



東台精機股份有限公司

Tongtai Machine &amp; Tool Co., Ltd.

Stock Code: 4526

# Tongtai Machine & Tool Co., Ltd.

## 2020 Annual Report (Translation)

### Notice to readers

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

**Date: April 30, 2021**

This annual report can be found on the following websites:

1. Taiwan Stock Exchange Market Observation Post System: <http://mops.twse.com.tw>
2. Company Website: <https://www.tongtai.com.tw/tw>



東台精機股份有限公司

總公司:

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1. **Name, Title and Contact Details of Company's Spokesperson and Deputy Spokesperson:**

<b>Spokesperson</b>	<b>Deputy Spokesperson</b>
Name: Lu Yen	Name: : Tzu-Yun Ho
Title: Director	Title: Manager
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<b>Address</b>	<b>Telephone Number</b>
Headquarter: No.3, Luke 3rd RD., Luzhu Dist., Kaohsiung City, Taiwan	07-9761588
Branch: No. 946, sec. 1, Zhongshan Rd., Hunei Dist., Kaohsiung City, Taiwan	07-6993721
Taoyuan Office: No.100, Jilin 2nd Rd., Zhongli Dist., Taoyuan City, Taiwan	T03-4551399
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3. **Name, Address, Website and Telephone Number of the Share Registrar:**

Name: Taishin International Bank Stock Affairs Agency Department  
Address: B1 No.96, Sec. 1, Jianguo N. Rd., Zhongshan Dist., Taipei City, Taiwan  
Website: <http://www.taishinbank.com.tw>  
Telephone Number: (02)2504-8125

4. **Names, Accounting Firm, Address, Website and Telephone Number of Independent Auditors in the Most Recent Year:**

Name: Yu-Shiang Liu and Jui-Hsuan Hsu  
CPA Firm: Deloitte & Touche  
Address: 3F., No. 88, Chenggong 2nd Rd., Qianzhen Dist., Kaohsiung City, Taiwan  
Website: <http://www.deloitte.com.tw>  
Telephone Number: (07)530-1888

5. **Overseas Securities Exchange:** None

6. **Corporate Website:** <http://www.tongtai.com.tw>

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## I. Letter to Shareholders

Dear Shareholders,

2020 was a tough year for Tongtai to fight against the trade war and the COVID-19 pandemic. The pandemic has not yet eased and the policy uncertainties have caused economic risks. Therefore, many industries' capital investment have been suspended, and Tongtai has also been forced to face adversity in business. As a solution provider for metal cutting and PCB processing, Tongtai Group has maintained relatively stable orders from the automotive, motorcycle, aerospace, and electronics industry, and has also achieved success in risk diversification in customer areas. Although Tongtai's consolidated revenue in 2020 decreased by about 30% compared to 2019, we continue to develop in Americas, Southeast Asia and emerging countries markets.

Looking ahead of 2021, the influence of pandemic will still exist. Machine tool market is expected to decline due to regional economies stagnation and global supply chain disruption. However, the shift of manufacturing bases and supply chain may also generate an unexpected demand for machine tool market. Under economic recession, Tongtai will rely on "intelligent manufacturing" as a foundation to launch digital transformation and talent cultivation. Product design modularization and intelligent technology application are key factors to suit in upcoming industries, such as 5G and new energy vehicles.

Last but not least, on behalf of Tongtai, I would like to express my deepest gratitude to all shareholders for supporting us in the past year. To face the challenge during COVID-19 pandemic, we are well prepared and continue to strengthen the business management and operation. In addition, we accelerate the development of technological differences and keep improving our quality and services. We believe we will turn the crisis into opportunity.

## 1. 2020 Operating Result

### (I) Achievements of business plan

With the outbreak of the US-China Trade and the COVID-19, the revenue of 2020 was significantly decreased than that of the previous year, resulting in losses, plus the New Taiwan dollar's appreciation against the US dollar and Chinese Renminbi (CNY). The basic loss per share for 2020 was -NT\$1.36.

#### (1) Revenue :

Net revenue for parent company only for 2020 was NT\$3,470,253 thousand, representing a 36% decrease year over year. Net consolidated revenue for 2020 was NT\$7,778,541 thousand, representing a 29% decrease year over year.

#### (2) Income (loss) :

Net loss attributable to shareholders of the parent for 2020 was NT\$346,776 thousand, with a decrease amounted of NT\$405,723 thousand compared to 2019.

#### ● Parent only (in Thousands of New Taiwan Dollars)

Item	2020	2019	YoY amount	YoY %
Net operating revenue	3,470,253	5,422,528	(1,952,275)	-36%
Realized gross profit	266,146	1,013,849	(747,703)	-74%
Operating expenses	655,491	932,534	(277,043)	-30%
Profit (loss) from operations	(389,345)	81,315	(470,660)	-579%
Profit (loss) before income tax	(465,243)	54,913	(520,156)	-947%
Net profit (loss) for the year	(346,776)	58,947	(405,723)	-688%

#### ● Consolidated (in Thousands of New Taiwan Dollars)

Item	2020	2019	YoY amount	YoY %
Net operating revenue	7,778,541	11,000,093	(3,221,552)	-29%
Gross profit	1,107,877	2,475,978	(1,368,101)	-55%
Operating expenses	1,778,005	2,205,337	(427,332)	-19%
Profit (loss) from operations	(670,128)	270,641	(940,769)	-348%
Profit (loss) before income tax	(513,190)	132,912	(646,102)	-486%
Net profit (loss) for the year	(396,709)	89,620	(486,329)	-543%
Net profit (loss) attributable to shareholders of the parent	(346,776)	58,947	(405,723)	-688%

### (II) Budget implementation

We did not make any financial forecast for 2020.

### (III) Profitability analysis

Item		2020	2019
Financial Structure	Liabilities to assets ratio (%)	65.89	64.59
	Long-term capital to property, plant and equipment ratio (%)	226.68	245.62
Profitability	ROA (%)	-1.88	1.11
	ROE (%)	-6.93	1.48
	Profit before tax to capital stock (%)	-20.14	5.22
	Net profit rate (%)	-5.10	0.81
	EPS (NT\$)	-1.36	0.23

### (IV) Research and development (R&D) status

Despite the 2020 outbreak of COVID-19, the Company still focused on the applications for new industries and market development, smart manufacturing solutions and integrated resources solutions.

Concerning R&D direction, the machine tool division focused on providing intelligent manufacturing solutions, while the PCB division focused on 5G and AIoT industry.

R&D expense for 2020 (before deduction of government subsidy) was NT\$139,830 thousand, of which the machines successfully developed are as follows :

#### **(1) PCB ultra-large tabletop drilling machine – to meet the needs of 5G large-size communication board processing**

The new generation of TDL-620BX ultra-large table linear motor drilling machine adopts dual-table high-strength aluminum alloy structure and high-performance linear motor system, which effectively improves the speed, accuracy and stability of the drilling machine, and provides customers with processing large-size plates up to 630x1030mm.

#### **(2) High-precision jig drilling machine-to meet the high-precision processing needs of needle probe jigs**

In response to the application of 5G sheets with AIoT chips and graphics chips, the circuits are becoming more and more refined, and more and more electrical measuring fixtures are needed. The SDF-116 high-precision fixture drilling machine was specially developed to meet the needs of needle probes.

#### **(3) Vertical drilling and tapping machine-structural rigidity is strengthened, and production efficiency is further improved**

The new generation of VTX drilling and tapping machine improves rigidity through structural optimization. Then, through the acceleration of the moving axis, faster tool change speed and the introduction of high-efficiency spindle motors, the production efficiency of the equipment is effectively improved. This performance improvement is accomplished without increasing the cost of equipment manufacturing, and greatly enhances the competitiveness of the

equipment under the sales niche where the added value does not increase the price.

**(4) Super Multi-tasking turning and milling processing machine-to achieve the purpose of intensive engineering to complete all processes in one machine**

The next-generation SUPPTER TD series turning-milling compound processing machine has a low center of gravity structure and good overall rigidity. With orthogonal Y-axis design, it has excellent straightness and positioning accuracy. Equipped with a swing  $\pm 90^\circ$  B-axis mechanism, it is perfectly suitable for multi-angle tilt processing. The tool magazine function can be matched with a multi-axis manipulator to change tools fast and meet the needs of multi-tools processing. The super compound processing machine completes the processing of polyhedrons and complex curved surfaces in one clamping. It completes can complete all the processes in one machine, effectively improving the processing accuracy and achieving the purpose of intensive engineering.

## **2. 2021 Business plan overview**

**(I) Business objectives**

- (1) Increase profitability
- (2) Enhance product competitiveness
- (3) Establish sustainable management capabilities

**(II) Sales forecast and sales policy**

In 2020, the world was affected by the new corona virus epidemic. Together with the impact of the concurrent US-China trade war, the global economy shrank sharply, and corporate capital investment became conservative. However, starting in the third quarter of 2020, the global economic situation showed a rebound trend, and the demand for equipment has already slowly emerged. In addition, although the operation of the PCB division is also affected by the new corona virus, the demand for 5G and semiconductors is optimistic. Overall, the future operation outlook is positive. It is expected that the sales volume in 2021 will have a better growth than 2020.

**(III) Important production and marketing strategies for future development**

Integrate mechanical equipment and technical services as the best solution provider to assist customers in the field of smart manufacturing.

**(1) Production Strategy**

- (A) Improve production efficiency, reduce manufacturing costs, and implement quality assurance.
- (B) Establish a smart manufacturing information center to realize data management and on-site visualization.
- (C) Integrate existing key materials and modular designs to realize the materials-sharing for multiple models to optimize inventory.

**(2) Sales and Marketing Strategy**

- (A) Provide comprehensive solutions to customer needs and pain points.
- (B) Focus on the sales of main models and expand potential business



opportunities in new application industries.

- (C) Layout for new energy vehicles, semiconductors and 5G industries.
- (D) Respond to the needs of the Chinese/Taiwan market, increase the sales ratio of customized and smart element models.
- (E) According to the needs of the Asian market, optimize the price of the machine, maintain existing customers and expand and develop new customers.
- (F) Respond to the needs of the European and American markets, the main promotion of value-added composite machines.

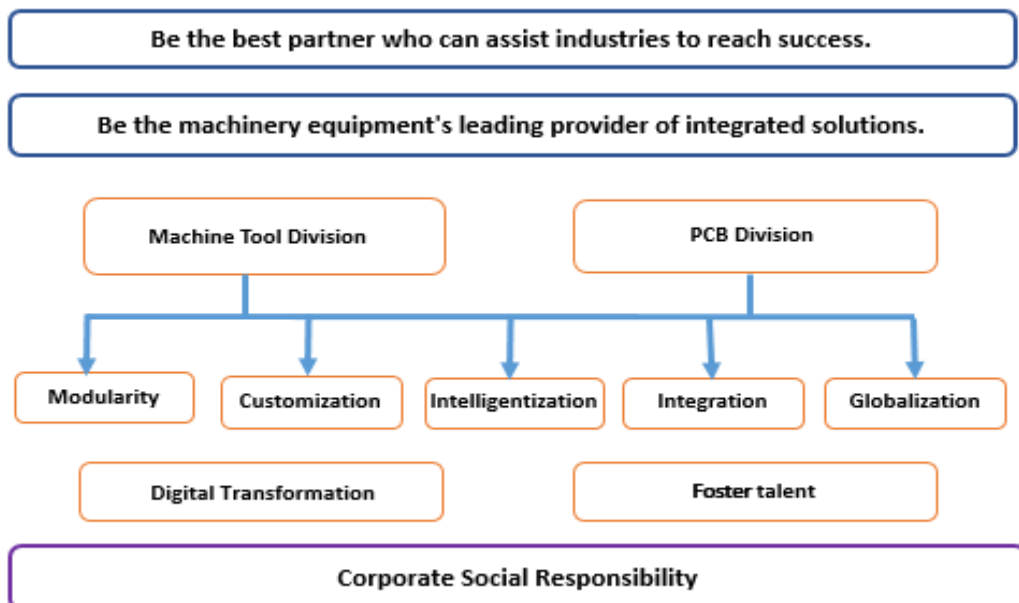
### (3) Product Strategy

- (A) Utilize various optional accessories and intelligent equipment, integrate marketing of all products, and provide differentiation and competitiveness.
- (B) Smart machinery (machine tool/3D printer + TMS smart element).
- (C) Smart production line (whole line/whole plant + TLM smart elements).
- (D) Smart service (CPS virtual and real integration/MOM manufacturing operation).

## 3. Strategies for Future Developments

Our vision is to be the best partner who can assist industries to reach success; our mission is to be the machinery equipment's leading provider of integrated solutions.

The company actively promotes digital transformation and the cultivation of key talents, promotes modular design and intelligent elements for the company's product development, and integrates the overall product lines. This strategy quickly provides for customized needs and differentiated functions in the hope that it can become a processing tool in the future. The provider of manufacturing solutions has become the best partner that customers can trust.



## **4. The Impact of the External Competitive Environment, Regulatory Environment, and Macroeconomic Conditions**

### **(I) International exchange rate fluctuations**

After the outbreak of the new corona virus (COVID-19) in early 2020, a series of negative events including lockdowns, control, disconnection, and lack of work instantly affected the momentum of the global economy instantly, bringing about a severe economic recession. Taiwan's success in fighting the epidemic, coupled with the return of Taiwanese business funds due to the US-China trade war, has led to the influx of hot money into Taiwan. The New Taiwan dollar has strengthened all the way, pushing the New Taiwan dollar to stand at 28, and the exchange rate once exceeded 27 in 2021. Factors for the companies that are export-oriented and possible exchange losses, are testing competitiveness.

### **(II) International economic situation**

The COVID-19 epidemic has been overshadowing throughout 2020. As the COVID-19 vaccines continue to come out, the impact of the epidemic is expected to gradually fade. Coupled with the obvious low base period factor in 2020, major international forecasting agencies believe that the global economic and trade growth in 2021 will be better than in 2020, but the overall performance is still difficult to return to the level before the outbreak. However, even if vaccines come out to support the recovery, whether the vaccines can effectively control the epidemic is still a highly uncertain factor in the overall economic impact.

Chairperson: Jui-Hsiung Yen

General Manager: Jui-Hsiung Yen

Accounting Manager: Tzu-Yun Ho

## II. Company Profile

### 2.1. Date of Incorporation

January 9, 1969

### 2.2. Company History

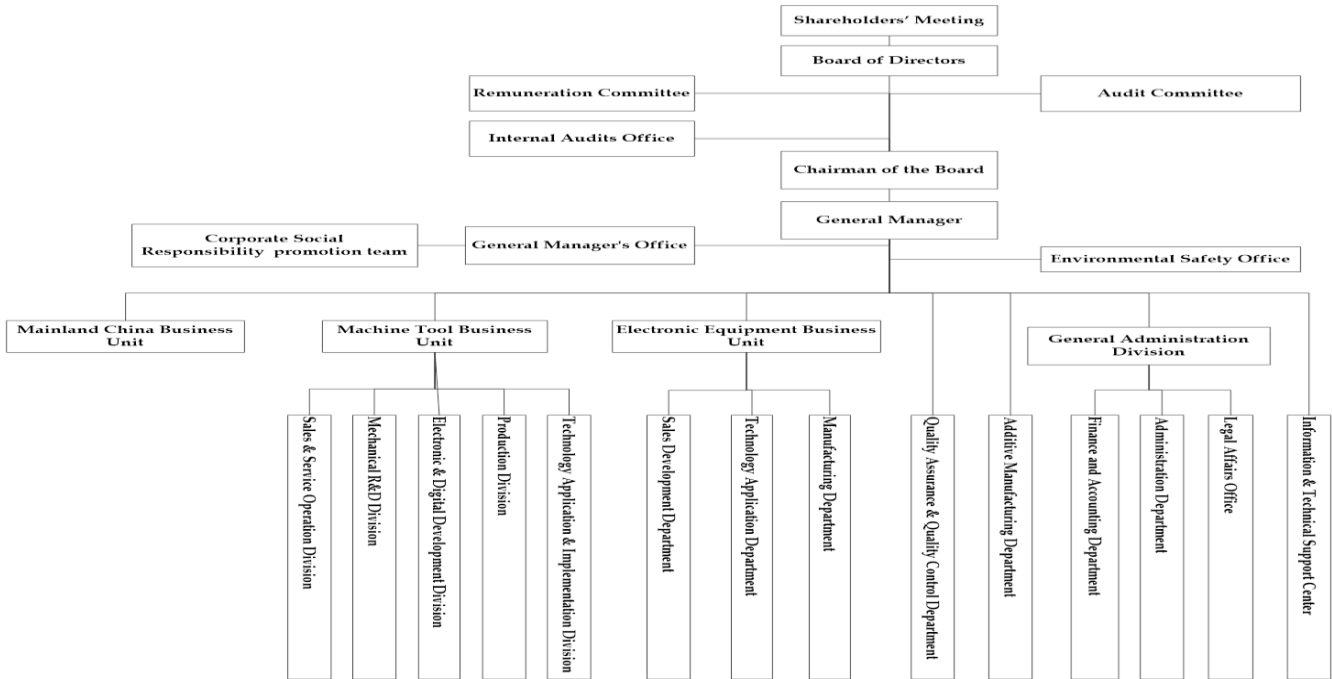
- 1969 ■ Company was founded on January 9 and registered with the capital assets of NTD\$1,150,000.
  - Main products included automatic turning machines, multi-spindle drilling and tapping machines, and special purpose machines.
- 1980 ■ Lathe, horizontal machining center, vertical machining centers and first automatic loading/unloading system.
  - In Cooperation with Chung Shan Institute of Science and Technology and developed automatic dual-cutting machine.
  - This contributed instrumentally for military equipment production.
  - Technical cooperation begun with Aisin Seiki Co., Ltd. and Hitachi Seiki Co., Ltd. of Japan.
- 1991 ■ First time attended EMO 1991 in order to enter the European market.
- 1993 ■ Tongtai's CNC lathes and vertical machining centers won "Taiwan Excellence Awards" by Ministry of Economic Affairs.
- 1994 ■ Received ISO 9002 certificate
- 1998 ■ In-house development of 6-axis super high speed PCB drilling machine.
  - Tongtai formed on Contrel Technology Co., Ltd in order to strengthen technology in laser industry.
- 1999 ■ Listed on OTC market
  - Received ISO-14001 Certificate
- 2002 ■ Received ISO-9001 Certificate
- 2003 ■ Listed on the Taiwan exchange market
- 2004 ■ Tongtai held 52% interest in alliance with Honor Seiki Co., Ltd. Product line expanded to medium and large size CNC vertical lathes.
  - Suzhou factory in China started official operations. This fulfilled our goal of dual manufacturing centers.
- 2005 ■ Tongtai held 52% interest in alliance with Asia Pacific Elite Corp. and integrated mold machining centers.
- 2006 ■ Tongtai headquarters started official operations in Southern Taiwan Science Park-Kaohsiung Science Park.
- 2010 ■ Tongtai held 52% interest in alliance with Quicktech Machinery Co., Ltd. Product line expanded to small high speed CNC lathe.
  - Received AEO certificate from Directorate General of Customs, Ministry of Finance. It's the first company to obtain this certificate in the machine tool industry.
- 2011 ■ TTG attended TIMTOS 2011 for the first time.
  - Tongtai was awarded as one of " Top 100 Taiwan Brands" by the Bureau of Foreign Trade, Ministry of Economic Affairs R.O.C.
- 2013 ■ Awarded " Industrial Sustainable Excellence Award" by Industrial

- Development Bureau, Ministry of Economic Affairs.
- Tongtai published first CSR report in 2013.
- Tongtai's ultrasonic assisted machining center won "Taiwan Excellence Awards" by Ministry of Economic Affairs.
- Awarded "Industrial Sustainable Excellence Award" by Industrial Development Bureau, Ministry of Economic Affairs
- 2014 ■ Cyber Laser Taiwan was founded in 2014.
- 2015 ■ Launched new product identity for machines.
- Tongtai has the new acquisition of member which is PCI-SCEMM in order to provide in the quality of products that meet or surpass international standards in both the aerospace and automotive industries.
- Tongtai has the new acquisition of member which is Anger Machining GmbH in order to provide in the quality of products that meet or surpass international standards in both the aerospace and automotive industries.
- Launched PBF Additive Manufacturing Equipment AM-250.
- 2016 ■ Tongtai Group is rewarded with 24th Taiwan Excellence Award! PBF Additive Manufacturing Equipment AM-250 has been nominated for the 24th Taiwan Excellence Gold and Silver Award.
- TONGTAI OPEN HOUSE is initiated in 2016
- AM 250 received The National Brand Yushan Award.
- HTH-800 and TD-2000 YBC wins the 25nd Taiwan Excellence Awards.
- 2017 ■ Tongtai signed the strategic cooperation memorandum with Aerospace Industrial Development Corporation (AIDC).
- Tongtai Group rebranded and attend EMO 2017 with the brand new image of "TTGroup" logo.
- Established TTGroup France and designated TTGroup France to take charge of sales in Europe.
- 2018 ■ Tongtai's second factory in Kaohsiung Science Park started official operations in 2018.
- TTGroup achieved the revenue of 3.87 billion USD in 2018.
- Initiated the project – building the flexible manufacturing system and production line for key parts of motorcycle with KYMCO, the top motorcycle manufacturer in Taiwan.
- Received ISO-50001 certificate.
- Established 22,148 solar panels on the roofs for solar power generation. It's going to generates over 9.59 million kWh per year and meanwhile reduce 4.99 million carbon emission.
- 2019 ■ Tongtai's 50th anniversary. Tongtai held Tongtai's 50th anniversary party and arranges annual celebration events.
- AMP-160, Metal Powder Bed Fusion Additive Manufacturing Equipment was awarded Taiwan Excellence gold award.
- TTGroup attend TIMTOS 2019 with the image of "TTGroup" logo.
- 2020 ■ Received ISO 45001:2018 Certificate.
- Joined the National Face Mask Team for face mask production lines building.
- Won the Excellent Award of Gender Equality in Employment.

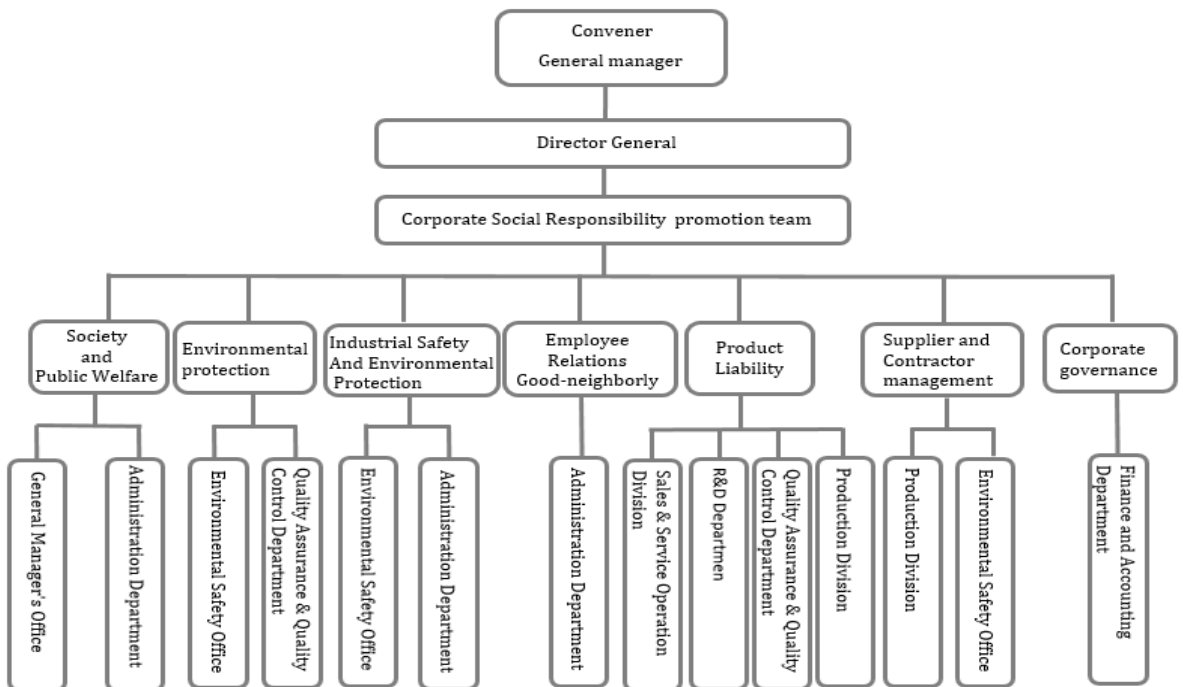
# III. Corporate Governance Report

## 3.1. Organization

### 3.1.1 Organizational Chart



### 3.1.2 CSR Organizational Chart



### 3.1.3 Major Corporate Functions

Departments	Functions
Internal Audit Office	<ol style="list-style-type: none"> <li>1. Set up an annual audit plan and implement it.</li> <li>2. Inspecting of the Company's important business, financial, production and computerized information system and other operating activities.</li> <li>3. Assist the board of directors and managers to check and review the deficiencies of the internal control system, measure the effectiveness and efficiency of operations, and provide suggestions for improvement in a timely manner.</li> <li>4. In addition to regularly reporting the audit results to the audit committee, the chief internal auditor also attends the board of directors to report the audit situation and results.</li> </ol>
General Manager Office	<ol style="list-style-type: none"> <li>1. Promotion and implementation of corporate social responsibility (CSR) projects and ethical management.</li> <li>2. The staff unit of the general manager, responsible for the projects assigned by the general manager.</li> <li>3. A strategic unit based on administration, technology, and knowledge to provide support services for the project process in specific areas and levels of the Company.</li> </ol>
Environmental Safety Office	Planning and supervising the occupational safety and health management business of various departments, and supervising related operations such as safety inspections, regular inspections, key inspections, and operating environment monitoring, as well as planning labor health inspections and implementing health management and health promotion.
Main China Business Division	Responsible for the product design, production quality inspection, parts purchase, and operation-related administrative affairs management of the manufacturing center, Suzhou Tongyu Machine Tool Co., Ltd., located in China.
Machine Tool Business Division	<p>Responsible for the sales, development, production, after-sales service and collection of receivables of the Company's machine tool products and coordinate the resource allocation of each departments.</p> <ul style="list-style-type: none"> <li>● <b>Sales and Service Operation Department:</b> Responsible for product marketing, sales, promotion, storage (foreign offices), new customer development, agent development, payment collection and quotation.</li> <li>● <b>Mechanical R&amp;D Department:</b> <ol style="list-style-type: none"> <li>1. Special project correspondence/development</li> <li>2. Finite element analysis &amp; establishment of diagnosis proposal</li> <li>3. Realization of intelligent products</li> <li>4. Correspondence to academic subjects</li> <li>5. Key unit development and refined process technology.</li> </ol> </li> <li>● <b>Electronic &amp; Digital Development Department:</b> Matters related to machine electrical design, application of software, toughness and hardware, and smart technology development, etc.</li> <li>● <b>Production Department:</b> Production planning, manufacturing processing, maintenance, purchase and assembly, etc.</li> <li>● <b>Technology Application and Implementation Department:</b> <ol style="list-style-type: none"> <li>1. Evaluation, planning, integration, and execution of application-related tasks before, during and after sales.</li> <li>2. Application technology integration information platform establishment and management.</li> </ol> </li> </ul>

Departments	Functions
PCB Business Division	<p>Development, manufacturing, sales and service of electronic equipment, and comply with environmental protection laws and regulations °</p> <ul style="list-style-type: none"> <li>● <b>Sales Development Department:</b> Sales, promotion, quotation, product marketing planning and industrial exhibitions, agent development, technical support, distribution work, customer meeting participation, payment collection, etc.</li> <li>● <b>Technology Application and Implementation Department :</b> Matters related to machine design and development, machine after-sales service, electronic control system design, software design and development, optical system design, and machine performance improvement related to electronic equipment and machinery.</li> <li>● <b>Manufacturing Department:</b> Matters related to material management of electronic equipment and machinery, material catering, machine assembly production, finished product inspection, and delivery.</li> </ul>
Group Administration Office	<p>Responsible for the general administrative management of finance, accounting, human resources, general affairs, customs, and legal affairs, as well as the related operation management and coordination of the group's investees.</p> <ul style="list-style-type: none"> <li>● <b>Finance and accounting Department:</b> <ol style="list-style-type: none"> <li>1. Finance, accounting, cost, taxation, budgeting, business statistics analysis and other related affairs.</li> <li>2. Related affairs such as shareholder meetings, board meetings, and audit committees.</li> <li>3. Press release affairs and investor relations maintenance.</li> <li>4. Supervision of investees.</li> </ol> </li> <li>● <b>Administrative Department:</b> Customs, human resources and general administrative affairs and other logistics administration matters.</li> <li>● <b>Legal Affairs Office :</b> <ol style="list-style-type: none"> <li>1. Drafting and reviewing Chinese and English contracts and legal documents.</li> <li>2. The handling of litigation cases and legal disputes.</li> <li>3. Management of trademarks, patents and other intellectual property rights.</li> <li>4. Modification of the internal control system process.</li> </ol> </li> </ul>
Additive Manufacturing Department	<p>Regarding the integration of process, application technology and equipment in the field of metal laminate manufacturing technology, it is mainly used for technology research and development and equipment development and customer foundry services for metal and sand mold printing laminate process equipment and composite equipment.</p>
Information & Technical Support Center	<p>Integrate the company's information management system, improve the establishment of computer operating procedures, and study the planning, design and maintenance of computer operations related to subsidiaries and each departments.</p>
Quality Assurance and Quality Control Department	<ol style="list-style-type: none"> <li>1. Ensure the product quality to meet customer's requirements.</li> <li>2. Internal management system audit planning, execution, tracking and improvement.</li> </ol>

## 3.2. Information of Directors, Supervisors, General Manager, Vice Presidents, Assistant Vice Presidents, Officers of Departments and Branches

### 3.2.1 Information Regarding Directors

2021.04.12

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shareholding when Elected		Current Shareholding		Current Shareholding of Spouse & Minor Children		Shareholding in the Name of Others		Experience and Education	Current positions at Tongtai or other companies	Other Officers, Directors or Supervisors who are the Spouse or a Relative Within Two Degrees of Kinship			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
							Chairman	R.O.C.	Jui-Hsiung Yen	M	2020.06.09	3	1990.04.25	5,480,200			2.15	5,480,200	2.15	
Director	R.O.C.	San Shin Co., Ltd.	-	2020.06.09	3	2005.06.14	7,987,080	3.13	7,987,080	3.13	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
	R.O.C.	Representative : Hwa-Chou Yen	M	2020.06.09	3	2008.06.13	0	0	918,030	0.36	103,775	0.04	0	0	B.S. in Clivi Engineering, Chung Yuan Christian University General Manager, San Shin Co., Ltd.	Note 2	Chairman Director Representative Director Representative Director	Jui-Hsiung Yen Hui-Jen Yen Cheng Yen Lu Yen	Brother Sister Father Father	
	R.O.C.	Representative : Cheng Yen	M	2020.06.09	3	2017.06.20	0	0	100,640	0.04	0	0	0	0	M.S. in Industrial Engineering , Columbia University	Note 2	Representative Director Representative Director	Hwa-Chou Yen Lu Yen	Father Sister	
Director	R.O.C.	Jui Hsiu Investment Co., Ltd.	-	2020.06.09	3	2014.06.18	8,918,693	3.50	8,918,693	3.50	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
	R.O.C.	Representative : Tsan-Jen Chen	M	2020.06.09	3	2020.06.09	0	0	0	0	0	0	0	0	M.S. in Mechanical Engineering, National Taiwan University of Science and Technology Factory Manager, Innolux Corporation.	Note 2	N/A	N/A	N/A	
Director	R.O.C.	Dong Ying Investment Co., Ltd.	-	2020.06.09	3	2008.06.13	3,534,259	1.39	3,534,259	1.39	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
	R.O.C.	Representative : Feng-Hui Chiou	M	2020.06.09	3	2017.01.05	0	0	234,894	0.09	74,532	0.02	0	0	Department of Mechanical Engineering, Nanya Institute of Technology Senior Manager, Tongtai Machine & Tool Co., Ltd.	Note 2	N/A	N/A	N/A	
Director	R.O.C.	Tsan Ying Investment Co., Ltd.	-	2020.06.09	3	2020.06.09	5,389,530	2.11	5,389,530	2.11	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
	R.O.C.	Representative : Lu Yen	F	2020.06.09	3	2020.06.09	0	0	36,061	0.01	0	0.00	0	0.00	M.S. in Integrated Marketing, Northwestern University MA, Unilever	Note 2	Representative Director Representative Director	Hwa-Chou Yen Cheng Yen	Father Brother	



Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shareholding when Elected		Current Shareholding		Current Shareholding of Spouse & Minor Children		Shareholding in the Name of Others		Experience and Education	Current positions at Tongtai or other companies	Other Officers, Directors or Supervisors who are the Spouse or a Relative Within Two Degrees of Kinship			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	R.O.C.	Yang-Kuang Tung	M	2020.06.09	3	2017.06.20	2,209,526	0.87	2,209,526	0.87	303,359	0.12	0	0.00	Department of Veterinary Medicine, National Pingtung University of Science and Technology Supervisor, Tongtai Machine & Tool Co., Ltd.	N/A	N/A	N/A	N/A	
Director	R.O.C.	Hui-Jen Yen	F	2020.06.09	3	2017.06.20	1,420,047	0.56	1,420,047	0.56	0	0.00	0	0.00	B.S. in Accounting, National Chengchi University Supervisor, Tongtai Machine & Tool Co., Ltd. Chief Accountant of San Shin Co., Ltd.	N/A	Chairman Representative Director	Jui-Hsiung Yen Hwa-Chou Yen	Brother Brother	
Director	R.O.C.	Hong Mai Co., Ltd.	-	2020.06.09	3	2020.06.09	4,248,622	1.67	4,308,622	1.69	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
	R.O.C.	Jun-Liang Kuo	M	2020.06.09	3	2020.06.09	0	0	2,312,426	0.91	0	0.00	0	0.00	M.S. in Executive Master of Business Administration Global Entrepreneur, National Chengchi University	Note 2	N/A	N/A	N/A	
Director	R.O.C.	U-yuan Investment Ltd.	-	2020.06.09	3	2020.06.09	1,233,120	0.48	1,233,120	0.48	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
	U.S.A.	Eugene Chuang	M	2020.06.09	3	2020.06.09	0	0	0	0.00	0	0.00	0	0.00	M.S. in Financial Analysis from MIT Sloan School of Management	Note 2	N/A	N/A	N/A	
Independent Director	R.O.C.	Po-Han Wang	M	2020.06.09	3	2017.06.20	0	0.00	0	0.00	0	0.00	0	0.00	M.S. in business management from National Sun Yat-sen University Chairman, Shineway Limited Partnership Accounting Firm	Note 2	N/A	N/A	N/A	
Independent Director	R.O.C.	Shin Fann	M	2020.06.09	3	2020.06.09	0	0.00	0	0.00	0	0.00	0	0.00	PhD in Mechanical Engineering from University of Michigan President, Ford Lio Ho Motor Company	Note 2	N/A	N/A	N/A	
Independent Director	R.O.C.	Ming-To Yu	M	2020.06.09	3	2020.06.09	0	0.00	0	0.00	0	0.00	0	0.00	M.S. in Business Administration from Wharton School of the University of Pennsylvania Chief Financial Officer and Spokesperson, MediaTek Inc.	Note 2	N/A	N/A	N/A	

Note 1 : Jui-Hsiung Yen is the Chairman and General Manager because the Company's business is currently highly complex, and successors who combine practice and technology are still being actively cultivated. Therefore, it is reasonable and necessary for him to serve as the General Manager. The Company's response measures are that of the board of directors, more than half of the directors do not concurrently serve as employees or managers of the company.

