>due</u> | <u>Total<br/>due</u> |
|--------------------------|---------------------|----------------------|-------------------|--------------------|--|----------------------|
| <u>December 31, 2020</u> |                     |                      |                   |                    |  |                      |
| Expected loss rate       | 0.01~1%             | 0.01~1.95%           | 1.36~7.49%        | 3.62~23.67%        | 41.84~100%                                 |                      |
| Total book value         | \$ 723,020          | \$ 149,442           | \$ 32,507         | \$ 2,169           | \$ 5,603                                   | \$912,741            |
| Loss allowance           | -                   | ( 2,191)             | ( 2,725)          | ( 957)             | ( 5,526)                                   | ( 11,399)            |
| <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)             |

I. The Group adopts a simplified method in which the loss allowance for the accounts receivable is shown as follows:

|  | <u>2020</u>                 |
|--|-----------------------------|
|  | <u>Accounts Receivables</u> |
| January 1                                  | \$ 7,759                    |
| Consolidated transfer in                   | 5,785                       |
| Reversal for the period                    | ( 2,200)                    |
| Impact from exchange rate                  | 55                          |
| December 31                                | <u>\$ 11,399</u>            |
| <br>                                       |                             |
|  | <u>2019</u>                 |
|  | <u>Accounts Receivables</u> |
| January 1                                  | \$ 2,780                    |
| Recognize impairment loss                  | 7,006                       |
| Impact from exchange rate                  | ( 130)                      |
| Change in losing control of the subsidiary | ( 1,897)                    |
| December 31                                | <u>\$ 7,759</u>             |

(3) Liquidity risk

A. Cash flow forecasting is performed by the operating entities of the Corporate Group and aggregated by the Group's treasury department. It monitors rolling forecasts of liquidity requirements to ensure the Group has sufficient cash to meet operational needs.

The remaining cash held by each operating entity will be transferred back to the Group's finance department. B. The finance department of the Group invests the remaining funds in interest-bearing demand deposits, time deposits, financial assets at fair value through profit or loss, financial assets at amortized cost and bond investment without an active market (time deposits with a maturity of more than 3 months and less than 12 months), as the instruments chosen have appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. For the years ended December 31, 2020 and 2019, the position of money market held by the Corporate Group is at \$1,071,061 and \$986,482, respectively, and is expected to generate immediate cash flow to manage liquidity risk.

B. The Group's unutilized borrowings are shown as follows:

|                              | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|------------------------------|--------------------------|--------------------------|
| Floating rate                |                          |                          |
| Mature within one year       | \$ 513,400               | \$ 833,776               |
| Maturity of more than 1 year | 363,851                  | 798,573                  |
| Fixed rate                   |                          |                          |
| Mature within one year       | -                        | -                        |
| Maturity of more than 1 year | -                        | -                        |
|                              | <u>\$ 877,251</u>        | <u>\$ 1,632,349</u>      |

D. The following table shows the Group's non-derivative financial liabilities and derivative financial liabilities settled on a net or total amount, grouped according to the relevant maturity date. Non-derivative financial liabilities are analyzed based on the remaining period from the balance sheet date to the contract maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

|   | <u>Within 1 year</u> | <u>1 to 2 years</u> | <u>2 to 5 years</u> | <u>Over 5 years</u> |
|---|----------------------|---------------------|---------------------|---------------------|
| December 31, 2020                                     |                      |                     |                     |                     |
| <u>Non-derivative financial liabilities:</u>          |                      |                     |                     |                     |
| Short Term Loans                                      | \$2,298,718          | \$ -                | \$ -                | \$ -                |
| Notes Payable   | 66                   | -                   | -                   | -                   |
| Accounts Payable                                      | 397,237              | -                   | -                   | -                   |
| Other accounts payable<br>(Including related parties) | 436,980              | -                   | -                   | -                   |
| Lease liabilities                                     | 107,380              | 106,921             | 375,907             | -                   |
| Long-term borrowings (including<br>current portion)   | 100,647              | 1,698,976           | -                   | -                   |
| Guarantee Deposits Received                           | -                    | 5,129               | -                   | -                   |
|   | <u>Within 1 year</u> | <u>1 to 2 years</u> | <u>2 to 5 years</u> | <u>Over 5 years</u> |

December 31, 2019

Non-derivative financial liabilities:

|   |            |         |         |         |
|---|------------|---------|---------|---------|
| Short Term Loans                                      | \$ 804,938 | \$ -    | \$ -    | \$ -    |
| Notes Payable   | 65         | -       | -       | -       |
| Accounts Payable                                      | 369,827    | -       | -       | -       |
| Other accounts payable<br>(Including related parties) | 413,944    | -       | -       | -       |
| Lease liabilities                                     | 39,764     | 32,334  | 93,926  | 313,965 |
| Long-term borrowings (including<br>current portion)   | 20,577     | 228,611 | 219,291 | -       |
| Guarantee Deposits Received                           | -          | 1,544   | -       | -       |

(III). Fair value information

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in stocks of publicly traded or OTC firms and beneficiary certificates is included in Level 1.

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. The fair value of the Group's investment in stocks of non-publicly traded or non-OTC firms and private equity fund is included in Level 3.

2. Financial instruments not measured at fair value

Cash, notes receivable, accounts receivable, other receivable, short-term borrowings, notes payable, accounts payable and other payable as reasonable approximation of fair value.

3. The related information for 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, 2020                                      | <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 and loss |                     |                |                  |                     |
| Equity securities                                      | \$ 2,103,205        | \$ -           | \$ 31,708        | \$ 2,134,913        |
| Beneficiary certificates                               | <u>500</u>          | <u>-</u>       | <u>-</u>         | <u>500</u>          |
| Total  | <u>\$ 2,103,705</u> | <u>\$ -</u>    | <u>\$ 31,708</u> | <u>\$ 2,135,413</u> |
| <br>   |                     |                |                  |                     |
| December 31, 2019                                      | <u>Level 1</u>      | <u>Level 2</u> | <u>Level 3</u>   | <u>Total</u>        |

## Assets

### Recurring fair value measurements

Financial assets at fair value through profit and loss

|                          |                   |             |                  |                   |
|--------------------------|-------------------|-------------|------------------|-------------------|
| Equity securities        | \$ 899,981        | \$ -        | \$ 92,803        | \$ 992,784        |
| Beneficiary certificates | <u>500</u>        | <u>-</u>    | <u>-</u>         | <u>500</u>        |
| Total                    | <u>\$ 900,481</u> | <u>\$ -</u> | <u>\$ 92,803</u> | <u>\$ 993,284</u> |

4. The methods and assumptions adopted by the Group for assessing the fair value are as follows:

- (1) The Group adopt market pricing as the input of fair value (i.e. Level ), and the breakdown of the characteristics of the instrument is as follows:

|              | <u>Shares of listed and OTC company</u> | <u>Open-end funds</u> |
|--------------|---|-----------------------|
| Market price | Closing price                           | Net Value             |

- (2) Except for the abovementioned financial instruments with active markets, the fair value of the remaining financial instruments is obtained using valuation techniques. The fair value obtained through valuation techniques can refer to the current fair value of other financial instruments with similar substantive conditions and characteristics, discounted cash flow method, or other valuation techniques, including the use of market information available on the date of the consolidated balance sheet (for example, the Taipei Exchange refers to the yield curve, the Reuters adopts the average quotation of interest rate of commercial promissory notes).
- (3) The output of the valuation model is the estimated value, and the valuation technique may not reflect all the relevant factors of the financial instruments and non-financial instruments held by the Group. Therefore, the estimated value of the valuation model will be appropriately adjusted according to additional parameters, such as model risk or liquidity risk. According to the Group's fair value valuation model management policies and related control procedures, the management believes that in order to properly express the fair value of financial instruments and non-financial instruments in the consolidated balance sheet, valuation adjustments are appropriate and necessary. The price information and parameters used in the valuation process are carefully assessed and appropriately adjusted according to current market conditions.
- (4) The Group incorporates credit risk valuation adjustments into the consideration of fair value of financial instruments and non-financial instruments to reflect counterparty credit risk and the credit quality of the Group, respectively.

5. There were no transfers between Level 1 and 2 in 2020 and 2019.

6. The following table shows the changes in Level 3 in 2020 and 2019:

|                                       |    | <u>Equity securities</u> |
|---------------------------------------|----|--------------------------|
| January 1, 2020                       | \$ | 92,803                   |
| Acquisition cost of the period        |    | 39,943                   |
| Return of capital by investee company | (  | 8,207)                   |

|                           |    |               |
|---------------------------|----|---------------|
| Recognize impairment loss | (  | 92,831)       |
| December 31, 2020         | \$ | <u>31,708</u> |

|  |    |                          |
|--|----|--------------------------|
|  |    | <u>Equity securities</u> |
| January 1, 2019                            | \$ | 133,663                  |
| Acquisition cost of the period             |    | 65,000                   |
| Recognized in profit or loss of the period |    | 21,094                   |
| Sold in this period                        | (  | 127,398)                 |
| Transferred to Level 3                     |    | 12,464                   |
| Transferred out of Level 3                 | (  | 9,928)                   |
| Return of capital by investee company      | (  | 2,092)                   |
| December 31, 2019                          | \$ | <u>92,803</u>            |

7. The quantitative information about the significant unobservable input value of the valuation model and the sensitivity analysis of the significant unobservable input value change used in the Level 3 fair value measurements are explained as follows:

December 31, 2020

|  | <u>Fair value</u> | <u>Valuation technique</u> | <u>Significant unobservable inputs</u> | <u>Range (Weighted average)</u> | <u>Relationship between inputs and fair value</u>          |
|--|-------------------|----------------------------|--|---------------------------------|--|
| Non-derivative equity instruments:       |                   |                            |  |                                 |  |
| Shares of non-listed and non-OTC company | \$ 31,708         | Net asset value method     | Net asset value                        | -                               | The higher the net asset value, the higher the fair value. |

December 31, 2019

|  | <u>Fair value</u> | <u>Valuation technique</u>  | <u>Significant unobservable inputs</u> | <u>Range (Weighted average)</u> | <u>Relationship between inputs and fair value</u>                        |
|--|-------------------|-----------------------------|--|---------------------------------|--|
| Non-derivative equity instruments:       |                   |                             |  |                                 |  |
| Shares of non-listed and non-OTC company | \$ 27,803         | Net asset value method      | Net asset value                        | -                               | The higher the net asset value, the higher the fair value.               |
| Shares of non-listed and non-OTC company | 65,000            | Discounted cash flow method | Long-term revenue growth rate          | 2.5%                            | The higher the long-term revenue growth rate, the higher the fair value. |

8. The Corporate Group has carefully assessed the valuation models and parameters used to measure fair value. However, use of different valuation models or parameters may result in different measurement. For financial assets or liabilities classified in Level 3, changes in valuation parameters have the following impacts on the income or other comprehensive income of the period:

|                    |                               | <u>December 31, 2020</u> |                                     |                        |   |                        |
|--------------------|-------------------------------|--------------------------|-------------------------------------|------------------------|---|------------------------|
|                    |                               |                          | <u>Recognized in profit or loss</u> |                        | <u>Recognized in other comprehensive income</u> |                        |
|                    | <u>Inputs</u>                 | <u>Changes</u>           | <u>Favorable changes</u>            | <u>Adverse changes</u> | <u>Favorable changes</u>                        | <u>Adverse changes</u> |
| Financial assets   |                               |                          |                                     |                        |   |                        |
| Equity instruments | Net asset value               | ± 1%                     | \$ 271                              | (\$ 271)               | \$ -  | \$ -                   |
| Equity instruments | Long-term revenue growth rate | ± 1%                     | <u>468</u>                          | <u>( 481)</u>          | <u>-</u>  | <u>-</u>               |
|                    |                               |                          | <u>\$ 739</u>                       | <u>(\$ 752)</u>        | <u>\$ -</u>                                     | <u>\$ -</u>            |

|                    |                               | <u>December 31, 2019</u> |                                     |                        |   |                        |
|--------------------|-------------------------------|--------------------------|-------------------------------------|------------------------|---|------------------------|
|                    |                               |                          | <u>Recognized in profit or loss</u> |                        | <u>Recognized in other comprehensive income</u> |                        |
|                    | <u>Inputs</u>                 | <u>Changes</u>           | <u>Favorable changes</u>            | <u>Adverse changes</u> | <u>Favorable changes</u>                        | <u>Adverse changes</u> |
| Financial assets   |                               |                          |                                     |                        |   |                        |
| Equity instruments | Net asset value               | ± 1%                     | \$ 278                              | (\$ 278)               | \$ -  | \$ -                   |
| Equity instruments | Long-term revenue growth rate | ± 1%                     | <u>468</u>                          | <u>( 481)</u>          | <u>-</u>  | <u>-</u>               |

\$ 746   (\$ 759)   \$ -   \$ -

Others

The Company has evaluated the Group's operations and financial information, and amid the novel coronavirus crisis, the Group's ability to continue as a going concern, asset impairment and financing risks have not been greatly affected.

## Supplementary Disclosure

### I. Significant transactions information

1. Loans to others: Please refer to Table I.
2. Provision of endorsements and guarantees to others: Please refer to Table II.
3. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please see Table III.
4. Acquisition or sale of the same security with the accumulated cost reaching \$300 million or 20% of the Company's paid-in capital: Please see Table II.
5. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None. Please see Table V.
6. Disposal of real estate exceeding \$300 million or 20% of paid-in capital or more: None.
7. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.
8. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
9. Engaged in derivative trading: None.
10. Significant inter-company transactions during the reporting periods: Please refer to Table VI.