Note 2 : Current positions of the directors at the Company or other companies:

Name	Current positions at the Company or other companies			
Jui-Hsiung Yen	Chairman      Director/ Executive Director   Supervisor General Manager  Others	: Contrel Technology Co., Ltd. TONGFONG AUTO TECH CO., LTD. Suzhou Tongyu Machine Tool Co., Ltd (Suzhou) PCI-SCEMM TongTai Seiki Vietnam Co., Ltd : BizLink Holding Inc. (Representative) Tong-Tai-Shin Trading Co., Ltd (Shanghai) (Executive Director) Tongtai Europe B.V. Tongtai Machine Tool(MFG) Sdn Bhd : San Shin Co., Ltd (Representative) : Tongtai Machine & Tool Co., Ltd. TONGFONG AUTO TECH CO., LTD. : Taiwan Machine Tool & Accessory Builders' Association Honorary Chairman	、 Asia Pacific Elite Corp. 、 F.S.E CORPORATION 、 Tong-Yu Machine Tool Co., Ltd (Shanghai) 、 Tongtai Machine &Tool Japan Co, Ltd. 、 Tong-Tai Seiki USA, INC. 、 YEOU SHENG MACHINE CO.,LTD. 、 Cyber laser Taiwan Co., Ltd. (Representative) 、 TongTai Machinery Co., Ltd 、 Union Top Industrial (SAMOA) Limited 、 San Shin Investment Co., Ltd (Representative) 、 Asia Pacific Elite Corp. 、 Taiwan Aerospace Industry Association Director	、 Quick-Tech Machinery Co., Ltd. 、 EVER LUMIN INCORPORATION 、 Great Pursuit Limited 、 Jui Hsiu Investment Co., Ltd. 、 Hao-Tern-Shin Electronic Co., Ltd (Shenzhen) (Executive Director) 、 Tongtai Machine Tool(SEA) Sdn Bhd Hao-Tern-Shin Electronic Co., Ltd (Shenzhen) 、 SINOCON Industrial Standards Foundation Director
Hwa-Chou Yen	Chairman Director Supervisor	: SYSCO Machinery Corporation : Contrel Technology Co., Ltd. (Representative ) : YEOU SHENG MACHINE CO.,LTD. (Representative)	、 San Shin Co., Ltd. 、 Sheng Li Machine Industry Co., Ltd. 、 LONG POWER MACHINERY CORPORATION (Representative)	、 San Shin Investment Co., Ltd.
Cheng Yen	Chairman Director  Supervisor	: Tsan Ying Investment Co., Ltd. : Contrel Technology Co., Ltd. (Representative) San Shin Co., Ltd. (Representative) : Quick-Tech Machinery Co., Ltd. SYSCO Machinery Corporation (Representative)	、 LONG POWER MACHINERY CORPORATION (Representative) 、 San Shin Investment Co., Ltd. (Representative) 、 Printin3d DigiTech Co., Ltd. 、 IAMECH TECHNOLOGY INC. (Representative)	、 YUKEN HYDRAULICS(T.W.) CO. LTD. (Representative)
Tsan-Jen Chen	Chairman Director	: IAMECH TECHNOLOGY INC. : Contrel Technology Co., Ltd. Favite, Inc. (Representative) Ningbo Qijie Trading Co., Ltd. (Representative)	、 Bolite Co., Ltd 、 F.S.E CORPORATION (Representative) 、 Xianyang Caihong Intelligent Equipment Co., Ltd. 、 Contrel Holdings Limited	、 EVER LUMIN INCORPORATION (Representative) 、 Ningbo Contrel Technology Co., Ltd. (Representative) 、 Far Technology Co., Ltd.

Name	Current positions at the Company or other companies		
	General Manager	: Contrel Technology Co., Ltd.	
Feng-Hui Chiou	Director	: Suzhou Tongyu Machine Tool Co., Ltd (Suzhou)	、 Tong-Yu Machine Tool Co.,Ltd (Shanghai)
	General Manager	: Suzhou Tongyu Machine Tool Co., Ltd (Suzhou)	
	Vice President	: Tongtai Machine & Tool Co., Ltd. Greater China Business Department	
Lu Yen	Chairman	: TTGroup France	
	Director	: Tongtai Machine Tool(MFG) Sdn Bhd TONGAN GmbH Tongtai Europe B.V.	、 PCI-SCEMM 、 Mbi-group Beteiligung GmbH 、 Tong-Tai Seiki USA, INC.
	General Manager	: PCI-SCEMM	、 TONGTAI MEXICO, S.A. DE C.V. 、 Contrel Technology Co., Ltd. (Representative)
	Supervisor	: Suzhou Tongyu Machine Tool Co., Ltd (Suzhou)	、 EVER LUMIN INCORPORATION 、 Precision Machinery Research Development Center
Jun-Liang Kuo	Chairman	: Agein Media & Communications Ltd. Co.	、 Hong Mai Co. Ltd.
	Director	: Rehoboth Digital Marketing Co.	
Eugene Chuang	Director	: Logicom Inc.	、 U-min Investment Ltd. 、 U-yuan Investment Ltd.
Po-Han Wang	Chairman	: Rui Sheng Financial Advisory Services Co., Ltd.	
	Chairman	: Shineway Limited Partnership Accounting Firm	
	Independent Director	: China Ectotek Corporation	、 TBI MOTION TECHNOLOGY CO., LTD.
	Director	: Wan Chao Consulting Ltd.	
	Supervisor	: Chu Shen Energy Co., Ltd.	
	Compensation Committee Member	: Tongtai Machine & Tool Co., Ltd.	、 TBI MOTION TECHNOLOGY CO., LTD. 、 China Ectotek Corporation
	Audit Committee Member	: Tongtai Machine & Tool Co., Ltd.	、 TBI MOTION TECHNOLOGY CO., LTD. 、 China Ectotek Corporation
Shin Fann	Compensation Committee Member	: Tongtai Machine & Tool Co., Ltd.	
	Audit Committee Member	: Tongtai Machine & Tool Co., Ltd.	
Ming-To Yu	Director	: Egis Technology Inc.	
	Independent Director	: eMemory Technology Inc.	、 Acer Cyber Security Inc.
	Compensation Committee Member	: Tongtai Machine & Tool Co., Ltd.	
	Audit Committee Member	: Tongtai Machine & Tool Co., Ltd.	

**Table 1. 1. List of Main Shareholders of the Directors that are Institutional Shareholders**

**2021.04.12**

Name of Institutional Shareholders	Main Shareholders of Institutional Shareholders	
San Shin Co., Ltd.	Jui Hsiu Investment Co., Ltd. Se Cheng Lu Investment Ltd. Tsan Ying Investment Co., Ltd. Wen Lan Investment Ltd. Chuan Lin Investment Ltd. Chan Yao Investment Co., Ltd. Chien-Chuan Cheng Hsueh-Fen Lin Po-Wen Cheng Hui-Lan Su	14.54% 13.14% 11.59% 8.07% 5.78% 3.83% 4.00% 3.00% 2.78% 2.50%
Tsan Ying Investment Co., Ltd.	Jui Hsiu Investment Co., Ltd. Se Cheng Lu Investment Ltd. Wei Ling Investment Ltd. Min Yeh Investment Ltd Cheng Yen Hui-Jen Yen Hui-Min Yen Se Yen Lu Yen Chih-Hsiang Yang	29.75% 21.72% 8.82% 8.82% 10.06% 6.57% 2.73% 2.40% 2.40% 2.24%
Dong Ying Investment Co., Ltd.	Jui-Hsiung Yen Jen-Chun Peng Jung-Chin Cheng Feng-Hui Chiou Chih-Cheng Wang Chien-Hung Chen Yu-Pin Chen Chi-Tsang Lee Yung-Cheng Chen Shiou-Yue Cheng	15.94% 5.91% 5.91% 5.90% 5.45% 5.08% 5.02% 4.68% 3.99% 3.26%
Jui Hsiu Investment Co., Ltd.	Chan Fu Investment Co., Ltd. Jui Lin Investment Co., Ltd. Tien Wei Investment Co., Ltd. Lin Yen Wei Yen Hsiu-Hui Lin Fu Yen Jui-Hsiung Yen	19.40% 16.42% 16.42% 17.91% 17.91% 7.46% 2.39% 2.09%
Hong Mai Co., Ltd.	Jun-Liang Kuo Ling-Li Kuo	50% 50%
U-yuan Investment Co., Ltd.	Kuo-Chin Chuang Ulysses Chuang Eugene Chuang Jeanne Chuang Reynolds	70% 10% 10% 10%

Name of Institutional Shareholders	Main Shareholders of Institutional Shareholders	
Min Yeh Investment Ltd.	Chih-Hsiang Yang	36%
	Chi-Jui Yang	36%
	Fu-Tzu Yang	26.66%
	Yuan-Hsun Yang	0.67%
	Hui-Min Yen	0.67%

**Table 1.2. List of Main Shareholders of the Institutional Shareholders Whose Main Shareholders are Institutional Holders**

**2021.04.12**

Institutional Shareholder	Main Shareholder of Institutional Shareholder	
Se Cheng Lu Investment Ltd.	Se Yen	18.40%
	Cheng Yen	18.40%
	Lu Yen	18.40%
	Yen Se Investment Ltd.	9.20%
	Yen Cheng Investment Ltd.	9.20%
	Yen Lu Investment Ltd.	9.20%
	Hwa-Chou Yen	8.60%
	Li-Hui Cheng	8.60%
Tsan Ying Investment Co., Ltd.	Jui Hsiu Investment Co., Ltd.	29.75%
	Se Cheng Lu Investment Ltd.	21.72%
	Wei Ling Investment Ltd.	8.82%
	Min Yeh Investment Ltd	8.82%
	Cheng Yen	10.06%
	Hui-Jen Yen	6.57%
	Hui-Min Yen	2.73%
	Se Yen	2.40%
	Lu Yen	2.40%
Chih-Hsiang Yang	2.24%	
Wen Lan Investment Ltd.	Ya-Sui Cheng	31.67%
	Ya-Chih Cheng	31.67%
	Jen-Tzu Cheng	35.00%
	Hui-Lan Su	0.83%
	Po-Wen Cheng	0.83%
Chuan Lin Investment Ltd.	Hsueh-Fen Lin	27.18%
	Yu-Hsiao Cheng	66.30%
	Chien-Chuan Cheng	6.52%
Chan Yao Investment Co., Ltd.	Chung-Jung Yen	23.50%
	Chi-Lun Yen	23.50%
	Tsung-Ho Yen	23.50%
	Chao-Chun Yen	23.50%
	Pai Her Tseng	4.00%
	Chan Yao Yen	2.00%
Chan Fu Investment Co., Ltd.	Fu Yen	100%
Jui Lin Investment Co., Ltd.	Lin Yen	100%
Tien Wei Investment Co., Ltd.	Wei Yen	100%

Institutional Shareholder	Main Shareholder of Institutional Shareholder	
Wei Ling Investment Ltd.	Wei Ling Ooi	46.15%
	Weichung Ooi	23.08%
	Hsin-Yi Lee	23.08%
	Hui-Jen Yen	7.69%

**Table 1.3. Professional qualifications and independence analysis of directors**

**2021.04.12**

Name	Condition	Has at least 5 years of work experience and meet one of the following professional qualifications			Independence Criteria (Note)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director		
		An instructor or higher in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college, or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12			
Jui-Hsiung Yen			✓												✓		✓	✓	None
San Shin Co., Ltd. Representative: Hwa-Chou Yen			✓		✓										✓		✓	✓	None
San Shin Co., Ltd. Representative: Cheng Yen			✓		✓										✓		✓	✓	None
Jui Hsiu Investment Co., Ltd.: Tsan-Jen Chen			✓												✓		✓	✓	None
Dong Ying Investment Co., Ltd. Representative: Feng-Hui Chiou			✓												✓		✓	✓	None
Tsan Ying Investment Co., Ltd. Representative: Lu Yen			✓												✓		✓	✓	None
Yang-Kuang Tung			✓		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Hui-Jen Yen			✓		✓		✓		✓	✓	✓	✓	✓	✓	✓		✓	✓	None
Hong Mai Co., Ltd. Representative: Jun-Liang Kuo			✓		✓		✓		✓	✓	✓	✓	✓	✓	✓		✓	✓	None
U-yuan Investment Ltd. Eu-Genie Chuang			✓		✓		✓		✓		✓	✓	✓	✓	✓		✓	✓	None
Po-Han Wang		✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Shin Fann			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Ming-To Yu			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2

Note: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

1. Not an employee of the company or any of its affiliates.
2. Not a director or supervisor of the company or any of its affiliates. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.

3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
6. If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: not a director, supervisor, or employee of that other company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
7. If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: not a director (or governor), supervisor, or employee of that other company or institution. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
8. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent, if the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public company.
9. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
10. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
11. Not been a person of any conditions defined in Article 30 of the Company Law.
12. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

### 3.2.2 Information Regarding Management Team

2021.04.12

Title	Nationality	Name	Gender	On-board Date	Shareholding		Spouse & Minor		Shareholding by Nominee Arrangement		Education & Selected Past Positions	Current Positions at Other Companies	Officers who are the Spouse or a Relative Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
General Manager (Note 1)	R.O.C.	Jui-Hsiung Yen	M	2015.08.31	5,480,200	2.15	316,103	0.12	0	0	Refer to page 12	Refer to page 14	None		
Vice President	R.O.C.	Feng-Hui Chiou	M	2020.01.03	234,894	0.09	74,532	0.03	0	0	Refer to page 12	Refer to page 14	None		
Vice President	R.O.C.	Yu-Pin Chen	M	2020.01.03	16,348	0.01	120	0	0	0	PhD. In Mechatronic at National Changhua University of Education; Manager at Tongtai	Tong Ying Investment Co., Ltd Chairman	None		
Director	R.O.C.	Chin-Cheng Yang	M	2013.08.07	172,136	0.07	7,557	0	0	0	LuZhu Junior High School, Manager at Tongtai	Note 2	None		
Director	R.O.C.	Chien-Hung Chen	M	2020.01.03	122,070	0.05	412	0	0	0	Department of Mechanical Engineering, Taipei Institute of Technology, Manager at Tongtai	Board Director (Representative) at TONG-YEH PRECISION INDUSTRY CO., LTD.	None		
Director	R.O.C.	Yung-Cheng Chen	M	2020.01.03	106,506	0.04	0	0	0	0	Mechanical Design Engineering , United Institute of Technology, Manager at Tongtai; Manager at Tongtai	Note 3	None		
Director	R.O.C.	Lu Yen	F	2020.01.03	36,061	0.01	0	0	0	0	Refer to page 12	Refer to page 14	None		
Director	R.O.C.	Wen-Peng Tseng	M	2020.01.03	108,867	0.04	0	0	0	0	M.S. in Institute of Control Engineering, National Chiao Tung University; Director at Industrial Technology Research Institute	Board Director (Representative) at Printin3d DigiTech Co., Ltd.	None		
Finance and Accounting Manager	R.O.C.	Tzu-Yun Ho	F	2020.01.21	0	0	0	0	0	0	Senior Manager at Deloitte & Touche, M.S. in Accounting at National Chung Cheng University	Board Director (Representative) at Printin3d DigiTech Co., Ltd. and Supervisor Representative) at Asia Pacific Elite Corp.	None		

Note 1 : Please refer to page 13 for the explanation that Jui-Hsiung Yen serves as Chairman and General Manager.

Note 2 : General Manager at TONG-YEH PRECISION INDUSTRY CO., LTD., Board Director (Representative) at Honor Seiki Company Limited and TONGFONG AUTO TECH CO., LTD.

Note 3 : Board Director (Representative) at CHIN JIG TECHNOLOGY Co., Ltd. and Board Direct at Tongtai Machine Tool (MFG) Sdn. Bhd.



### 3.3. Remuneration of Directors, Supervisors, GENERAL MANAGER and Vice President

#### 3.3.1 Remuneration for Directors and Independent Director

2020Y; Units: NT\$ in thousands/%

Title	Name	Directors' remuneration								Total Remuneration (A+B+C+D) as a percentage of net income after tax (%)		Remuneration from concurrent position as employee								Total Compensation (A+B+C+D+E+F+G) as a percentage of net income after tax (%)		Remuneration Received from Invested Companies other than the Company's Subsidiary or from Parent Company
		Base Compensation (A)		Severance Pay and Pensions (B)		Compensation to Directors (C)		Allowances (D)				Base Compensation, Bonuses, and Allowances (E)		Severance Pay and Pensions (F)		Profit distribution for employee remuneration (G)						
		Tongtai	From All Consolidated Entities	Tongtai	From All Consolidated Entities	Tongtai	From All Consolidated Entities	Tongtai	From All Consolidated Entities	Tongtai	From All Consolidated Entities	Tongtai	From All Consolidated Entities	Tongtai	From All Consolidated Entities	Cash	Stock	Cash	Stock	Tongtai	From All Consolidated Entities	
Chairman	Jui-Hsiung Yen	0	0	0	0	0	0	30	30	-0.01%	-0.01%	1,845	1,845	0	0	0	0	0	0	-0.54%	-0.54%	0
Director	Tong Ying Investment Co., Ltd Representative: Feng-Hui Chiou	0	0	0	0	0	0	10	10	0.00%	0.00%	1,540	1,540	114	114	0	0	0	0	-0.48%	-0.48%	0
Director	San Shin Co., Ltd Representative: Hwa-Chou Yen	0	0	0	0	0	0	30	30	-0.01%	-0.01%	0	0	0	0	0	0	0	0	-0.01%	-0.01%	0
Director	San Shin Co., Ltd Representative: Cheng Yen	0	0	0	0	0	0	30	30	-0.01%	-0.01%	0	0	0	0	0	0	0	0	-0.01%	-0.01%	0
Director	Hong Mai Co., Ltd. Representative: Jun-Liang Kuo*	0	0	0	0	0	0	30	30	-0.01%	-0.01%	0	0	0	0	0	0	0	0	-0.01%	-0.01%	0
Director	U-Yuan Investment Ltd. Representative: Eugene Chuang*	0	0	0	0	0	0	30	30	-0.01%	-0.01%	0	0	0	0	0	0	0	0	-0.01%	-0.01%	0
Director	Jui Hsiu Investment Co., Ltd Representative: Tsan-Jen Chen*	0	0	0	0	0	0	15	15	0.00%	0.00%	0	0	0	0	0	0	0	0	0.00%	0.00%	0
Director	Tsan Ying Investment Co., Ltd Representative: Lu Yen*	0	0	0	0	0	0	15	15	0.00%	0.00%	1,081	1,081	62	62	0	0	0	0	-0.33%	-0.33%	0
Director	Yang-Kuang Tung	0	0	0	0	0	0	30	30	-0.01%	-0.01%	0	0	0	0	0	0	0	0	-0.01%	-0.01%	0
Director	Hui-Jen Yen	0	0	0	0	0	0	30	30	-0.01%	-0.01%	0	0	0	0	0	0	0	0	-0.01%	-0.01%	0
Independent Director	Po-Han Wang	420	420	0	0	0	0	30	30	-0.13%	-0.13%	0	0	0	0	0	0	0	0	-0.13%	-0.13%	0
Independent Director	Shin Fann*	245	245	0	0	0	0	30	30	-0.08%	-0.08%	0	0	0	0	0	0	0	0	-0.08%	-0.08%	0
Independent Director	Ming-To Yu*	245	245	0	0	0	0	30	30	-0.08%	-0.08%	0	0	0	0	0	0	0	0	-0.08%	-0.08%	0
Director	Kuo-Chin Chuang **	0	0	0	0	0	0	25	25	-0.01%	-0.01%	0	0	0	0	0	0	0	0	-0.01%	-0.01%	0
Director	Huo-Cheng Kuo **	0	0	0	0	0	0	15	15	0.00%	0.00%	0	0	0	0	0	0	0	0	0.00%	0.00%	0
Director	Jui Hsiu Investment Co., Ltd Representative: Hsuan-Jen Kung**	0	0	0	0	0	0	20	20	-0.01%	-0.01%	0	0	0	0	0	0	0	0	-0.01%	-0.01%	0
Independent Director	Huei-Shiung Chen**	175	175	0	0	0	0	20	20	-0.06%	-0.06%	0	0	0	0	0	0	0	0	-0.06%	-0.06%	0
Independent Director	Ting-Lang Shiau**	175	175	0	0	0	0	20	20	-0.06%	-0.06%	0	0	0	0	0	0	0	0	-0.06%	-0.06%	0

\* New appointment at 2020.06.09.

\*\* Term expired at 2020.06.09.

- Please state the policy, system, standard and structure of remuneration paid to Independent Directors and the correlation between factors such as responsibilities and risks assumed as well as time contributed and the amount of payment: Remuneration is determined based on the Articles of Incorporation. The Compensation Committee would evaluate the involvement of Directors in the business operation of the Company and their contributions to the Company with reference to the remuneration standard of the industry. Due to the operating loss in 2020, the remuneration was lower than that of 2019.
- Except for information disclosed above, remuneration paid for services rendered by Directors of the Company to all consolidated entities (e.g., being a nonemployee consultant) in the most recent year: None.

### 3.3.2 Remuneration for General Manager and Vice Presidents

2020Y; Units: NT\$ in thousands/%

Title	Name	Salary (A)		Severance Pay and Pensions (B)		Bonuses and Allowances (C)		Employee remuneration from profit distribution (D)				Total Compensation (A+B+ C+D) as a percentage of net income after tax (%)		Remuneration Received from Invested Companies other than the Company's Subsidiary or from Parent Companies
		Tongtai	From All Consolidated Entities	Tongtai	From All Consolidated Entities	Tongtai	From All Consolidated Entities	Tongtai		From All Consolidated Entities		Tongtai	From All Consolidated Entities	
								Cash	Stock	Cash	Stock			
General Manager	Jui-Hsiung Yen	1,702	1,702	0	0	143	143	0	0	0	0	-0.53%	-0.53%	0
Vice President	Ying-Chun Huang*	639	639	51	51	0	0	0	0	0	0	-0.20%	-0.20%	0
Vice President	Feng-Hui Chiou	1,427	1,427	114	114	113	113	0	0	0	0	-0.48%	-0.48%	0
Vice President	Yu-Pin Chen	1,115	1,115	74	74	105	105	0	0	0	0	-0.37%	-0.37%	0

\*Retired at 2020.06.30.

### 3.3.3 Remuneration for top five management personnel

2020Y; Units: NT\$ in thousands/%

Title	Name	Salary (A)		Severance Pay and Pensions (B)		Bonuses and Allowances (C)		Employee remuneration from profit distribution (D)				Total Compensation (A+B+ C+D) as a percentage of net income after tax (%)		Remuneration Received from Invested Companies other than the Company's Subsidiary or from Parent Companies
		Tongtai	From All Consolidated Entities	Tongtai	From All Consolidated Entities	Tongtai	From All Consolidated Entities	Tongtai		From All Consolidated Entities		Tongtai	From All Consolidated Entities	
								Cash	Stock	Cash	Stock			
General Manager	Jui-Hsiung Yen	1,702	1,702	0	0	143	143	0	0	0	0	-0.53%	-0.53%	0
Vice President	Feng-Hui Chiou	1,427	1,427	114	114	113	113	0	0	0	0	-0.48%	-0.48%	0
Director	Jin-Cheng Yang	1,344	1,344	116	116	125	125	0	0	0	0	-0.46%	-0.46%	0
Director	Jian-Hung Chen	1,219	1,219	97	97	116	116	0	0	0	0	-0.41%	-0.41%	0
Director	Yung-Cheng Chen	1,169	1,169	94	94	109	109	0	0	0	0	-0.40%	-0.40%	0

### 3.3.4 Employees' Remuneration Paid to Management

Due to the operating loss in 2020, there was no employee accrued.

### 3.3.5 Comparison of Remuneration for Directors, Supervisors, President and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, President and Vice Presidents

- 1. Analysis of remuneration and compensation paid to Directors, Supervisors, President and Vice Presidents by the Company and all consolidated entities in 2020 and 2019 as a percentage of net income in the parent company only or individual financial statements:**

Year Percentage of Net Income After Tax	2020		2019	
	Tongtai	From All Consolidated Entities	Tongtai	From All Consolidated Entities
Director	-1.83%	-1.83%	4.25%	4.25%
General Manager、Vice President and Director	-1.07%	-1.07%	7.95%	7.95%

Note: The remuneration above includes travel allowance, base compensation, compensation from profit sharing and other compensations.

- 2. Remuneration policy, standards and composition, procedures and the correlation with operation performance and future risks:**
  - (1) Compensation to Director: Remuneration is determined based on the Articles of Incorporation. The Compensation Committee would evaluate the involvement of Directors in the business operation of the Company and their contributions to the Company with reference to the remuneration standard of the industry.
  - (2) Compensation to President, Vice President and Director: The board has approved "the rules of Compensation and Performance Evaluation of Managers". The compensation is paid according to the policy, and the earning sharing is based on the position and responsibilities at the Company and the contribution to the Company's operating goals. The procedures for determining remuneration include not only the overall operating performance of the Company, but also the achievement rate of individual and departmental performance and the degree of important contribution to the Company, so as to provide reasonable remuneration.
  - (3) The Company's remuneration policy is to link responsibilities and performance results, and has a positive correlation with operating performance, and discloses the payment amount in accordance with laws and regulations, and future risks should be limited.

### 3.4. Corporate Governance

#### 3.4.1 Board of Directors

The board was re-elected on June 9, 2020. The Board of Directors held 6 meetings (A) in 2020 (including 3 times before re-elected and 3 times after re-elected). Attendance status of directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) B/A	Remarks
Chairman	Jui-Hsiung Yen	6	0	100%	Re-elected
Director	San Shin Co., Ltd. Representative: Hwa-Chou Yen	6	0	100%	Re-elected
Director	San Shin Co., Ltd. Representative: Cheng Yen	6	0	100%	Re-elected
Director	Jui Hsiu Investment Co., Ltd Representative: Tsan-Jen Chen	3	0	100%	New appointment
Director	Jui Hsiu Investment Co., Ltd Representative: Hsuan-Jen Kung	3	0	100%	Term expired
Director	Tong Ying Investment Co., Ltd Representative: Feng-Hui Chiou	3	2	50%	Re-elected
Director	Tsan Ying Investment Co., Ltd Representative: Lu Yen	3	0	100%	New appointment
Director	Yang-Kuang Tung	6	0	100%	Re-elected
Director	Hui-Jen Yen	6	0	100%	Re-elected
Director	Hong Mai Co., Ltd. Representative: Jun-Liang Kuo	3	0	100%	New appointment
Director	U-Yuan Investment Ltd. Representative: Eugene Chuang	3	0	100%	New appointment
Director	Huo-Cheng Kuo	3	0	100%	Term expired
Director	Kuo-Chin Chuang	3	0	100%	Term expired
Independent Director	Po-Han Wang	6	0	100%	Re-elected
Independent Director	Shin Fann	3	0	100%	New appointment
Independent Director	Ming-To Yu	3	0	100%	New appointment
Independent Director	Huei-Shiung Chen	3	0	100%	Term expired
Independent Director	Ting-Lang Shiau	3	0	100%	Term expired

#### Other Disclosures:

- If any of the following circumstances occurred during the operation of the Board of Directors, the meeting dates, and proposal details, opinions of all independent directors, and the Company's responses to such opinions should be specified:

(1) Items listed in Article 14-3 of the Securities and Exchange Act: None.

(2) Written or otherwise recorded resolutions in which an independent director had a dissenting opinion or qualified opinion not included in the aforementioned item: None.

2. Status of the Recusals of Directors due to conflicts of interests, the name of the directors, proposal details, the reasons for recusal, and the voting result should be specified: Please refer to page 54~57.

3. The self-evaluation of the performance of the Board of Directors for 2020 is as follows,

Evaluation Cycle	Once a year
Evaluation Period	From Jan. 1 2020 to Dec. 31, 2020
Evaluation Scope	The Board, the Board members, and the functional committees
Evaluation Method	Internal self-evaluation of the Board and self-evaluation of the Board members
Evaluation Indexes	<ol style="list-style-type: none"> <li>1. Self-evaluation of performance of the Board: Participation in the operation of the company; Improvement of the quality of the board of directors' decision making; Composition and structure of the board of directors; Election and continuing education of the directors; and Internal control.</li> <li>2. Self-evaluation of performance of the Board members (for themselves): Alignment of the goals and missions of the company; Awareness of the duties of a director; Participation in the operation of the company; Management of internal relationship and communication; The director's professionalism and continuing education; and Internal control.</li> <li>3. Self-evaluation of performance of the functional committees: Participation in the operation of the company; Awareness of the duties of the functional committee; Improvement of quality of decisions made by the functional committee; Makeup of the functional committee and election of its members and Internal control.</li> </ol>
Evaluation Result	<ol style="list-style-type: none"> <li>1. Self-evaluation of performance of the Board: Good. Average score is 4.39 points out of 5.</li> <li>2. Self-evaluation of performance of the Board members (for themselves): Good. Average score is 4.68 points out of 5.</li> <li>3. Self-evaluation of performance of the functional committees: Good. Average score is 5 points out of 5.</li> </ol>

4. Objectives of strengthening the functionality of the Board of Directors in the current year and the most recent year and evaluation of the execution thereof:

1、The operation of the Company's board of directors is performed in accordance with laws and regulations, the Company's articles of association, and the resolutions of the shareholders' meeting. All directors, in addition to the professional knowledge, skills and accomplishments necessary for performing their duties, are based on the principle of loyalty and good faith and duty of care. Shareholders create maximum benefits.

- 2、In order to establish a good governance system for the board of directors of the Company, improve supervision functions and strengthen management functions, the Company has established rules of board meeting procedures in accordance with Article 26-3 of the Securities and Exchange Act, including the main content of the discussion, execution of operations, and minutes of proceedings.
- 3、The Company has approved the "Code of Ethical Conduct", "Code of Integrity Management", "Code of Practice for Corporate Governance", and "Code of Practice for Corporate Social Responsibility" in the board of directors to strengthen the functions of the board of directors and enhance information transparency.
- 4、In addition to regular self-inspection of the operation of the board of directors and strengthening the functions of the board of directors, internal auditors also make audit reports on the operation of the board of directors to comply with the regulations of the competent authority.
- 5、The Audit Committee and Compensation Committee were established under the authority of the board of directors of the Company to assist the board of directors in fulfilling their supervisory duties. Both committees are composed of three independent directors. The chairman of the committee regularly reports its activities and resolutions to the board of directors.
- 6、The Company pays attention to the diversity of directors. In addition to the principle of gender equality, it also considers the management capabilities, international outlook, financial and accounting expertise of directors and other aspects. When the directors were re-elected on June 9, 2020, two female directors were elected.
- 7、The company has insured the D&O Insurance to diversify directors' legal liability risks and enhance corporate governance capabilities.
- 8、The Company arranges corporate governance and management courses for directors every year, and provides other course information from time to time.
- 9、The company continues to update the Company's relevant financial business information on the Company's website and simultaneously disclose it in Chinese and English to enhance information transparency. In addition, at least one press release will be held every year from time to time so that investors can keep abreast of Company information in a timely manner.

### **3.4.2 Audit Committee or Supervisor Participation in Board of Directors**

In order to establish a good audit committee system, improve supervision functions and strengthen management functions, the Company established an Audit Committee in accordance with Article 14-4 of the SEC on June 20, 2017. At present, the members of the committee are composed of three independent directors, and all members mutually recommend Po-Han Wang independent director as the convener and chairman of the meeting, representing the committee externally.

#### **1. Duties of Audit Committee**

(1) Main duties

The audit committee aims to assist the board of directors in supervising the quality of the Company's implementation of the accounting, internal auditing, and financial reporting processes.

(2) Annual tasks of the Audit Committee in 2020:

The Audit Committee of the Company held 5 meetings in 2020, the auditing issues are mainly as follows:

- a. Review financial reports.
- b. Review the internal control system and related procedures.
- c. Assesses the effectiveness of the internal control system.
- d. Material asset transactions or derivatives trading.
- e. Material loans of funds, provision of endorsements or guarantees.
- f. The appointment, discharge and compensation of a certified public accountant.
- g. The appointment or discharge of a financial and accounting officer.

● **Review financial reports**

The board of directors prepared the Company's 2020 annual business report, financial statements, and deficit compensation proposals, among which the financial statements have been audited by Deloitte&Touch. The above-mentioned business report, financial statement and deficit compensation have been reviewed by the Audit Committee and determined to be correct by the Audit Committee.

● **Assesses the effectiveness of the internal control system**

The Audit Committee evaluated the effectiveness of the Company's internal control system and procedures (including financial, operational, risk management, information security, compliance with laws and regulations, and other control measures), and reviewed the Company's internal audit and regular reports by CPA. The Audit Committee believed that the Company's internal control system is effective.

● **The appointment, discharge and compensation of a certified public accountant**

In order to ensure the independence of the certified public accountant firm, the Audit Committee refers to the contents of Article 47 of the Accountants Act and No. 10 "Integrity, Fairness, Objectivity and Independence" of the Public Accountants Code of Ethics, regarding the independence,

professionalism and competence of accountants. The 17<sup>th</sup> times Audit Committee of the 1<sup>st</sup> session on May 13, 2020 and the 17<sup>th</sup> times Board of Director meeting of the 17<sup>th</sup> session on May 13, 2020 reviewed and approved the accountants Yu-Shiang Liu and Jui-Hsuan Hsu of Deloitte & Touch meet the independence assessment standards, and are qualified to serve as the Company's CPA.

- **Material investment, loans of funds, provision of endorsements or guarantees**

The Audit Committee reviews major investment, loan of funds, and endorsement proposals, and in addition to confirming their necessity, they also review whether they are in compliance with laws and regulations.

## 2. Operations of Audit Committee

The Audit Committee was re-elected on June 9, 2020. The Audit Committee held 5 meetings (A) in 2020 (including 3 times before re-elected and 3 times after re-elected). Attendance status of independent directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) B/A	Remarks
Independent Director	Po-Han Wang	5	0	100%	Re-elected
Independent Director	Shin Fann	2	0	100%	New appointment
Independent Director	Ming-To Yu	2	0	100%	New appointment
Independent Director	Huei-Shiung Chen	3	0	100%	Term expired
Independent Director	Ting-Lang Shiau	3	0	100%	Term expired

**Other Disclosures:**

1. If any of the following circumstances occurred during the operation of the Audit Committee, the date, session number, proposal details, resolutions made by the Audit Committee, and the Company's responses to the opinions of the Audit Committee should be specified:
  - (1) Matters referred to in Article 14-5 of the Securities and Exchange Act: Please refer to page 54– page 57
  - (2) Other matters which were not approved by the Audit Committee but were approved by two thirds or more of all directors: None.



2. Independent director recusals due to proposals involving matters with conflict of interest. The name of the independent directors, proposal details, the reason for recusal, and the voting result should be specified: Please refer to page 54- page 57.
3. Independent director communication with Internal Audit Officer and CPAs (which should include the material items, measures, and results of the audits on the corporate finance and/or operations, etc.)
  - ( 1 ) The Chief Internal Auditor of the Company reports to the Audit Committee at least quarterly and submits the audit reports by the end of each month. The communication channel between the independent directors and the internal audit officer functioned well.
  - ( 2 ) The independent auditors reports to the Audit Committee regarding the audit or review results on the financial reports as well as other required communications in accordance with related regulations via conference meeting or physical meeting at least twice a year. The communication channel between the independent directors and the independent auditors functioned well.