### II. Information on investees

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

### III. Information on investments in China

1. Basic information: Please refer to Table VIII.
2. Significant transactions, either directly or indirectly through a third area, with investee companies in China: None.

### IV. Information on Major Shareholders

Information on major shareholders: Detailed in Table IX.

## Segments information

### I. General information

Management has determined the reportable operating segments based on reports reviewed by the president and used to make strategic decisions.

The Group's corporate structure, the basis for division of segments, and the basis for measurement of segment information have not changed significantly during the current period.

### II. Measurement of segment information

The Group evaluates the performance of the operating segments and allocates resources based on the adjusted net profit of each segment.

### III. Segments information

Information on the reporting segments provided to the chief operating decision maker is shown as follows:

2020:

|   | <u>Photomask and<br/>semiconductor segment</u> |
|---|--|
| Revenue from external clients                           | \$ <u>4,666,756</u>                            |
| Segment revenue   | \$ <u>118,768</u>                              |
| Segment margin  | \$ <u>630,541</u>                              |
| Segment margin include:                                 |  |
| Depreciation  | (\$ <u>379,560</u> )                           |
| Amortization expense                                    | (\$ <u>7,395</u> )                             |
| Financial Costs   | (\$ <u>33,026</u> )                            |
| Interest income   | \$ <u>4,826</u>                                |
| Investments income recognized<br>by using equity method | (\$ <u>105,006</u> )                           |
| Segment assets  | \$ <u>9,069,965</u>                            |

2019:

|   | <u>Photomask and<br/>semiconductor segment</u> | <u>Medical segment</u> | <u>Total</u>         |
|---|--|------------------------|----------------------|
| Revenue from external clients                           | \$ <u>3,422,370</u>                            | \$ <u>46,312</u>       | \$ <u>3,468,682</u>  |
| Segment revenue   | \$ <u>157,049</u>                              | \$ <u>21,294</u>       | \$ <u>178,343</u>    |
| Segment margin  | \$ <u>413,568</u>                              | (\$ <u>39,051</u> )    | \$ <u>374,517</u>    |
| Segment margin include:                                 |  |                        |                      |
| Depreciation  | (\$ <u>273,431</u> )                           | (\$ <u>6,039</u> )     | (\$ <u>279,470</u> ) |
| Amortization expense                                    | (\$ <u>7,741</u> )                             | (\$ <u>38</u> )        | (\$ <u>7,779</u> )   |
| Financial Costs   | (\$ <u>15,607</u> )                            | (\$ <u>242</u> )       | (\$ <u>15,849</u> )  |
| Interest income   | \$ <u>9,269</u>                                | \$ <u>1</u>            | \$ <u>9,270</u>      |
| Investments income recognized<br>by using equity method | (\$ <u>45,535</u> )                            | \$ <u>-</u>            | (\$ <u>45,535</u> )  |
| Segment assets  | \$ <u>5,726,370</u>                            | \$ <u>-</u>            | \$ <u>5,726,370</u>  |

### IV. Reconciliation for segment income

Sales between segments are conducted according to the principle of transactions at fair value. The operating revenue from external customers reported to the operating decision maker is measured in a manner consistent with that in the income statement.

The consolidated income, assets and liabilities of related segments are consistent with the consolidated income, consolidated assets and consolidated liabilities, so there is no reconciliation information.

V. Information on products and services

The revenue from external customers mainly come from the sales revenue of photomasks and semiconductors and sales revenue of medical equipment, and the performance of related products is the same as that shown in Note 14 (3).

VI. Geographical information

Information by region for the Group in 2020 and 2019:

|          | <u>2020</u>         |                           | <u>2019</u>         |                           |
|----------|---------------------|---------------------------|---------------------|---------------------------|
|          | <u>Revenue</u>      | <u>Non-Current Assets</u> | <u>Revenue</u>      | <u>Non-Current Assets</u> |
| Taiwan   | \$ 2,116,492        | \$ 3,936,274              | \$ 1,961,238        | \$ 2,013,192              |
| Asia     | 2,532,492           | 1,379                     | 1,223,337           | 143                       |
| Americas | -                   | -                         | 9,033               | -                         |
| Others   | <u>17,772</u>       | <u>-</u>                  | <u>275,074</u>      | <u>-</u>                  |
| Total    | <u>\$ 4,666,756</u> | <u>\$ 3,937,653</u>       | <u>\$ 3,468,682</u> | <u>\$ 2,013,335</u>       |

VII. Major customer information

For 2020 and 2019, the Corporate Group had no customers accounting for more than 10% of the sales revenue.

Taiwan Mask Corporation and Subsidiaries  
Loans to Others  
For the Year Ended December 31, 2020

Table I

Unit: NT\$ Thousand  
(Unless otherwise specified)

| Code (Note 1) | Company that lent funds      | Borrowing party                | General ledger account            | Related party? | Maximum balance of the period | Balance at the end of period | Amount Actually Drawn | Range of interest rate | Nature of loan       | Amount of transaction with borrower | Reason for short-term financing | Amount of recognized impairment loss | Collateral |                              | Limit on loans granted to a single party | Ceiling on total loan granted | Note         |        |
|---------------|------------------------------|--------------------------------|-----------------------------------|----------------|-------------------------------|------------------------------|-----------------------|------------------------|----------------------|-------------------------------------|---------------------------------|--------------------------------------|------------|------------------------------|--|-------------------------------|--------------|--------|
|               |                              |                                |                                   |                |                               |                              |                       |                        |                      |                                     |                                 |                                      | Name       | Value                        |  |                               |              |        |
| 0             | Taiwan Mask Corporation      | Youe Chung Capital Corporation | Other Receivables—Related Parties | Y              | \$ 300,000                    | \$ 300,000                   | \$ 298,000            | 2%                     | Short-term financing | \$ -                                | Working capital                 | \$ -                                 |            |                              | \$ -                                     | \$ 1,415,439                  | \$ 1,415,439 | Note 2 |
| 0             | Taiwan Mask Corporation      | Miracle Technology Co., LTD.   | Other Receivables—Related Parties | Y              | 200,000                       | 100,000                      | -                     | 2%                     | Short-term financing | -                                   | Working capital                 | -                                    |            |                              | -  | 1,415,439                     | 1,415,439    | Note 2 |
| 0             | Taiwan Mask Corporation      | Aptos Technology INC.          | Other Receivables—Related Parties | Y              | 140,000                       | 140,000                      | 140,000               | 2%                     | Short-term financing | -                                   | Working capital                 | -                                    |            |                              | -  | 1,415,439                     | 1,415,439    | Note 2 |
| 0             | Taiwan Mask Corporation      | Innova Vision INC.             | Other Receivables—Related Parties | Y              | 200,000                       | 180,000                      | 150,000               | 2%                     | Short-term financing | -                                   | Working capital                 | -                                    |            |                              | -  | 1,415,439                     | 1,415,439    | Note 2 |
| 1             | Adl Engineering INC.         | Aptos Technology INC.          | Other Receivables—Related Parties | Y              | 30,000                        | 30,000                       | 30,000                | 2%                     | Short-term financing | -                                   | Business operations             | -                                    |            | Aptos Technology machine and | 14,799                                   | 28,831                        | 28,831       | Note 3 |
| 2             | Miracle Technology Co., LTD. | Youe Chung Capital Corporation | Other Receivables—Related Parties | Y              | 100,000                       | -                            | -                     | 2%                     | Short-term financing | -                                   | Working capital                 | -                                    |            | Other equipment              | -  | 139,248                       | 139,248      | Note 4 |
| 2             | Miracle Technology Co., LTD. | Aptos Technology INC.          | Other Receivables—Related Parties | Y              | 120,000                       | 120,000                      | 120,000               | 2%                     | Short-term financing | -                                   | Working capital                 | -                                    |            |                              | -  | 139,248                       | 139,248      | Note 4 |
| 3             | Innova Vision INC.           | Innova Technology              | Other Receivables—Related Parties | Y              | 10,507                        | 10,507                       | 21,011                | NA                     | Transactions         | 11,809                              | -                               | -                                    |            |                              | -  | -                             | -            | Note 5 |
| 3             | Innova Vision INC.           | Innova Vision Kabushiki Kaisha | Other Receivables—Related Parties | Y              | 7,817                         | 7,817                        | 12,454                | NA                     | Transactions         | 16,775                              | -                               | -                                    |            |                              | -  | -                             | -            | Note 5 |
| 3             | Innova Vision INC.           | Innova Vision Kabushiki Kaisha | Other Receivables—Related Parties | Y              | -                             | -                            | 55,429                | NA                     | Short-term financing | -                                   | Business operations             | -                                    |            |                              | -  | -                             | -            | Note 5 |

Note 1: The explanation of the Code column is as follows:

- (1) Issuer fills in 0.
- (2) The investee company is numbered in sequence starting from Arabic numeral 1 according to company type.

Note 2: Amendment to the Procedures for Lending Funds to Others:

- (1) Total amount of loans: The total amount of the Company's loans shall not exceed 40% of the Company's net value.
- (2) For companies or businesses that have business dealings with the Company, the loan amount of each individual borrowers shall not exceed the amount of transactions between the two parties in the most recent year and not exceed 40% of the Company net value.
- (3) For companies or businesses that have a short-term financing need, the loan amount of each individual borrowers shall not exceed the amount of transactions between the two parties in the most recent year and not exceed 40% of the Company net value.
- (4) Inter-company loans of funds between overseas companies in which the Company owns, directly or indirectly, 100% of the voting shares, are not restricted by the abovementioned paragraphs. However, the total amount of loans and the amount of loan to a single party shall not exceed 50% of the Company's net value.

Note 3: Subsidiary - Adl Engineering Inc. Procedures for Lending Funds to Others

- (1) The total loan amount shall not exceed 50% of the Company's net value. However, for companies or businesses that have a short-term financing need, the loan amount of each individual borrower shall not exceed 40% of the Company net value.
- (2) In addition to the provisions in (1), the loan amount of each individual borrower of companies or businesses that have business dealings with the Company shall not exceed the amount of transactions between the two parties. The amount of business transactions refers to the higher of the amount of goods purchased or sold between the parties.
- (3) In addition to the provisions in (1), in which companies or businesses have a short-term financing need, and the loan amount of each individual borrowers not exceeding 40% of the Company net value, the financing amount refers to the accumulated balance of of the company's short-term financing.
- (4) Inter-company loans of funds between overseas companies in which the Company owns, directly or indirectly, 100% of the voting shares, or loans to the Company from any overseas companies in which the Company holds, directly or indirectly, 100% of the voting shares are not restricted by the abovementioned paragraphs. However, the total loan amount, limits for each individual borrower, and the period of loan should be specified. The total amount of loans lent between the overseas companies or to the parent company and the limit for each limit are specified as follows:
  - I. The total amount loans to enterprises shall not exceed 50% of the Company's net value. However, for companies or businesses that have a short-term financing need, the loan amount of each individual borrower shall not exceed 40% of the Company net value.
  - II. For overseas companies that have business dealings with each other, the individual loan amount shall not exceed the amount of transactions between the two parties. The amount of business transactions refers to the higher of the amount of goods purchased or sold between the parties.
  - III. If there is a need for short-term financing, the loan amount of each individual borrowers shall not exceed 40% of the company's net value, and the financing amount refers to the accumulated balance of the short-term financing between overseas companies.
- (5) The highest balance for the current period is the amount resolved by the board.

Note 4: Subsidiary - Miracle Technology Procedures for Lending Funds to Others

- (1) Total amount of loans: The total amount of the Company's loans shall not exceed 40% of the Company's net value.
- (2) For companies or businesses that have business dealings with the Company, the loan amount of each individual borrowers shall not exceed the amount of transactions between the two parties in the most recent year and not exceed 40% of the Company net value.
- (3) For companies or businesses that have a short-term financing need, the loan amount of each individual borrowers shall not exceed the amount of transactions between the two parties in the most recent year and not exceed 40% of the Company net value.
- (4) Inter-company loans of funds between overseas companies in which the Company owns, directly or indirectly, 100% of the voting shares, are not restricted by the abovementioned paragraphs. However, the total amount of loans and the amount of loan to a single party shall not exceed 50% of the Company's net value.

Note 5: Subsidiary - Innova Vision Procedures for Lending Funds to Others

(1) Total amount of loans: The total amount of the Company's loans shall not exceed 40% of the Company's net value.

(2) The loan amount of each individual borrower of companies or businesses that have business dealings with the Company shall not exceed the amount of transactions between the two parties in the past year. The amount of business transactions refers to the higher of the amount of goods purchased or sold between the parties, and shall not exceed 20% of the Company's net value.

(3) For companies or businesses that have a short-term financing need, the loan amount of each individual borrowers shall not exceed the amount of transactions between the two parties in the most recent year and not exceed 40% of the Company net value.