### 3.4.3 Corporate Governance Implementation Status and Differences from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies

Assessment Item	Implementation Status			Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Their Reasons
	Yes	No	Explanation	
1. Does the Company establish and disclose its corporate governance practices in accordance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	V		The Company referred to Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and drew up Corporate Governance Best Practice Principles, which has been approved by the Board of Directors for publication and disclosed on the Company’s website.	No material differences
2. Shareholding Structure & Shareholders’ Rights				
(1) Does the Company have Internal Operation Procedures for handling shareholders’ suggestions, concerns, disputes, and litigation matters? If so, has these procedures been implemented accordingly?	V		(1) The Company has specific person such as spokespersons or acting spokespersons and related departments including investor relations, stock matters and in house legal to deal with the shareholders opinions or disputes.	No material differences
(2) Does the Company possess a list of major shareholders and beneficial owners of these major shareholders?	V		(2) The Company keeps watching any increase or decrease in the shareholding of the top ten shareholders and directors. The Company reports the change status to the relevant authorities every month.	No material differences
(3) Has the Company built and implemented a risk control system and firewall between the Company and its affiliates?	V		(3) The Company has "Operations Supervision of Subsidiaries" and "Related Party Transaction Management". The Company establishes enforcement controls through the internal control system and related practices, and the internal auditors also monitor the performance regularly.	No material differences
(4) Has the Company established internal rules prohibiting insider trading on undisclosed information?	V		(4) The Company has the "Administrative and Practice Procedures to Prevent Insider". In addition to providing the promotional materials or handouts to	No material differences

Assessment Item	Implementation Status			Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Their Reasons
	Yes	No	Explanation	
			the board of directors, managers and employees, but also provide training courses on prevention of insider trading.	
<p>3. Composition and Responsibilities of the Board of Directors</p> <p>(1) Has the Board of Directors established a diversity policy for the composition of its members and has it been implemented accordingly?</p>	V		<p>(1) The Company established the policy on diversity in the Corporate Governance Best Practice Principles and implement pursuant to the policy.</p> <p>A. The board members includes 13 persons with extensive experience in the operation and machinery of the Company and among them, there are 2 female directors and 3 independent directors. Financial and management background, including 2 female directors and 3 independent directors. Of the directors, Mr. Jui-Hsiung Yen, Mr. Tsan-Jen Chen, Mr. Hwa-Chou Yen and Mr. Feng-Hui Chiou are expertise at leadership, operational judgment, management, crisis management, industrial knowledge and international market outlook. The Directors, Ms. Hui-Jen Yen, Ms. Lu Yen and Mr. Cheng Yen, have knowledgeable in the industry and financial and accounting. Mr. Eugene Chuang, Mr. Jun-Liang Kuo and Mr. Yang-Kuang Tung have operational judgment, operational management, international market outlook and industrial knowledge. As regards the independent directors, Mr. Po-Han Wang, Mr. Ming-To Yu and Mr. Shin Fann are expertise at leadership, operational judgment, business</p>	No material differences

Assessment Item	Implementation Status			Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Their Reasons
	Yes	No	Explanation	
(2) Other than the Compensation Committee and Audit Committee which are required by law, has the Company voluntarily established other functional committees?	V	V	<p>management with industry knowledge and international market outlook.</p> <p>B. The Company focuses on gender equality in the composition of Board Member. Female directors target more than 15% and after 2020 re-election, female directors account for 15%. The other directors of the Company who have an employee are the directors of the Company accounted for 23%. Two of the directors aged below 40, and 2 directors aged 41 to 50, with the remainder being over 51 years old.</p> <p>C. The diversified policy of the Board of Directors has disclosed on the Company's website.</p> <p>(2) There are no functional committees other than Audit committee and the Compensation Committee.</p>	Will set up other functional committees if necessary.
(3) Has the Company established a method of evaluating the performance of its Board of Directors and has the performance evaluation been implemented annually and submitted to its Board of Directors as a reference for individual director's remuneration and renewal nomination?	V		<p>(3) The Company drew up the "Self-Evaluation or Peer Evaluation of the Board of Directors" and assessment measures of the performance of the Board of Directors, which has been passed by the Board of Directors for publication and disclosed on the Company's website. The Company conducts performance assessment regularly every year based on the assessment measures that the Company drew up. The assessment result has not only been</p>	No material differences

Assessment Item	Implementation Status			Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Their Reasons
	Yes	No	Explanation	
(4) Does the Company regularly evaluate the independence of its CPAs?			<p>reported to the Board of Directors but also submitted to Compensation Committee as a reference for director performance assessment and remuneration. The Company has finished the Self-Evaluation for 2020 and reported to the Board in March, 2021.</p> <p>(4) The financial department of the Company regularly evaluates the independence of the accountants and, after obtaining an independent statement from the accountants, submits the results of the assessment to the Audit Committee and the Board. The evaluation criteria are set out in section 47 of the Accountants Act and in the Bulletin No. 10 of the Code of Ethics of Accountants, which contains an assessment Visa accountant (1) No direct or significant indirect financial interest with the Company or its affiliates (2) No non-audit services provided to the Company that may directly affect audit work. (3) Not related party with the directors and managers of the Company, (4) Whether or not the rotation of the visa accountant is conducted in accordance with the requirements, (5) Whether to obtain an independent statement, etc.</p> <p>The Company has obtained the independent statement and according to the evaluation results, the independence of the CPA is compliant with the regulations of the Certified Public Accountant Act, the CPA Code of Professional Ethics and other relevant regulations. The evaluation results was reported to and approved by the Audit Committee</p>	No material differences

Assessment Item	Implementation Status			Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Their Reasons
	Yes	No	Explanation	
			and board of directors on May 13, 2020.	
4. Has the Company assigned competent and appropriate personnel and designated corporate governance officer to be in charge of matters related to corporate governance (including but not limited to providing information required by directors and supervisors related to business operations, handling matters relating to Board of Directors' meetings and General Shareholders' Meetings pursuant to the laws, handling corporate registration and amendment registration, and recording minutes of the Board of Directors' meetings and General Shareholders' Meetings)?	V		The Company currently assigned the finance and accounting department to be in charge of matters related to corporate governance, including (a) Handling of matters relating to board of directors meetings and shareholders meetings in compliance with law; (b) Preparation of minutes of the board of directors meetings and shareholders meetings; (c) Assistance in onboarding and continuing education of the directors; (d) Provision of information required for performance of duties by the directors; (e) Assistance in the directors' compliance of law, and other matters described or established in the Articles of Incorporation or under contract and so on.	No material differences
5. Has the Company established a means of communication with its stakeholders (including but not limited to shareholders, employees, customers, and suppliers) or created a stakeholders section on the Company's website? Does the Company respond appropriately to stakeholders' questions on major issues of corporate social responsibility?	V		The Company has set up a "stakeholder area" on the Company's website, where the relevant department is responsible for two-way communicating with stakeholders, investors, employees, customers and vendors. The communication status is reported to Board of Directors yearly.	No material differences
6. Has the Company appointed a professional registrar for its General Shareholders' Meetings?	V		The Company has appointed the Stock Agency Department, Taishin International, to handle matters related to General Shareholders' Meetings.	No material differences
7. Information Transparency (1) Has the Company established a corporate	V		(1) The Company has set up a website	No material differences

Assessment Item	Implementation Status			Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Their Reasons
	Yes	No	Explanation	
<p>website to disclose information regarding its financial, business, and corporate governance status?</p> <p>(2) Does the Company use other information disclosure channels (e.g., maintaining an English website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investor conferences etc.)?</p> <p>(3) Does the Company performs public announcement and registration of annual consolidated financial reports within two months after the end of fiscal year and also publicly announces and registers the quarterly financial reports of the first, second, third quarter and monthly operating status within the prescribed period?</p>	V	V	<p>(1) <a href="http://www.tongtai.com.tw">www.tongtai.com.tw</a> under the investor section to disclose the financial reports and board resolutions.</p> <p>(2) The Company has an English-language website; there are staffs responsible for the collection and disclosure of Company information; and the spokesman and the acting spokesperson are in good working condition.</p> <p>(3) The Company makes an announcement and reports its annual and quarterly financial statements according to the regulations.</p>	<p>No material differences</p> <p>No material differences</p>
<p>8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices? (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholder rights, continuing education of directors and supervisors, implementation of risk management policies and criteria for risk evaluation, implementation of customer relation policies, and the purchase of liability insurance for directors and supervisors)?</p>	V		<p>(1) Employee Rights and interests: The Employee Union holds regular meetings of the supervisors and labor unions. On major labor issues, the general manager and the Employee Union will consult to reach a consensus to ensure harmonious labor relations.</p> <p>(2) Employee care: Provide a safe working environment, perform periodic health checks for employees, and add additional health care programs for special staff and senior staff. In addition, encourage and assist employees to form</p>	No material differences

Assessment Item	Implementation Status			Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Their Reasons
	Yes	No	Explanation	
			<p>associations and engage in beneficial physical and psychological activities.</p> <p>(3) Investor Relations: The Company's spokesperson and acting spokesman and is the communication channel between the Company and shareholders. The Company also has an investor section on its website to provide information about investors.</p> <p>(4) Supplier Relations: The Company has a supply chain system, and many domestic suppliers have used this platform to quote, orders, deliveries, etc.</p> <p>(5) Interest in Related party: The Company values the interests of shareholders, customer, suppliers and employees and seeks to protect and balance the rights of each and every interest in Related party.</p> <p>(6) Directors' continuing education: The Company encourages Directors to pursue further studies and recommends appropriate courses to Directors for their reference.</p> <p>(7) Manager's continuing education: The manager of the Company is a responsive person and further education is required.</p> <p>(8) Implementation of risk management policies and risk metrics: For details, please refer to "VII. Review of financial situation and financial performance analysis and risk issues".</p>	



Assessment Item	Implementation Status			Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Their Reasons
	Yes	No	Explanation	
			<p>(9) D&amp;O insurance: The Company has provided the D&amp;O insurance for all directors, and the insured company is the Taiwan branch of Amex Products Insurance Company Limited, with an amount of US\$110 million and was reported to the Board of Directors on May 6<sup>th</sup>, 2021.</p> <p>(10) Succession planning for key management: In planning a succession plan, our successors need to have superior management and professional skills, values that are in line with the Company, and personality qualities that include integrity, innovation, mobility, etc., to build management capacity as a senior executive.</p>	
<p>9. Company improvements in corporate governance based on the assessment items stipulated in the Corporate Governance Evaluation Results issued in the most recent year by the Corporate Governance Center of the TWSE, and priority measures for items requiring further improvement. (Companies not in the list to be evaluated are exempted from reply.)</p> <p>The Company ranked in the top 36% to 50% in the 7<sup>th</sup> Corporate Governance Evaluation of Taiwan Stock Exchange Corporate. Improvements matters are as follows,</p> <p>( 1 ) Treating Shareholders Equitably: to provide the meeting agenda of shareholder’s meeting and annual report in English.</p> <p>( 2 ) Enhancing Board Composition and Operation: (a) To draw up a succession plan for Board members and key managerial officers and (b) to designated corporate governance officer.</p> <p>( 3 ) Increasing Information Transparency: to convene the press release as least twice a year.</p> <p>( 4 ) Putting Corporate Social Responsibility into Practice: to issue the corporate social responsibility report of 2020 and upload to MOPS by the end of September.</p>				

### 3.4.4 Composition and Operation of the Compensation Committee

#### 1. Current Members of the Compensation Committee:

Title	Name	At least 5 years of working experience and meet one of the following professional qualifications requirements			Qualification regarding the independence criteria*										Number of other public companies Serving as a Compensation Committee	Remarks	
		An instructor or higher in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college, or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Have work experience in the area of commerce, law, finance, or accounting, or other field necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10			
Independent Director	Po-Han Wang		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	None
Independent Director	Shin Fann			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	None
Independent Director	Ming-To Yu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	None

\*Please check in the appropriate corresponding boxes if the Compensation Committee members meet any of the following conditions in two years before their elections and during their term of office.:

- (1) Not an employee of the Company or any of its affiliates;
- (2) Not a director or supervisor of the Company or its affiliates (not applicable in cases where the independent director is appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent) ;
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the Company or ranking as one of its top ten shareholders;
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of the officer stated in the subparagraph (1) or personnel stated in the subparagraph (2) and (3);
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act. (not applicable in cases where the independent director is appointed in accordance with the Act

- or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent);
- (6) Not a director, supervisor, or employee of the other company where over half of the director seats or over half of the shares with voting rights of the Company is controlled by the same person as the Company (not applicable in cases where the independent director is appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent);
- (7) Not a director (or governor), supervisor, or employee of the other company or institution, of which the chairman, general manager or personnel with equivalent position of the Company are held by the same person or the spouse thereof. (not applicable in cases where the independent director is appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent);
- (8) Not being a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company (not applicable if the specified company or institution holds 20% or more and no more than 50% of the total number of issued shares of the Company and in cases where the independent director is appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent);
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past 2 years has received cumulative compensation no more than NT\$500,000, nor a spouse thereof; provided, this restriction does not apply to a member of the Compensation Committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Not been a person fits any condition defined in Article 30 of the Company Law.

## **2. Duties of the Compensation Committee:**

In order to implement corporate governance and improve the Company's director and manager's salary and remuneration policy, the Company has established a Compensation Committee in accordance with relevant laws and regulations. The members of the Company's Compensation Committee have faithfully performed the following functions and powers with the attention of good managers:

- ( 1 ) Formulate and regularly review the policies, systems, standards and structures of the performance evaluation and remuneration of the directors and managers of the Company.
- ( 2 ) Regularly evaluate and determine the individual salary and remuneration of the director and manager of the Company.

## **3. Operations of the Compensation Committee:**

- ( 1 ) There are three members of the Compensation Committee and is composed of three independent directors.
- ( 2 ) The Compensation Committee was re-elected on June 9, 2020. The new term for Compensation Committee is from June 9 2020 to June 8, 2023. The Compensation Committee held 4 meetings (A) in 2020 (including 2 times before re-elected and 2 times after re-elected). Attendance status of independent directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) B/A	Remarks
Convener	Po-Han Wang	4	0	100%	Re-elected
Member	Shin Fann	2	0	100%	New appointment
Member	Ming-To Yu	2	0	100%	New appointment
Convener	Huei-Shiung Chen	2	0	100%	Term expired
Member	Ting-Lang Shiau	2	0	100%	Term expired

**Other required disclosure:**

1. In case where the Board of Director decides not to take on or modify recommendations of the Compensation Committee, the Board of Director shall specify the date, term number, content of proposal and resolution of the item of the Board of Director Meeting where the above decision is made, and how the Company handles the feedback from the Compensation Committee (for instance, if the remunerations resolved by the Board of Directors is better than those recommended by the Compensation Committee, the Board of Director is obliged to specify the difference and reasons herein): All proposals were approved by Board of Directors, please refer to page 50 – page 51.
2. If any members object or hold back the recommendation resolved by the Compensation Committee, and have records or written statements, the Compensation Committee meeting date, term number, content of proposal, opinions of all members and how they handled the member's objection, shall be specified herein: All proposals were approved by Board of Directors, please refer to page 50 – page 51.

### 3.4.5 The Performance of Social Responsibility and the Differences between the Performance and Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, and the Reasons

Assessment Item	Implementation			Differences from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Their Reasons
	Yes	No	Explanation	
1. Does the Company evaluate the risk of environmental, social and corporate governance issues related to business operations according to the material principle and establish risk management policies or strategies?	V		The Company conducts risk assessments on key issues in relation to the materiality principles of corporate social responsibility and sets out relevant risk management policies or strategies in accordance with the risks assessed, details of which are set out in Table 1. For more details, please refer to pages 18-19 of the Company's 2019 Corporate Social responsibility Report.	No material differences
2. Does the Company have a dedicated (or tasked) CSR organization authorized by the Board of Directors for top management, which reports to the Board of Directors?	V		In 2018, the general manager entrusted various departments to set up the "CSR Task Force" to regularly monitor and control the responsibility to facilitate the implementation of corporate social responsibility and compile relevant data for CSR report. The CSR report will be reported to the Board of Directors.	No material differences
3. Sustainable Environmental Development				
(1) Has the Company set an environmental management system designed to industry characteristics?	V		The Company has established an appropriate environmental management system based on the Company's characteristics and has implemented the ISO 14001 for 2 decades. In addition, the Company has obtained international certification standards such as ISO140604-1:2006 Greenhouse gas inventory standards, ISO14067 Product Carbon Footprint Standard Certification and ISO-50001 Energy management systems (EnMS).	No material differences
(2) Is the Company committed to improve resource efficiency and to the use of renewable materials with low environmental impact?	V		The Company is committed to improving the reuse of resources and reducing unnecessary waste of resources.	No material differences
(3) Does the Company evaluate the current and future potential risks and opportunities of climate change and take corresponding measures for climaterelated issues?	V		The Company has developed a strategy to reduce the impact of its operations on climate change by developing energy-efficient carbon reduction and greenhouse gas reduction strategies. In addition, the Company is committed to reducing the environmental	No material differences

Assessment Item	Implementation			Differences from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Their Reasons
	Yes	No	Explanation	
			<p>impact on the production process.</p> <p>A. Carbon reduction target: Tongtai has installed the roof solar power generation system in 2018. Annual carbon reduction can reach about 12 Daan Forest Park. Tongtai was selected as the Best Contribution Award for Solar Photonics in the Science Park, which was publicly awarded by the Minister of Science and Technology at the 2020 Operation Press Conference of Science Park.</p> <p>B. Energy saving objective: in addition to obtaining the energy management ISO 50001 certification, Tongtai sets the next annual energy saving target at the end of each year. The energy saving target reached in 2020 is 2%, and the energy saving target is maintained at 2% in 2021</p> <p>C. Energy-saving measures:</p> <p>(a) The lighting equipment in the factory is changed to energy-saving LED lights, with an energy-saving effect of 50%↑</p> <p>(b) Monitor and adjust the best setting control of air-conditioning temperature</p> <p>(c) Install energy-saving frequency converters in air-conditioning boxes of the whole plant</p> <p>(d) The air compressor equipment changes the pipeline design to multi-machine interlocking mode</p>	
(4) Does the Company collect and calculate relevant data on greenhouse gas, water consumption and the total weight of waste over the past two years and set policies for energy saving and carbon emission reduction, greenhouse gas reduction, water consumption reduction and other waste management?	V		<p>The Luke No. 1 plant of the Company has completed the greenhouse gas inventory in 2019 and obtained the ISO14064-1 inspection statement. The inventory in 2018 included:</p> <p>A. Direct greenhouse gas emissions: 232.3317 tonCO<sub>2</sub>e</p> <p>B. Energy indirect greenhouse gas emissions:</p>	No material differences

Assessment Item	Implementation			Differences from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Their Reasons
	Yes	No	Explanation	
			3,984.5129 tonCO2e C. Direct and energy indirect greenhouse gas emissions: 4,216.845 tonCO2e and completion of the carbon footprint emission verification of CNC drilling machine SD-620 products, obtaining ISO14067 carbon footprint verification statement, verifying CNC drilling machine SD-620 product carbon footprint emissions: 25.13 tonCO2e/ Each	
4. Social Issue				
(1) Does the Company set related management policies and procedures in compliance with regulations and internationally recognized human rights treaties?	V		The Company has established the "Employee Handbook", "Code of Conduct" in accordance with relevant labor laws and regulations. The rights and obligations of employees and management are in conformity with labor regulations and elimination of employment discrimination in gender, sexual orientation, race, age, religion, political parties, etc., to ensure we have proper management over our human resource policy.	No material differences
(2) Does the Company set employee benefit measures, including but not limited to remuneration, leave and other benefits and reasonably reflected the business performance or results in the employee remuneration?	V		The Company refers to the market salary level and price index to set reasonable remuneration. The results of the staff performance appraisal and the annual reward and punishment records are clearly and effectively reflected in the staff remuneration policy.	No material differences
(3) Does the Company provide employees with a safe and healthy working environment, with regular safety and health training?	V		Protecting the health of employees and providing a safe working environment is the most basic commitment of Tongtai. The company has passed the Department of Occupational Safety and Health Management (OSH) ISO 45001" is recognized as the driving force for safety management and is integrated with ISO9001 and ISO14001 system to improve document management and to continue to target safety and health facilities and protection against workplace disasters. In addition, the Company has set up the Environmental and	No material differences

Assessment Item	Implementation			Differences from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Their Reasons
	Yes	No	Explanation	
			Occupational Safety and Health Committee to review the results of the implementation of the monitoring of the working environment on a regular basis, tool protection, education, health promotion results, etc.	
(4) Has the Company established effective career development training plans?	V		We conduct language courses to encourage employees to pursue foreign language skills. There is also a Job mobility application rules, which provides an opportunity for an employee to be assigned abroad. In addition, an overall company-wide and departmental-level education and training programs have been developed according to the different K (knowledge), S (Skills), and A (Attitude) to respond to the different functions of each department..	No material differences
(5) Does the Company comply with the regulations and international standards in the customers' health, safety and privacy, marketing and labeling of its products and services and establish customer rights protection policies and appeal procedures?	V		We follow the relevant rules for the labeling of our products. In order to ensure the effective communication and processing of customer feedback, the Company has provided a customer service mailbox in addition to a client service mailbox in the Related Party section of the Company's website to ensure that the customer's opinions are properly addressed.	No material differences
(6) Does the Company establish supplier management policies and request suppliers to comply with environment, occupational safety and health or labor human rights related regulations and the status of implementation?	V		Supplier management policies are subject to ISO standards. Environmental and occupational safety and health or labor human rights issues for new suppliers are also required to be filled in basic information questionnaire when new suppliers are established.	No material differences
5. Does the Company prepare reports to disclose non-financial information of the Company such as CSR report with reference to the internationally accepted standards and guidelines? Does the CSR report get the third-party verification or assurance?	V		The reporting framework of the Company's CSR Report is based on the GRI Standards and disclosed on the Company's website.	No material differences
6. If the Company has established its corporate social responsibility code of practice pursuant to the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies, please describe the Company's operational status and differences from the principles:				



Assessment Item	Implementation			Differences from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Their Reasons
	Yes	No	Explanation	
The Company has referred to the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies, and established the Corporate Social Responsibility Best Practice Principles in 2016. The Corporate Social Responsibility Best Practice Principles was approved by the Board of Directors and disclosed on the Company website, there is no material difference between the principles and the operational status.				
7. Other important information to facilitate better understanding of the Company's implementation of corporate social responsibility:				
<p>In 2018, the Company established a "CSR Task Force" by various departments, with General Manager as the convener, regularly supervised and controlled the various departments in accordance with the scope, to promote the fulfillment of corporate social responsibility and other matters, and to compile relevant information for preparing a CSR report, and report the execution results to the board of directors on a regular or irregular basis.</p> <p>A. Main duties of the CSR Task Force:</p> <ol style="list-style-type: none"> <li>(1) Coordinate the Company's corporate social responsibility and sustainable development goals.</li> <li>(2) Regularly supervise and control various departments in accordance with their scope to promote the fulfillment of corporate social responsibility and other matters.</li> <li>(3) Prepare a CSR report by compiling relevant data.</li> <li>(4) Report the execution results to the Director meeting regularly or irregularly</li> </ol> <p>B. Concretely promote the plan and implementation results:</p> <ol style="list-style-type: none"> <li>(1) CSR Report : For the 2019 CSR Report, please refer to the "CSR" section of the Company's website. In addition, the 2020 CSR Report will be issued by the end of September 2021.</li> <li>(2) Policies and implementation status for environmental protection, safety and health: In order to reduce the impact on the surrounding environment, the Company should properly manage various environmental factors to provide all employees and nearby residents with a safe, healthy, and suitable working and living environment quality, which is jointly determined by all members of the Environmental Management System Committee. The environmental policies including, (a) Comply with environmental protection laws and regulations, (b) Committed to pollution prevention, (c) Active participation of all employees, (d) Continuous improvement. In August 2014, the Company was awarded the "Environmental Sustainability Award" created by the leading international certification brand SGS. Tongtai has implemented ISO14001 for more than 20 years, and there has been no master defect in the past three years, and it has continuously improved its environmental management system to represent the company. It can be truly implemented internally at all levels of environment and safety.</li> <li>(3) Community participation, social contribution, social service, social welfare: <ol style="list-style-type: none"> <li>(a) Social service and Community participation: Starting from 2011, the Company has been cooperating with the Family Support Center for 9 years in a row. The Company has handled more than 15 outdoor activities and more than 1,000 children participated. Every year, the staff of Tongtai carefully planned various entertaining and entertaining activities.</li> <li>(b) Social contribution: The Company assisted the Luzhu District Office in organizing the creation of the "Luzhu Art and Culture City" activity, allowing children to learn about 3D</li> </ol> </li> </ol>				

Assessment Item	Implementation			Differences from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Their Reasons
	Yes	No	Explanation	
<p>printing in an early stage, and deepening the art and culture of Luzhu District.</p> <p>(c) Group interview: Encourage schools and other groups to visit Tongtai, understand the current situation of the industry and cultivate the corresponding abilities of students, and increase the employment opportunities for students after graduation. The visit activities are combined with further short-term summer work-study activities, hoping to expand students' horizons and understanding through actual participation. Since the company moved the site to the new Luke factory, the number of visitors has reached more than 6,000 persons.</p> <p>Please refer to the Company's official website/Facebook for the latest company developments.</p>				

Table 1

Major issues	Risk Assessment Items	Risk Management Policy or Strategy
Environment	Carbon Emission	Luke No. 1 Plant has completed the greenhouse gas inventory in 2019, obtained the ISO14064-1 inspection statement and has completed the CNC drilling machine SD-620 product carbon footprint emission verification, and obtained the ISO14067 carbon footprint verification statement, verifying the CNC drilling machine SD-620 product carbon footprint emissions Quantity: 25.13 tonCO2e/each.
	Environmental Protection	The Company has obtained ISO 50001 Energy Management System (EnMS) international standard certificate to improve energy efficiency and reduce energy consumption costs. Air pollution, waste and wastewater discharge treatment are all carried out in accordance with the law, and the Company continues to avoid environmental hazards.
Social	Occupational Safety	Appoint full-time "Occupational Safety/Hygiene Managers and Occupational Safety and Health Administrators" and "Occupational Safety and Health Nurses". Implement the occupational safety and health management plan in accordance with the law, and carry out work such as protection, disaster reduction, maintenance, response, and recovery of the working environment.
	Product Safety	The Company has complete logistics safety management standards from raw material purchase, warehousing, production, shipment and delivery, and export. Assist customers to quickly receive Tongtai's products and improve their production efficiency through specifications, while achieving the goals of optimizing logistics service quality and maintaining supply chain security.

Major issues	Risk Assessment Items	Risk Management Policy or Strategy
Economic	Supply Chain Management	The Company's purchases are all aimed at diversifying supplier risks, actively developing new sources, and purchasing raw materials from different regions and suppliers to avoid insufficient supply chain materials and monopoly by a few suppliers.
		The Company establishes supply chain safety policies, implements the promotion of supply chain safety education, and implements the Supplier Evaluation Management Measures and qualified brand and qualified manufacturer evaluation meetings.
		Encourage suppliers to develop raw materials and processes that reduce environmental impact or can be recycled and reused.
	Information Security Risk	The Company establishes various rules of the computer information system cycle as the basis and inspection of information security.
		The Company uses in-depth management and control from the gateway-side firewall to the endpoint protection. Different protections are differentiated at each stage to prevent intrusions and viruses.
		The Company uses the Anti-SPAM-->MSE process to prevent spam from entering, conduct mail audit and backup, and strengthen the heterogeneous three anti-virus detection mechanism.
		Information security education and training are held regularly every year, and monthly information security advocacy is held irregularly.
Corporate Governance	Economic and Legal Compliance	The Company's management and related staff always pay attention to important domestic and foreign policy and legal changes. The senior staff and external professional units provide suggestions and take relevant measures.
	Strengthen Director functions and implement Director responsibilities	Plan training courses for directors every year, and provide latest regulations, system developments and policies from time to time to directors. Insuring D&O insurance to provide protection for Director's performance of duties.
	Stakeholder communication	Establish various communication channels and actively communicate.

### 3.4.6 Fulfillment of Ethical Corporate Management and Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"

Assessment Item	Implementation Status			Differences from the Ethical Corporate Management Best- Practice Principles for TWSE/TPEX Listed Companies and Their Reasons
	Yes	No	Explanation	
<p>1. Establishment of Ethical Management Policies and Programs</p> <p>(1) Does the Company establish the ethical management policy which is approved by the Board of Directors, and address its ethical management policies and measures and the committed implementation of such policies by the Board of Directors and the top management in its regulations and publicly available documents?</p> <p>(2) Has the Company established a risk assessment mechanism against unethical conduct, and analyzed and assessed on a regular basis business activities within their business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly. The prevention programs shall at least include preventive measures against the conducts prescribed in Paragraph 2, Article 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies?</p> <p>(3) Does the Company establish prevention programs to prevent from unethical conduct with clearly stipulated in the program regards to the implementation procedures, guidelines, disciplinary actions for violations, and reporting systems and review and modify the measurements periodically?</p>	V		<p>1. Establishment of Ethical Management Policies and Programs</p> <p>(1) As set forth in the Rules of work, an employee shall not use his or her powers to benefit himself or others; an employee shall not accept hospitality or be given gifts for any act in his or her role or for any breach of his or her duties. Kickbacks or other unlawful benefits.</p> <p>(2) On 17 March 2016, the Code of Practice on good faith was established and staff members were trained and educated to understand the determination of the Company to conduct good faith and the consequences of the breach of good faith.</p> <p>(3) Effective internal control has been established to ensure honest business internal auditors also regularly checks compliance with the above-mentioned regime.</p>	<p>No material differences</p> <p>No material differences</p> <p>No material differences</p>

Assessment Item	Implementation Status			Differences from the Ethical Corporate Management Best- Practice Principles for TWSE/TPEX Listed Companies and Their Reasons
	Yes	No	Explanation	
<p>2. Implementation of Ethical Management</p> <p>(1) Does the Company evaluate the ethical track record of whom it has business relationship with and include clauses of business conduct and ethics related in the business contracts?</p> <p>(2) Has the Company established a dedicated ethical corporate management unit that reports the ethical management policy and programs to prevent unethical conducts directly to the Board of Directors on a regular basis (at least once a year)?</p> <p>(3) Has the Company established and implemented policies that prevent conflicts of interests and provide appropriate channels for communication and complaint?</p> <p>(4) Has the Company established effective accounting and internal control systems to implement ethical corporate management, and did the internal audit unit, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans and examined accordingly on the compliance with the prevention programs, or CPA was authorized to carry out the audit?</p> <p>(5) Does the Company provide internal and external ethical</p>	<p>V</p> <p>V</p> <p>V</p> <p>V</p> <p>V</p>		<p>2. Implementation of Ethical Management</p> <p>(1) The Company will, prior to its business dealings, credit the business transaction object, exclude those who have a record of bad faith and express the terms of good faith conduct in the business contract.</p> <p>(2) At present, there is no dedicated ethical corporate management unit. Through the compliance with the Internal control system and the internal audit to prevent unethical conducts.</p> <p>(3) The management of the Company shall be subject to the liability of the manager for damages to the Company; the Company website shall have a contact box to provide a means of making representation.</p> <p>(4) Internal auditors checks regularly, quarterly and reported to the Board of Directors, and there are no anomalies.</p> <p>(5) Through new hired training, regular internal meetings to promote ethical business conduct and ethical behavior. Guidelines and articles</p>	<p>No material differences</p> <p>No material differences</p> <p>No material differences</p> <p>No material differences</p> <p>No material differences</p>

Assessment Item	Implementation Status			Differences from the Ethical Corporate Management Best- Practice Principles for TWSE/TPEX Listed Companies and Their Reasons
	Yes	No	Explanation	
conduct training programs on a regular basis?			related to integrity and ethical conduct are posted on the Company's internal website Advocacy. Total related training hours was 275.5 hours with 551 persons in 2020.	
3. Has the Company established and implemented policies that prevent conflicts of interests and provide appropriate channels for communication and complaint?  (1) Has the Company established a concrete whistle-blowing and reward system, set up conveniently accessible whistle-blowing channel, and designate responsible individuals to handle the reports received?  (2) Has the Company established standard operating procedures for the acceptance and investigation of whistle-blowing reports, follow-up measures to be adopted after investigations are completed, and mechanisms to ensure confidentiality?  (3) Has the Company adopted proper measures to protect the whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing?	V  V  V		(1) If any report cases can be submitted via the mail box, no disciplinary action has been made against the integrity of the business, and if found to be substantiated, the case will be dealt with on a project basis.  (2) The Company accepts the report in accordance with the standard operating procedures of the investigation and the relevant confidentiality mechanism.  (3) If a report is received, the informants' information is strictly protected against unfair treatment.	No material differences  No material differences  No material differences
4. Enhanced Information Disclosure  (1) Does the Company disclose relevant and reliable information regarding its ethical corporate management policies and their implementation on its website and the Market Observation Post System website of the Taiwan Stock Exchange?	V		The Company publicly discloses its policies and regulations related to corporate ethical management on the Company's website.	No material differences

Assessment Item	Implementation Status			Differences from the Ethical Corporate Management Best- Practice Principles for TWSE/TPEX Listed Companies and Their Reasons
	Yes	No	Explanation	
5. If the Company has established its ethical corporate management code of practice pursuant to the Ethical Corporate Management Best-Practice Principle for TWSE/TPEX Listed Companies, please describe the Company's operational status and deviations from the principles:  The Company established its Ethical Corporate Management Best Practice Principles by referencing the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies in 2016. The Ethical Corporate Management Best Practice Principles have been reviewed and passed by the Board of Directors of the Company and disclosed on the Company website. There is no material difference from the Ethical Corporate Management Best-Practice Principle for TWSE/TPEX Listed Companies in actual practice.				
6. Other important information to facilitate better understanding of the Company's ethical corporate management (For example, the review and amendment of the Company's Ethical Corporate Management Best Practice Principles): None.				

#### **3.4.7 If the Company has established corporate governance code of practice and regulations, disclose the means of accessing this information**

The Company's Corporate Governance Best Practice Principles, Corporate Social Responsibility Best Practice Principles, Ethical Corporate Management Best Practice Principles and relevant regulations are disclosed on the Company website.

#### **3.4.8 Other important information that may facilitate better understanding of the Company's corporate governance**

The Company has established "Procedures for Prevention of Insider Trading" for Directors, management and employees to follow. The Procedures specify that the Company's Directors, management and employees shall not violate laws, regulations and orders regarding insider trading. Please refer to the corporate website at <http://www.tongtai.com.tw> for more details.

### 3.4.9 Internal Control System and Implementation Status

#### A. Statement on Internal Control

Tongtai Machine & Tool Co., Ltd.

Statement on Internal Control

Date: March 18, 2021

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

1. The Company acknowledges and understands that establishing, operating and maintaining an internal control system are the responsibilities of its Board of Directors and management, and such a system has been established. The internal control is a process designed to provide reasonable assurance that the following objectives are achieved: the effectiveness and efficiency of operations (including profitability, performance, and safeguarding of assets); reliability, timeliness, transparency, and regulatory compliance of reporting; and compliance with applicable laws, regulations, and bylaws.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes of environment or circumstances. Nevertheless, the Company's internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
3. The Company assesses the design and operating effectiveness of its internal control system based on the criteria set forth in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (hereinafter the "Regulations"). The criteria adopted by the Regulations identify five key components of internal control based on the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each component further contains several items. Please refer to the Regulations for details.
4. The Company has assessed the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the results of the assessment, the Company believes that, as of December 31, 2020, its internal control system (including the supervision and management of its subsidiaries) was effective to provide reasonable assurance that the control objectives were achieved, including the effectiveness and efficiency of operations; reliability, timeliness, transparency, and regulatory compliance of reporting; and compliance with applicable laws, regulations, and bylaws.
6. This Statement is an integral part of the annual report and prospectus of the



Company and will be released to the public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.

7. This Statement was passed in the Board of Directors' meeting held on March 18, 2021, with none of the twelve attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Tongtai Machine & Tool Co., Ltd.

Chairman and General Manager : Jui-Hsiung Yen

- B. If CPA was engaged to conduct a special audit of internal control system, provide its audit report: None.

**3.4.10 In the most recent year and up to the date of publication of this report, where the Company and its internal personnel were penalized according to laws or the Company had punished its personnel for violating the provisions of the internal control system, and the result of the penalty might have significant impacts on shareholders' rights or securities prices. Therefore, the content of the penalty, the major deficiencies and the improvements shall be stated:**

None.

**3.4.11 Major Resolutions of the General Shareholders' Meetings, and the Board of Directors' Meetings in the Most Recent Year and as of the Date of this Annual Report**

**A. Major Resolutions of General Shareholders' Meetings**

Date	Major Resolutions	Implementation Status
2020.06.09	1. Passed and ratified the 2019 Annual Accounting Final Reports and Financial Statements of the Company.	Not applicable.
	2. Passed and ratified the 2019 profits distribution proposal.	August 2, 2020 was set as the ex-dividend record date, and August 21, 2020 was set as the cash dividends issuance date, and total NT\$ 50,965,292 was distributed.
	3. Approved the proposal to revise the "Rules of Procedure for Shareholders' Meeting"	Operations were implemented pursuant to the amended regulations and disclosed on the Company website.
	4. Approved the release of new Directors from non-compete restrictions.	Not applicable.

Date	Major Resolutions	Implementation Status
	5. Completed the election of 18 <sup>th</sup> board of directors (Including independent directors).	As the result of voting, the elected list were as follows, (1) Director : Jui-Hsiung Yen, Yang-Kuang Tung, Hui-Jen Yen, Hwa-Chou Yen and Cheng Yen elected as representatives of San Shin Co., Ltd., Tsan-Jen Chen elected as representative of Jui Hsiu Investment Co., Ltd., Lu Yen elected as representative of Tsan Ying Investment Co., Ltd., Jun-Liang Kuo elected as representative of Hong Mai Co., Ltd., Feng-Hui Chiou elected as representative of Tong Ying Investment Co., Ltd. and Eugene Chuang elected as representative of U-Yuan Investment Ltd. (2) Independent Director : Po-Han Wang , Shin Fann and Ming-To Yu Registration was approved by the Ministry of Economic Affairs on June 18, 2020 and disclosed on the Company website.