Taiwan Mask Corporation and Subsidiaries  
Endorsements and Guarantees to Others  
For the Year Ended December 31, 2020

Attachment 2

Unit: NT\$Thousand  
(Unless otherwise specified)

| Code (Note 1) | Endorser/guarantor                         | Guaranteed Party             |                       | Limits on  |                                | 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 (Note 3, 4, 5) | Guarantee Provided by Parent Company to Subsidiary | Guarantee Provided by Subsidiary to Parent Company | Guarantee Provided to Subsidiaries in China | Note |
|---------------|--|------------------------------|-----------------------|--|--------------------------------|----------------|-----------------------|--|---|--|--|--|---|------|
|               |  | Name of Company              | Relationship (Note 2) | Endorsement/ Guarantee Amount Provided to Each Guaranteed (Note 3, 4, 5) | Maximum Balance for the Period |                |                       |  |   |  |  |  |   |      |
| 0             | Taiwan Mask Corporation                    | Miracle Technology Co., LTD. | 2                     | \$ 229,550   | \$ 181,500                     | \$ 170,880     | \$ -                  | \$ -   | 4.83%   | \$ 1,415,439   | Y  | N  | N   |      |
| 1             | Adl Engineering INC.                       | Aptos Technology INC.        | 3                     | 20,899   | 20,000                         | 20,000         | 20,000                | 20,000   | 27.75%  | 28,831   | N  | Y  | N   |      |
| 2             | Miko-China Enterprise (Shanghai) Co., Ltd. | Miracle Technology Co., LTD. | 3                     | 131,310  | 122,612                        | 122,556        | 107,000               | 122,556  | 57.39%  | 131,310  | N  | Y  | N   |      |

Note 1: The explanation of the Code column is as follows:

- (1) Issuer fills in 0.
- (2) The investee company is numbered in sequence starting from Arabic numeral 1 according to company type.

Note 2: The relationship between the guarantor and the guarantee is one of the seven types indicated below:

- (1) A company with which it does business.
- (2) A company in which the Company directly and indirectly holds more than 50% of the voting shares.
- (3) A company that directly and indirectly holds more than 50% of the voting shares in the Company.
- (4) Companies in which the Company holds, directly or indirectly, 90%, or more of the voting shares may make endorsements/guarantees for each other.
- (5) A company that is mutually insured by a contract between peers or co-founders based on the needs of the contracted work.
- (6) A company that is guaranteed by all contributing shareholders in proportion to their shareholdings due to a joint investment relationship.
- (7) Companies that are engaged in joint and several guarantees for the performance guarantee of pre-sale housing sales contracts in accordance with the regulations of the Consumer Protection Act.

Note 3: The Company's endorsement and guarantee practices for others provide that:

- (1) The total amount of the Company's external endorsement guarantee shall not exceed 30% of the Company's paid-in capital.
- (2) The amount of business transactions refers to the higher of the amount of goods purchased or sold between the parties.
- (3) Companies with which the Company has a parent-child relationship: The amount of endorsement and guarantee for a single enterprise shall not exceed 10% of the Company's paid-in capital and the paid-in capital of the company being endorsed and guaranteed.
- (4) The aggregate amount of the endorsement and guarantee of the Company and its subsidiaries as a whole shall not exceed 40% of the net worth of the Company, of which the endorsement and guarantee of a single subsidiary shall not exceed 20% of the net worth of the Company.

Note 4: Subsidiary - Adl Engineering Inc. Endorsement and Guarantee Procedures:

- (1) The aggregate amount of cumulative external endorsement guarantees shall not exceed 40% of the net value of the Company's most recent audited or reviewed financial statements.
- (2) The amount of the endorsement guarantee for a single enterprise shall not exceed 30% of the net value of the company's most recent audited or reviewed financial statements.
- (3) The Company and its subsidiaries shall state in the shareholders' meeting the necessity and reasonableness of any endorsement or guarantee of more than 50% of the net value of the Company's most recent audited or reviewed financial statements.

Note 5: Miko-China Enterprise (Shanghai) Co., Ltd. Endorsement and Guarantee Procedures:

- The total amount of endorsement and guarantee obligation is limited to RMB30 million, while the amount of endorsement and guarantee for a single enterprise shall not exceed RMB30 million.

Taiwan Mask Corporation and Subsidiaries  
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to Table III.  
December 31, 2020

Table III

Unit: NT\$Thousand  
(Unless otherwise specified)

| Company name of the shareholding | Marketable securities  | Relationship                              | General ledger account   | Period end       |            |           |            |      |
|----------------------------------|--|---|--|------------------|------------|-----------|------------|------|
|                                  |  |   |  | Number of shares | Book value | Ownership | Fair value | Note |
| Taiwan Mask Corporation          | Common stocks of Pu-Shi Venture Capital  | None                                      | Financial Asset at Fair Value Through Profit or Loss - Non Current                       | 806,400          | \$ -       | 1.89%     | \$ -       |      |
| Taiwan Mask Corporation          | Common stocks of Athena Capital  | None                                      | Financial Asset at Fair Value Through Profit or Loss - Non Current                       | 207,025          | -          | 2.07%     | -          |      |
| Taiwan Mask Corporation          | Common stocks of Fu-Run Investment   | None                                      | Financial Asset at Fair Value Through Profit or Loss - Non Current                       | 713,235          | 7,132      | 10.53%    | 7,132      |      |
| Taiwan Mask Corporation          | Common stocks of Unicon Vision   | None                                      | Financial Asset at Fair Value Through Profit or Loss - Non Current                       | 10,000,000       | 93,200     | 5.80%     | 93,200     |      |
| Taiwan Mask Corporation          | Common stocks of Acer  | None                                      | Financial Asset at Fair Value Through Profit or Loss - Non Current                       | 2,000,000        | 47,300     | 0.07%     | 47,300     |      |
| Youe Chung Capital Corporation   | Common stocks of P-Two Industries Inc  | None                                      | Financial Asset at Fair Value Through Profit or Loss - Non Current                       | 1,280,500        | 42,641     | 2.39%     | 42,641     |      |
| Youe Chung Capital Corporation   | Common stocks of Taiwan Mask   | Parent company                            | Financial Asset at Fair Value Through Profit or Loss - Non Current                       | 37,801,440       | 1,496,236  | 14.67%    | 1,496,236  |      |
| Youe Chung Capital Corporation   | Common stocks of Image Match Design Inc.   | The Company is a director of that company | Financial Asset at Fair Value Through Profit or Loss - Non Current                       | 1,300,000        | 4,576      | 3.91%     | 4,576      |      |
| Youe Chung Capital Corporation   | Common stocks of Unicon Vision   | None                                      | Financial Asset at Fair Value Through Profit or Loss - Non Current                       | 7,880,000        | 73,442     | 4.57%     | 73,442     |      |
| Youe Chung Capital Corporation   | Common stocks of B Current Impact Investment                                       | The Company is a director of that company | Financial Asset at Fair Value Through Profit or Loss - Non Current                       | 1,000,000        | 10,000     | 10.00%    | 10,000     |      |
| Youe Chung Capital Corporation   | Common stocks of United Microelectronics Corporation                               | None                                      | Financial Asset at Fair Value Through Profit or Loss - Non Current                       | 30,000,000       | 1,414,500  | 0.24%     | 1,414,500  |      |
| Youe Chung Capital Corporation   | Common stocks of Acer  | None                                      | Financial Asset at Fair Value Through Profit or Loss - Non Current                       | 18,150,000       | 429,247    | 0.60%     | 429,247    |      |
| Youe Chung Capital Corporation   | Investment fund of IP Venture Investment and Management Company                    | None                                      | Financial Asset at Fair Value Through Profit or Loss - Non Current                       | -                | 10,000     | -         | 10,000     |      |
| Youe Chung Capital Corporation   | Convertible bonds of Fiti Group  | None                                      | Financial Asset at Fair Value Through Profit or Loss - Non Current                       | 25,000           | 2,875      | -         | 2,875      |      |
| Jingjing Investment Co., Ltd.    | Common stocks of G-Tech Electronics Ltd.   | None                                      | Financial Asset at Fair Value Through Profit or Loss - Non Current                       | 1,097,092        | -          | 8.08%     | -          |      |
| Jingjing Investment Co., Ltd.    | Common stocks of Memchip Technology Co., Ltd.                                      | None                                      | Financial Asset at Fair Value Through Profit or Loss - Non Current                       | 187,915          | -          | 3.13%     | -          |      |
| Aptos Technology INC.            | Common stocks of Topfun Technology Inc.  | None                                      | Financial assets measured at fair value through other comprehensive income - Non Current | 100,000          | -          | 9.52%     | -          |      |
| Adl Engineering INC.             | Franklin Templeton SinoAm Asia Pacific Balanced Fund-Accu. Beneficiary Certificate | None                                      | Financial Assets at Fair Value Through Profit or Loss - Current                          | 50,000           | 500        | -         | 500        |      |