#### B. Major Resolutions of Board of Director, Audit Committee and Compensation Committee

Date of Board Meeting	Major Resolutions	The date and resolution of Audit Committee or Compensation Committee	The Company's response to the opinion of Audit Committee or Compensation Committee
2020.01.21 (The 15 <sup>th</sup> time of the 17 <sup>th</sup> )	<ol style="list-style-type: none"> <li>1 Approved of 2020 renewal and addition of credit line of financial institutions.</li> <li>2 Approved of Financial officer, Accounting officer and Acting spokesperson Change.</li> <li>3 Approved of acquisition of real estate from subsidiary Quick-Tech Machinery Co., Ltd.</li> <li>4 Approved of the endorsement/guarantees to subsidiary TONG-YEH PRECISION INDUSTRY CO., LTD.</li> <li>5 Approved of the loan funds to subsidiary Union Top Industrial (Samoa) Limited.</li> </ol>	Approved unanimously by Audit Committee members on the 15 <sup>th</sup> time of the 1 <sup>st</sup> meeting dated January 21, 2020.	None
	<ol style="list-style-type: none"> <li>6 Approved the proposals by Remuneration Committee.  <b>Recusal of Directors and voting situation of Board of Director:</b> <ul style="list-style-type: none"> <li>● <b>Recusal of Directors:</b> Director Feng-Hui Chiou has direct personal interest conflicts and a blood relatives within the second degree of Director Hwa-Chou Yen and Cheng Yen.</li> </ul> </li> </ol>	Approved unanimously by Compensation Committee	None

Date of Board Meeting	Major Resolutions	The date and resolution of Audit Committee or Compensation Committee	The Company's response to the opinion of Audit Committee or Compensation Committee
	<ul style="list-style-type: none"> <li>● <b>Voting situation:</b> Except for directors who recused themselves from the discussion and resolution, all the rest attendance directors agreed and approved the proposal.</li> </ul>	members on the 7 <sup>th</sup> time of the 3 <sup>rd</sup> meeting dated January 21, 2020.	
	7 Approved of 2020 business plan.	-	-
2020.03.16 (The 16 <sup>th</sup> time of the 17 <sup>th</sup> )	1 Approved of 2019 business report and financial statements. 2 Approved the distribution of 2019 earnings. 3 Approved effectiveness of the internal control system and internal control system statement of 2019. 4 Approved of the amendments to some internal control regulations. 5 Approved the loan funds to some subsidiaries. 6 Approved of the endorsement/guarantees to some subsidiaries.	Approved unanimously by Audit Committee members on the 16 <sup>th</sup> time of the 1 <sup>st</sup> meeting dated March 16, 2020.	None
	7 Approved the remuneration of 2019 to employees' and directors.	Approved unanimously by Compensation Committee members on the 8 <sup>th</sup> time of the 3 <sup>rd</sup> meeting dated March 16, 2020.	None
	8 Approved the election of directors. 9 Released of the new directors from non-compete restrictions. 10 Approved the nomination of directors and independent directors candidates. 11 Approved of convening the 2020 Annual Shareholders' Meeting. 12 Approved of accepting the proposal for discussion at a regular shareholders' meeting proposed by shareholder(s). 13 Approved of accepting the nomination of directors (including independent directors) candidates for discussion at a regular shareholders' meeting proposed by shareholder(s).	-	-
2020.05.13 (The 17 <sup>th</sup> time of the 17 <sup>th</sup> )	1 Approved the evaluation of the independence and suitability of the CPA of 2019. 2 Released of the endorsement/guarantees to some subsidiaries. 3 Approved of the endorsement/guarantees to some subsidiaries. 4 Released of the loan funds to some subsidiaries. 5 Approved the loan funds to some subsidiaries. 6 Approved of the amendments to the "Regulations Governing Procedure for Board of Directors Meetings".	Approved unanimously by Audit Committee members on the 17 <sup>th</sup> time of the 1 <sup>st</sup> meeting dated May 13, 2020.	None
	7 Approved of altering the location of the 2020 Annual Shareholders' Meeting.	-	-

Date of Board Meeting	Major Resolutions		The date and resolution of Audit Committee or Compensation Committee	The Company's response to the opinion of Audit Committee or Compensation Committee
2020.06.09 (The 1 <sup>st</sup> time of the 18 <sup>th</sup> )	1 2	<p>Approved the election of the chairman.</p> <p>Approved of engaging the members of Compensation Committee.</p> <p><b>Recusal of Directors and voting situation of Board of Director:</b></p> <ul style="list-style-type: none"> <li>● <b>Recusal of Directors:</b> : Independent Directors Po-Han Wang, Shin Fann and Ming-To Yu have direct personal interest conflicts.</li> <li>● <b>Voting situation:</b> Except for directors who recused themselves from the discussion and resolution, all the rest attendance directors agreed and approved the proposal.</li> </ul>	-	-
2020.08.06 (The 2 <sup>nd</sup> time of the 18 <sup>th</sup> )	1 2 3 4 5 6 7	<p>Approved the remuneration payment of 2019 to directors proposed by Compensation Committee.</p> <p><b>Recusal of Directors and voting situation of Board of Director:</b></p> <ul style="list-style-type: none"> <li>● <b>Recusal of Directors:</b> Chairman Jui-Hsiung Yen, Directors Yang-Kuang Tung , Hui-Jen Yen, Hwa-Chou Yen, Cheng Yen, Feng-Hui Chiou have direct personal interest conflicts and a blood relatives within the second degree of Director Lu Yen, Eugene Chuang and Jun-Liang Kuo.</li> <li>● <b>Voting situation:</b> Except for directors who recused themselves from the discussion and resolution, all the rest attendance directors agreed and approved the proposal.</li> </ul> <p>Approved of establishing "Regulations of remuneration for directors, independent directors and managerial officers".</p> <p>Approved of new credit line of export bills negotiation of Mega bank.</p> <p>Approved the new or renewal credit line of endorsement/guarantees to some subsidiaries.</p> <p>Approved of releasing the endorsement/guarantees to Anger Machining GmbH in BNP Paribas.</p> <p>Approved of the amendments to some internal control regulations.</p> <p>Approved of the significant accounts receivables overdue more than 3 months were not loaning of funds</p>	<p>Approved unanimously by Compensation Committee members on the 1<sup>th</sup> time of the 4<sup>th</sup> Meeting dated August 6, 2020.</p> <p>Approved unanimously by Audit Committee members on the 1<sup>th</sup> time of the 2<sup>nd</sup> Meeting dated August 6, 2020.</p>	None  None
2020.11.05 (The 3 <sup>rd</sup> time of the 18 <sup>th</sup> )	1 2 3	<p>Approved regularly review the policies, systems, standards and structure of manager performance evaluation and salary compensation.</p> <p>Approved the remuneration of 2019 to management and employees' compensation proposed and Year-end bonuses.</p> <p><b>Recusal of Directors and voting situation of Board of Director:</b></p> <ul style="list-style-type: none"> <li>● <b>Recusal of Directors:</b> Directors Lu Yen and Feng-Hui Chiou have direct personal interest conflicts and a blood relatives within the second degree of Director Hwa-Chou Yen and Cheng Yen.</li> <li>● <b>Voting situation:</b> Except for directors who recused themselves from the discussion and resolution, all the rest attendance directors agreed and approved the proposal.</li> </ul> <p>Approved the loan funds to subsidiary.</p>	<p>Approved unanimously by Compensation Committee members on the 2<sup>nd</sup> time of the 4<sup>th</sup> Meeting dated November 5, 2020.</p> <p>Approved</p>	None  None

Date of Board Meeting	Major Resolutions		The date and resolution of Audit Committee or Compensation Committee	The Company's response to the opinion of Audit Committee or Compensation Committee
	4	Approved the new or renewal credit line of endorsement/guarantees to some subsidiaries.	unanimously by Audit Committee members on the 2 <sup>nd</sup> time of the 2 <sup>nd</sup> Meeting dated November 5, 2020.	
	5	Approved of the significant accounts receivables overdue more than 3 months were not loaning of funds.		
	6	Approved 2020 Internal Audit Plan.		

**3.4.12 Written or Otherwise Recorded Dissenting Opinions Made by Directors or Supervisors Regarding Important Resolutions Made in Board of Directors' Meetings in the Most Recent Year and as of the Date of this Annual Report:**

None.

**3.4.13 Resignation or Termination of Chairman, General Manager, Head of Accounting, Head of Finance, Head of Internal Controls, Head of Corporate Governance Officer and Head of R&D in the Most Recent Year and as of the Date of this Annual Report:**

**March 31, 2021**

Title	Name	Appointment Date	Dismissal Date	Reason
Head of Accounting and Head of Finance	Chien-Hung Cheng	May 1, 2011	January 21, 2020	Redeployment
Head of Internal Controls	Chin-Chung Hsieh	April 41, 2011	February 26, 2021	Retirement

**3.5. CPA Service Fees**

Unit: NT\$ in thousands

CPA Firm	Name of CPA	Audit Fees	Non-Audit Fees					Audit Period	Remarks
			System Design	Company Registration	Human Resource	Others* (Note)	Subtotal		
Deloitte & Touche	Yu-Shiang Liu and Jui-Hsuan Hsu	4,555	-	-	-	492	492	2020.01.01~2020.12.31	None

\*Including typing and printing expense, travel expense and TP transfer report and so on.

**3.5.1 If the amount of non-audit service fees paid to CPAs, CPA firms, and their affiliates is over a quarter of the audit fees, the amount of the audit and non-audit service fees and the non-audit services solicited shall be disclosed.**

None.

**3.5.2 If the Company changes its CPA firm and the audit fees paid for the year in which the change takes place are lower than those in the previous year, the audit fee reduction amount and the reason for the decrease in fees shall be disclosed:**

Not applicable.

**3.5.3 If audit fees have decreased by over 10% compared to the previous year, the audit fee reduction amount proportion and the reason for the decrease shall be disclosed:**

Not applicable.

### 3.6. Change of CPA

#### 3.6.1 Predecessor CPA

Replacement Date	(1) February 11, 2019 (2) January 15, 2021		
Replacement reasons and explanations	In compliance with independence of CPA and internal job rotation, the engagement partner has changed as follows, (1) February 11, 2019 : Yu-Shiang Liu and co-signer partner Lee-Yuan Kuo were replaced by Yu-Shiang Liu and Jui-Hsuan Hsu starting from the 1 <sup>st</sup> quarter of 2019. (2) January 15, 2021 : Yu-Shiang Liu and co-signer partner Jui-Hsuan Hsu were replaced by Jui-Hsuan Hsu and Chao-Chun Wang starting from the 1 <sup>st</sup> quarter of 2021.		
Describe whether the Company terminated or the CPA did not accept the appointment	Parties	CPA	The Company
	Status	N/A	
	Termination of appointment		
No longer accepted (continued) appointment			
Other issues (except for unqualified issues) in the audit reports within the last two years	None		
Differences with the Company	Yes		Accounting principles or practices
			Disclosure of Financial Statements
			Audit scope or steps
			Others
	No	V	
Remarks/specify details: Not applicable			
Other Revealed Matters (Should be disclosed according to item 1-4~7, subparagraph 6, article 10 of Regulations Governing Information to be Published in Annual	None		

#### 3.6.2 Successor CPA

Name of accounting firm	Deloitte Touche
Name of CPA	(1) February 11, 2019 Yu-Shiang Liu and Jui-Hsuan Hsu (2) January 15, 2021 Jui-Hsuan Hsu and Chao-Chun Wang
Date of appointment	(1) February 11, 2019 (2) January 15, 2021
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the Company's financial reports that the CPA might issue prior to the engagement.	None
Succeeding CPA's written opinion of disagreement toward the former CPA	None

**3.6.3 Reply by predecessor CPA regarding Article 10, Subparagraph 6, Item 1 and Item 2-3 of Regulations Governing Information to be Published in Annual Reports of Public Companies: None.**

**3.7. The name and title of any Company Chairman, General Manager, and Officers of Finance or Accounting who have held positions at the appointed CPA firm or its affiliates in the past year shall be disclosed along with their tenure period at said CPA firm or affiliates:**

None.

**3.8. Changes in Shareholding and Pledge of Stock Rights of Directors, Supervisors, Officers, and Major Shareholder Holding More Than 10% of the Shares**

**3.8.1 Changes in shares holding and shares pledged of Directors, Officers, and Major Shareholders**

Unit: in shares

Title	Name	2020		As of April 12, 2021		Remarks
		Increase (Decrease) in Number of Shares Held	Increase (Decrease) in Number of Shares Pledged	Increase (Decrease) in Number of Shares Held	Increase (Decrease) in Number of Shares Pledged	
Chairman and General Manager	Jui-Hsiung Yen	0	0	0	0	
Corporate Director	San Shin Co., Ltd.	0	0	0	0	
Board Director (representative)	Hwa-Chou Yen	0	0	0	0	
Board Director (representative)	Cheng Yen	0	0	0	0	
Corporate Director	Tong Ying Investment Co., Ltd	0	150,000	0	0	
Director (representative) and Vice President	Feng-Hui Chiou	0	0	0	0	
Corporate Director	Jui Hsiu Investment Co., Ltd	0	0	0	0	
Board Director (representative)	Tsan-Jen Chen	0	0	0	0	New appointment at 2020.06.09
Board Director (representative)	Hsuan-Jen Kung	0	0	N/A	N/A	Term expired at 2020.06.09
Corporate Director	Tsan Ying Investment Co., Ltd	150,000	0	100,000	0	New appointment at 2020.06.09
Board Director (representative) and Director	Lu Yen	0	0	0	0	New appointment at 2020.06.09
Director	Hui-Jen Yen	5,000	0	0	0	
Director	Yang-Kuang Tung	0	0	0	0	
Corporate Director	Hong Mai Co., Ltd.	60,000	0	0	0	New appointment at 2020.06.09
Board Director (representative)	Jun-Liang Kuo	5,000	0	0	0	New appointment at 2020.06.09
Corporate Director	U-Yuan Investment Ltd.	0	0	0	0	New appointment at 2020.06.09



Title	Name	2020		As of April 12, 2021		Remarks
		Increase (Decrease) in Number of Shares Held	Increase (Decrease) in Number of Shares Pledged	Increase (Decrease) in Number of Shares Held	Increase (Decrease) in Number of Shares Pledged	
Board Director (representative)	Eugene Chuang	0	0	0	0	New appointment at 2020.06.09
Board Director	Huo-Cheng Kuo	0	0	N/A	N/A	Term expired at 2020.06.09
Board Director	Kuo-Chin Chuang	0	0	N/A	N/A	Term expired at 2020.06.09
Independent Director	Po-Han Wang	0	0	0	0	
Independent Director	Shin Fann	0	0	0	0	New appointment at 2020.06.09
Independent Director	Ming-To Yu	0	0	0	0	New appointment at 2020.06.09
Independent Director	Huei-Shiung Chen	0	0	N/A	N/A	Term expired at 2020.06.09
Independent Director	Ting-Lang Shiau	0	0	N/A	N/A	Term expired at 2020.06.09
Vice President	Ying-Chun Huang	0	0	N/A	N/A	Retired at 2020.06.30
Vice President	Yu-Pin Chen	0	0	0	0	
Director	Ching-Ho Chen	0	0	N/A	N/A	Retired at 2020.11.30
Director	Jin-Cheng Yang	0	0	0	0	
Director	Jian-Hung Chen	0	0	0	0	
Director	Yung-Cheng Chen	0	0	0	0	
Director	Wen-Peng Tseng	4,000	0	0	0	
Finance and Accounting Manager	Tzu-Yun Ho	0	0	0	0	

**3.8.2 Stock transfers with related parties:** None

**3.8.3 Stock pledges with related parties :** None

### 3.9. Relationships of Related Party, Spouse, Kinships within the Second Degree among the Top Ten Shareholders:

Units: shares; % / At April 12, 2021

Name	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Names and Relationship of Top 10 Shareholders who are Related Parties, Spouses or within Second-Degree of Kinship to Each Other		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
San Shin Investment Co., Ltd Representative: Hwa-Chou Yen	20,776,889 918,030	8.15 0.36	N/A 103,775	N/A 0.04	N/A 0	N/A 0	Shiou-Huei Lin 、 Hui-Jen Yen San Shin Co., Ltd Jui-Hsiung Yen Li-Huei Jeng	Relatives of the Chairman Same Chairman Relatives of the Chairman ,Supervisor Spouse of the Chairman	None
Jui Hsiu Investment Co., Ltd Representative: Shiou-Huei Lin	8,918,693 316,103	3.50 0.12	N/A 5,480,200	N/A 2.15	N/A 0	N/A 0	Hwa-Chou Yen 、 Li-Huei Jeng 、 Hui-Jen Yen Jui-Hsiung Yen	Relatives of the Chairman Spouse of the Chairman	None
San Shin Co., Ltd Representative:Hwa-Chou Yen	7,987,080 918,030	3.13 0.36	N/A 103,775	N/A 0.04	N/A 0	N/A 0	San Shin Investment Co., Ltd Shiou-Huei Lin 、 Hui-Jen Yen Jui-Hsiung Yen Li-Huei Jeng	Same Chairman Relatives of the Chairman Relatives of the Chairman ,Supervisor Spouse of the Chairman	None
Yu Ming Investment Co., Ltd Representative: Huei-Mei Chuang	5,694,522 0	2.23 0	N/A 0	N/A 0	N/A 0	N/A 0	None	None	None
Jui-Hsiung Yen	5,480,200	2.15	316,103	0.12	0	0	San Shin Investment Co., Ltd Hwa-Chou Yen 、 Li-Huei Jeng 、 Hui-Jen Yen Shiou-Huei Lin San Shin Co., Ltd	Supervisor Relatives of the Chairman Spouse of the Chairman Supervisor	None
Tsan Ying Investment Co., Ltd Representative: Cheng Yen	5,639,530 100,640	2.21 0.04	N/A 0	N/A 0	N/A 0	N/A 0	Hwa-Chou Yen 、 Li-Huei Jeng	Relatives of the Chairman	None
Se Cheng Lu Investment Co., Ltd Representative: Li-Huei Jeng	5,310,603 103,775	2.08 0.04	N/A 918,030	N/A 0.36	N/A 0	N/A 0	Hwa-Chou Yen Jui-Hsiung Yen 、 Shiou-Huei Lin 、 Hui-Jen Yen	Spouse of the Chairman Relatives of the Chairman	None

Name	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Names and Relationship of Top 10 Shareholders who are Related Parties, Spouses or within Second-Degree of Kinship to Each Other		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	NONE
Wei Ling Investment Co., Ltd Representative: Hui-Jen Yen	4,730,609 1,425,047	1.86 0.56	N/A 0	N/A 0	N/A 0	N/A 0	Jui-Hsiung Yen 、Shiou-Huei Lin 、 Hwa-Chou Yen 、Li-Huei Jeng	Relatives of the Chairman	None
Hong Mai Co., Ltd Representative: Jun-Liang Kuo	4,308,622 2,312,426	1.69 0.91	N/A 0	N/A 0	N/A 0	N/A 0	None	None	None
Tong Ying Investment Co., Ltd Representative: Yu-Pin Chen	3,534,259 16,348	1.39 0.01	N/A 0	N/A 0	N/A 0	N/A 0	None	None	None

**3.10. The number of shares of One Enterprise held by the Company, the Directors, Supervisors, Officers of the Company and the Enterprise directly or indirectly controlled by the Company**

December 31, 2020; Units: shares; %

Investee Enterprise ( Note 1 )	Investment by the Company		Investments by the Directors, Supervisors, Officers, and Enterprise Directly or Indirectly Controlled by the Company		Total Shareholding	
	Shares	%	Shares	%	Shares	%
TONGFONG AUTO TECH CO., LTD.	1,499,000	99.9	—	—	1,499,000	99.93
ASIA PACIFIC ELITE CORP.	14,515,414	99.83	—	—	14,515,414	99.83
Quick-Tech Machinery Co., Ltd.	6,238,800	51.99	—	—	6,238,800	51.99
Honor Seiki Company Limited	18,253,424	53.96	—	—	18,253,424	53.96
TONG-YEH PRECISION INDUSTRY CO., LTD.	1,052,898	60.00	—	—	1,052,898	60.00
CHIN JIG TECHNOLOGY Co., Ltd.	2,799,000	69.98	—	—	2,799,000	69.98
Time Trade International Limited	—	—	550,000	100.00	384,890	69.98
CHIN-JIG CO.,LTD (SHANGHAI)	—	—	N/A(Note 2)	100.00	N/A(Note 2)	69.98
Union Top Industrial (SAMOA) Limited	16,465,400	100.00	—	—	16,465,400	100.00
Tong-Yu Machine Tool Co., Ltd (Shanghai)	—	—	N/A(Note 2)	100.00	N/A(Note 2)	100.00
Suzhou Tongyu Machine Tool Co., Ltd (Suzhou)	—	—	N/A(Note 2)	100.00	N/A(Note 2)	100.00
Tong-Tai-Shin Trading Co., Ltd(Shanghai)	—	—	N/A(Note 2)	100.00	N/A(Note 2)	100.00
Great Pursuit Limited	—	—	N/A(Note 2)	55.00	N/A(Note 2)	55.00
Hao-Tern-Shin Electronic Co., Ltd (Shenzhen)	—	—	N/A(Note 2)	100.00	N/A(Note 2)	55.00
Tongtai Machine & Tool Japan Co., Ltd.	889	100.00	—	—	889	100.00
SKTD Co., Ltd.	—	—	780	98.73	780	98.73
TongTai Machinery Co., Ltd.	999,998	100.00	1	—	999,999	100.00
TongTai Seiki Vietnam Co., Ltd	631,080	100.00	—	—	631,080	100.00

Investee Enterprise ( Note 1 )	Investment by the Company		Investments by the Directors, Supervisors, Officers, and Enterprise Directly or Indirectly Controlled by the Company		Total Shareholding	
	Shares	%	Shares	%	Shares	%
Tongtai Machine Tool(SEA) Sdn Bhd	520,000	52.00	—	—	520,000	52.00
Tongtai Machine Tool(MFG) Sdn Bhd	8,500,000	100.00	—	—	8,500,000	100.00
Tong-tai Seiki USA, INC.	100	100.00	—	—	100	100.00
Tongtai Mexico, S.A. DE C.V.	65,999	100.00	—	—	65,999	100.00
PCI-SCEMM	999,999	100.00	—	—	999,999	100.00
TTGroup France	—	—	30,000	100.00	30,000	100.00
Tongtai Europe B.V.	9,000	100.00	—	—	9,000	100.00
Tongan GmbH	35,000	100.00	—	—	35,000	100.00
Mbi-group Beteiligung GmbH	—	—	N/A(Note 2)	100.00	N/A(Note 2)	100.00
Anger Machining GmbH	—	—	N/A(Note 2)	100.00	N/A(Note 2)	100.00
HPC Produktions GmbH	—	—	N/A(Note 2)	100.00	N/A(Note 2)	100.00
Anger Machining Inc.	—	—	60,000	100.00	60,000	100.00
Anger Service Deutschland GmbH	—	—	N/A(Note 2)	100.00	N/A(Note 2)	100.00

Note 1 : Long Term Investment under the Equity method adopted by the Company.

Note 2 : N/A. No shares issued of these investees.

## IV. Capital Raising

### 4.1 Capital and Shares

#### 4.1.1 Source of Capital

##### A. History

Unit: thousand shares; NT\$ thousand

Year & Month	Issue Price (NT\$)	Authorized Capital		Capital Stock		Remarks			
		Shares	Amount	Shares	Amount	Sources of Capital (Shares)		Capital Increase by Assets Other than Cash	Others
2002.08	10	110,000	1,100,000	66,226	662,256	Earnings capitalization Employee bonuses capitalization	4,573 686	None	Note 1
2003.09	10	110,000	1,100,000	72,186	721,857	Earnings Capitalization Employee bonuses capitalization	5,298 662	None	Note 2
2004.05	10	110,000	1,100,000	83,247	832,470	Corporate Bond Conversion	11,061	None	
2004.06	10	110,000	1,100,000	84,821	848,210	Corporate Bond Conversion	1,574	None	
2004.09	10	110,000	1,100,000	99,135	991,345	Earnings Capitalization Employee bonuses capitalization	12,723 1,590	None	Note 3
2005.09	10	140,000	1,400,000	118,652	1,186,516	Earnings Capitalization Employee bonuses capitalization	17,349 2,169	None	Note 4
2005.12	10	140,000	1,400,000	130,652	1,306,516	Paid-in Capital	12,000	None	Note 5
2006.06	10	200,000	2,000,000	145,350	1,453,499	Earnings Capitalization Employee bonuses capitalization	13,065 1,633	None	Note 6
2007.08	10	200,000	2,000,000	161,702	1,617,018	Earnings Capitalization Employee bonuses capitalization	14,535 1,817	None	Note 7
2008.01	10	200,000	2,000,000	171,702	1,717,018	Paid-in Capital	10,000	None	Note 8
2008.08	10	200,000	2,000,000	190,877	1,908,774	Earnings Capitalization Employee bonuses capitalization	17,045 2,131	None	Note 9
2009.08	10	250,000	2,500,000	206,902	2,069,023	Earnings capitalization Employee bonuses capitalization	14,181 1,844	None	Note 10
2011.04	10	250,000	2,500,000	205,650	2,056,503	Treasury stock reduction	-1,252	None	Note 11
2011.08	10	250,000	2,500,000	222,059	2,220,587	Earnings capitalization	16,409	None	Note 12
2012.07	10	250,000	2,500,000	226,500	2,264,999	Earnings capitalization	4,441	None	Note 13
2013.08	10	250,000	2,500,000	231,030	2,310,299	Earnings capitalization	4,530	None	Note 14
2015.01	10	300,000	3,000,000	251,030	2,510,299	Paid-in Capital	20,000	None	Note 15
2015.08	10	300,000	3,000,000	256,026	2,560,265	Earnings capitalization	4,996	None	Note 16
2016.10	10	300,000	3,000,000	254,826	2,548,265	Treasury stock reduction	-1,200	None	Note 17
2019.06	10	400,000	4,000,000	254,826	2,548,265	-	-	None	Note 18

Note 1 : Approved by the Securities and Futures Bureau of the Ministry of Finance MOF (91) I No. 0910136462.

Note 2 : Approved by the Securities and Futures Bureau of the Ministry of Finance MOF (92) I No. 0920128785.

Note 3 : Approved by the Financial Supervisory Commission, FSC No. 0930132017.

Note 4 : Approved by the Financial Supervisory Commission, FSC No. 0940127303.

Note 5 : Approved by the Financial Supervisory Commission, FSC No. 0940154204.

Note 6 : Approved by the Financial Supervisory Commission, FSC No. 0950127327.

Note 7 : Approved by the Financial Supervisory Commission, FSC No. 0960032752.

Note 8 : Approved by the Financial Supervisory Commission, FSC No. 0960053821.

Note 9 : Approved by the Financial Supervisory Commission, FSC No. 0970033412.

Note 10 : Approved by the Financial Supervisory Commission, FSC No. 0980032644.

Note 11 : Approved by the Southern Taiwan Science Park Bureau, STSPB No. 1000008014.

Note 12 : Approved by the Southern Taiwan Science Park Bureau, STSPB No. 1000019557.

Note 13 : Approved by the Southern Taiwan Science Park Bureau, STSPB No. 1010018701.

Note 14 : Approved by the Southern Taiwan Science Park Bureau, STSPB No. 1020019544.

Note 15 : Approved by the Southern Taiwan Science Park Bureau, STSPB No. 1040000030.

Note 16 : Approved by the Southern Taiwan Science Park Bureau, STSPB No. 1040020110.

Note 17 : Approved by the Southern Taiwan Science Park Bureau, STSPB No. 1050025994.

Note 18 : Approved by the Southern Taiwan Science Park Bureau, STSPB No. 1080016749.

## B. Type of shares

2021.04.12; Unit: thousand shares

Type of Shares	Authorized Capital			Remarks
	Outstanding shares (listed shares)	Unissued shares	Total	
Common stock	254,826	145,174	400,000	None

## C. Shelf Registration: None.

### 4.1.2 Composition of Shareholders

2021.04.12\*

Number of Shareholders	Government Agencies	Financial Institution	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions and Natural Persons	Total
Number of Shareholders	0	2	250	34,458	100	34,810
Shareholding	0	307,000	73,182,104	161,691,187	19,646,170	254,826,461
Shareholding Percentage (%)	0%	0.12%	28.72%	63.45%	7.71%	100.00%

\*Most recent data provided by the stock agency.

### 4.1.3 Distribution of Shareholding

#### 1. Common Shares

Par Value: NT\$10 per share; 2021.04.12\*

Range of Shareholding	Number of Shareholders	Shareholding	Percentage (%)
1 ~ 999	22,822	1,285,282	0.50%
1,000 ~ 5,000	7,894	16,513,267	6.48%
5,001 ~ 10,000	1,679	12,320,984	4.84%
10,001 ~ 15,000	761	9,301,221	3.65%
15,001 ~ 20,000	404	7,282,270	2.86%
20,001 ~ 30,000	414	10,248,375	4.02%
30,001 ~ 40,000	199	6,979,106	2.74%
40,001 ~ 50,000	141	6,470,994	2.54%
50,001 ~ 100,000	253	17,789,508	6.98%
100,001 ~ 200,000	127	17,355,911	6.81%
200,001 ~ 400,000	46	12,951,161	5.08%
400,001 ~ 600,000	17	8,327,850	3.27%
600,001 ~ 800,000	8	5,272,198	2.07%

Range of Shareholding	Number of Shareholders	Shareholding	Percentage (%)
800,001 ~ 1,000,000	13	11,508,770	4.52%
1,000,001 and above	32	111,219,564	43.64%
合計	34,810	254,826,461	100.00%

\*Most recent data provided by the stock agency.

2. Preferred Shares: None.

#### 4.1.4 List of Major Shareholders

2021.04.12\*

Shares	Shareholding	Percentage (%)
Name of Major Shareholders		
San Shin Investment Co., Ltd	20,776,889	8.15%
Jui Hsiu Investment Co., Ltd	8,918,693	3.50%
San Shin Co., Ltd	7,987,080	3.13%
Yu Ming Investment Co., Ltd	5,694,522	2.23%
Tsan Ying Investment Co., Ltd	5,639,530	2.21%
Jui-Hsiung Yen	5,480,200	2.15%
Se Cheng Lu Investment Co., Ltd	5,310,603	2.08%
Wei Ling Investment Co., Ltd	4,730,609	1.86%
Hong Mai Co., Ltd	4,308,622	1.69%
Tong Ying Investment Co., Ltd	3,534,259	1.39%

\*Most recent data provided by the stock agency.

#### 4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share

Item	Year	2019	2020	As of March 31, 2021
		Market Price per Share		
	Highest	21.4	17.00	16.50
	Lowest	16.60	10.05	14.15
	Average	17.92	13.80	15.21
Net Worth per Share	Before distribution	20.7	19.16	(Note 5)
	After distribution	20.5	(Note 4)	(Note 5)
Earnings per Share	Weighted Average Shares (thousand)	254,827	254,827	(Note 5)
	Earnings (loss) per share	0.23	(1.36)	(Note 5)
Dividends	Cash dividends	0.20	(Note 4)	-



Item		Year		As of March 31, 2021	
		2019	2020		
per Share	Stock dividends	From retained earning	-	-	-
		From capital surplus	-	-	-
	Cumulative dividends		-	-	-
Analysis of Return on Investment	Price/Earnings Ratio (Note 1)		77.91	N/A	-
	Price/Dividends Ratio (Note 2)		89.6	N/A	-
	Cash Dividend Yield (Note 3)		1.12%	(Note 4)	-

Note 1 : Price/Earnings Ratio = Average Market Price/Earnings per Share.

Note 2 : Price/Dividends Ratio = Average Market Price/Cash Dividends per Share.

Note 3 : Cash Dividend Yield = Cash Dividends per Share/Average Market Price.

Note 4 : Pending for approval by 2021 shareholders' meeting.

Note 5 : The Company's financial statements as of Mar. 31, 2021 haven't reviewed by CPA.

#### 4.1.6 Dividend Policy and Implementation Status

##### 1. Dividend Policy

Under the Company's Articles of Incorporation, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders.

The Company's dividend policy takes into consideration the entire corporate environment, the growth of industry, long-term financial planning for sustainable development, and stable business development. In the planning of dividend distribution, the Company performs the following steps:

- 1) Determine the best capital budget.
- 2) Determine the need for capital loan to satisfy the best capital budget.
- 3) Determine how much capital could be raised from retained earnings.
- 4) Determine the funds needed to maintain the profitable operations of the Company. After the operations are funded, dividends could be distributed to shareholders. In principle, cash dividends should not be less than 50% of the total dividends distributed.

##### 2. Proposal for dividend distribution:

In March 2021, the board of directors proposed to recover the net loss in 2020 from the undistributed earnings in the previous year, and will not distribute earnings.

**3. Explanation of anticipated major changes in the dividend policy:**

Not applicable.

**4.1.7 Impact to business performance and earnings per share resulting from stock dividend distribution:**

Not applicable.

**4.1.8 Compensation of Employees, Directors and Supervisors**

**1. The percentage or range of compensation to employees and remuneration to directors in the Articles of Incorporation is as follows :**

The Articles of Incorporation of the Corporation stipulated the Company to distribute employees' compensation and remuneration of directors at the rates no less than 1% and no higher than 5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors.

**2. The estimation basis of compensation to employees and remuneration to directors, calculation basis for number of shares distributed as employee compensation and accounting treatments for difference between estimated and actual payment amount: :**

If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the difference is recorded as a change in accounting estimate.

**3. Board Resolution for the Distribution of Remuneration:**

Because of the net operating loss for the year ended December 31, 2020, employees' compensation and remuneration of directors were not accrued.

**4. The actual distribution of remuneration to employees, directors and supervisors (including the number of distributed shares, amount, and share price) in previous year, and whose differences (if any) with the recognized remuneration to employees, directors and supervisors should be disclosed along with the differences, reasons and status:**

There was no difference between the actual amounts of remuneration of directors paid by cash amounted of NT\$944 thousand and the amounts recognized in the consolidated financial statements for the year ended December 31, 2019. The employees' compensation for the year ended December 31, 2019 have not been paid.

**4.1.9 Buy-back of Treasury Stock: None.**

**4.2 Corporate Bond**

None.

**4.3 Preferred Stocks**

None.

**4.4 Global Depository Receipts**

None.

**4.5 Employee Stock Options (including the status of employee restricted stock awards)**

None.

**4.6 Status of New Shares Issuance in Connection with Mergers and Acquisitions**

None.

**4.7 Financing Plans and Implementation**

None.

## V. Operational Highlights

### 5.1 Business Activities

#### 5.1.1 Business Scope

##### A. Main areas of business operations

- (1) Machinery and Tool manufacturing.
- (2) Computer Numerical Control Precision Lathe, High Speed Machining Center and PCB Processing Machine Manufacturing.
- (3) Aircraft and Parts Manufacturing, Automobiles, Motor Vehicles and Parts Manufacturing.
- (4) Parts and Die Manufacturing.
- (5) Photographic and Optical Equipment and parts manufacturing.
- (6) Additive Manufacturing Equipment manufacturing.
- (7) Concurrently with the aforementioned products related to international trade.

##### B. Revenue distribution

Units: NTD in thousands / %

Item \ Year	2020	
	Amount	%
Machining Center	3,107,575	39.95
CNC Lathe	1,406,349	18.08
PCB Processing Machine	1,172,571	15.07
Special Purpose Machine	608,725	7.83
Others	64,844	0.83
Component Manufacturer	412,020	5.30
Maintenance and rebuilding revenues	1,006,457	12.94
<b>Total</b>	<b>7,778,541</b>	<b>100.00</b>

##### C. Main products

Main products	Applications
Laser Machine	The numerical control system combines the human-machine interface, rapid positioning system, optical and image processing system, and transport mechanism. The laser source is used to focus on the printed circuit board to vaporize and remove the material to achieve functions such as drilling, cutting, and engraving. Suitable for high-efficiency addition of small multi-layer printed circuit boards with small apertures, etc.

Main products	Applications
PCB Processing Machine	The numerical control unit is combined with high-speed spindle, automatic clamping, automatic tool change, automatic detection and other mechanical components, which can be used for drilling/forming of printed circuit boards. This product is suitable for high-efficiency processing of small apertures of high-level printed circuit boards due to its high structural rigidity, fast speed and good stability.
Special Purpose Machine	In response to the mass production function of parts, with special structure, spindle box and fixture device, it can be used for drilling, tapping, boring, broaching and other functions. It is mainly used for high-precision, large-volume parts processing.
CNC Lathe	With numerical control unit and tool changer, turret and other devices, it can be used for turning, middle hole drilling, boring, tapping and even turning-milling composite functions. This product is mainly used for high-precision metal parts processing
Machining Center	It is equipped with automatic tool change system, tool magazine and other devices under numerical program control, which can be used for milling, drilling, boring, tapping and other functions. This product is mainly used for high-precision metal parts processing, and can quickly cut high-precision metal parts.
Additive Manufacturing Equipment	Additive manufacturing is a manufacturing method in which metal powder is melted through a laser and stacked layer by layer. It is also called "3D printing". 3D digital graphics files can be directly realized as three-dimensional parts, which can produce what cannot be produced by traditional methods. Complex shapes bring more design possibilities and reflect the designer's ideas, such as high-strength lightweight structures or complex waterway designs, etc.

#### D. New products development

Item	Products
1	Tapping Center
2	5-axis Horizontal Machining Center
3	Multi-tasking Turning Center
4	UV Laser Processing Machine
5	Linear motor CNC PCB Drilling Machine
6	Routing Machine with Depth Control Function
7	CNC PCB Drilling Machine with Automatic load/unload system

## 5.1.2 Industry Overview

### 1. Status and development of the industry

#### (1) Overview of the global machine tool market in 2020

The impact of the COVID-19 pandemic in 2020 is the most severe since the financial tsunami. The disconnection, lockdown of cities and countries caused by the pandemic has made the global manufacturing supply chain unable to operate, and the economy and trade of various countries have shrunk rapidly, and cross-border movement has been widely affected. Fortunately, the advent of vaccines boosted investment confidence and gradually stabilized market supply. Gardner Publications stated that the contraction of machine tool orders in the third quarter of 2020 will gradually decrease, and it is predicted to rebound after bottoming out in the first quarter of 2021.

According to the statistics of the Taiwan Machine Tool and Components Industry Association (TMBA) based on the export declaration data of various customs areas in Taiwan provided by the Ministry of Finance, the total export of Taiwan machine tools in 2020 is US\$2.155 billion. This represents a decrease of 29.7% from 2019. Among them, the export of metal cutting machine tools decreased by 29.8%, with an amount of US\$1.784 billion, and the export of metal forming machine tools decreased by 29.5%, with an amount of US\$371 million.

In 2020, the main export models of metal cutting machine tools will be integrated processing machines in order, with an export value of approximately US\$702 million, a decrease of 31.3% compared with the same period in 2019; lathes ranked second, with an export value of nearly US\$446 million, decrease by 28.3% in the same period in 2019.

#### ■ Taiwan Machine Tools Export by Product in 2020

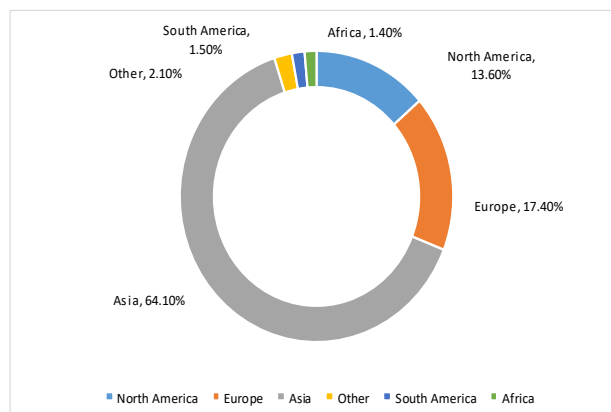
Machine Type	Quantity	Amount (in USD thousand)	% of Amount
EDM, Laser Machines Cutting M/C, etc.	6,419	154,148	7.2%
Machining centers	8,066	702,293	32.6%

Lathes	12,610	445,981	20.7%
Drilling, Boring, Milling M/C	22,755	193,001	9.0%
Grinding machines	104,476	183,767	8.5%
Shaping, Sawing, Gearing M/C	63,547	104,415	4.8%
<b>Subtotal for Mental Cutting Machine</b>	<b>217,873</b>	<b>1,783,604</b>	<b>82.8%</b>
Presses & Shearing machines	16,234	294,247	13.7%
Other Metal Forming machine tools	4,186	77,022	3.6%
<b>Subtotal for Mental Forming Machine</b>	<b>20,420</b>	<b>371,270</b>	<b>17.2%</b>
<b>Total Machine Tools</b>	<b>238,293</b>	<b>2,154,874</b>	<b>100%</b>

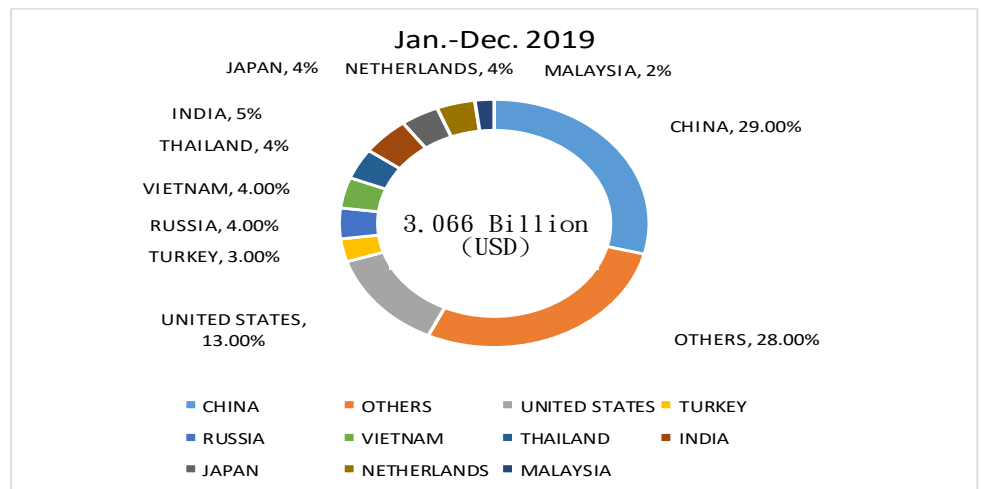
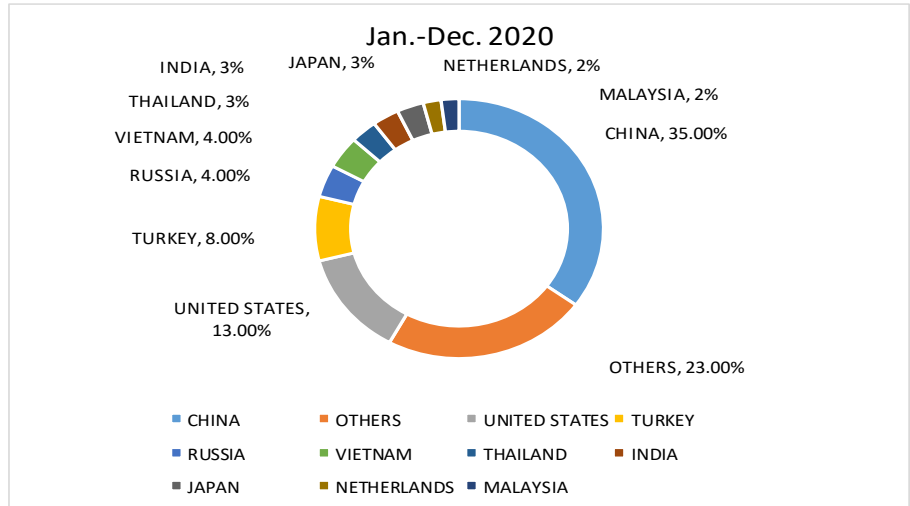
## (2) Main export markets of Taiwan's machine tools in 2020:

According to the analysis of exporting countries (regions), the top ten countries (regions) for Taiwan machine tool exports in 2020 are: China (including Hong Kong), the United States, Turkey, Russia, Vietnam, Thailand, India, Japan, and the Netherlands and Malaysia. Among them, Taiwan's exports of machine tools to China (including Hong Kong) amounted to nearly US\$757 million, a decrease of 16.2% compared with 2019, accounting for 35.1% of the total exports; the second largest export was the US market, with exports of nearly US\$273 million. The export value decreased by 33.1% compared with 2019, accounting for approximately 12.7% of total exports; Turkey ranked third with an export value of US\$165 million, a substantial increase of nearly 82.1% compared to 2019, accounting for 7.7% of total exports.

### ■ Analysis of exporting regions of Taiwan machine tool exports in 2020 (data source: Machine Tool and Components Magazine)



- Analysis of exporting countries of Taiwan machine tool exports in 2020 and 2019 (data source: Machine Tool and Components Magazine)



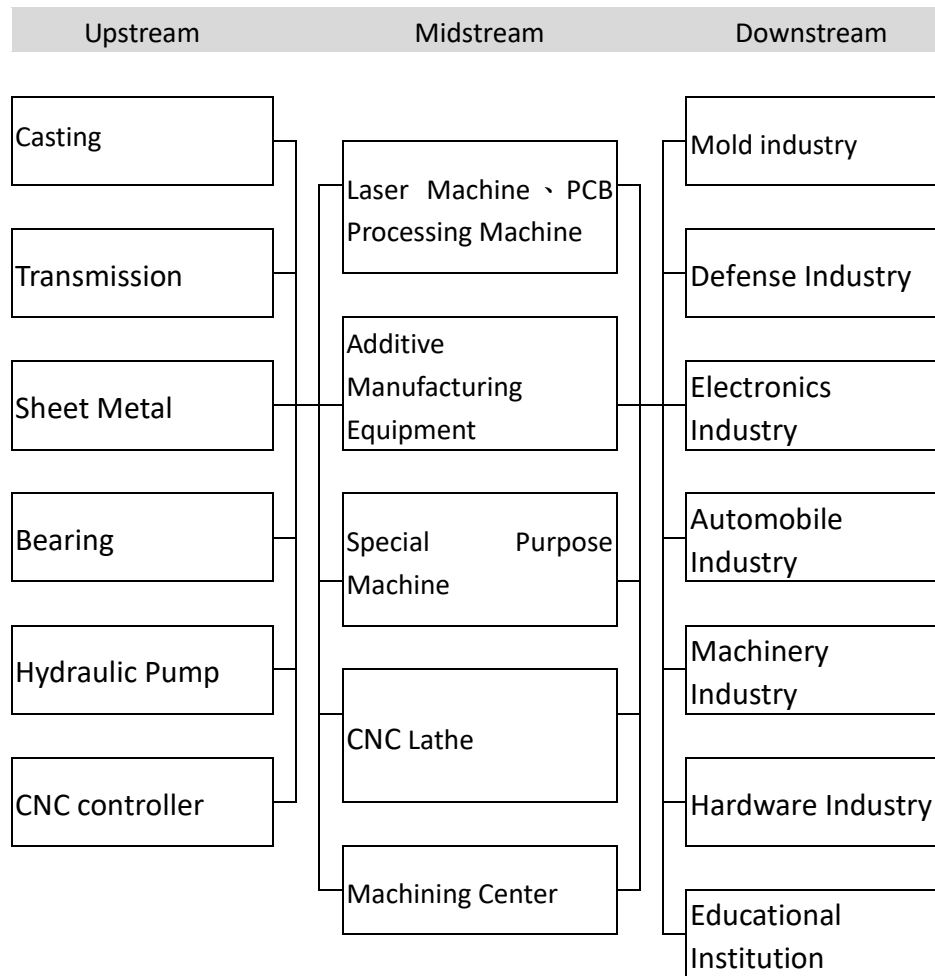
## 2. Relationship between the Industry Upstream, Midstream, and Downstream:

The upstream, midstream and downstream of the machinery industry have extremely close relations. Because the processing process is relatively complicated, and there are many types of parts and components required, the manufacturing process of the machinery is usually integrated in a professional division of labor through the production process such as the processing and manufacturing of the



parts through the cooperation of the third-party manufacturers. The required raw materials include castings, hardware parts, controllers, motors and bearings, etc., while the defense industry, automobile industry, aerospace industry, electronics industry, machinery industry, etc. are its downstream industries.

The company's upper, middle and downstream relationship diagrams are as follows



### 3. Development trends of the product

With the rapid development of electric vehicles, Tongtai has integrated the group's technical energy and channels, and developed related equipment to enter the market. However, as the manufacturing of products in various industries around the world is gradually moving towards smart production, customization, small quantities and diversification, our machine tool products and software and hardware technology integration and research and development are also based on the above-mentioned market demand, toward intelligence ( Single

machine, whole line and whole factory), composite (engineering intensive), automation, networking and advanced process (ultrasonic assisted processing, multi-layer manufacturing)... and other directions to provide customers with complete solutions, the goal is to enable customers to continue automatic production good products.

#### **4. Competition in the industry:**

##### **(1) Whole plant, whole line and special machine:**

- A. Competition Status: Due to the heavy investment in manpower, technology R&D, and equipment required for the production of the entire plant, the entire line and the special machine, there are very few domestic manufacturers that can undertake the entire plant, the entire line and the special machine from a major factory, and the main competitors of this equipment mostly based on Germany, the United States, and Japan.
- B. Our Advantage: Tongtai has excellent design capabilities, process experience and a complete supply chain, which can fully meet customer budgets and needs, and through teamwork, quickly provide solutions that meet customer process and quality requirements. In recent years, Tongtai has introduced virtual and real integrated manufacturing technologies, including equipment simulation, processing simulation, automation simulation, etc.... ,which can point out and eliminate the problem before manufacturing and reduces the probability of problems, manpower and material resources and other warranty costs, and competes relatively superior to peers.

##### **(2) PCB Drilling Machine / Routing Machine /Laser Drilling Machine/ Laser Processing Machine:**

- A. Competition Status: The market requires high-precision, high-speed, and sufficient stability for PCB drilling machines. The needs of users can only be met through strong industrial experience, mechanical R&D strength, and manufacturing foundation. In addition, the industry's purchase of equipment is mainly from reputation, so whether the relevant machinery can meet the capacity and quality requirements of the customer's individual production line is the focus of future competition for PCB processing machines
- B. Our Advantage: According to the above-mentioned industrial environment, Tongtai introduced Japanese drilling machine

technology decades ago, and after repeated research and improvement, mass production began in 1999. Compared with domestic counterparts, Tongtai has the advantage of relatively leading technology. The sales number of PCB drilling machines, molding machines, laser drilling machines, laser processing equipment, etc...has exceeded 9,000 units, and Tongtai is also the only manufacturer with a laser drilling product line in Taiwan.

**(3) CNC Lathe:**

- A. Competition Status: The field of CNC Lathe is fiercely competitive. The more influential competitors are from Japanese and Korean. The relatively competitive domestic manufacturers include Taichung Seiki, Roundtop, Goodway, Takisawa, etc.
- B. Our Advantage: Tongtai continues to put effort in R&D, not only to improve the accuracy of turning, but also to enhance the added value of products through automation and compounding, and maintain the leading position in the field of high-precision lathes. In addition, Tongtai also has excellent customization capabilities. When facing the changing needs of customers in the field of CNC Lathe, Tongtai can respond in the shortest time and provide the best service, so Tongtai is more competitive than the same industry.

**(4) Machining Center:**

- A. Competition Status: The most competitive countries in the global market for machining center are Japan, South Korea, and Germany. Among them, Japan is more influential in Taiwan. As for some of the more competitive domestic manufacturers include Yongjin, Dali, Roundtop, and Taichung Seiki.
- B. Our Advantage: Tongtai can meet the needs of customers at different levels in the industry. Whether it is high-precision, high-stability precision machinery, a small number of diversified composite machinery, or automated fixture products and other customized needs and services, Tongtai can respond to customers at different levels and different industries. Demand, provide a complete solution.

**(5) Additive Manufacturing Equipment:**

- A. Competition Status: Additive manufacturing, commonly known as 3D printing, is an emerging manufacturing method in recent years. It can quickly realize ideas and shorten development time. It is very suitable for complex shapes, high-strength lightweight structures that are difficult to handle with traditional methods. According to the Ministry of Science and Technology, 3D printing is an innovative application technology. According to a report from the market research agency IDC, the global output value is estimated to reach US\$22.7 billion by 2022. Applications include manufacturing and healthcare industry, education, professional services, and personal consumption. Our main competitors are German EOS, 3D System and other companies.
- B. Our Advantage: The additive manufacturing field that Tongtai has entered is metal additive manufacturing and sand mold additive manufacturing with higher thresholds and significantly increased demand. Tongtai is the only metal 3D printing equipment manufacturer in Taiwan. The products have also won the National Yushan Award and the Taiwan Excellence Gold Award. In addition, Tongtai also provides product trial production services to assist customers in evaluating the 3D printing process and counseling transformation and upgrading.

### 5.1.3 Research and Development

#### 1. The Group R&D Expenses during the Current Fiscal Year up to the Date of Publication of the Annual Report

Unit: NT\$ in thousands /%

Item	2019	2020
Total R&D Expense	405,656*	296,302
Less: Government Subsidy	80,442	6,516
Net R&D Expense	325,214	289,786
Percentage of R&D Expenses to Operating Revenue	3.69%	3.81%

#### 2. Successful Development of New Products:

Item	Type	Machine Name
1	VTX-5II	Tapping Center
2	SuperTD	Multi-Tasking Turning Center
3	TDL-6BX	Linear Motor PCB CNC Drilling Machine
4	SDF-116	High Precision Drilling Machine for Fixture Application

#### 5.1.4 Long-term and Short-term Development

##### A. Short-term business development plan

###### (a) Marketing Strategy:

COVID-19 is the most serious impact in 2020 since the financial crisis. According to the TMBA, the total export of machine tools in 2020 has declined by 29.7% compared to 2019. However, since 2021, the order taken has been slowly recovery. With the advent of various vaccines and the smooth opening of the vaccination, countries have unblocked them, and the borders will be opened in Q2. Various exhibitions and industrial and commercial are predictable and will accelerate the demand for machine tools. The orders taken is optimistically expected to grow upward in Q3 and Q4. Therefore, in addition to maintaining the original industry customers, Tongtai positively strives for all existing business opportunities and retrieves customers that have not been repurchased for many years, and accelerates the development of forward-looking industries and potential customers. At the same time developing emerging and potential markets, in addition to hosting customized customer visits through T-TAC in each district, Tongtai also actively conducts active business development through online exhibitions and seminars through digital marketing techniques.

###### (b) Product strategy:

In addition to continuing to focus on the original industrial fields (such as 5G, SLP and high-end circuit board (package carrier board) applications, high-precision linear motor drilling machines to meet the needs of these applications and the automotive industry, locomotive industry), Tongtai also positively develops the supply chain related to the electric vehicle industry and the green energy industry to complement the growth and decline of the original traditional automobile and electric vehicle industries, as well as the changes and impacts brought about by the changes in the original parts supply chain's products and processing procedures.

###### (c) Production strategy:

Promote the link between production lines and business sales information, so that the department can understand the order information and to prepare for the subsequent work, and introduce the manufacturing process management platform to improve the quality of the manufacturing process and delivery control. Tongtai also maintains and manages the supplier relationship to further improve production efficiency and reduce material inventory.

(d) Operation management:

Actively promote forward management, continue to refine the optimization of various operating procedures and the integration of the system, so that the work is not missed and made without mistakes. In addition, cultivate professional talents, establish a digital customer management system, and improve pre-sale preparation to improve the sales success rate of business personnel.

**B. Long-term business development plan**

(a) Marketing Strategy:

Focus on the automobile, electric vehicle and electronics industries as the main development targets, and copy our original successful experience to expand and deepen the industry supply chain and the market share. Promote the sales model of AI products, build a complete database system, and combine online and offline sales and consulting services.

(b) Product strategy:

Fully understand the demands of the industry, investigate and collect market information such as electric vehicles, 5G, green energy and printed circuit board inspection systems and semiconductor process equipment, integrate the technological achievements of independent research and development and foreign resources, and develop both software and hardware to provide customers with competitive solutions.

(c) Production strategy:

Improve production technology, continue to refine and optimize QCD, and improve product competitiveness; simultaneously and continuously strengthen the autonomy of key parts, construct MES system and introduce intelligent management, combine sales and material

requirements to produce production planning, synchronize production information to customers and save production history so that it can be retrospectively analyzed and continuously improved.

(d) Operation management:

Adhering to the tenet of sustainable operation and profitable growth, based on system data, we will continue to improve every aspect of the company's operation management, strengthen corporate governance and fulfill corporate social responsibility, and strive to bringing value to all stakeholders, including employees, customers, suppliers, and shareholders.

## 5.2 Market and Sales Overview

### 5.2.1 Market Analysis

#### A. Sales (Service) Region

Unit: NT\$ in thousands /%

Year Region	2019		2020	
	Sales Amount	%	Sales Amount	%
Taiwan	1,016,780	9.24%	900,811	11.58
China	3,984,832	36.23%	3,717,118	47.79
Europe	2,362,178	21.47%	1,604,789	20.63
Asia	2,086,285	18.97%	994,790	12.79
Others	1,550,018	14.09%	561,033	7.21
<b>Total</b>	<b>11,000,093</b>	<b>100.00%</b>	<b>7,778,541</b>	<b>100.00%</b>

#### B. Market Share (%) of Major Product Categories in the Last Two Years

Due to the wide variety of machine tools, their specifications, functions and uses are quite different, and the customer base is widely distributed, objective statistics cannot be found. Therefore, the calculation of market share is based on the export data from the General Customs Administration of the Ministry of Finance to get a rough estimate of the export market share. Taiwan's total export volume of machining center in 2020 was USD 702,293 thousand, representing a 4.0% market share rate of Tongtai while the total Taiwan export volume of CNC Lathe was USD 445,981 thousand, representing a 4.5% market share rate of Tongtai.

#### C. The future supply and demand situation and growth of the market

(1) Demand

- (a) Looking ahead of 2021, due to the advent of the COVID-19 vaccine, the restrictions of economic activities in various countries will gradually loosen, and China's manufacturing industry will recover; demand for automobiles and 3C supplies will begin to grow; demand for semiconductors and 5G equipment will grow; Taiwanese companies will return to Taiwan to invest, etc. Major international forecasting agencies believe that the global economic outlook for 2021 is more optimistic than last year.
- (b) The influence of geopolitics on the supply chain is getting deeper and deeper, and companies turn to nearby markets or localized supply. Therefore, this short-chain type of "decentralized production" will be a strategic layout for companies to think about and adjust. In addition, in the face of the new normal after the epidemic, the manufacturing industry no longer considers large-scale, low-cost, and just-in-time supply (Just in time), but instead shifts to uninterrupted operations and decentralized production. How to assist the industry in building a strong ecological chain will be the next direction of industrial upgrading and transformation. Facing this trend, increasing the digitization and informatization of manufacturing equipment, that is, digitization of manufacturing equipment, has become the first step in the transformation of the machine tool industry towards smart manufacturing.

(2) Supply

- (a) Our machine tool products and software and hardware technology integration and research and development are also based on the above-mentioned market demand, and are moving towards intelligence (single machine, whole line and whole plant), composite (engineering intensive), automation, networking and advanced manufacturing processes (ultrasonic assisted processing, layered manufacturing)... etc., to provide customers with a complete solution. The goal is to enable customers to continue to automatically produce good products.
- (b) Tongtai started with the special purpose machine. Whether it is single-machine automation, production-line multi-machine automation or flexible manufacturing system, Tongtai can provide customers with the most cost-effective automation solutions with many years of abundant technology and



experience. In recent years, specialized models have been developed for specific industries, which can greatly improve production efficiency.

#### **D. Competitive niche**

(1) Enhancement the product value

The Company is committed to the research and development of a variety of high-precision, high-stability and cost-effective cutting machine types. On the one hand, it shortens the gap with German, Japanese and other manufacturers, such as products with multi-axis and composite functions. At the same time, Tongtai uses excellent research and development capabilities to increase the added value of products, with automation, development of intelligent software, and assisting customers to introduce smart manufacturing, so as to avoid price-cutting competition with Taiwanese peers, Chinese and South Korean manufacturers.

(2) Development and obtain of key technologies

In addition to the research and development of new technologies and smart manufacturing, we also hire European and Japanese consultants to conduct technical exchanges, and have long-term technical cooperation with production, government, and academic research departments to improve the technical level of mechanical design. In addition, the company invests 3-5% of its revenue every year as R&D funds, which is the first stage of R&D investment in the industry, which is the best proof of attaching importance to key technologies. In terms of results, the product has won a number of national awards, such as the National Yushan Award, the Taiwan Excellence Gold Award, and the Silver Award.

(3) Group energy

Integrate group access, product lines, technology, resources, experience and successful cases, uphold the same goals and concepts to expand the market, provide customers with the best solutions, and create benefits for customers.

#### **E. Advantages and disadvantages of development prospects and countermeasures**

(1) Advantages

- (a) The Industrial Technology Research Institute has comprehensively adjusted the positive and negative factors and predicts that the decline in the output value of our country's machine tool industry in 2021 will gradually shrink, the overall output value will grow by 8%

annually, and the output value will rebound to about NT\$110 billion. According to the prosperous rules, the annual growth rate of the output value of our country's machine tool industry will reach its peak in the third quarter of 2021.

- (b) The China–United States trade war has yet to be resolved, but the "China Standard 2035" policy promotes the upgrading of manufacturing industries such as digital factories, which is expected to boost the growth of machine tool consumption by 20%-25%. The new economic policy of the U.S.A. Biden government to "rebuild a better future" will invest US\$700 billion to purchase American products and strengthen research and development, assist manufacturing and innovation, and is expected to increase machine tool consumption by 15%-20%.
- (c) Taiwan has industrial advantages such as machine tools, sensors, industrial computers, and information and communications. It encompasses the roles required for smart manufacturing, and is conducive to the development of integrated solutions for smart manufacturing and entry into the international market.

## (2) Disadvantages

- (a) There are two major negative factors affecting the machine tool industry in 2021. The first one is the exchange rate of NTD against the US dollar, which is relatively stronger than the currency exchange rates of competing countries such as China, Japan and South Korea, which will affect Taiwan's machine tool exports. Secondly, the epidemic situation in Europe and the United States continues to expand. Before the second quarter of 2021, vaccines in countries around the world will not be able to be vaccinated on a large scale.
- (b) Faced with the oppression of high-end European, American, and Japanese products, and the catching-up of low-end Chinese products, similar products from Taiwan, South Korea and other countries are also active in the market, and the machine tool market is fiercely competitive.

## (3) Countermeasures

- (a) Shift to smart manufacturing, adding value-added systems, and software and hardware integration services.
- (b) Strengthen the business model of global layout and diversify the risk of the market concentration in China.
- (c) Continue to invest in the electric motor vehicle market, research and develop industrial specialized general-purpose machines, customized

intelligent production lines, etc., and to create irreplaceable technological advantages.

- (d) Continue to research and develop cost-effective machines, and assist customers in various industries to introduce automation and intelligence, to provide customers with complete overall solutions, and to resist price-cutting competition in various countries.

## 5.2.2 Applications and Production Process of Main Products

### 1. Main Applications

Main Products	Main Applications
Special Purpose Machine	With customer-specified functions such as drilling, tapping, boring, and broaching, it is used for high-precision, high-volume parts processing.
CNC Lathe	With turning, middle hole drilling, boring, tapping and other high-precision metal parts processing functions, it can quickly cut metal/non-metal circular workpieces.
Machining Center	With functions such as milling, drilling, boring, tapping, etc., suitable for high rigidity, heavy cutting processing, high-speed contour processing.
PCB Processing Machine	Drilling or cutting of printed circuit boards, suitable for high-efficiency processing of small apertures of printed circuit boards.
Laser Machine	The material is vaporized and removed by laser to achieve functions such as drilling or cutting. Perform high-speed drilling, blind hole processing, etc., suitable for high-efficiency processing of small multi-layer printed circuit boards with small apertures.
Additive Manufacturing Equipment	Additive manufacturing is a manufacturing method in which metal powder is melted through a laser and stacked layer by layer. It is also called "3D printing". 3D digital graphics files can be directly realized as three-dimensional parts, which can produce what cannot be produced by traditional methods. Complex shapes bring more design possibilities and reflect the designer's ideas, such as high-strength lightweight structures or complex waterway designs, etc.

## 2. Process Flow

### (1) Special Purpose Machine:

Customer's requirement→Planning & Quotation→Contract signed→Detailed drawing design→Parts production & purchase→Assembly and test run→Installation→Acceptance.

### (2) CNC Lathe, Machining Center, PCB Drilling Machine, Routing Machine, Laser Drilling Machine and Additive Manufacturing Equipment:

Market research and evaluation→Machine SPEC confirmed→Development Design→Trial production test→Mass production plan→Material preparation and assembly production→Precision inspection.

### 5.2.3 Supply Status of Main Materials

NO.	Major Raw Materials	Major Suppliers	Supply Status
1.	CNC CONTROLLER	FANUC、MITSUBISHI、SIEMENS、HEIDENHAIN	Stable
2.	BALL SCREW	NSK、THK、HIWIN、PMI、TSUBAKI	Stable
3.	LINEAR GUIDE	NSK、THK、Rexroth、PMI、HIWIN、IKO、CPC	Stable
4.	BEARING	SKF、NSK、NACHI	Stable
5.	TURRET	LIO SHING、GSA、SAUTER	Stable
6.	HYDRAULIC CHUCK	KITAGAWA、HOWA、AUTO STRONG、CHANDOX	Stable
7.	HYDRAULIC PUMP、SOLENOID VALVE	SANSHIN、PAO CHENG HANG、ANSON	Stable
8.	ELECTRICAL ACCESSORIES	YILIANG、SINTEK、JIDIEN、HOHLI、SHUYO、TONGFONG	Stable
9.	CASTING	JEA-SHENG、YANG GANG、YUANG SHING、JANYO、WINSON、DEI-WU、YING QUAN	Stable
10.	SHEET METAL	DASHING、JINYON、TIENDING、KEYARROW、CHENG MAO、SHIANG JEN	Stable

#### 5.2.4 The Purchases (Sales) Amount and Percentage of Suppliers and Customers Accounting for More than 10% of the Total Purchases (Sales) Amount in the Past Two Fiscal Years:

##### A. Major Suppliers in the Last Two Calendar Years

Unit: NT\$ in thousands

No.	2019				2020			
	Name	Amount	Percentage of Total Purchases (%)	Relationship with the issuer	Name	Amount	Percentage of Total Purchases (%)	Relationship with the issuer
1	Company A	521,044	8.96	None	Company A	460,433	9.50	None
2	Others	5,293,935	91.04		Others	4,385,630	90.50	
	Net Purchases	5,814,979	100.00		Net Purchases	4,846,063	100.00	

##### B. Major Clients in the Last Two Calendar Years

No revenue from any individual customer exceeds 10% of the Company and its subsidiaries' total revenues for the years ended December 31, 2020 and 2019.

#### 5.2.5 Production in the Last Two Year

Units:Volumn/ NTD in thousands

Year Production Figures Main Product	2019			2020		
	Capacity*	Production volume	Production Value	Capacity*	production volume	Production Value
Machining Center	-	1,423	3,263,037	-	1,060	2,370,608
CNC Lathe	-	746	1,958,897	-	360	1,347,806
PCB Processing Machine	-	455	999,250	-	452	967,563
Special Purpose Machine	-	60	908,392	-	66	608,807
Others	-	8	53,519	-	4	19,958
Component Manufacturer	-	-	586,866	-	-	367,973
Maintenance and rebuilding service	-	-	543,455	-	-	704,520
合計	-	2,692	8,313,416	-	1,942	6,382,144

\*The company is a R&D, design, manufacturing and sales company that provides customized equipment, and uses the manpower to assembly the machine, therefore the capacity utilization rate is not applicable.

## 5.2.6 Shipments and Sales in the Last Two Years

Units:Volumn/ NTD in thousands

Year Sales Main Products	2019				2020			
	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Machining Center	258	720,245	1,068	3,629,018	157	583,322	861	2,524,253
CNC Lathe	193	373,958	498	2,321,948	57	172,266	237	1,234,083
PCB Processing Machine	13	29,750	448	1,313,111	15	44,550	400	1,128,021
Special Purpose Machine	8	64,176	60	929,913	5	8,149	63	600,576
Others	1	7,619	-	-	9	28,200	-	88,406
Component Manufacturer	-	40,752	-	430,138	-	28,303	-	331,955
Maintenance and rebuilding service	-	136,205	-	1,003,260	-	140,623	-	865,834
<b>合 計</b>	<b>473</b>	<b>1,372,705</b>	<b>2,074</b>	<b>9,627,388</b>	<b>243</b>	<b>1,005,413</b>	<b>1,561</b>	<b>6,773,128</b>

## 5.3 Human Resources

2021.03.31

Year		2019	2020	As of 2021.03.31
Number of Employees	Manufacturing	1,237	1,061	1,022
	Sales and After-sales	195	204	202
	Administration	346	381	384
	R&D	265	209	210
	<b>Total</b>	<b>2,043</b>	<b>1,855</b>	<b>1,818</b>
Average Age		37.7	39.4	39.6
Average Years of Service		6.31	7.71	7.78
Education	Doctorate	0.29%	0.32%	0.27%
	Masters	8.57%	9.06%	9.11%
	College or University	52.47%	51.81%	51.84%
	High School	32.55%	33.53%	33.35%
	Below High School	6.12%	5.28%	5.43%

## 5.4 Environmental Protection Expenditure

None.

## 5.5 Labor Relations

### 5.5.1 Employee Welfare

#### 1. Employee Welfare :

In order to take care of the daily life of colleagues, in addition to providing a safe and warm working environment, the company also provides various welfare measures and various activities organized by the Welfare Committee to allow colleagues to relax physically and mentally outside of work, so as to eliminate the busyness and tension of work which makes life full and comfortable, and make more harmonious in relationships.

(1) Company welfare, employee welfare

Welfare provided by the Company	Welfare provided by the Welfare Committee
1. Labor insurance, national health insurance and group insurance. 2. Compensation for occupational disasters. 3. The company's pension system, education and training. 4. Festival gifts and lunch allowances. 5. Marriage, funeral and childbirth subsidies. 6. Recognition and reward for senior employees. 7. Books and newspapers in the reading room for borrowing. 8. Hire full-time nurses and regular health check-ups	1. Hold Regular domestic tours. 2. Foreign travel subsidies. 3. Educational scholarships and grants for employees and their children. 4. New Year gifts. 5. Employee birthday gift box. 6. Subsidies for club activities. 7. Marriage and funeral, injury and sickness, childbirth subsidies and emergency relief. 8. Year-end dinner and lottery activities.

(2) Employee health promotion and activities

A. Regular employees are entitled to a medical check-up once a year after working for a full year. A more comprehensive health check-up program is provided for employees with more than 10 years of experience and supervisors above the deputy manager level. In addition, employees with special tasks are also provided with necessary health checkups in accordance with laws and regulations. Projects (such as noise and dust operators) are tracked and checked regularly every year to fully take care of the health of employees. Due to the impact of the COVID-19 global epidemic, a small number of colleagues were unable to return to Taiwan to participate in the

health check. Therefore, the completion rate of the employee health check in 2020 was 97.55%, with a total of 719 people.

- B. Attaches great importance to the health of employees, the factory has set up medical rooms and hired full-time occupational safety and health nurses stationed in the factory to take care of employees' health management and health promotion. The health check values are divided into three levels for health management (mild/moderate/serious), priority is arranged by severity level. For high-risk groups such as maternal protection objects, abnormal workloads, human-induced hazards prevention, etc., after the consent of colleagues will provide individual appointments with professional doctors and arrange consultation, health guidance, assistance in tracking medical treatment and nursing and health education remind colleagues to be more concerned about their own health.
- C. Specialists in the Occupational Medicine Department of Chimei Hospital provide on-site services once a month for 3 hours. In addition to providing individual consultations and interviews for high-risk groups, they also handle four occupational safety and health lectures "Serious Special Infectious Pneumonia Epidemic Prevention Conference", "Understanding human hazards and prevention and health care", "Analysis of common health check problems", "Awareness and prevention of cardiovascular disease", a total of 167 people participated.
- D. In order to create a friendly workplace environment, Article 23 of the Gender Work Equality Act stipulates that employers employing more than 100 employees shall provide nursing rooms and childcare facilities or provide appropriate childcare measures. In 2015 breastfeeding (collection) room was set up to assist employees to take care of their work and family care responsibilities. Providing female colleagues who must breastfeed after childbirth, and can be applied online through the E-system, providing a very concealed, comfortable, and clean high-quality environment, and even won the Special Award of Kaohsiung Breastfeeding Room.
- E. Hiring visually impaired masseurs, in addition to providing job opportunities for the visually impaired, it also provides staff massage and stress relief services to help employees relieve stress and promote physical and mental health outside of work.
- F. Health check-up smoking rate survey is 21.17% in 2018, 19.17% in 2019, and 15.43% in 2020, which were higher than the smoking rate of the public by 13%. For two years we actively promoted workplace smoking prevention and participated in cooperation with the Kaohsiung City Health Bureau to quit smoking in workplaces. Occupational nurses actively promoted the



"Workplace Smoking Cessation Class" and "Workplace Smoking Cessation Clinic". A total of 36 colleagues participated in a series of smoking cessation activities. At the end of the year, 19 smokers were tested and continued to quit smoking successfully, with a smoking cessation success rate of 52.8%. Won the honorary award of "109 Excellent Workplace Smoking Cessation Unit in Kaohsiung City".

- G. Influenza prevention activities: Two public-funded influenza vaccination activities were handled, and the actual vaccination was 168 person-times, which comprehensively improved the protection of colleagues and the factory.
- H. Dengue fever prevention activities: Handle the inspection activities for breeding sources in the factory, and throw anti-worm powder into high-risk areas to interfere and destroy the growth environment of the larvae, effectively reduce the breeding source of the water environment in the factory area, and reduce the hazards of vector mosquitoes to labor health.
- I. Arrange one first-aiders for every 50 people in the factory, and arrange emergency rescue CPR+AED training rehearsal courses every year. The factory is equipped with automatic external cardiac electric shock devices (AED) in case of emergency.

### (3) Club activities

The company encourages and assists employees to set up associations to engage in various activities that are beneficial to the body and mind. At the same time, encourage employees to participate in various competitions, so that colleagues can maintain their own health and develop their own interests after work, and get motivated and satisfied through various participations. More than 30 current colleagues can apply for the establishment of clubs. Currently, clubs include physical athletics (softball clubs, cycling clubs, and golf clubs), public service classes (such as volunteer clubs), and other activities that are beneficial to physical and mental health.

The company provides subsidies and resources in accordance with the association award system, and the methods are clearly set in the "Administrative Measures for Welfare Committee Associations".

Various clubs usually practice diligence, and sometimes even participate in community networking or competitions on behalf of the company. For example, the softball club has been established since July 2012 and has participated in Tainan City Committee Cup, Tainan City Association Cup and Nanke Cup Softball.

### (4) Staff travel

Staff travel is an important annual event in Tongtai. The Welfare Committee not only organizes regular domestic tours every year, but also allocates the amount of

foreign travel as a personal subsidy to employees. Allowing employees to make flexible arrangements for different travel needs not only promotes getting along between employees, but also allows employees' families to participate and enhance family relationships.

## 2. Employee Conduct and Ethics Code :

- (1) In order to promote a clean culture, Article 66 and Article 69 of the company's work rules stipulate that employees shall not use their powers to benefit themselves or others, and employees shall not accept hospitality or receive rewards, kickbacks or rewards due to their duties that would violate their duties and take other illegal interests.
- (2) In order to protect the interests of the company and shareholders, Article 67 and Article 68 of the company's working rules stipulate that without the company's written consent, employees shall not engage in occupations of the same industry nature or similar businesses, and shall not operate for themselves or third parties that are the same as those of the company. Employees shall not be unlimited liability shareholders, executive business shareholders, directors or managers, or substantive partners of similar business companies

## 3. Staff education and training system

- (1) In addition to providing external training or seminars for employees, the company and its subsidiaries also provide training for new recruits, professional skills training for in-service personnel, supervisors and related management skills training, and environmental safety related training. In addition, also cultivate internal professional lecturers. The expenditure on education and training of the whole group in 2020 is about 6,500 thousand NTD. There are 5 types of training courses. The types of courses and the implementation status are as follows:

COURSE CATEGORY	CLASSES	PEOPLE	HOURS
Management	84	1,568	4,228
Language(Note)	77	678	1,377
Profession	277	1,945	8,860
Environmental safety and hygiene	81	1,181	3,283
New staff training and professional training	58	119	1,912
Total	577	5,491	19,660

Note: In order to encourage employees to improve their language skills, language allowance subsidy method has been formulated.