Taiwan Mask Corporation and Subsidiaries  
Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital  
For the Year Ended December 31, 2020

Table IV

Unit: NT\$Thousand  
(Unless otherwise specified)

| Company that buys or sells     | Marketable securities (Note 1)      | General ledger account   | Counterparty (Note 2) | Relationship (Note 2) | Beginning of period |            | Buy (Note 3)     |         | Sell (Note 3)    |               |              | Period end                     |                  |           |
|--------------------------------|-------------------------------------|--|-----------------------|-----------------------|---------------------|------------|------------------|---------|------------------|---------------|--------------|--------------------------------|------------------|-----------|
|                                |                                     |  |                       |                       | Number of shares    | Amount     | Number of shares | Amount  | Number of shares | Selling Price | Book Cost    | Gains and Losses from Disposal | Number of shares | Amount    |
| Youe Chung Capital Corporation | Macroblock                          | Financial Asset at Fair Value Through Profit or Loss - Non Current | -                     | -                     | 3,361,609           | \$ 381,542 | -                | \$ -    | (3,361,609)      | \$ 354,773    | (\$ 280,691) | \$ 74,082                      | -                | \$ -      |
| Youe Chung Capital Corporation | United Microelectronics Corporation | Financial Asset at Fair Value Through Profit or Loss - Non Current | -                     | -                     | -                   | -          | 30,000,000       | 477,460 | -                | -             | -            | -                              | 30,000,000       | 1,414,500 |
| Youe Chung Capital Corporation | Acer                                | Financial Asset at Fair Value Through Profit or Loss - Non Current | -                     | -                     | -                   | -          | 21,000,000       | 462,066 | (2,850,000)      | 67,048        | ( 62,656)    | 4,392                          | 18,150,000       | 429,247   |

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities of the abovementioned items.

Note 2: For marketable securities that adopt the equity method, the two fields should be filled out, and the rest are not required.

Note 3: Acquisition or sale of the same securities should be calculated separately at market price to see if they reach NT\$300 million or 20% of the Company's paid-in capital.

Taiwan Mask Corporation and Subsidiaries  
Acquisition of real estate exceeding \$300 million or 20% of paid-in capital  
For the Year Ended December 31, 2020

Table V

Unit: NT\$Thousand  
(Unless otherwise specified)

| Company acquiring<br>real property | Property Name                                | Date of the<br>occurrence of the<br>event | Transaction Amount | Payment Status | Counterparty    | Relationship | If the transaction counterparty is a related person, the data on the previous transfer |                                 |                  |                 | Reference for price<br>determination                          | Purpose of<br>acquisition and<br>use status | Other<br>provisions |
|------------------------------------|--|---|--------------------|----------------|-----------------|--------------|--|---------------------------------|------------------|-----------------|---|---|---------------------|
|                                    |  |   |                    |                |                 |              | Owner  | Relationship with the<br>issuer | Date of transfer | Amount          |   |   |                     |
| Taiwan Mask<br>Corporation         | Plant and ancillary<br>equipment of building | 2020/07/09                                | \$ 1,038, 306      | All paid       | Neo Solar Power | None         | Not applicable.  | Not applicable.                 | Not applicable.  | Not applicable. | Appraisal report from<br>real estate joint<br>appraisers firm | For operations                              | None                |

Taiwan Mask Corporation and Subsidiaries  
Significant inter-company transactions during the reporting periods  
For the Year Ended December 31, 2020

Table VI

Unit: NT\$Thousand  
(Unless otherwise specified)