- (2) The training of personnel related to financial information transparency are as follows:

TITLE	NAME	DATE	ORGANIZER	COURSE	HOURS
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Deputy Administrator	Chi-Jui Yang	2020.02.12	The Institute of Internal Auditors -Chinese Taiwan	Discussion on audit practice of enterprise cost and value creation	6
Deputy Administrator	Chi-Jui Yang	2020.03.04	The Institute of Internal Auditors -Chinese Taiwan	The risk of dishonesty business activities and case analysis	6
Accounting Manager	Tzu-Yun Ho	2020.07.02~ 2020.07.10	Accounting Research and development Foundation	Accounting Supervisor Beginner Course" Issuer Securities Firm Stock Exchange Accounting Supervisor Beginner Training Course (Taipei Class)	30
IA Deputy Manager	Chin-Chung Hsieh	2020.10.06	Accounting Research and development Foundation	Common deficiencies in the preparation of corporate financial reports and compliance with internal audit and internal control laws and regulations	6
IA Deputy Manager	Chin-Chung Hsieh	2020.10.07	Accounting Research and development Foundation	Competent authority's policy analysis and internal control management practices of "Assisting companies to improve their own financial reporting capabilities"	6

#### 4. Retirement system and implementation :

The company's retirement system is handled in accordance with the Labor Standards Law and Labor Pension Regulations.

(1) The provisions and circumstances of pension provision are as follows :

- A. The "Labor Standards Law" pension shall be allocated monthly labor retirement reserves within the range of 2%~15% of the total monthly salary of the employees in accordance with the income tax law. The allocation standard shall be set by the Board of Directors, and also at the time of revision. The retirement reserve shall be supervised by the employee and the company jointly organized by the Labor Retirement Reserve Supervision Committee. As of December 31, 2020, the cumulative amount of labor retirement reserves was 185,516 thousand NTD.
- B. The pension under the "Labor Pension Regulations" is based on the monthly wage grading table of the labor pension, with a monthly contribution of 6%. The amount allocated for the year 2020 is 22,991 thousand NTD.

(2) The provisions for pension payments are as follows :

- A. Those who choose to apply the Labor Standards Law pension system (old system) :

- a. Two base figures are given for each full year of working experience. However, for working years of more than fifteen years, a base is given for every full year, and the maximum total is limited to forty-five bases. Those who are less than half a year are counted as half a year, and those who are half a year are counted as one year.
- b. According to the second paragraph of Article 4, the forced retirement of workers whose mental loss or physical disability is caused by the performance of their duties shall be increased by 20% in accordance with the provisions of the preceding paragraph.
- c. If an employee encounters an involuntary legal transfer necessary for the company's business operations, his or her working years in the original business unit under the "Labor Standards Law" will be retained and counted, and pensions will be awarded according to the "Labor Standards Law" standards. After transferring to a new business unit, the "Labor Pension Regulations" shall apply, and the years of transfer to each business unit are included in the total working years of the employee.
- d. Pension base refers to the average salary for one month at the time of approved retirement. The calculation of average wages shall be handled in accordance with the relevant provisions of the Labor Standards Law.
- e. After the retirement fund application is signed by the director and deputy director of the labor retirement reserve supervision committee, it shall be paid by the retirement reserve. Actuaries are also appointed every year to submit actuarial reports to ensure full allocation to protect the rights and interests of employees.

B. Those who choose the pension system (new system) applicable to the Labor Pension Regulations :

The working years before the application of the regulations shall be retained; the retirement pension for the reserved working years shall be calculated in accordance with the first paragraph of this article, and the working years after the application of the new system shall be calculated in accordance with the provisions of the new system.

**5. Agreement between labor and management :**

- (1) The company organizes industrial labor unions in accordance with the company law. All employees of the company become members of the labor union from the day they enter the factory, and receive the protection of the rights and interests of the union members and enjoy the various benefits provided by the labor union.
- (2) Participate in trade union congresses, board of directors and supervisors meetings, and hold labor-management meetings on a regular basis to establish a labor-management consultation mechanism.
- (3) Formulate work rules to clearly stipulate the rights and obligations of labor and management and management matters, so that employees can fully understand and protect their rights and interests.
- (4) In accordance with the labor safety and health laws and regulations, conduct regular physical health inspections for employees, set up labor safety and health

personnel, and formulate various labor safety and health management rules to avoid accidents and disasters to maintain employee safety.

- (5) The company's labor and management have always lived in harmony. Problems between labor and management are communicated and resolved through appropriate and adequate channels to reduce labor disputes. In the future, we will also adhere to the concept and practice of labor and management coexistence, co-prosperity and growth to avoid unnecessary dispute between labor and management.

## **6. Situation of various employee rights measures**

The company employs employees in accordance with its operating strategy and abides by government regulations regardless of race, gender, age, religion, nationality and other factors, it recruits outstanding talents from all parties through multiple channels. In various items such as the "Employee Handbook" and "Work Rules", it is clearly stated to protect the human rights of employees, including basic legal requirements, freedom of employment, humane treatment, prohibition of improper discrimination and sexual harassment, establish a diversified and effective communication mechanism, improve salary and benefits and training and development opportunities and course selection. The company prohibits the employment of child labor, and strictly prohibits forced or compulsory labor and underage employees to engage in hazardous work. It also promotes freedom of employment. All work is voluntary. Even if the position changes due to changes in operations, it is subject to the direct supervisor negotiated with the employee a few weeks ago and announced the change when the employee agreed to the job change. The relevant working conditions shall be handled at least in accordance with the relevant provisions of the Labor Standards Law.

The company abides by various labor laws and human rights regulations. Except for the working conditions of functional employees in accordance with the employment contract, all formal employees are treated fairly, including:

- (1) Establish working conditions in accordance with government labor-related laws and regulations.
- (2) Provide equal job opportunities to all job seekers.
- (3) Provide channels for complaints when employees' legal rights and interests are infringed or improperly handled and cannot be resolved reasonably.
- (4) Set up "Personnel Appraisal Committee" to handle appraisal when employees' receive major rewards and punishments from the company.

- (5) Complaint channel is set up, including telephone, fax and e-mail in order to provide a working environment where employees and job applicants are free from sexual harassment

## **7. Protective measures for working environment and employees' personal safety**

### **(1) Safety Culture and Responsibility**

Guaranteeing the health of employees and providing a safe working environment are the most basic promises of Tongtai to employees. The company has passed the "Occupational Safety and Health Management System (ISO45001)" certification as the promotion of safety management standards, and combined with ISO9001 and ISO14001 systems to make documents management more complete; continuous improvement of various safety and health facilities and safety protection to achieve zero accidents in the workplace.

For factory safety, the Environmental Safety Office conducts plant fire inspection and maintenance declarations, handles fire drills, and related safety education and publicity every year. Teaches colleagues the notification and handling measures that should be done when hazards occur to ensure the safety of the plant and employees. Regarding safety management of the workplace, in addition to the basic factory inspections, regular (annual/monthly/daily) inspections of facilities and equipment in the factory are carried out, personnel who operate dangerous machinery and equipment are assisted in obtaining acquisitions in accordance with laws and regulations. Operating regular retraining of relevant licenses and licenses.

Perform follow-up management tracking of flaw projects in the factory. The company has set up an environmental and "Occupational Safety and Health Committee", which is held quarterly. In addition to reviewing work progress and discussing environmental protection, safety and health matters, the labor safety and health committee has a total of 28 colleagues, including 11 labor representatives, accounting for 40% of the number of committee members. The acting employer will serve as the chairman and give rulings and instructions on the company's environmental, safety and health-related issues.

### **(2) The scope of the committee's business includes :**

1. Make suggestions on the occupational safety and health policies formulated by the employer.
2. Coordinate and recommend occupational safety and health management plans.
3. Review the implementation plan of safety and health education and training.
4. Review the work environment monitoring plan, monitoring results, and measures taken.

5. Review health management, occupational disease prevention and health promotion matters.
6. Review various safety and health proposals.
7. Review automatic inspections and safety and health audits of business department.
8. Review preventive measures against machinery, equipment, raw materials, and material hazards.
9. Review the occupational disaster investigation report.
10. Assess on-site safety and health management performance.
11. Review the safety and health management of the contracted business.

### **(3) Environmental supervision and measurement**

The company implements operating environment monitoring for the work area of the factory every six months. Based on the results of the operating environment monitoring, it controls the operating activities that may have a significant impact on the health of the employees, evaluates and tracks the improved environmental performance to ensure the safety of the employees' operating environment and the community. Residents' quality of life and compliance with environmental regulations. For those with a high risk of hazard in the work environment measurement results, the Environmental Safety Room will assist in improving and purchase qualified and effective safety protection equipment and guide employees to wear to achieve effective protection; those with abnormal operating environment measurement results will be tracked by the Environmental Safety Room and discuss in the Safety and Health Committee meeting to seek effective management or improvement plan, continuing to track until improvement. Regular work environment monitoring items include harmful physical and chemical factors in the work place, drinking water quality, discharge water quality, etc.

Conduct special health checks for high-risk operating workers. The result of the health check is the second-level, the professional nurse arranges individual consultation and care and health education guidance by the professional doctor. If the workers reach the third-level, arrange occupational disease specialist outpatient clinics for re-judgment. After returning to the factory, the occupational nurses will arrange individual consultation and care and health education guidance for occupational doctors. Arrange to participate in various relevant safety and health education and training courses in a timely manner.

**5.5.2 Losses incurred by labor disputes (including labor inspection results found in violation of the Labor Standards Act, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions) in recent years as of the Date of this Annual Report, potential disputes and appropriate countermeasures :**

None.

**5.6 Material Contracts**

Contract Classification	Contract Company	Contract Duration	Main Contents	Term Limits
Land Lease	Southern Taiwan Science Park Bureau, MOST	2007.06.01~ 2027.05.31	Land Lease	None
Land Lease	Southern Taiwan Science Park Bureau, MOST	2019.06.12~ 2039.06.11	Land Lease	None
Long-term loan agreement	Bank of Taiwan	2018.06.19~ 2021.06.21	Long-term loan agreement	None
Long-term loan agreement	O-bank	2018.07.25~ 2023.07.24	Long-term loan agreement	Restrictions including financial ratio
Long-term loan agreement	Chang Hwa Commercial Bank	2020.07.17~ 2025.07.17	Long-term loan agreement	None
Long-term loan agreement	The Export-Import Bank of the Republic of China	2016.07.22~ 2024.09.24	Long-term loan agreement	None



## VI. Financial Information

### 6.1 Five-Year Financial Summary

#### 6.1.1 Condensed Balance Sheet

##### A. Consolidated Condensed Balance Sheet

Unit: NT\$ in thousands

Item	Year	Financial Summary of the most recent five fiscal years*				
		2016.12.31	2017.12.31	2018.12.31	2019.12.31	2020.12.31
Current Assets		10,549,136	13,306,563	13,458,925	11,848,519	10,961,571
Property, Plant & Equipment		3,561,598	3,542,807	3,492,656	3,341,106	3,323,037
Intangible Assets		93,984	84,750	115,316	89,775	59,228
Other Assets		816,695	878,273	1,020,212	1,642,452	1,665,229
Total Assets		15,021,413	17,812,393	18,087,109	16,921,852	16,009,065
Current Liabilities	Before Distribution	6,667,028	10,595,492	9,661,544	7,953,634	8,476,361
	After Distribution	6,794,441	10,595,492	9,737,992	8,004,599	**
Non-Current Liabilities		2,213,125	1,469,396	2,304,208	2,976,171	2,072,030
Total Liabilities	Before Distribution	8,880,153	12,064,888	11,965,752	10,929,805	10,548,391
	After Distribution	9,007,566	12,064,888	12,042,200	10,980,770	**
Shareholders' Equity Attributable to Shareholders of the Parent		5,449,210	5,070,261	5,377,120	5,284,564	4,882,917
Capital Stock		2,548,265	2,548,265	2,548,265	2,548,265	2,548,265
Capital Surplus		1,190,258	1,190,258	1,201,104	1,190,258	1,194,096
Retained Earnings	Before Distribution	1,707,351	1,327,172	1,671,445	1,634,311	1,170,996
	After Distribution	1,579,938	1,327,172	1,594,997	1,583,346	**
Other Equity		3,336	4,566	(43,694)	(88,270)	(30,440)
Treasury Stocks		-	-	-	-	-
Non-controlling Interests		692,050	677,244	744,237	707,483	577,757
Total Equity	Before Distribution	6,141,260	5,747,505	6,121,357	5,992,047	5,460,674
	After Distribution	6,013,847	5,747,505	6,044,909	5,941,082	**

\* The financial statements of the most recent five fiscal year have been audited and approved by CPA.

\*\* Pending for approvals from 2021 Shareholders' Meeting.

## B. Condensed Parent Company Only Balance Sheet

Unit: NT\$ in thousands

Year		Financial Summary of the most recent five fiscal years*				
		2016.12.31	2017.12.31	2018.12.31	2019.12.31	2020.12.31
Current Assets		5,417,173	7,109,017	7,094,011	5,992,176	5,699,221
Property, Plant & Equipment		1,595,994	1,708,097	1,725,605	1,496,339	1,349,942
Intangible Assets		35,094	32,684	74,956	57,714	48,330
Other Assets		3,037,188	2,958,121	3,405,638	3,563,516	3,755,334
Total Assets		10,085,449	11,807,919	12,300,210	11,109,745	10,852,827
Current Liabilities	Before Distribution	3,505,104	5,563,947	5,051,101	3,540,952	4,487,924
	After Distribution	3,632,517	5,563,947	5,127,549	3,591,917	**
Non-Current Liabilities		1,131,135	1,173,711	1,871,989	2,284,229	1,481,986
Total Liabilities	Before Distribution	4,636,239	6,737,658	6,923,090	5,825,181	5,969,910
	After Distribution	4,763,652	6,737,658	6,999,538	5,876,146	**
Equity		5,449,210	5,070,261	5,377,120	5,284,564	4,882,917
Capital Stock		2,548,265	2,548,265	2,548,265	2,548,265	2,548,265
Capital Surplus		1,190,258	1,190,258	1,201,104	1,190,258	1,194,096
Retained Earnings	Before Distribution	1,707,351	1,327,172	1,671,445	1,634,311	1,170,996
	After Distribution	1,579,938	1,327,172	1,594,997	1,583,346	**
Other Equity		3,336	4,566	(43,694)	(88,270)	(30,440)
Treasury Stocks		-	-	-	-	-
Total Equity	Before Distribution	5,449,210	5,070,261	5,377,120	5,284,564	4,882,917
	After Distribution	5,321,797	5,070,261	5,300,672	5,233,599	**

\* The financial statements of the most recent five fiscal year have been audited and approved by CPA.

\*\* Pending for approvals from 2021 Shareholders' Meeting.

## 6.1.2 Condensed Statement of Comprehensive Income/Condensed Statement of Income

### A. Condensed Consolidated Statement of Comprehensive Income

Unit: NT\$ in thousands

Item \ Year	Financial Summary of the most recent five fiscal years*				
	2016	2017	2018	2019	2020
Operating Revenue	9,768,086	9,762,815	11,625,277	11,000,093	7,778,541
Gross Profit	2,151,232	2,096,296	2,715,518	2,475,978	1,107,877
Profit (loss) from Operations	132,777	(50,474)	417,563	270,641	(670,128)
Non-operating Income and Expenses	(22,143)	(152,526)	59,790	(137,729)	156,938
Profit (loss) before Income Tax	110,634	(203,000)	477,353	132,912	(513,190)
Net Profit (loss) for the Year	65,860	(232,433)	397,299	89,620	(396,709)
Other Comprehensive Loss for the Year	(97,504)	(4,140)	(10,005)	(61,362)	(8,815)
Total Comprehensive Income for the Year	(31,644)	(236,573)	387,294	28,258	(405,524)
Net Profit (loss) Attributable to Owners of the Company	57,659	(237,404)	312,225	58,947	(346,776)
Net Profit (loss) Attributable to Noncontrolling Interests	8,201	4,971	85,074	30,673	(49,933)
Total Comprehensive Income Attributable to Owners of the Company	(38,607)	(241,344)	302,714	(2,055)	(354,520)
Total Comprehensive Income Attributable to Non-controlling Interests	6,963	4,771	84,580	30,313	(51,004)
Basic earnings (loss) Per Share (NT\$)	0.23	(0.93)	1.23	0.23	(1.36)

\* The financial statements of the most recent five fiscal year have been audited and approved by CPA.

### B. Condensed Parent Company Only Statement of Comprehensive Income

Unit: NT\$ in thousands

Item \ Year	Financial Summary of the most recent five fiscal years*				
	2016	2017	2018	2019	2020
Operating Revenue	4,895,977	4,904,441	6,476,271	5,422,528	3,470,253
Gross Profit	951,442	966,787	1,207,560	1,013,849	266,146
Profit (loss) from Operations	31,874	43,102	101,627	81,315	(389,345)
Non-operating Income and Expenses	24,840	(280,903)	193,976	(26,402)	(75,898)
Profit (loss) before Income Tax	56,714	(237,801)	295,603	54,913	(465,243)
Net Profit (loss) for the Year	57,659	(237,404)	312,225	58,947	(346,776)
Other Comprehensive Loss for the Year	(96,266)	(3,940)	(9,511)	(61,002)	(7,744)
Total Comprehensive Income for the Year	(38,607)	(241,344)	302,714	(2,055)	(354,520)
Basic earnings (loss) Per Share (NT\$)	0.23	(0.93)	1.23	0.23	(1.36)

\* The financial statements of the most recent five fiscal year have been audited and approved by CPA.

### 6.1.3 CPA' Opinions for the most five fiscal years

Year	CPA Firm and CPA	Audit Opinion
2020	Deloitte & Touche , Yu-Shiang Liu and Jui-Hsuan Hsu	Unmodified opinion with other matter paragraph
2019	Deloitte & Touche , Yu-Shiang Liu and Jui-Hsuan Hsu	Unmodified opinion with emphasis of matter paragraph and other matter paragraph
2018	Deloitte & Touche , Yu-Shiang Liu and Lee-Yuan Kuo	Unmodified opinion with emphasis of matter paragraph and other matter paragraph
2017	Deloitte & Touche , Yu-Shiang Liu and Lee-Yuan Kuo	Unmodified opinion with other matter paragraph
2016	Deloitte & Touche , Yu-Shiang Liu and Lee-Yuan Kuo	Unmodified opinion with other matter paragraph

## 6.2 Financial Analysis for the Most Recent Five Fiscal Years

### 6.2.1 Consolidated Financial Analysis

Year		Financial Analysis of the most recent five fiscal years*				
		2016	2017	2018	2019	2020
Item**						
Financial Structure (%)	Debt Asset Ratio	59.12	67.73	66.16	64.59	65.89
	Long-term Fund to Property, Plant and Equipment Ratio	228.54	199.40	236.91	245.62	226.68
Liquidity Analysis (%)	Current Ratio	158.23	125.59	139.30	148.97	129.32
	Quick Ratio	84.37	63.71	66.55	75.07	66.34
	Times Interest Earned	2.72	-	4.87	2.02	-
Operating Performance Analysis	Average Collection Turnover (times)	2.58	2.34	2.67	2.69	2.19
	Days Sales Outstanding	141.47	155.98	136.70	135.68	166.66
	Average Inventory Turnover (times)	1.58	1.39	1.36	1.38	1.26
	Average Payment Turnover (times)	4.55	3.26	3.41	4.20	4.23
	Average Inventory Turnover Days	231.01	262.58	268.38	264.49	289.68
	Property, Plant and Equipment Turnover (times)	2.91	2.75	3.30	3.22	2.33
	Total Assets Turnover (times)	0.66	0.59	0.65	0.63	0.47
Profitability Analysis	Return on Total Assets (%)	0.81	(0.99)	2.76	1.11	(1.88)
	Return on Equity (%)	1.05	(3.91)	6.69	1.48	(6.93)
	Pre-tax Income (Loss) to Paid-in Capital Ratio (%)	4.34	(7.97)	18.73	5.22	(20.14)
	Net Margin (Loss) (%)	0.67	(2.38)	3.42	0.81	(5.10)
	Earnings (Loss) Per Share (NT\$)	0.23	(0.93)	1.23	0.23	(1.36)
Cash Flow	Cash Flow Ratio (%)	5.50	-	-	8.39	11.42
	Cash Flow Adequacy Ratio (%)	45.70	16.88	13.12	27.72	45.78
	Cash Flow Reinvestment Ratio (%)	1.57	-	-	5.11	8.88
Leverage	Operating Leverage	32.65	-	12.42	17.41	-
	Financial Leverage	1.94	0.37	1.42	1.93	0.86
Analysis of variation of 2020 vs. 2019 over 20%:						
1、The impact of the COVID-19 epidemic in 2020 and the U.S.-China trade in 2019 resulted in a sharp decline in revenue by 30% in 2020, resulting in losses, which in turn lead to negative changes in various financial ratio indicators of up to 20%.						
2、The increase of cash flow indicator was due to the net cash inflow from operating activities in 2020, so the cash flow indicator has increased by more than 20% compared with last year.						

\*The Financial Statements of the most recent fiscal year have been audited and approved by CPA.

\*\*Formulas for calculating the financial analysis items are listed as follows:

1. Financial Structure
  - (1) Debt Asset Ratio = Total liabilities / Total assets.
  - (2) Long-term Fund to Property, Plant and Equipment Ratio= (total equity + non-current liabilities) / net property, plant and equipment.
2. Liquidity Analysis
  - (1) Current ratio = Current assets / Current liabilities.
  - (2) Quick ratio = (Current assets - Inventory - Prepaid expense) / Current liabilities.
  - (3) Times Interest Earned = Earnings before interest and taxes / Interest expenses.
3. Operating Performance Analysis
  - (1) Average Collection Turnover = Net sales / Average receivable balance (including accounts receivable and bills receivable arising from business operations).
  - (2) Days Sales Outstanding = 365 / Receivable turnover ratio.
  - (3) Average Inventory Turnover = Cost of goods sold / Average inventory.
  - (4) Average Payment Turnover = Cost of goods sold / Average payable balance (including accounts payable and bills payable arising from business operations).
  - (5) Average Inventory Turnover Days = 365 / Inventory turnover ratio.
  - (6) Property, Plant and Equipment Turnover = Net sales / Average net property, plant and equipment.
  - (7) Total Assets Turnover = Net sales / Average total assets.
4. Profitability Analysis
  - (1) Return on Total Assets = [Net income after tax + Interest expenses × (1 – tax rate)] / Average total assets.
  - (2) Return on Equity = Net income after tax / Average total equity.
  - (3) Net Margin = Net income after tax / Net sales.
  - (4) Earnings Per Share = (Net income attributable to equity holders of the Company - Preferred dividend) /
  - (5) Weighted average number of shares outstanding.
5. Cash Flow
  - (1) Cash Flow Ratio = Net cash flows from operating activities / Current liabilities.
  - (2) Cash Flow Adequacy Ratio = Five-year sum of cash from operations / Five-year sum of capital expenditures, inventory additions, and cash dividends.
  - (3) Cash Flow Reinvestment Ratio = (Cash flows from operating activities – Cash dividends) / (Gross property, plant and equipment + Long-term investments + Other noncurrent assets + Working capital).
6. Leverage:
  - (1) Operating Leverage = (Net sales – Variable cost and expense) / Operating income.
  - (2) Financial Leverage = Operating income / (Operating income – Interest expenses).

## 6.2.2 Parent Company Only Financial Analysis

Year Item**		Financial Analysis of the most recent five fiscal years*				
		2016	2017	2018	2019	2020
Financial Structure (%)	Debt Asset Ratio	45.97	57.06	56.28	52.43	55.01
	Long-term Fund to Property, Plant and Equipment Ratio	403.48	348.14	420.09	505.82	471.49
Liquidity Analysis (%)	Current Ratio	154.55	127.77	140.44	169.22	126.99
	Quick Ratio	83.17	63.16	63.92	85.15	70.83
	Times Interest Earned	3.02	-	6.14	1.82	-
Operating Performance Analysis	Average Collection Turnover (times)	2.19	1.90	2.32	2.30	1.94
	Days Sales Outstanding	167	193	157	159	188
	Average Inventory Turnover (times)	1.61	1.32	1.44	1.31	1.19
	Average Payment Turnover (times)	4.05	2.77	3.08	3.55	3.99
	Average Inventory Turnover Days	227	276	253	278	306
	Property, Plant and Equipment Turnover (times)	3.40	2.97	3.77	3.37	2.44
	Total Assets Turnover (times)	0.49	0.45	0.54	0.46	0.32
Profitability Analysis	Return on Total Assets (%)	0.81	(1.89)	2.97	0.96	(2.75)
	Return on Equity (%)	1.03	(4.51)	5.98	1.11	(6.82)
	Pre-tax Income (Loss) to Paid-in Capital Ratio (%)	2.23	(9.33)	11.60	2.15	(18.26)
	Net Margin (Loss) (%)	1.18	(4.84)	4.82	1.09	(9.99)
	Earnings (Loss) Per Share (NT\$)	0.23	(0.93)	1.23	0.23	(1.36)
Cash Flow	Cash Flow Ratio (%)	-	-	-	20.02	14.96
	Cash Flow Adequacy Ratio (%)	60.88	23.71	16.59	41.65	46.89
	Cash Flow Reinvestment Ratio (%)	(2.76)	-	-	7.30	8.21
Leverage	Operating Leverage	64.26	41.34	26.22	27.61	-
	Financial Leverage	8.39	6.53	2.30	5.54	0.87
Analysis of variation of 2020 vs. 2019 over 20%:						
1. The impact of the COVID-19 epidemic in 2020 and the U.S.-China trade in 2019 resulted in a sharp decline in revenue by 36% in 2020, resulting in losses, which in turn lead to negative changes in various financial ratio indicators of up to 20%.						

\*The Financial Statements of the most recent fiscal year have been audited and approved by CPA.

\*\*Formulas for calculating the financial analysis items are listed as follows:

### 1. Financial Structure

(1) Debt Asset Ratio = Total liabilities / Total assets.

(2) Long-term Fund to Property, Plant and Equipment Ratio= (total equity + non-current liabilities) / net property, plant and equipment.

## 2. Liquidity Analysis

(1) Current ratio = Current assets / Current liabilities.

(2) Quick ratio = (Current assets - Inventory - Prepaid expense) / Current liabilities.

(3) Times Interest Earned = Earnings before interest and taxes / Interest expenses.

## 3. Operating Performance Analysis

(1) Average Collection Turnover = Net sales / Average receivable balance (including accounts receivable and bills receivable arising from business operations).

(2) Days Sales Outstanding = 365 / Receivable turnover ratio.

(3) Average Inventory Turnover = Cost of goods sold / Average inventory.

(4) Average Payment Turnover = Cost of goods sold / Average payable balance (including accounts payable and bills payable arising from business operations).

(5) Average Inventory Turnover Days = 365 / Inventory turnover ratio.

(6) Property, Plant and Equipment Turnover = Net sales / Average net property, plant and equipment.

(7) Total Assets Turnover = Net sales / Average total assets.

## 4. Profitability Analysis

(1) Return on Total Assets = [Net income after tax + Interest expenses × (1 – tax rate)] / Average total assets.

(2) Return on Equity = Net income after tax / Average total equity.

(3) Net Margin = Net income after tax / Net sales.

(4) Earnings Per Share = (Net income attributable to equity holders of the Company - Preferred dividend) /

(5) Weighted average number of shares outstanding.

## 5. Cash Flow

(1) Cash Flow Ratio = Net cash flows from operating activities / Current liabilities.

(2) Cash Flow Adequacy Ratio = Five-year sum of cash from operations / Five-year sum of capital expenditures, inventory additions, and cash dividends.

(3) Cash Flow Reinvestment Ratio = (Cash flows from operating activities – Cash dividends) / (Gross property, plant and equipment + Long-term investments + Other noncurrent assets + Working capital).

## 6. Leverage:

(1) Operating Leverage = (Net sales – Variable cost and expense) / Operating income.

(2) Financial Leverage = Operating income / (Operating income – Interest expenses).



### **6.3 Audit Committee's Report for the Most Recent Year**

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

The Board of Directors has prepared and submitted the 2021 business report, financial statements, and deficit compensation, of which the financial statements have been audited by independent auditors, Yu-Shiang Liu and Jui-Hsuan Hsu, of the Deloitte & Touche. The above-mentioned business report, financial statements and deficit compensation have been reviewed and determined to be correct by the Audit Committee. In accordance with Article 14-5 of the Securities and Exchange Act and Article 219 of the Company Act, this report is submitted for shareholder's examination.

Tongtai Machine & Tool Co., Ltd.

Audit Committee convener: Po-Han Wang

March 18, 2021

### **6.4 Consolidated Financial Statements for the Years Ended December 31, 2020 and 2019, and Independent Auditors' Report**

Please refer to Attachment I.

### **6.5 Parent Company Only Financial Statements for the Years Ended December 31, 2020 and 2019, and Independent Auditors' Report**

Please refer to Attachment II.

### **6.6 The Impact of Cash Flow Difficulties of the Company and Its Affiliates**

None.

## VII. Review of Financial Conditions, Financial Performance, and Risk Management

### 7.1. Analysis of Financial Status (Consolidation)

Unit: NT\$ in thousands

Item \ Year	2020.12.31	2019.12.31	Difference	
			Amount	%
Current Assets	10,961,571	11,848,519	(886,948)	(7.49%)
Property, Plant and Equipment	3,323,037	3,341,106	(18,069)	(0.54%)
Intangible Assets	59,228	89,775	(30,547)	(34.03%)
Other Assets	1,665,229	1,642,452	22,777	1.39%
Total Assets	16,009,065	16,921,852	(912,787)	(5.39%)
Current Liabilities	8,476,361	7,953,634	522,727	6.57%
Non-Current Liabilities	2,072,030	2,976,171	(904,141)	(30.38%)
Total Liabilities	10,548,391	10,929,805	(381,414)	(3.49%)
Shareholders' Equity Attributable to Shareholders of the Parent	4,882,917	5,284,564	(401,647)	(7.60%)
Capital Stock	2,548,265	2,548,265	-	-
Capital Surplus	1,194,096	1,190,258	3,838	0.32
Retained Earnings	1,170,996	1,634,311	(463,315)	(28.35%)
Other Equity	(30,440)	(88,270)	57,830	65.51%
Non-controlling Interests	577,757	707,483	(129,726)	(18.34%)
Total Equity	5,460,674	5,992,047	(531,373)	(8.87%)

#### Analysis of deviation:

1. Total assets decreased by NT\$910 million year-over-year, mainly due to the impact of COVID-19, which resulted in the decline in revenue and also resulted in the decrease in inventory and accounts receivable by about NT\$590 million and NT\$660 million respectively.
2. Non-current liabilities decreased by NT\$ 900 million year-over-year, mainly due to the reclassification of long-term loans amounted to NT\$1 billion into current portion.
3. The decrease of retained earnings was mainly due to losses in 2020.
4. The increase in other equity was mainly due to the increase in exchange differences on translating foreign operations.

The above deviation has no significant impact on the Company and its subsidiaries.

## 7.2. Analysis of Financial Performance (Consolidation)

### 7.2.1 Analysis of Financial Performance

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Item \ Year	2020	2019	Difference	%
Operating Revenue	7,778,541	11,000,093	(3,221,552)	(29.29%)
Gross Profit	1,107,877	2,475,978	(1,368,101)	(55.25%)
Profit (loss) from Operations	(670,128)	270,641	(940,769)	(347.61%)
Non-operating Income and Expenses	156,938	(137,729)	294,667	213.95%
Profit (loss) before Income Tax	(513,190)	132,912	(646,102)	(486.11%)
Income Tax Expense (Benefit)	(116,481)	43,292	(159,773)	(369.06%)
Net Profit (loss) for the Year	(396,709)	89,620	(486,329)	(542.66%)
Other Comprehensive Loss for the Year	(8,815)	(61,362)	52,547	85.63%
Total Comprehensive Income for the Year	(405,524)	28,258	(433,782)	(1535.08%)

Analysis of deviation:

1. Operating income: Affected by the COVID-19 pandemic in 2020 and the continuous impact of the US-China trade beginning from 2019, the revenue in 2020 has fallen sharply by nearly 30%.
2. Gross profit: The gross profit declined by 55%, resulting in a consolidated gross profit rate of only 14% in 2020. The main reasons were not only due to the increase in the proportion of fixed costs in the short-term caused from the rapid decline in revenue, but also the impact of the devaluation of the RMB on NTD. In addition, the Group has adjusted and integrated the product portfolio in order to face the challenges of the drastic changes in the external market environment affected by the US-China trade war and the COVID-19 pandemic and to grasp and embrace the opportunity from the growth trend of the electric vehicle market, 5G and semiconductor industry.
3. Operating profit (loss): Due to the abovementioned negative factors, operating losses occurred in 2020.
4. Non-operating income and expenses: Mainly due to the combined effect of government subsidies of approximately NT\$ 200 million for COVID-19 in 2020 and the reduction of exchange losses caused by exchange rate factors.
5. Income tax expenses (benefits): mainly due to the recognition of deferred income tax assets for the operating losses in 2020.
6. Other comprehensive gains and losses: The decrease in losses in 2020 was mainly due to the exchange differences on translating foreign operations.

## 7.2.2 Expected Sales Volume in 2020 and its Basis

Please refer “Letter to Shareholders” on page 1.

## 7.2.3 The possible effects and the countermeasures regarding the Company’s financial outlook

In order to ensure sustainable competitiveness, the Group continues to develop new customers and new markets in the automotive (including electric vehicles, EV), aerospace, 5G and semiconductor industries. In addition, it continues to pay attention to the external competitive environment, regulatory environment and overall business environment for the company. If there is a major change, a response plan will be made in time. As of the first quarter of 2021, there are no major abnormal fluctuations in finance and business, so it is unnecessary to propose response plan.

## 7.3. Analysis of Cash Flow

### 7.3.1 Cash Flow Analysis for the Current Year

Unit: NT\$ in thousands

Cash balance at the beginning of the year	Annual net cash flows from operating activities	Annual net cash flows from investing activities	Annual net cash flows from financing activities	Effect of exchange rate changes	Cash at the end of the year	Remedial measures for cash deficit	
						Investment plan	Financing plan
1,089,689	968,178	275,165	(681,244)	51,503	1,703,291	—	—

#### 1. Analysis of changes in cash flow:

- (1) Net cash inflows generated from operating activities amounted of NT\$968,178 thousand were mainly from the decrease of accounts receivable and inventories.
- (2) Net cash inflows generated from investing activities amounted of NT\$ 275,165 thousand were mainly from the capital expenditure and decrease of other financial assets.
- (3) Net cash outflows used in financing activities amounted of NT\$ 681,244 thousand were mainly from loan repayments.

#### 2. Improvement plan for insufficient liquidity: None.

### 7.3.2 Remedy for Cash Deficit and Liquidity Analysis

Unit: NT\$ in thousands

Cash balance at the beginning of the year ①	Estimated annual net cash provided by operating activities ②	Estimated annual cash outflow ③	Estimated cash surplus (deficit) ④+②-③	Remedial measures for cash deficit	
				Investment plan	Financing plan
1,703,291	500,000	500,000	1,703,291	—	—
<p>1. Analysis of estimated cash flow: It is estimated that there will be no major capital expenditures in 2021. It is estimated that the cash inflows generated from operating activities will be used to meet the required cash expenditures and maintain a certain level of cash position.</p> <p>2. Remedial measures for estimated cash deficit and liquidity analysis: None.</p>					

#### **7.4. Major Capital Expenditure Items**

There was no major capital expenditures in 2020, only routine machinery and equipment purchases and plant expansion expenditures. Capital expenditures were mostly paid with cash generated from operations and had no significant impact on the Company's finance and business.

#### **7.5. Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year**

The company's investment policy is to increase the core competitiveness of the Group as the main consideration, and then carry out investment activities in related upstream and downstream industries. Affected by the COVID-19 epidemic in 2020, the profits of subsidiaries have declined or expanded losses, resulting in a substantial increase in the losses from subsidiaries in 2020. In addition, for those subsidiaries that are still suffering from operating loss, Tongtai will continue to monitor and rectify, so as to enable them to achieve the expected benefits. In response to globalization and vertical or horizontal integration, Tongtai will continue to evaluate the benefits of potential investment mergers and acquisitions.

## 7.6. Analysis of Risk Management

### 7.6.1 Impacts of any fluctuation of interest rates and exchange rates and inflation on Company's profit (loss) and the future countermeasures:

#### 1. Fluctuation of Interest Rates

The Group maintains appropriate flexible scheduling adjustments at all times in response to cash positions required for operating activities to reduce the impact of interest rate fluctuation. In the future, we will continue to pay close attention to interest rate trends, use low-interest financing instruments and adopt favorable interest rate conditions to maintain low financing cost. The impact on interest rate changes is not significant.

#### 2. Fluctuation of Exchange Rates

The company pays attention to changes in international economic events at any time, in order to grasp exchange rate trends, in addition to reviewing the company's capital situation for the best allocation, and timely operation of derivative products (including forward contracts, SWAP, CCS and so on) to reduce the impact of exchange rate changes.

#### 3. Inflation status

The Group has not experienced any significant impact on profit or loss as a result of inflation as of now.

### 7.6.2 Policies on high-risk, highly leveraged investments, lending funds to other parties, endorsements, guarantees, and financial derivative transactions, main reasons for the profits or losses generated thereby, and future response measures to be undertaken:

The Group has adopted conservative strategies and has not taken part in any high-risk and highly leveraged investment. The Group has formulated internal management guidelines and operating procedures on the basis of robust financing and operation according to the relevant laws and regulations of Securities and Futures Bureau, Financial Supervisory Commission (FSC), which include "Procedures for Lending Funds to Other Parties", "Procedures for Making Endorsements and Guarantees", and "Procedures for Acquisition or Disposal of Assets". The Company will continue to strictly follow these procedures and protocols and all transactions are conducted in accordance with the relevant regulations.

### 7.6.3 Future R&D plans and projected investment schedules and R&D expenses

#### 1. Future R&D projects:

Please refer to I. Letter to Shareholders → (IV) Research and development (R&D) status and V. Operating Highlights → 5.1.1 Business Scope → D. New products development.

#### 2. Expected R&D expenses:

In 2020, R&D expenses are NT\$296,302 thousand (before deduction of government subsidy of NT\$6,516 thousand), accounting for approximately 3.81% of revenue. It is estimated that the R&D expenditure in 2021 will be about NT\$400,000 thousand.

**7.6.4 The changes of domestic and overseas important policies and laws and its impact on the Company's financial operations, and the countermeasures:**

The management and related staff always pay attention to important domestic and foreign policy and legal changes. The senior staff and external professional units provide suggestions and take relevant countermeasures.

**7.6.5 Potential Impacts of Disruptive Technology and Industry Change on Corporate Finance and Business and Their Countermeasures:**

1. The company has long been setting up R&D centers and subsidiaries in Japan, a leading country in machine tool technology, in order to learn from them and obtain cutting-edge technologies, quickly obtain high-precision key components, and improve product quality and accuracy to meet the high-tech industry demand. The company also uses technology and innovative concepts to increase the added value of products, establish brand awareness, and ensure the value of the company's products.
2. Combine the resources of industry, government, education and research to jointly develop to avoid the monopoly of key technologies and loss of competitive advantage.

**7.6.6 Potential Impacts of Changes in Corporate Image on Corporate Crisis Management and Their Countermeasures:**

The company has always adhered to the business philosophy and corporate image of "guaranteeing quality, creating profits, and sustainable management" and fulfilling social and environmental responsibilities.

**7.6.7 Anticipated Benefits and Potential Risks of Mergers and Acquisitions and Their Countermeasures:**

None.

**7.6.8 Anticipated Benefits and Potential Risks of Capacity Expansion and Their Countermeasures:**

None.

**7.6.9 Potential Risks of Concentrated Procurement and Sales, and Countermeasures**

There is no concentration of procurement or sales of products amid the Group.

**7.6.10 Potential Impacts and Risks of the Sales or Transfers of Significant Numbers of Shares by the Company's Directors, Supervisors, or Major Shareholders Holding More Than 10% of Outstanding Shares and Their Countermeasures:**

None.

**7.6.11 Potential Impacts and Risks of Changes of Management Right and The Countermeasures:**

None.

**7.6.12 Litigations and Non-Litigated Incidents:**

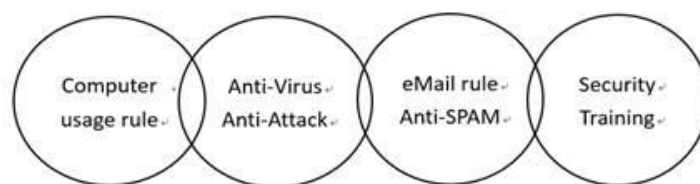
None.

**7.6.13 Other Material Risks and Countermeasures:**

**Information security risk**

Under malicious network attacks, the Company's system may lose important data, the production line may also be shut down due to the attack. The Company's operations may be interfered due to the computer viruses, destructive software, ransomware or blackmail the Company by regaining control of the computer system, or snoop on confidential information. These attacks may cause the Company to compensate customers for losses due to delays or interruption of orders; or need to bear huge costs to implement remedial and improvement measures to strengthen the Company's network security system, or it may cause the Company to be involved in the Company's clients or third parties with confidentiality obligations shall bear major legal responsibilities for related legal cases or regulatory investigations caused by the leakage of information. The Company enhances employees' awareness of information security risks through irregular and comprehensive employee advocacy.

The company uses a complete information security management method to classify and manage information security risks to control the Company's manufacturing operations and other important operational functions.



### **1. Computer usage management**

Purchase hardware equipment with security protection capabilities and introduce advanced information security solutions. Set appropriate system permissions according to the level of information confidentiality, enforce password updates regularly for 90 days and adopt the password complexity principle, and prohibit downloading and installing unauthorized software.

### **2. Protection against hackers and virus detection**

Integrated firewall, anti-virus, intrusion detection, and virus blocking functions into the ISP gateway, and extend it to the host and user to install anti-virus systems for interception.

### **3. E-mail management**

Through Anti-SPAM to prevent spam e-mail and strengthen the heterogeneous dual anti-virus detection mechanism to prevent viruses from taking advantage of the gap, it forms three sets of anti-virus walls with user-side anti-virus to strengthen security.

### **4. Education and training**

Hold the regular information security training every year, including e-mail social engineering drills and follow-up courses, information security education and training for new and factory-wide colleagues, virus detection and abnormality education and training, and monthly irregular information security event publicity, etc. The daily drills are carried out to enhance employees' awareness of



information security and further strengthen the Company's information security defense system.

The Company reviews and evaluates network regulations and procedures every year to ensure their appropriateness and effectiveness. However, it cannot guarantee that the Company will not be affected by new risks and attacks in the ever-changing cyber security threats.

The information system architecture establishes a high-availability remote host backup and data backup mechanism based on its risk level to ensure uninterrupted services. The backup media is sent to remote storage for storage, and various simulation tests and emergency response exercises in the computer room are strengthened to ensure information. The normal operation of the system and data preservation can reduce the risk of system interruption caused by unwarned natural disasters and human negligence, and ensure that the expected system recovery target time is met.

In response to the COVID-19 pandemic, strengthen advocacy colleagues to pay attention to hackers who may falsify information about the pandemic through fraud to induce intrusions and attacks. In response to changes in the pandemic or the demand for home office, maintenance and protection measures such as the continuous operation of information system services and the security of remotely connected data are expected to reduce the impact of the pandemic on the Company's coordinated operations and allow the Company's business to continue to operate.

As of the publication date of the annual report, the Company has not discovered any major cyber attacks or incidents that have or may have a significant adverse impact on the Company's business and operations, and has not been involved in any legal cases or regulatory investigations related to this.

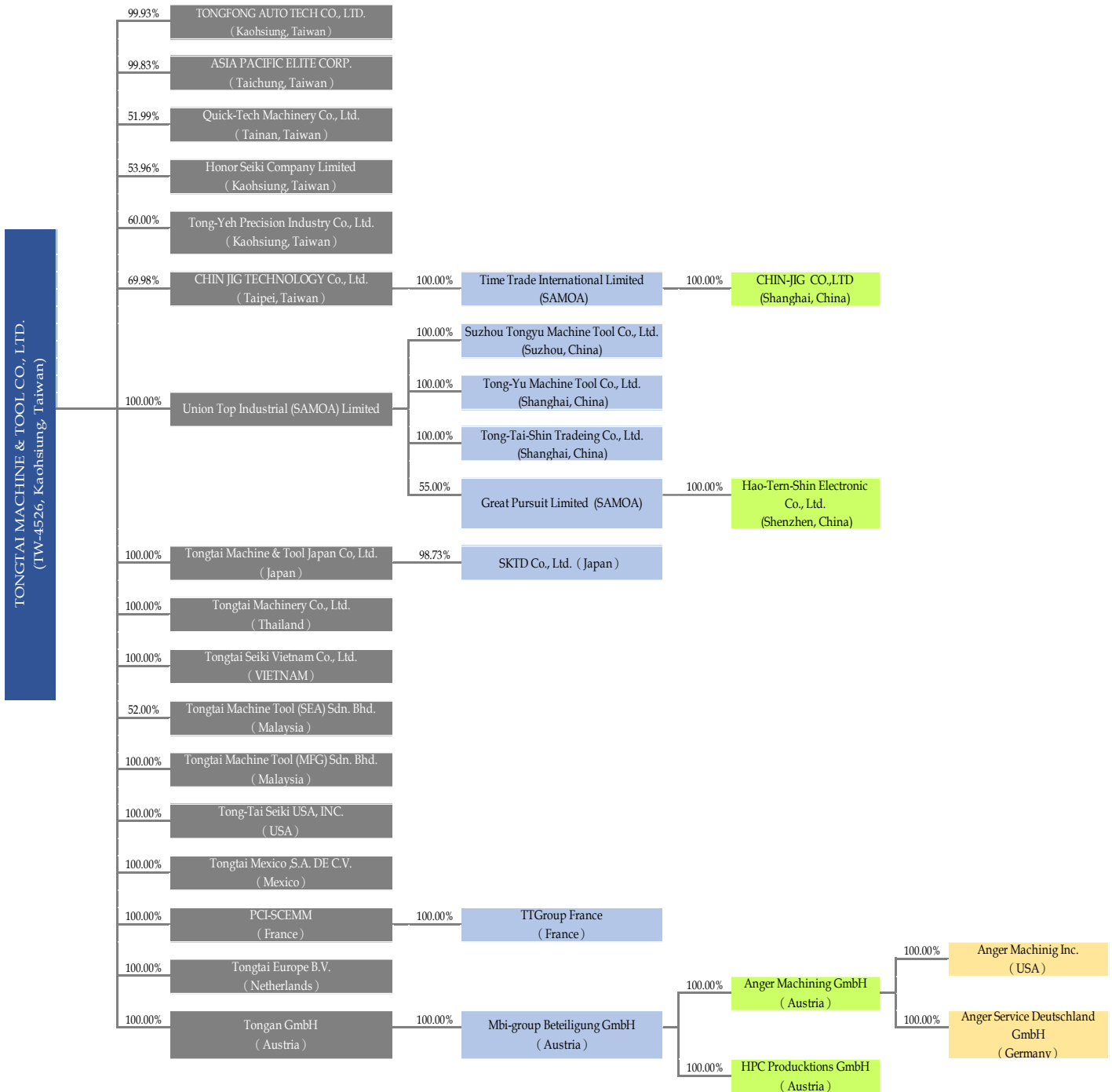
## **7.7. Other Significant Matters**

None.

## VIII. Special Disclosures

### 8.1 Summary of Affiliated Companies

#### 8.1.1 Affiliated Organizational Chart (2020.12.31)



### 8.1.2 Basic information of Affiliated Companies (2020.12.31)

Company	Date of Incorporation	Address	Share Capital (in thousands)	Business Activities
TONGFONG AUTO TECH CO., LTD.	88.06.09	No. 946, Zhongshan Road, Huanai District, Kaohsiung City	NTD 15,000	Sales of electric automation equipment
ASIA PACIFIC ELITE CORP.	92.01.03	No.7, Jingko North Road, Wenshan, NanTuen District, Taichung City	NTD 145,397	Sales and manufacturing of equipment
Quick-Tech Machinery Co., Ltd.	85.10.16	No.35, Yantian Lane Technology Road, Annan District, Tainan City	NTD 120,000	Sales and manufacturing of equipment
Honor Seiki Company Limited	76.05.21	No. 658, Zhongshan Road, Huanai District, Kaohsiung City	NTD 356,047	Sales and manufacturing of equipment
TONG-YEH PRECISION INDUSTRY CO., LTD.	87.02.09	No. 946, Zhongshan Road, Huanai District, Kaohsiung City	NTD 17,548	Manufacturing and processing of metal part
CHIN JIG TECHNOLOGY Co., Ltd.	96.12.25	No.11, Hengyang Road, Zhongzheng District, Taipei City	NTD 40,000	Sales of mold and equipment
Time Trade International Limited	91.01.30	Offshore Chambers, P.O. Box 217 Apia, Samoa	NTD 16,690 ( USD 550 )	General investment
CHIN-JIG CO.,LTD (SHANGHAI)	91.06.05	No.69 Jihong Road, MinHong District, Shanghai	NTD 16,690 ( USD 550 )	Sales and manufacturing of mold and equipment
Union Top Industrial (SAMOA) Limited	92.05.19	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	NTD 535,919 ( USD 16,465 )	General investment
Tong-Yu Machine Tool Co., Ltd (Shanghai)	87.05.27	No. 188 Chundong Road, Xinzhuang Industrial Zone, Minhang District, Shanghai	NTD 80,269 ( USD 2,408 )	Sales and maintenance of machine tools
Suzhou Tongyu Machine Tool Co.,Ltd (Suzhou)	92.10.17	No. 555 Huhong Road, Wujiang Economic and Technological Development Zone, Jiangsu Province	NTD 746,740 ( USD 25,000 )	Manufacturing of digital control machine and system
Tong-Tai-Shin Trading Co., Ltd (Shanghai)	93.05.18	Room 308, building a, 169 Tai Ku Road, Free Trade Test Zone, China (Shanghai)	NTD 6,863 ( USD 200 )	International trade

Company	Date of Incorporation	Address	Share Capital (in thousands)	Business Activities
Great Pursuit Limited	99.09.10	Offshore Chambers, P.O. Box 217 Apia, Samoa	NTD 72,825 ( USD 2,500 )	General investment
Hao-Tern-Shin Electronic Co., Ltd (Shenzhen)	100.03.28	1F, building 2, Fujikang Science and Technology Park, Yanchuan YanLuo Road, Songgang Street, Baoan District, Shenzhen	NTD 72,825 ( USD 2,500 )	Sales and manufacturing of printed circuit board
Tongtai Machine & Tool Japan Co, LTD	100.01.05	6F, 1307 Matsudo, Matsudo City, Chiba Prefecture, Japan	NTD 27,931 ( JPY 88,900 )	Sales of machine tools
SKTD Co., Ltd.	105.07.22	6F, 1307 Matsudo, Matsudo City, Chiba Prefecture, Japan	NTD 24,530 ( JPY 79,000 )	Design and development of machine tools
TongTai Machinery Co., Ltd.	82.02.03	36/30 Moo 7 Bangphli Yai Bangphli, Samutprakarn 10540	NTD 10,018 ( THB 10,000 )	Sales and maintenance of machine tools
TongTai Seiki Vietnam Co., Ltd	102.06.04	D14 Lane 17T10 Nguyen Thi Dinh, Trung Hoa Ward, Cau Giay Dist, Hanoi, Vietnam	NTD 9,054 ( USD 300 )	Sales and maintenance of machine tools
Tongtai Machine Tool(SEA) Sdn Bhd	101.12.21	No 7, Jalan Para U8/103, Metropolitan Business Park. U8. 40150 Bukit Jelutong, Shah Alam, Selangor, Malaysia	NTD 9,822 ( RM 1,000 )	Sales and maintenance of machine tools
Tongtai Machine Tool(MFG) Sdn Bhd	101.12.21	No 7, Jalan Para U8/103, Metropolitan Business Park. U8. 40150 Bukit Jelutong, Shah Alam, Selangor, Malaysia	NTD 71,952 ( RM 8,500 )	Sales and manufacturing of equipment
Tong-Tai Seiki USA, INC.	93.01.02	1532 14TH STREET, Columbus, IN, 47201, USA	NTD 33,163 ( USD 1,000 )	Sales and maintenance of machine tools
Tongtai Mexico ,S.A. DE C.V.	107.12.07	LA CIUDAD DE SAN LUIS POTOSI, Mexico	NTD 10,155 ( USD 330 )	Sales and maintenance of machine tools
PCI-SCEMM	29.10.28	Le Rond Point Rue Copernic 42100 Saint-Etienne,	NTD 203,981	Sales, manufacturing and

Company	Date of Incorporation	Address	Share Capital (in thousands)	Business Activities
		France	( EUR 6,000 )	maintenance of machine tools
TTGroup France	107.01.22	Le Rond Point Rue Copernic 42000 Saint-Etienne, France	NTD 1,076 ( EUR 30 )	Sales of machine tools
Tongtai Europe B.V.	94.04.28	Vloelveld 16, 5126 RG GILZE, The Netherlands	NTD 3,723 ( EUR 90 )	Sales of machine tools
Tongan GmbH	104.05.19	Zaunermühlstraße 3, 4050 Traun, Austria	NTD 1,215 ( EUR 35 )	General investment
Mbi-group Beteiligung GmbH	94.10.07	Zaunermühlstraße 3, 4050 Traun, Austria	NTD 583,534 ( EUR 16,735 )	General investment
Anger Machining GmbH	61.01.21	Zaunermühlstraße 3, 4050 Traun, Austria	NTD 13,467 ( EUR 388 )	Sales, manufacturing and maintenance of machine tools
"HPC" Produktions GmbH	98.12.17	Seebacher Straße 40, 9871 Seeboden, Austria	NTD 1,215 ( EUR 35 )	Sales of mold and equipment
Anger Machining Inc.	100.04.27	4630 Freedom Drive, Ann Arbor, MI 48108	NTD 120 ( USD 4 )	Sales and maintenance of machine tools
Anger Service Deutschland GmbH	100.01.26	Wilhelm-Maybach-Str. 11 72108 Rottenburg am Neckar, Germany	NTD 867 ( EUR 25 )	Sales and maintenance of machine tools

### 8.1.3 Shareholders in Common of the Company and Its Affiliates with Deemed Control and Subordination

None.

### 8.1.4 Business Scope of the Company and its Affiliates

- (a) The Company's affiliates are involved in machine tools manufacturing, meoelectronics design and manufacturing, investment and trade.

- (b) The company has subsidiaries in China, France, Austria, the Netherlands, Japan, Thailand, Malaysia, Vietnam, the United States and Mexico, providing instant business or technical services to customers worldwide. On the whole, the business operations of the company's affiliated companies are related to each other, through the mutual support of technology, marketing and services, in order to maximize the competitiveness of the group

### 8.1.5 List of Directors, Supervisors, and Presidents of the Company's affiliates

2020.12.31				
Company	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	Holding % (Investment Holding %)
TONGFONG AUTO TECH CO., LTD.	Director	Tongtai Machine & Tool Co., Ltd. ("Tongtai")	1,499,000	99.93%
	Director (representative) ,Chairmanand General Manager	Jui-Hsiung Yen	—	—
	Director (representative)	Jin-Cheng Yang	—	—
	Director (representative)	Jia-Fu Su	—	—
	Supervisor	Tong Ying Investment Co., Ltd	1,000	0.07%
	Supervisor (representative)	Fu-Cai Yao	—	—
ASIA PACIFIC ELITE CORP.	Director	Tongtai Machine & Tool Co., Ltd.	14,515,414	99.83%
	Director (representative) ,Chairman and General Manager	Jui-Hsiung Yen	—	—
	Director (representative)	Hsuan-Jen Kung	—	—
	Director (representative)	Tsung-Hsien Tsai	—	—
	Supervisor	Tong Ying Investment Co., Ltd.	220	0%
	Supervisor (representative)	Tzu-Yun Ho	—	—
Quick-Tech Machinery Co., Ltd.	Chairman	Jui-Hsiung Yen	—	—

Company	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	Holding % (Investment Holding %)
	Director and General Manager	Kuo-Chin Huang	2,809,780	23.41%
	Director	Tongtai Machine & Tool Co., Ltd.	6,238,800	51.99%
	Director (representative)	Wen-Chi Tseng	—	—
	Director (representative)	Ming-Chuan Shih	—	—
	Director (representative)	Wen-Hua Lin	—	—
	Supervisor	Tong Ying Investment Co., Ltd.	1,200	0.01%
	Supervisor (representative)	Cheng Yen	—	—
Honor Seiki Company Limited	Director	Fu Ying Investment Co., Ltd.	6,016,321	17.79%
	Director (representative), Chairman and General Manager	Song-Tian Chen	129,360	0.38%
	Director	Tongtai Machine & Tool Co., Ltd.	18,253,424	53.96%
	Director (representative)	Jin-Cheng Yang	—	—
	Director	Rongying Investment Co., Ltd.	500,000	1.48%
	Director (representative)	Wen-Hsiang Lin	—	—
	Supervisor	Tong Ying Investment Co., Ltd.	170,000	0.50%
	Supervisor (representative)	Wen-Hua Lin	—	—
TONG-YEH PRECISION INDUSTRY CO., LTD.	Chairman and General Manager	Su-Min Wang	66,680	3.80%
	Director	Tongtai Machine & Tool Co., Ltd.	1,052,898	60.00%
	Director (representative)	Jin-Cheng Yang	—	—
	Director (representative)	Jia-Fu Su	—	—
	Supervisor	Tong Ying Investment Co., Ltd.	1,584	0.09%
	Supervisor (representative)	Wen-Wang Lin	—	—
CHIN JIG TECHNOLOGY Co., Ltd. ( CHIN JIG )	Chairman	Shao-Fang Hsu	600,000	15.00%
	Director	Tongtai Machine & Tool Co., Ltd.	2,799,000	69.98%
	Director (representative)	Qing-He Chen	—	—

Company	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	Holding % (Investment Holding %)
	Director (representative)	Yung-Cheng Chen	—	—
	General Manager	Qing-Lang Lu	400,000	10.00%
	Supervisor	Tung Ying Investment Co., Ltd	1,000	0.03%
	Supervisor (representative)	Yuan-Hsien Chang	—	—
Time Trade International Limited	Director	Shao-Fang Hsu	—	—
			CHIN JIG holds 550,000 shares	100%
CHIN-JIG CO.,LTD (SHANGHAI)	Chairman and General Manager	Qing-Lang Lu	—	—
	Director	Shao-Fang Hsu	—	—
	Director	Wen-An Chen	—	—
	Director	Deng-Cai Xie	—	—
			( Time Trade International Limited's investment USD 550,000 )	(100%)
Union Top Industrial (SAMOA) Limited (Union Top)	Director	Jui-Hsiung Yen	—	—
			Tongtai holds 16,465,400 shares	100%
Tong-Yu Machine Tool Co.,Ltd (Shanghai)	Chairman	Jui-Hsiung Yen	—	—
	Director	Feng-Hui Chiou	—	—
	Director	Lu Yen	—	—
			( Union Top's investment USD 2,408,000 )	(100%)
Suzhou Tongyu Machine Tool Co., Ltd (Suzhou)	Chairman	Jui-Hsiung Yen	—	—
	Director and General Manager	Feng-Hui Chiou	—	—



Company	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	Holding % (Investment Holding %)
	Director	Fu-Cai Yao	—	—
	Director	Lu Yen	—	—
			( Union Top's investment USD 25,000,000 )	(100%)
Tong-Tai-Shin Trading Co., Ltd(Shanghai)	Managing Director	Jui-Hsiung Yen	—	—
			( Union Top's investment USD 200,000 )	(100%)
Great Pursuit Limited	Chairman	Jui-Hsiung Yen	—	—
	Director	Su-Zhu Huang	—	—
			( Union Top's investment USD 1,375,000 )	(55%)
Hao-Tern-Shin Electronic Co., Ltd (Shenzhen)	Managing Director and General Manager	Jui-Hsiung Yen	—	—
	Director	Ru-Ping Li	—	—
			( Great Pursuit Limited's investment USD 2,500,000 )	(55%)
Tongtai Machine & Tool Japan Co, LTD	Chairman(representative)	Jui-Hsiung Yen	—	—
			Tongtai holds 889 shares	100%
SKTD Co., Ltd.	Chairman(representative)	Kaneda Masahiro	6	0.76%
	Director	Ko Masaaki	2	0.25%
	Director	Miyasato Yako	2	0.25%
			Tongtai Machine & Tool Japan Co, LTD holds 780 shares	98.73%

Company	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	Holding % (Investment Holding %)
TongTai Machinery Co., Ltd	Director	Jui-Hsiung Yen	—	—
	Director	Yen-Ming Chen	—	—
			Tongtai holds 999,998 shares	100%
TongTai Seiki Vietnam Co., Ltd.	Chairman	Jui-Hsiung Yen	—	—
			Tongtai holds 631,080 shares	100%
Tongtai Machine Tool (SEA) Sdn Bhd	Director	Jui-Hsiung Yen	—	—
	Director and General Manager	Tien-Kuei Lin	310,000	31%
	Director	Hsin-Ju Chen	50,000	5%
			Tongtai holds 520,000 shares	52%
Tongtai Machine Tool (MFG) Sdn Bhd	Director	Jui-Hsiung Yen	—	—
	Director	Lu Yen	—	—
	Director	Yung-Cheng Chen	—	—
	Director	Tien-Kuei Lin	—	—
			Tongtai holds 8,500,000 shares	100%
Tong-Tai Seiki USA, INC.	Chairman	Jui-Hsiung Yen	—	—
	Director	Fu-Cai Yao	—	—
	Director	Lu Yen	—	—
			Tongtai holds 100 shares	100%
PCI-SCEMM	Chairman	Jui-Hsiung Yen	—	—
	Director and General Manager	Lu Yen	1	—
	Director	Chung-Kuang Lin	—	—

Company	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	Holding % (Investment Holding %)
	Director	Patrice GAMBIER	— Tongtai holds 999,999 shares	— 100%
TTGroup France	Chairman	Lu Yen	—	—
	Director	Patrice GAMBIER	PCI-SCEMM holds 60,000 shares	100%
Tongtai Europe B.V.	Director	Jui-Hsiung Yen	—	—
	Director and General Manager	Chung-Kuang Lin	—	—
	Director	Lu Yen	— Tongtai holds 9,000 shares	— 100%
Tongtai Mexico ,S.A. DE C.V.	Director	Kuang-Yu Yang	1	—
	Director	Yung-Cheng Chen	—	—
	Director	Lu Yen	— Tongtai holds 65,999 shares	— 100%
Tongan GmbH	Director	Lu Yen	— Tongtai holds 35,000 shares	— 100%
Mbi-group Beteiligung GmbH ( Mbi )	Director	Lu Yen	—	—
	Director	Chung-Kuang Lin	— ( Tongan GmbH's investment EUR 16,735,000 )	— (100%)
Anger Machining GmbH (Anger)	Director and General Manager	Bernhard Morawetz	— ( Mbi's investment EUR 17,088,000 )	— (100%)

Company	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	Holding % (Investment Holding %)
HPC Produktions GmbH	Director and General Manager	Gunther Kranabether	— ( Mbi's investment EUR 35,000 )	— (100%)
Anger Machining Inc.	Director	Dietmar Bahn	— Anger holds 60,000 shares	— 100%
Anger Service Deutschland GmbH	Director	Dietmar Bahn	— ( Anger's investment EUR 25,000 )	— (100%)

### 8.1.6 Operational Highlights of Affiliated Companies (2020.12.31)

Units: NTD in thousands/Earnings (loss) per Share in NTD

Company	Paid-in Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenue	Operating Income (Loss)	Net Income (Loss) After Tax	Earnings (Loss) Per Share After Tax
TONGFONG AUTO TECH CO., LTD.	15,000	100,807	54,440	46,367	194,480	10,179	14,952	9.97
ASIA PACIFIC ELITE CORP.	145,397	843,695	743,892	99,803	821,131	1,599	14,390	0.99
Quick-Tech Machinery Co., Ltd.	120,000	170,510	167,797	2,713	102,231	(143,493)	(138,635)	(11.55)
Honor Seiki Company Limited	356,047	2,283,541	1,091,778	1,191,763	958,816	38,096	45,852	1.29
TONG-YEH PRECISION INDUSTRY CO., LTD.	17,548	92,840	43,088	49,752	67,046	3,574	4,496	2.56
CHIN JIG TECHNOLOGY Co., Ltd.	40,000	75,371	1,010	74,361	0	(3,778)	(1,651)	(0.41)
Time Trade International Limited	16,690	70,204	0	70,204	0	0	2,567	4.67
CHIN-JIG CO.,LTD (SHANGHAI)	16,690	93,500	23,296	70,204	70,025	6,317	6,335	N/A
Union Top Industrial (SAMOA) Limited	535,919	1,280,237	275,513	1,004,724	0	(4,714)	10,497	0.64
Suzhou Tongyu Machine Tool Co.,Ltd (Suzhou)	746,740	2,611,782	1,467,021	1,144,761	1,640,625	30,059	9,628	N/A
Tong-Yu Machine Tool Co., Ltd (Shanghai)	80,269	100,435	575	99,860	0	(2,483)	(3,319)	N/A
Tong-Tai-Shin Trading Co., Ltd(Shanghai)	6,863	10,263	547	9,716	0	(171)	(141)	N/A
Hao-Tern-Shin Electronic Co., Ltd (Shenzhen)	72,825	15,433	34,542	(19,109)	0	(29)	0	N/A
Tongtai Machine&Tool Japan Co, LTD.	27,931	24,890	1,989	22,901	24,456	119	(2,238)	(2,517)
SKTD Co., Ltd.	24,530	43,520	26,409	17,111	46,055	(5,376)	(3,169)	(4,011)
TongTai Machinery Co., Ltd	10,018	66,347	39,969	26,378	21,350	(1,335)	(4,278)	(4.28)
TongTai Seiki Vietnam Co., Ltd	9,054	19,623	3,114	16,509	13,359	(1,846)	(1,859)	(2.95)

Company	Paid-in Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenue	Operating Income (Loss)	Net Income (Loss) After Tax	Earnings (Loss) Per Share After Tax
Tongtai Machine Tool (SEA) Sdn Bhd	9,822	34,947	17,138	17,809	25,790	3,487	2,725	2.73
Tongtai Machine Tool (MFG) Sdn Bhd	71,952	38,336	120	38,216	0	(1,466)	(973)	(0.11)
Tong-Tai Seiki USA, INC.	33,163	5,239	140	5,099	99	(8,222)	(8,221)	(82,208)
Tongtai Mexico ,S.A. DE C.V.	10,155	7,185	59	7,126	0	(1,059)	(559)	(8.48)
PCI-SCEMM	203,981	967,284	552,508	414,776	591,188	(19,313)	13,192	13.91
TTGroup France	1,076	20,665	18,863	1,802	17,743	(290)	360	5.99
Tongtai Europe B.V.	3,723	72,371	96,215	(23,844)	36,307	(28,411)	(20,679)	-2,298
Tongan GmbH	1,215	2,684	199,519	(196,835)	0	(148)	(152,801)	-4,366
Mbi-group Beteiligung GmbH	583,534	28,460	156,673	(128,213)	11,203	1,205	(154,157)	N/A
Anger Machining GmbH	13,467	898,325	1,038,055	(139,730)	576,749	(146,796)	(158,347)	N/A
HPC Produktions GmbH	1,215	180,752	117,057	63,695	237,580	(20,495)	4,218	N/A
Anger Machining Inc.	120	5,519	9,477	(3,958)	5,989	(1,950)	(2,063)	(34.39)
Anger Service Deutschland GmbH	867	2,980	1,612	1,368	12,523	603	474	N/A

#### **8.1.7 Consolidated Financial Statements of Affiliated Companies:**

Consolidated Financial Statements of Affiliated Companies: Refer to Appendix I in the Annual Report.

**8.1.8 The Company has disclosed the derivative products trading information, making endorsement and guarantees, and fund lending information of all the affiliated companies in the consolidated financial statements (Refer to Appendix I in the Annual Report). Affiliate companies not listed did not engage in relevant activities.**

#### **8.2 Private Placement Securities in the Most Recent Years**

None.

#### **8.3 Subsidiaries' Shareholding or Disposition of the Company's Shares:**

None.

#### **8.4 Other Supplementary Notes:**

None.

### **IX. Other Issues**

#### **9.1 Events Regulated in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act That Have Impacts on Shareholders' Equity or the Price of Securities during the Current Fiscal Year up to the Date of Publication of the Annual Report:**

None.

**Appendix I: Consolidated Financial  
Statements for the Year Ended  
December 31, 2020**



**Tongtai Machine & Tool Co., Ltd. and  
Subsidiaries**

**Consolidated Financial Statements for the Years Ended  
December 31, 2020 and 2019 and Independent Auditors'  
Report**

## REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of Tongtai Machine & Tool Co., Ltd. as of and for the year ended December 31, 2020, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Tongtai Machine & Tool Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

Tongtai Machine & Tool Co., Ltd.

By

Jui-Hsiung Yen, Chairman  
March 18, 2021

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Tongtai Machine & Tool Co., Ltd.

### **Opinion**

We have audited the accompanying consolidated financial statements of Tongtai Machine & Tool Co., Ltd. (the "Company") and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2020 and 2019, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the audit reports issued by other independent auditors (refer to Other Matter paragraph below), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2020 and 2019, and their consolidated financial performance and their consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

### **Basis for Opinion**

We conducted our audits of the consolidated financial statements for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. We conducted our audits of the consolidated financial statements for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants Rule No.1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020, and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the report of 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 for the year ended December 31, 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, and we do not provide a separate opinion on these matters.

Key audit matters identified in the Company and its subsidiaries' consolidated financial statements for the year ended December 31, 2020 are as follows:

### **Revenue recognition**

Specific machine types have different degree of customization based on the customer requirements.

For machine and tool makers, sales revenues may be recognized before the completion of machine or tool installation based on the customization requirements. As a result, we identified revenue recognition as one of the key audit matters.

Refer to Note 4 (p) to the consolidated financial statements for the related accounting policies and disclosures on revenue recognition.

The key audit procedures performed in respect of the above key audit matter included the following:

1. We performed the understanding and testing the design and implementation and operating effectiveness of internal control of the sales of specific machine types.
2. We performed test of details of recorded revenue against the supporting documents including contracts, reports on completion of installation, and acceptance receipts signed by customer.
3. We obtained details of sales returns and allowances in the current year to the report date and examined if there was any abnormal sales return and allowance for adjustment, and confirmed that recorded transactions were properly authorized.

### **Inventory valuation**

Inventory is material to the Company and its subsidiaries. As of December 31, 2020, inventory amounted to NT\$5,015,672 thousand, representing 31% of the Company and its subsidiaries' total assets. In addition, inventory valuation involves critical accounting estimates. Therefore, we identified the inventory valuation as one of the key audit matters. Refer to Notes 4 (g), 5 (b) and 9 to the consolidated financial statements for the related accounting policies and disclosures on inventory valuation.

The key audit procedures performed in respect of the above key audit matter included the

following:

1. We participated in the physical count of inventory, and observed the physical condition of inventory and checked against the records for any identified obsolete and slow-moving inventory.
2. We obtained inventory aging report, tested the accuracy of inventory aging and evaluated compliance with the inventory accounting policies.
3. We obtained details of inventory valuation and confirmed that inventory items were stated at the lower of cost or net realizable value. We test-checked the cost and market value of inventory against the supporting documents.

#### **Other Matter**

Certain investments in subsidiaries accounted for using the equity method were included in the consolidated financial statements as of December 31, 2020 and 2019 and for the years then ended based on financial statements audited by other independent auditors. The total of such investments amounted to NT\$1,847,763 thousand and NT\$6,288,624 thousand, representing 12% and 37% of the Company and its subsidiaries' total assets as of December 31, 2020 and 2019, respectively, and the total revenue from such subsidiaries amounted to NT\$1,156,617 thousand and NT\$3,890,827 thousand, representing 15% and 35% of the Company and its subsidiaries' total revenue for the years ended December 31, 2020 and 2019, respectively.

We have also audited the standalone financial statements of Tongtai Machine & Tool Co., Ltd. as of and for the years ended December 31, 2020 and 2019 on which we have issued an unmodified opinion with other matter paragraph and an unmodified opinion with emphasis of matter and other matter paragraphs.

#### **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 International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, 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 Company and its subsidiaries' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing

the Company and its subsidiaries' financial reporting process.