| Code (Note 1) | Name of the counterparty                              | Counterparty  | Relationship | General ledger account    | Amount     | Status of transaction                 |  | Percentage of consolidated total operating revenues or total assets (Note 3) |
|---------------|---|---|--------------|---------------------------|------------|---------------------------------------|--|--|
|               |   |   |              |                           |            | Transaction terms                     |  |  |
| 0             | Taiwan Mask Corporation                               | Youe Chung Capital Corporation                        | 1            | Other Receivables         | \$ 298,000 | Receipt and payment at an agreed time |  | 3.29%  |
| 0             | Taiwan Mask Corporation                               | Youe Chung Capital Corporation                        | 1            | Interest income           | 4,346      | Receipt and payment at an agreed time |  | 0.09%  |
| 0             | Taiwan Mask Corporation                               | Miracle Technology CO., LTD.                          | 1            | Sales                     | 3,067      | Net 60                                |  | 0.07%  |
| 0             | Taiwan Mask Corporation                               | Miracle Technology CO., LTD.                          | 1            | Endorsement and guarantee | 170,880    | Same with other customers             |  | 1.88%  |
| 0             | Taiwan Mask Corporation                               | Miracle Technology CO., LTD.                          | 1            | Interest income           | 1,411      | Receipt and payment at an agreed time |  | 0.03%  |
| 0             | Taiwan Mask Corporation                               | Miracle Technology CO., LTD.                          | 1            | Rental income             | 1,584      | Same with other customers             |  | 0.03%  |
| 0             | Taiwan Mask Corporation                               | Miracle International Enterprise (Shanghai) Co., Ltd. | 1            | Sales                     | 38,329     | Net 60                                |  | 0.82%  |
| 0             | Taiwan Mask Corporation                               | Miracle International Enterprise (Shanghai) Co., Ltd. | 1            | Accounts Receivables      | 8,043      | Net 60                                |  | 0.09%  |
| 0             | Taiwan Mask Corporation                               | Aptos Technology INC.                                 | 1            | Other Receivables         | 140,000    | Receipt and payment at an agreed time |  | 1.54%  |
| 0             | Taiwan Mask Corporation                               | Aptos Technology INC.                                 | 1            | Other Receivables         | 11,505     | Same with other customers             |  | 0.13%  |
| 0             | Taiwan Mask Corporation                               | Aptos Technology INC.                                 | 1            | Rental income             | 13,421     | Same with other customers             |  | 0.29%  |
| 0             | Taiwan Mask Corporation                               | Innova Vision INC.                                    | 1            | Other Receivables         | 16,021     | Same with other customers             |  | 0.18%  |
| 0             | Taiwan Mask Corporation                               | Innova Vision INC.                                    | 1            | Other Receivables         | 150,000    | Receipt and payment at an agreed time |  | 1.65%  |
| 0             | Taiwan Mask Corporation                               | Innova Vision INC.                                    | 1            | Interest income           | 2,374      | Receipt and payment at an agreed time |  | 0.05%  |
| 1             | Miracle Technology Co., LTD.                          | Aptos Technology INC.                                 | 3            | Other Receivables         | 120,000    | Receipt and payment at an agreed time |  | 1.32%  |
| 1             | Miracle Technology Co., LTD.                          | Miracle International Enterprise (Shanghai) Co., Ltd. | 3            | Sales                     | 4,955      | Net 30                                |  | 0.11%  |
| 1             | Miracle Technology CO., LTD.                          | Miko Technology co., Ltd.                             | 3            | Other Current Liabilities | 34,032     | Receipt and payment at an agreed time |  | 0.38%  |
| 2             | Miracle International Enterprise (Shanghai) Co., Ltd. | Sichuan Miracle Power Technology Co., Ltd.            | 3            | Sales                     | 39,439     | Net 30                                |  | 0.85%  |
| 3             | Miko-China Enterprise (Shanghai) Co., Ltd.            | Miracle Technology CO., LTD.                          | 3            | Endorsement and guarantee | 122,556    | Same with other customers             |  | 1.35%  |
| 4             | Sichuan Miracle Power Technology Co., Ltd.            | Miko-China Enterprise (Shanghai) Co., Ltd.            | 3            | Sales                     | 5,138      | Net 30                                |  | 0.11%  |
| 5             | Aptos Technology INC.                                 | Adl Engineering INC.                                  | 3            | Short Term Loans          | 30,000     | Receipt and payment at an agreed time |  | 0.33%  |
| 6             | Adl Engineering INC.                                  | Aptos Technology INC.                                 | 3            | Endorsement and guarantee | 20,000     | Same with other customers             |  | 0.22%  |

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is "0".

(2) The subsidiaries are numbered in order starting from "1".

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction;

for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction):

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiaries.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement account

Note 4: Only transactions with an amount of more than NTS1 million will be disclosed, and transactions with related parties will not be disclosed separately.

Taiwan Mask Corporation and Subsidiaries  
Names, locations and other information of investee companies (not including investees in China)  
For the Year Ended December 31, 2020

Table VII

Unit: NT\$Thousand  
(Unless otherwise specified)

| Name of Investor               | Investee                                       | Location               | Main business activities  | Initial investment amount    |                          | Shares held as of the end of period |           |            | Net profit (loss) of the investee for the current period | Investment income(loss) recognized by the Company for the current period | Note |
|--------------------------------|--|------------------------|---|------------------------------|--------------------------|-------------------------------------|-----------|------------|--|--|------|
|                                |  |                        |   | Balance at the end of period | End of the previous year | Number of shares                    | Ownership | Book value |  |  |      |
| Taiwan Mask Corporation        | SunnyLake Park International Holdings, Inc.    | British Virgin Islands | Re-investment   | \$ 103,045                   | \$ 103,045               | 3,120,000                           | 100%      | \$ 5,355   | (\$ 61)  | (\$ 61)  |      |
| Taiwan Mask Corporation        | Youe Chung Capital Corporation                 | Taiwan                 | Re-investment   | 1,440,000                    | 1,140,000                | 201,969,484                         | 100%      | 1,359,028  | 802,419  | 546,557  |      |
| Taiwan Mask Corporation        | Advagene Biopharma Co., Ltd.                   | Taiwan                 | Medical, R&D, manufacturing   | 165,691                      | 165,691                  | 12,549,652                          | 23.15%    | 69,308     | ( 70,162)  | ( 19,498)  |      |
| Taiwan Mask Corporation        | Miracle Technology Co., LTD.                   | Taiwan                 | Electronics components manufacturing, electronics materials and precision equipment distribution and power component design | 252,651                      | 252,651                  | 22,955,033                          | 100%      | 384,228    | 68,596   | 68,596   |      |
| Taiwan Mask Corporation        | Weida Hi-Tech Company                          | Taiwan                 | Display panel control chip and other module's research, design, development, manufacturing and sales                        | 293,371                      | 293,371                  | 12,176,880                          | 36.70%    | 85,425     | ( 64,224)  | ( 35,045)  |      |
| Taiwan Mask Corporation        | Innova Vision INC.                             | Taiwan                 | Manufacturing, retail, wholesale and international trade of medical equipment   | 210,649                      | -                        | 2,599,457                           | 13.00%    | 520        | ( 269,521)   | -  |      |
| Youe Chung Capital Corporation | Advagene Biopharma Co., Ltd.                   | Taiwan                 | Medical, R&D, manufacturing   | 65,719                       | 65,719                   | 3,550,223                           | 6.55%     | 19,607     | ( 70,162)  | ( 5,516)   |      |
| Youe Chung Capital Corporation | Xsense Technology Corporation                  | British Virgin Islands | Precious metal coating  | 268,965                      | -                        | 81,818,181                          | 35.38%    | 186,822    | ( 171,692)   | ( 67,788)  |      |
| Youe Chung Capital Corporation | Aptos Technology INC.                          | Taiwan                 | Design, packaging and testing of NAND flash memory, solid state drives and the related products                             | 134,928                      | 134,928                  | 33,732,108                          | 38.16%    | ( 60,148)  | ( 252,273)   | ( 120,545)   |      |
| Youe Chung Capital Corporation | Innova Vision INC.                             | Taiwan                 | Manufacturing, retail, wholesale and international trade of medical equipment   | 149,774                      | -                        | 641,281                             | 3.21%     | 128        | ( 269,521)   | -  |      |
| Aptos Technology INC.          | Adl Engineering INC.                           | Taiwan                 | Electronics components  | 375,809                      | 375,809                  | 6,255,069                           | 52.19%    | 37,619     | ( 4,737)   | ( 2,472)   |      |
| Aptos Technology INC.          | New Sunrise Limited                            | Samoa                  | Re-investment   | -                            | -                        | -                                   | 100%      | -          | -  | -  | Note |
| Adl Engineering INC.           | Aptos Global Holding Corp.                     | Seychelles             | Re-investment   | 29,795                       | 29,795                   | 10,000,000                          | 100%      | -          | -  | -  |      |
| Apotos Global Holding Corp.    | Aptos Technology Co., Limited                  | Hong Kong              | Re-investment   | 29,648                       | 29,648                   | 78,000,000                          | 100%      | -          | -  | -  |      |
| Miracle Technology Co., LTD.   | Jingjing Investment Co., Ltd.                  | Taiwan                 | Re-investment   | 10,012                       | 10,012                   | 14,316,212                          | 100%      | 208,562    | 31,694   | 31,694   |      |
| Miracle Technology Co., LTD.   | Miracle (Samoa) Co., Ltd                       | Samoa                  | Re-investment   | 10,215                       | 10,215                   | -                                   | 100%      | 57,592     | 37,415   | 37,415   |      |
| Miracle (Samoa) Co., Ltd       | Misun Technology Co., Ltd                      | Mauritius              | Re-investment   | 10,215                       | 10,215                   | -                                   | 100%      | 57,592     | 37,415   | 37,415   |      |
| Jingjing Investment Co., Ltd.  | Miko Technology Co., Ltd                       | Hong Kong              | Electronics components manufacturing, electronics materials and precision equipment distribution and power component design | 37                           | 37                       | 10,000                              | 100%      | 37,589     | ( 23,761)  | ( 23,761)  |      |
| Innova Vision INC.             | Innova Technology                              | Taiwan                 | Sales of contact lens   | 35,000                       | -                        | 3,500,000                           | 100%      | ( 32,907)  | ( 19,538)  | -  |      |
| Innova Vision INC.             | Innova Vision (B.V.I) Inc.                     | British Virgin Islands | Re-investment   | 60,157                       | -                        | 1,000,000                           | 100%      | ( 55,696)  | ( 4,415)   | -  |      |
| Innova Vision INC.             | Calaview International Holding Company Limited | Seychelles             | Re-investment   | -                            | -                        | 1,000,000                           | 100%      | 161        | 460  | -  |      |
| Innova Vision INC.             | Innova Vision Kabushiki Kaisha                 | Japan                  | Sales of contact lens   | 8,349                        | -                        | 600                                 | 9.23%     | ( 5,680)   | ( 4,865)   | -  |      |
| Innova Vision (B. V. I) Inc.   | Innova Vision Kabushiki Kaisha                 | Japan                  | Sales of contact lens   | 56,420                       | -                        | 5,900                               | 90.77%    | ( 55,854)  | ( 4,865)   | -  |      |
| Weida Hi-Tech Company          | Smart Touch Co., Ltd                           | British Virgin Islands | Re-investment   | 14,602                       | 14,602                   | 9,145                               | 100%      | -          | -  | -  |      |
| Weida Hi-Tech Company          | Central Star Ltd                               | Seychelles             | Re-investment   | 4,076                        | 4,076                    | 129,200                             | 22.30%    | -          | -  | -  |      |
| Smart Touch Co., Ltd           | Central Star Ltd                               | British Virgin Islands | Re-investment   | 13,714                       | 13,714                   | 450,000                             | 77.70%    | -          | -  | -  |      |

Note: As of December 31, 2020, the funds for shares have not been remitted.

Taiwan Mask Corporation and Subsidiaries  
Information on investments in China, January 1 to December 31, 2020

Table VIII

Unit: NT\$ Thousand  
(Unless otherwise specified)

| Investee in China                                     | Main business activities  | Paid-up capital | Investment method (Note 1) | Accumulated amount of remittance from Taiwan to China | Amount remitted from Taiwan to China/Amount remitted back to Taiwan for the period |               | Accumulated amount of remittance from Taiwan to China | Net profit (loss) of the investee for the current period | Ownership held by the Company (direct or indirect) | Investment income (loss) recognized by the Company for the current period (Note 2) | Carrying amount as of the end of the period | Accumulated amount of investment income remitted back to Taiwan | Note         |
|---|---|-----------------|----------------------------|---|--|---------------|---|--|--|--|---|---|--------------|
|   |   |                 |                            |   | Remitted to  | Remitted back |   |  |  |  |   |   |              |
| Miko-China Enterprise (Shanghai) Co., Ltd.            | Electronics components manufacturing, electronics materials and precision equipment distribution and power component design | \$ 3,283        | 1                          | \$ 3,283  | \$   | \$            | \$ 3,283  | \$ 68,748  | 100%   | \$ 68,748  | \$ 213,548                                  | \$  | Note 2 (2) B |
| Miracle International Enterprise (Shanghai) Co., Ltd. | Electronics components manufacturing, electronics materials and precision equipment distribution and power component design | 10,215          | 2                          | 10,215  |  |               | 10,215  | 38,176   | 100%   | 38,176   | 50,705                                      |   | Note 2 (2) B |
| Sichuan Miracle Power Technology Co., Ltd.            | IC product design, production and sales   | 32,529          | 2                          | -   | -  | -             | -   | 4,607  | 100%   | 4,607  | 26,811                                      | -   | Note 2 (2) B |
| Touch Hi-Tech Co., Ltd.                               | Touch panel system hardware design and software development   | 25,684          | 1                          | 25,684  | -  | -             | 25,684  | ( 2,475)   | 36.70%   | ( 2,475)   | 20  | -   | Note 2 (2) C |

| Name of Company                                       | Accumulated amount of remittance from Taiwan to China as of the end of the period | Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) | Ceiling on investments in China imposed by the Investment Commission of MOEA |
|---|---|--|--|
|   |   |  |  |
| Miracle International Enterprise (Shanghai) Co., Ltd. | 10,215  | 10,215   | 208,871  |
| Sichuan Miracle Power Technology Co., Ltd.            | -   | -  | 208,871  |
| Touch Hi-Tech Co., Ltd.                               | 25,684  | 25,684   | 51,255   |

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

- (1). Directly invest in a company in China.
- (2). Through investing in an existing company in the third area (please specify the company), which then invested in China.
- (3). Others

Note 2: Net profit (loss) of the investee for the year:

- (1) If it is still under preparation with no actual gain or loss, it shall be indicated in the box.
- (2) The basis for recognition of the investment gains or losses is divided into the following three.
  - A. Financial statements audited and validated by an international accounting firm that has a collaborative relationship with CPA firms in Taiwan.
  - B. Financial statements audited and validated by a certified accountant or accounting firm who work with the parent company in Taiwan.
  - C. Unaudited financial reports.

Note 3: The relevant figures in this table should be presented in New Taiwan Dollars.

Taiwan Mask Corporation and Subsidiaries  
Information on Major Shareholders  
December 31, 2020

Table IX

| Name of Main Shareholders      | Shares             |           |
|--------------------------------|--------------------|-----------|
|                                | No. of shares held | Ownership |
| Youe Chung Capital Corporation | 37,801,440         | 14.67%    |