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Yu-Shiang Liu and Jui-Hsuan Hsu.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 18, 2021

#### Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.*

# TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,703,291	11	\$ 1,089,689	6
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	113,843	1	18,456	-
Notes receivable, net (Notes 5 and 8)	363,182	2	187,605	1
Accounts receivable, net (Notes 4, 5 and 8)	2,857,406	18	3,687,639	22
Accounts receivable - related parties (Notes 4, 5, 8 and 32)	5,178	-	5,503	-
Other receivables (Note 32)	230,558	1	82,851	1
Current tax assets (Note 26)	8,372	-	19,811	-
Inventories (Notes 4, 5 and 9)	5,015,672	31	5,607,161	33
Other financial assets - current (Notes 13 and 33)	313,317	2	799,366	5
Other current assets	<u>350,752</u>	<u>2</u>	<u>350,438</u>	<u>2</u>
Total current assets	<u>10,961,571</u>	<u>68</u>	<u>11,848,519</u>	<u>70</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 10)	146,203	1	180,264	1
Investments accounted for using the equity method (Notes 4 and 12)	7,771	-	19,505	-
Property, plant and equipment (Notes 4, 14 and 33)	3,323,037	21	3,341,106	20
Right-of-use assets (Notes 4 and 15)	624,337	4	644,667	4
Investment properties (Notes 4, 16 and 33)	228,931	2	236,501	1
Intangible assets (Notes 4 and 17)	59,228	-	89,775	1
Deferred tax assets (Notes 26)	511,357	3	362,302	2
Refundable deposits	23,613	-	33,693	-
Long-term notes and accounts receivable (Note 8)	4,097	-	8,546	-
Net defined benefit assets (Notes 4 and 22)	1,490	-	1,465	-
Other financial assets - non-current (Notes 13 and 33)	73,056	1	99,930	1
Other non-current assets (Note 8)	<u>44,374</u>	<u>-</u>	<u>55,579</u>	<u>-</u>
Total non-current assets	<u>5,047,494</u>	<u>32</u>	<u>5,073,333</u>	<u>30</u>
TOTAL	<u>\$ 16,009,065</u>	<u>100</u>	<u>\$ 16,921,852</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 18 and 33)	\$ 2,567,753	16	\$ 2,999,533	18
Short-term bills payable (Note 18)	249,816	2	241,682	1
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	11,372	-	8,257	-
Contract liabilities - current (Note 24)	1,330,503	8	1,001,236	6
Notes payable (Notes 19 and 32)	59,754	-	118,877	1
Accounts payable (Note 19)	1,362,224	9	1,474,197	9
Accounts payable - related parties (Notes 19 and 32)	64,825	-	73,348	-
Other payables (Notes 20 and 32)	718,441	5	721,381	4
Current tax liabilities (Notes 4 and 26)	38,187	-	34,732	-
Provisions (Notes 4 and 21)	102,527	1	111,884	1
Lease liabilities - current (Notes 4 and 15)	47,364	-	39,812	-
Current portion of long-term bank borrowings (Notes 18 and 33)	1,888,558	12	1,041,152	6
Other current liabilities	<u>35,037</u>	<u>-</u>	<u>87,543</u>	<u>1</u>
Total current liabilities	<u>8,476,361</u>	<u>53</u>	<u>7,953,634</u>	<u>47</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term bank borrowings (Notes 18 and 33)	1,320,736	8	2,214,265	13
Deferred tax liabilities (Note 26)	70,785	-	69,624	-
Lease liabilities - noncurrent (Notes 4 and 15)	581,102	4	600,817	4
Net defined benefit liabilities (Notes 4 and 22)	99,350	1	89,674	1
Guarantee deposits received	57	-	1,791	-
Total non-current liabilities	<u>2,072,030</u>	<u>13</u>	<u>2,976,171</u>	<u>18</u>
Total liabilities	<u>10,548,391</u>	<u>66</u>	<u>10,929,805</u>	<u>65</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 23 and 28)</b>				
Ordinary shares	<u>2,548,265</u>	<u>16</u>	<u>2,548,265</u>	<u>15</u>
Capital surplus	<u>1,194,096</u>	<u>7</u>	<u>1,190,258</u>	<u>7</u>
Retained earnings				
Legal reserve	731,144	5	725,249	4
Special reserve	89,749	-	133,443	1
Unappropriated earnings	<u>350,103</u>	<u>2</u>	<u>775,619</u>	<u>5</u>
Total retained earnings	<u>1,170,996</u>	<u>7</u>	<u>1,634,311</u>	<u>10</u>
Other equity	( <u>30,440</u> )	<u>-</u>	( <u>88,270</u> )	( <u>1</u> )
Total equity attributable to owners of the Company	<u>4,882,917</u>	<u>30</u>	<u>5,284,564</u>	<u>31</u>
NON-CONTROLLING INTERESTS	<u>577,757</u>	<u>4</u>	<u>707,483</u>	<u>4</u>
Total equity	<u>5,460,674</u>	<u>34</u>	<u>5,992,047</u>	<u>35</u>
TOTAL	<u>\$ 16,009,065</u>	<u>100</u>	<u>\$ 16,921,852</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements.  
(With Deloitte & Touche auditors' report dated March 18, 2021)



# TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	For the Year Ended December 31			
	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4, 24 and 32)	\$ 7,778,541	100	\$ 11,000,093	100
OPERATING COSTS (Notes 9,22, 25 and 32)	<u>6,670,664</u>	<u>86</u>	<u>8,524,115</u>	<u>78</u>
GROSS PROFIT	<u>1,107,877</u>	<u>14</u>	<u>2,475,978</u>	<u>22</u>
OPERATING EXPENSES(Notes 8,22, 25 and 32)				
Selling and marketing expenses	747,964	10	1,041,934	10
General and administrative expenses	640,335	8	695,206	6
Research and development expenses	289,786	4	325,214	3
Expected credit loss	<u>99,920</u>	<u>1</u>	<u>142,983</u>	<u>1</u>
Total operating expenses	<u>1,778,005</u>	<u>23</u>	<u>2,205,337</u>	<u>20</u>
PROFIT (LOSS) FROM OPERATIONS	( <u>670,128</u> )	( <u>9</u> )	<u>270,641</u>	<u>2</u>
NON-OPERATING INCOME AND EXPENSES(Notes 12, 25 and 32)				
Interest income	22,930	-	33,707	-
Other income	294,161	4	113,778	1
Other gains and losses	( 49,142 )	( 1 )	( 152,442 )	( 1 )
Finance costs	( 108,060 )	( 1 )	( 130,619 )	( 1 )
Share of loss of associates	( <u>2,951</u> )	<u>-</u>	( <u>2,153</u> )	<u>-</u>
Total non-operating income and expenses	<u>156,938</u>	<u>2</u>	( <u>137,729</u> )	( <u>1</u> )
PROFIT (LOSS) BEFORE INCOME TAX	( 513,190 )	( 7 )	132,912	1
INCOME TAX EXPENSE (BENEFIT) (Notes 4 and 26)	( <u>116,481</u> )	( <u>2</u> )	<u>43,292</u>	<u>-</u>
NET PROFIT (LOSS) FOR THE PERIOD	( <u>396,709</u> )	( <u>5</u> )	<u>89,620</u>	<u>1</u>

(Continued)

# TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	For the Year Ended December 31			
	2020		2019	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 22,23 and 26)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plan	( \$ 14,013 )	-	( \$ 16,083 )	-
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	( 17,072 )	-	9,193	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	2,681	-	( 563 )	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	24,543	-	( 67,293 )	( 1 )
Income tax relating to items that may be reclassified subsequently to profit or loss	( 4,954 )	-	13,384	-
Other comprehensive loss for the year, net of income tax	( 8,815 )	-	( 61,362 )	( 1 )
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	( \$ 405,524 )	( 5 )	\$ 28,258	-
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	( \$ 346,776 )	( 4 )	\$ 58,947	1
Non-controlling interests	( 49,933 )	( 1 )	30,673	-
	( \$ 396,709 )	( 5 )	\$ 89,620	1
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	( \$ 354,520 )	( 4 )	( \$ 2,055 )	-
Non-controlling interests	( 51,004 )	( 1 )	30,313	-
	( \$ 405,524 )	( 5 )	\$ 28,258	-
EARNINGS (LOSS) PER SHARE (Note 27)				
Basic	( \$ 1.36 )		\$ 0.23	
Diluted	( 1.36 )		0.23	

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)  
(With Deloitte & Touche auditors' report dated March 18, 2021)

**TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company										
	Retained Earnings					Exchange Differences on Translating Foreign Operations	Other Equity		Total Equity Attributable to Owners of the Company	Non-controlling Interests	Total Equity
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized Valuation Gain/(Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total Other Equity			
BALANCE AT JANUARY 1, 2019	\$ 2,548,265	\$ 1,201,104	\$ 694,026	\$ 89,749	\$ 887,670	(\$ 84,143)	\$ 40,449	(\$ 43,694)	\$ 5,377,120	\$ 744,237	\$ 6,121,357
Appropriation of 2018 earnings (Note 23)											
Legal reserve	-	-	31,223	-	( 31,223 )	-	-	-	-	-	-
Special reserve	-	-	-	43,694	( 43,694 )	-	-	-	-	-	-
Cash dividends	-	-	-	-	( 76,448 )	-	-	-	( 76,448 )	-	( 76,448 )
Net profit for the year ended December 31, 2019	-	-	31,223	43,694	( 151,365 )	-	-	-	( 76,448 )	-	( 76,448 )
Other comprehensive income for the year ended December 31, 2019, net of income tax	-	-	-	-	( 16,426 )	( 53,769 )	9,193	( 44,576 )	( 61,002 )	( 360 )	( 61,362 )
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	42,521	( 53,769 )	9,193	( 44,576 )	( 2,055 )	30,313	28,258
The difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition (Note 28)	-	( 10,622 )	-	-	( 3,207 )	-	-	-	( 13,829 )	-	( 13,829 )
Changes in percentage of ownership interests in subsidiaries (Note 28)	-	( 224 )	-	-	-	-	-	-	( 224 )	-	( 224 )
Adjustment of non-controlling interests (Note 23)	-	-	-	-	-	-	-	-	-	( 67,067 )	( 67,067 )
BALANCE AT DECEMBER 31, 2019	2,548,265	1,190,258	725,249	133,443	775,619	( 137,912 )	49,642	( 88,270 )	5,284,564	707,483	5,992,047
Appropriation of 2019 earnings (Note 23)											
Legal reserve	-	-	5,895	-	( 5,895 )	-	-	-	-	-	-
Cash dividends	-	-	-	-	( 50,965 )	-	-	-	( 50,965 )	-	( 50,965 )
Reversal of special reserve	-	-	-	( 43,694 )	43,694	-	-	-	-	-	-
Net loss for the year ended December 31, 2020	-	-	5,895	( 43,694 )	( 13,166 )	-	-	-	( 50,965 )	-	( 50,965 )
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	( 10,486 )	19,814	( 17,072 )	2,742	( 7,744 )	( 1,071 )	( 8,815 )
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	( 357,262 )	19,814	( 17,072 )	2,742	( 354,520 )	( 51,004 )	( 405,524 )
Changes in percentage of ownership interests in subsidiaries (Note 28)	-	3,838	-	-	-	-	-	-	3,838	-	3,838
Adjustment of non-controlling interests (Note 23)	-	-	-	-	-	-	-	-	-	( 78,722 )	( 78,722 )
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	( 55,088 )	-	55,088	55,088	-	-	-
BALANCE AT DECEMBER 31, 2020	\$ 2,548,265	\$ 1,194,096	\$ 731,144	\$ 89,749	\$ 350,103	(\$ 118,098)	\$ 87,658	(\$ 30,440)	\$ 4,882,917	\$ 577,757	\$ 5,460,674

The accompanying notes are an integral part of the consolidated financial statements.  
(With Deloitte & Touche auditors' report dated March 18, 2021)

**TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In Thousands of New Taiwan Dollars)

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit (loss) before income tax	( \$ 513,190 )	\$ 132,912
Adjustments for:		
Depreciation expense	313,189	323,622
Amortization expense	54,784	59,523
Expected credit loss	99,920	142,983
Net loss on fair value change of financial assets at fair value through profit or loss	4,901	365
Interest expense	108,060	130,619
Interest income	( 22,930 )	( 33,707 )
Dividend income	( 9,432 )	( 8,642 )
Share of the loss of associates	2,951	2,153
Loss on disposal of property, plant and equipment	( 48,838 )	( 823 )
Gain on investment properties	( 9,204 )	-
Impairment loss recognized on nonfinancial assets	395,182	162,503
Recognition of provisions	156,115	181,417
Others	( 58 )	63
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	( 97,173 )	42,531
Notes receivable and long-term notes and accounts receivable	( 178,176 )	115,269
Accounts receivable	733,971	151,192
Accounts receivable - related parties	325	3,698
Other receivables	( 64,010 )	74,105
Inventories	206,501	1,013,314
Other current assets	( 314 )	( 55,734 )
Contract liabilities	329,267	( 619,536 )
Notes payable	( 59,123 )	( 128,094 )
Accounts payable	( 111,973 )	( 529,474 )
Accounts payable - related parties	( 8,523 )	( 72,235 )
Other payables	2,402	( 46,325 )
Provisions	( 166,670 )	( 166,830 )
Other current liabilities	( 52,506 )	26,138
Net defined benefit liabilities	( 4,362 )	( 5,096 )
Cash generated from operations	1,061,086	895,911
Interest received	27,462	35,358
Dividend received	9,432	8,642

(Continued)

**TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In Thousands of New Taiwan Dollars)

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Interest paid	( \$ 111,010 )	( \$ 129,550 )
Income taxes paid	( 18,792 )	( 143,243 )
Net cash generated from operating activities	<u>968,178</u>	<u>667,118</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of investments accounted for using the equity method	1,000	-
Acquisition of property, plant and equipment	( 248,163 )	( 149,711 )
Proceeds from disposal of property, plant and equipment	20,062	4,208
Decrease (increase) in refundable deposits	10,080	( 8,636 )
Acquisition of intangible assets	( 9,953 )	( 6,446 )
Acquisition of investment properties	( 299 )	-
Decrease in other financial assets	512,923	74,281
Increase in other non-current assets	( 10,485 )	( 20,138 )
Net cash generated from (used in) investing activities	<u>275,165</u>	<u>( 106,442 )</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	2,577,697	3,321,818
Repayments of short-term borrowings	( 3,223,822 )	( 3,563,488 )
Increase (decrease) in short-term bills payable	8,134	( 88,225 )
Proceeds from long-term bank borrowings	1,445,478	1,700,433
Repayments of long-term bank borrowings	( 1,312,879 )	( 1,625,202 )
Proceeds from (refund of) guarantee deposits received	( 1,734 )	1,413
Repayment of principle of lease liabilities	( 48,269 )	( 49,051 )
Dividends paid	( 50,965 )	( 76,448 )
Acquisition of percentage of ownership interests in subsidiaries	-	( 17,286 )
Decrease in non-controlling interests	( 74,884 )	( 67,291 )
Net cash used in financing activities	<u>( 681,244 )</u>	<u>( 463,327 )</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES</b>	<u>51,503</u>	<u>( 80,224 )</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>613,602</b>	<b>17,125</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>1,089,689</u>	<u>1,072,564</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 1,703,291</u>	<u>1,089,689</u> (Concluded)

The accompanying notes are an integral part of the consolidated financial statements.  
(With Deloitte & Touche auditors' report dated March 18, 2021)

# TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

Tongtai Machine & Tool Co., Ltd. (the “Company”) was incorporated in January 1969. It is mainly engaged in the manufacturing and selling of machine tools, computer components, computer numerical control lathes and cutting centers.

The Company’s shares have been listed on the Taiwan Stock Exchange since September 15, 2003.

The consolidated financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors and authorized for issue on March 18, 2021.

### 3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC).

Except for the following, the initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Corporation and its subsidiaries’ accounting policies:

#### 1) Amendment to IFRS 16 “Covid-19-Related Rent Concessions”

The Company and its subsidiaries elected to apply the practical expedient provided in the amendment to IFRS 16 with respect to rent concessions negotiated with the lessor as a direct consequence of the COVID-19. Related accounting policies are stated in Note 4. Before the application of the amendment, the Company and its subsidiaries was required to determine whether the abovementioned rent concessions are lease modifications and thus have to be accounted for as lease modifications.

The Company and its subsidiaries applied the amendment from January 1, 2020. Retrospective application of the amendment has no impact on the retained earnings as of January 1, 2020.

- b. The IFRSs endorsed by the FSC for application starting from 2021

<b>New IFRSs</b>	<b>Effective Date Announced by IASB</b>
Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase 2"	January 1, 2021

- c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
"Annual Improvements to IFRS Standards 2018-2020"	January 1, 2022 (Note 2)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 6)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 7)
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022 (Note 4)
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 5)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments to IFRS 9 are applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 "Agriculture" are applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 "First-time Adoptions of IFRSs" are applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

As of the date the consolidated financial statements were approved by the Company's board of directors and authorized for issue, the Company and its subsidiaries are in the process of assessing the impact of the impending initial application of the aforementioned and other standards and the amendments to interpretations on their financial position and results of operations. Disclosures will be provided after a detailed review of the impact has been completed.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **a. Statement of Compliance**

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

##### **b. Basis of Preparation**

The consolidated financial statements have been prepared on the historical cost basis except for the financial instruments which are measured at fair value and net defined benefit assets and liabilities which are measured at the present value of the defined benefit obligation less the fair value of the plan assets.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

##### **c. Classification of current and non-current assets and liabilities**

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets are realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being used for an exchange or used to settle a liability for more than 12 months after the reporting period.



Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities expected to be settled within twelve months after the reporting period; and
- 3) Liabilities without an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries).

Income and expenses of subsidiaries acquired during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-Company and its subsidiaries transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

Refer to Note 11, Table 7 and Table 8 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred and the fair value of the acquirer's previously held interests in the acquired entity, the excess is recognized immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Company and its subsidiaries in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are

adjusted retrospectively, with the corresponding adjustments being made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. The measurement period does not exceed one year from the acquisition date.

If the initial accounting for a business combination is incomplete by the end of the balance sheet date in which the combination occurs, the Company and its subsidiaries report provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

f. Foreign currencies

In preparing the financial statements of each individual consolidated entity, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the year in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are stated at the historical translated amount.

For the purpose of presenting consolidated financial statements, the functional currencies of the entities associated with the Company (including subsidiaries in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: assets and liabilities are translated at the exchange rates prevailing at the end of the balance sheet date; income and expense items are translated at the average exchange rates for the year. The resulting currency translation differences are recognized in other comprehensive income attributed to the owners of the Company and non-controlling interests as appropriate.

Goodwill and fair value adjustments on identifiable assets and liabilities recognized on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of balance sheet date. Exchange differences arising are recognized in other comprehensive income.

g. Inventories

Inventories consisting of raw materials, supplies, work-in-progress, finished goods and merchandise are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Raw materials and supplies are recorded at the moving-average cost, and the work-in-progress, finished goods and merchandise are recorded at cost by the specific identification method.

h. Investments in associates

An associate is an entity over which the Company and its subsidiaries have significant influence and which is neither a subsidiary nor an interest in a joint venture.

The Company and its subsidiaries use the equity method to account for their investments in associates. Under the equity method, investments in an associate is initially recognized at cost and adjusted thereafter to recognize the Company and its subsidiaries' share of the profit or loss and other comprehensive income of the associate. The Company and its subsidiaries also recognize the changes in the Company and its subsidiaries' share of the equity of associates.

Any excess of the cost of acquisition over the Company and its subsidiaries' share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included in the carrying amount of the investment and is not amortized.

When the Company and its subsidiaries subscribe for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Company and its subsidiaries' proportionate interest in the associate. The Company and its subsidiaries should record such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted for using the equity method. If the Company and its subsidiaries' ownership interest is reduced due to non-subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be a deduction to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is deducted from retained earnings.

When the Company and its subsidiaries' share of losses of an associate equal or exceed its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company and its subsidiaries' net investment in the associate), the Company and its subsidiaries will discontinue recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company and its subsidiaries have incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

Investment in associate is tested for impairment by treating the entire carrying amount of the investment (including goodwill) as a single asset and then compare that carrying amount with the estimated recoverable amount. Any impairment loss recognized is deducted from

investment and the carrying amount of the investment is net of impairment loss. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment has subsequently increased.

Gains and losses resulting from upstream, downstream and sidestream transactions between and among the Company and its subsidiaries and its associates are recognized in the consolidated financial statements only to the extent of interests in the associate of entities that are not related to the Company and its subsidiaries.

i. Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are carried at cost. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Freehold land is not depreciated.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

j. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation. Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

k. Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to the Company and its subsidiaries' cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the

goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit should be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized on goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

#### I. Intangible assets

##### 1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

##### 2) Internally generated intangible assets - research and development expenditures

Expenditure on research activities is recognized as expense in the period in which it is incurred.

An internal research and development project that has reached its development phase may be recognized as an internally-generated intangible asset if, and only if, all of the following have been demonstrated:

- a) The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- b) The intention to complete the intangible asset and use or sell it;
- c) The ability to use or sell the intangible asset;
- d) How the intangible asset will generate probable future economic benefits;
- e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- f) The ability to measure reliably the expenditures attributable to the intangible asset during its development.

The amount initially recognized as cost of internally generated intangible asset is the total expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Subsequent to initial recognition, it is measured on the same basis as intangible asset acquired separately.

### 3) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, they are measured on the same basis as intangible assets acquired separately.

### 4) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

### m. Impairment of property, plant and equipment, right-of-use asset, investment properties, intangible assets other than goodwill

At the end of each reporting period, the Company and its subsidiaries review the carrying amounts of its property, plant and equipment, right-of-use asset, investment properties and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company and its subsidiaries estimate the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss subsequently is reversed, the carrying amount of the asset or cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined for the asset or cash-generating unit (net of amortization and depreciation) had no impairment loss been recognized in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

### n. Financial instruments

Financial assets and financial liabilities are recognized when the Company and its subsidiaries become a party to the contractual provisions of the instruments.

Transaction costs that are directly attributable to an acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

#### 1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a

trade date basis.

a) Measurement category

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost, and investments in equity instruments at FVTOCI.

i Financial asset at FVTPL

Financial asset classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 31.

ii Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost, including cash and cash equivalents, notes and accounts receivable at amortized cost, other receivables, other financial assets, refundable deposits and long-term notes and accounts receivable, are measured at amortized cost, which equals to gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits with original maturities within three months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii Investments in equity instruments at FVTOCI

On initial recognition, the Company and its subsidiaries may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company and its subsidiaries' right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Company and its subsidiaries recognize a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivables).

The Company and its subsidiaries always recognize lifetime Expected Credit Losses (ECLs) for trade receivables. For all other financial instruments, the Company and its subsidiaries recognize lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company and its subsidiaries measure the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECLs represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represents the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.



For internal credit risk management purposes, the Company and its subsidiaries determine that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Company and its subsidiaries):

- i Internal or external information show that the debtor is unlikely to pay its creditors.
- ii When a financial asset is more than 90 days past due unless the Company and its subsidiaries have reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

The Company and its subsidiaries derecognize a financial asset only when the contractual rights to the cash flows from the asset expire or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

Equity instruments issued by the Company and its subsidiaries are recognized at the proceeds received, net of direct issue costs.

3) Financial liabilities

a) Subsequent measurement

Except the following situations, all financial liabilities are carried at amortized cost using the effective interest method:

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any interest or dividends paid on the financial liability.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

#### 4) Derivative financial instruments

The Company and its subsidiaries enter into a variety of derivative financial instruments to manage their exposure to interest rate and foreign exchange rate risks, including cross-currency swap contracts, swap contracts and foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each balance sheet date. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

##### o. Provisions

Provisions are measured at the best estimate of the cash flows required to settle the present obligation at the end of the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Provisions for the expected cost of warranty obligations are recognized at the date of sale of the relevant products at the Company and its subsidiaries' best estimate of the expenditure required to settle the obligations.

##### p. Revenue recognition

The Company and its subsidiaries identify contracts with customers, allocate the transaction price to the performance obligations and recognize revenue when performance obligations are satisfied.

Revenue from the sale of goods comes from sales of machine. Revenue from domestic sales is recognized when the installation of machine or tool is completed. Revenue from export sales is recognized according to the trade conditions or the completion date of machine installation. The customer has full discretion over the manner of distribution and price to sell the goods and bears the risks of obsolescence. Transaction price received is recognized as a contract liability until performance obligations are satisfied.

Revenue from maintenance and rebuilding are recognized when services are provided.

##### q. Leasing

At the inception of a contract, the Company and its subsidiaries assess whether the contract is, or contains, a lease.

For a contract that contains a lease component and non-lease components, the Company and its subsidiaries allocate the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately.

##### 1) The Company and its subsidiaries as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

## 2) The Company and its subsidiaries as lessee

The Company and its subsidiaries recognize right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, and variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company and its subsidiaries use the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company and its subsidiaries remeasure the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

The Company negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by June 30, 2021, that results in the revised consideration for the lease less than the consideration for the lease immediately preceding the change. There is no substantive change to other terms and conditions. The Company elects to apply the practical expedient to rent concessions and, therefore, does not assess whether the rent concessions are lease modifications. Instead, the Company recognizes the reduction in lease payment in profit or loss as a deduction of expenses of variable lease payments, in the period in which the events or conditions that trigger the concession occur, and makes a corresponding adjustment to the lease liability.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

r. Government grants

Government grants are not recognized until there is reasonable assurance that the Company and its subsidiaries will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized as a reduction of the related costs on a systematic basis over the periods in which the Company and its subsidiaries recognize as expenses the related costs that the grants intend to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company and its subsidiaries with no future related costs are recognized in profit or loss in the period in which they are received.

s. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the year in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the year in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Company and its subsidiaries' defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

t. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Law in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

## 2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward and research and development expenditure to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at each balance sheet date and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

## 3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current tax and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company and its subsidiaries' accounting policies, management is required to make judgments, estimations and assumptions that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Company and its subsidiaries consider the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

### Key sources of estimation uncertainty

#### a. Estimated impairment of financial assets

The provision for impairment of trade receivables is based on assumptions about risk of default and expected loss rates. The Company and its subsidiaries use judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company and its subsidiaries' historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, refer to Note 9. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

#### b. Valuation of inventory

Inventories are stated at the lower of cost or net realizable value, and the Company and its subsidiaries use judgment and estimate to determine the net realizable value of inventory at the end of the reporting period. Since the net realizable value of inventory is mainly determined on the basis of future selling price, it might be adjusted significantly.

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Cash on hand	\$ 6,113	\$ 6,303
Checking accounts and demand deposits	1,637,041	1,083,386
Cash equivalents		
Time deposits with original maturities of less than three months	<u>60,137</u>	<u>-</u>
	<u>\$ 1,703,291</u>	<u>\$ 1,089,689</u>

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2020	2019
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets		
Swap contracts	\$ 3,332	\$ -
Foreign exchange forward contracts	509	-
Non-derivative financial assets		
Mutual funds	16,683	-
CNY floating rate financial products	93,319	18,456
	<u>\$ 113,843</u>	<u>\$ 18,456</u>
<u>Financial liabilities at FVTPL - current</u>		
Financial liabilities held for trading		
Derivative financial liabilities		
Cross-currency swap contracts	\$ 11,280	\$ 6,357
Foreign exchange forward contracts	92	-
Swap contracts	-	1,900
	<u>\$ 11,372</u>	<u>\$ 8,257</u>

- a. At the balance sheet date, outstanding cross-currency swap contracts not accounted for by hedge accounting were as follows:

Notional Amounts (In Thousands)	Maturity Date	Range of interest Rates Paid (%)	Range of Interest Rates Received
<u>December 31, 2020</u>			
USD2,000 / NTD60,140	2021.02	0.92	1M Libor+ 0.48
USD2,000 / NTD60,000	2021.05	0.8	1M Libor+1
USD2,000 / NTD59,600	2021.05	0.8	1M Libor+ 0.95
<u>December 31, 2019</u>			
USD6,000 / NTD185,200	2010.02 ~ 2010.05	0.8 ~ 0.9	3M Libor+0.5
USD2,000 / NTD61,680	2010.01	0.78	1M Libor+0.93

- b. At the balance sheet date, outstanding swap contracts and foreign exchange forward contracts not accounted for by hedge accounting were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
<u>December 31, 2020</u>			
Swap contracts	NTD/CNY	2021.06	NTD80,119 / CNY19,500
Foreign exchange forward	USD/NTD	2021.04	USD4,000 / NTD113,888
Foreign exchange forward	USD/ CNY	2021.01 ~ 2021.03	USD8,230 / CNY53,749
<u>December 31, 2019</u>			
Swap contracts	NTD/CNY	2010.02 ~ 2010.06	NTD168,123 / CNY39,000

The Company and its subsidiaries entered into cross-currency swap contracts, swap contracts and foreign exchange forward contracts to manage exposures to exchange rate and interest rate fluctuations of foreign currency denominated assets and liabilities. For the year ended December 31, 2020 and 2019, the Company and its subsidiaries recognized loss on cross-currency swap contracts, swap contracts and foreign exchange forward contracts not accounted for by hedge accounting in the amounts of NT\$7,925 thousand and NT\$1,493 thousand, respectively, included in gain (loss) on financial instruments at fair value through profit or loss.

For the year ended December 31, 2020, the Company entered into mutual funds financial products and recognized gain in the amounts of NT\$2,037 thousand, included in gain (loss) on financial instruments at fair value through profit or loss.

For the year ended December 31, 2020 and 2019, the subsidiaries entered into CNY floating rate financial products and recognized gain in the amounts of NT\$987 thousand and NT\$1,128 thousand, respectively, included in gain (loss) on financial instruments at fair value through profit or loss.

#### 8. NOTES AND ACCOUNTS RECEIVABLE, LONG-TERM NOTES AND ACCOUNTS RECEIVABLE, AND OVERDUE RECEIVABLE, NET

	December 31	
	2020	2019
Notes receivable (operating)		
Gross carrying amount at amortized cost	\$ 368,017	\$ 197,456
Less: Unrealized interest revenue	<u>4,835</u>	<u>9,851</u>
	<u>\$ 363,182</u>	<u>\$ 187,605</u>
Accounts receivable		
Gross carrying amount at amortized cost	\$ 3,294,974	\$ 4,057,385
Less: Allowance for impairment loss	<u>437,568</u>	<u>369,746</u>
	<u>\$ 2,857,406</u>	<u>\$ 3,687,639</u>
Accounts receivable - related parties		
Gross carrying amount at amortized cost	<u>\$ 5,178</u>	<u>\$ 5,503</u>
Long-term notes and accounts receivable (operating)		
Gross carrying amount at amortized cost	\$ 16,994	\$ 14,076
Less: Allowance for impairment loss	<u>12,897</u>	<u>5,530</u>
	<u>\$ 4,097</u>	<u>\$ 8,546</u>
Overdue receivable (included in other noncurrent assets)		
Gross carrying amount at amortized cost	\$ 73,088	\$ 81,442
Less: Allowance for impairment loss	<u>73,088</u>	<u>81,442</u>
	<u>\$ -</u>	<u>\$ -</u>



## Accounts receivable

The credit period of the Company and its subsidiaries' receivables depends on customer classification and product category. The Company and its subsidiaries make prudent assessment of all their customers. The counterparties are creditworthy companies; as a result, the significant credit risk is unexpected. In order to minimize credit risk, the management of the Company and its subsidiaries have delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company and its subsidiaries review the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company and its subsidiaries' credit risk were significantly reduced.

The Company and its subsidiaries apply the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all notes and accounts receivables. The expected credit losses on notes and accounts receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Company and its subsidiaries' historical credit loss experience do not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company and its subsidiaries' different customer base.

The Company and its subsidiaries write off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery after the recourse procedures. For accounts receivable that have been written off, the Company and its subsidiaries continue to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of notes and accounts receivables based on the Company and its subsidiaries' provision matrix:

### December 31, 2020

	<u>Not Past Due</u>	<u>1 to 90 Days</u>	<u>91 to 180 Days</u>	<u>181 to 270 Days</u>	<u>271 to 365 Days</u>	<u>366 to 720 Days</u>	<u>Over 721 Days</u>	<u>Individual Identification</u>	<u>Total</u>
Gross carrying amount	\$ 2,199,800	\$ 418,765	\$ 160,649	\$ 106,933	\$ 128,488	\$ 245,745	\$ 218,648	\$ 274,388	\$ 3,753,416
Loss allowance (Lifetime ECL)	( 13,981)	( 33,625)	( 14,468)	( 12,114)	( 11,734)	( 89,255)	( 162,842)	( 185,534)	( 523,553)
Amortized cost	<u>\$ 2,185,819</u>	<u>\$ 385,140</u>	<u>\$ 146,181</u>	<u>\$ 94,819</u>	<u>\$ 116,754</u>	<u>\$ 156,490</u>	<u>\$ 55,806</u>	<u>\$ 88,854</u>	<u>\$ 3,229,863</u>

### December 31, 2019

	<u>Not Past Due</u>	<u>1 to 90 Days</u>	<u>91 to 180 Days</u>	<u>181 to 270 Days</u>	<u>271 to 365 Days</u>	<u>366 to 720 Days</u>	<u>Over 721 Days</u>	<u>Individual Identification</u>	<u>Total</u>
Gross carrying amount	\$ 2,463,905	\$ 622,330	\$ 252,863	\$ 137,722	\$ 101,781	\$ 261,860	\$ 180,451	\$ 325,099	\$ 4,346,011
Loss allowance (Lifetime ECL)	( 14,580)	( 42,879)	( 17,741)	( 14,040)	( 13,011)	( 71,681)	( 108,634)	( 174,152)	( 456,718)
Amortized cost	<u>\$ 2,449,325</u>	<u>\$ 579,451</u>	<u>\$ 235,122</u>	<u>\$ 123,682</u>	<u>\$ 88,770</u>	<u>\$ 190,179</u>	<u>\$ 71,817</u>	<u>\$ 150,947</u>	<u>\$ 3,889,293</u>

The movements of the loss allowance of notes and accounts receivable were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance, beginning of period	\$ 456,718	\$ 343,152
Recognition	99,920	142,983
Written off	( 36,475 )	( 25,260 )
Effects of foreign currency exchange differences	<u>3,390</u>	<u>( 4,157 )</u>
Balance, end of period	<u>\$ 523,553</u>	<u>\$ 456,718</u>

## 9. INVENTORIES

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Raw materials	\$ 1,775,063	\$ 1,969,284
Supplies	185,211	191,607
Work-in-progress	2,027,666	2,525,369
Finished goods	927,632	897,136
Merchandise	68,731	16,444
Inventory in transit	<u>31,369</u>	<u>7,321</u>
	<u>\$ 5,015,672</u>	<u>\$ 5,607,161</u>

The cost of inventories recognized as operating costs for the years ended December 31, 2020 and 2019 was NT\$6,670,664 thousand and NT\$8,524,115 thousand, respectively, which included write-downs of inventories and unallocated manufacturing overhead as follows.

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Inventory write-downs	\$ 375,352	\$ 147,116
Unallocated manufacturing overhead	2,787	-

Unallocated production overhead included the related expenses incurred during the shutdown period due to the impact of COVID-19.

## 10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Investment in equity instruments</u>		
Domestic investments		
Listed shares	\$ 113,838	\$ 121,572
Unlisted shares	<u>32,365</u>	<u>58,692</u>
	<u>\$ 146,203</u>	<u>\$ 180,264</u>

## 11. SUBSIDIARIES

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

Investor	Investee	Nature of Activities	Proportion of Ownership		Remark		
			December 31, 2020	December 31, 2019			
Tongtai Machine & Tool Co., Ltd.	Union Top Industrial (Samoa) Limited ( Union Top )	General investment	100	100	Important subsidiary Note 1		
	Honor Seiki Co., Ltd. (Honor Seiki)	Sales and manufacturing of equipment	54	51			
	Quick-Tech Machinery Co., Ltd. (Quick-Tech)	Sales and manufacturing of equipment	52	52			
	Chin-Jig Technology Co., Ltd.	Sales of mold and equipment	70	70			
	Tongfong Auto Tech Co., Ltd. (Tongfong)	Sales of electric automation equipment	99	99			
	Asia Pacific Elite Corp. (APEC)	Sales and manufacturing of equipment	99	99			
	Tongtai Europe B.V. ( TTE )	Sales of merchandise	100	100			
	Tong-Yeh Precision Co., Ltd. (Tong-Yeh)	Manufacturing and processing of metal part	60	60			
	Tong-Tai Seiki USA, Inc. ( TSU )	Sales of equipment	100	100			
	Tongtai Machine Tool (MFG) Sdn. Bhd. ( TMM )	Sales and manufacturing of equipment	100	100			
	Tong Tai Machinery Co., Ltd. ( TTM )	Sales of customized machine	100	100			
	Tongtai Seiki Vietnam Co., Ltd.	Sales of customized machine	100	100			
	Tongtai Machine Tool (SEA) Sdn. Bhd. ( TTS )	Sales of customized machine	52	52			
	Tongtai Machine & Tool Japan Co., Ltd. ( TTJP )	Sales and manufacturing of equipment	100	100			
	Process Conception Ingenierie-Societe de Construction D'equipments, De Mecanisations Et De Machines ( PCI-SCEMM )	Sales, manufacturing and maintenance of machine tools	100	100			
	Tongan GmbH ( Tongan )	General investment	100	100			
	Tongtai Mexico S.A.DE C.V( TTGMx)	Sales and maintenance of machine tools	100	100			
	Union Top	Suzhou Tongyu Machine Tool Co., Ltd. (Suzhou Tongyu)	Manufacturing of digital control machine and system	100		100	Important subsidiary
		Shanghai Tong-Tai-Shin Trading Co., Ltd. (Shanghai Tong-Tai-Shin)	International trade	100		100	
		Tong-Yu Machine Tool (Shanghai) Co., Ltd. (Shanghai Tong-Yu)	Sales and maintenance of machine tools	100		100	
Great Pursuit Limited	Great Pursuit Limited	General investment	55	55			
	Hao-Tern-Shin Electronics (Shenzhen) Co., Ltd. (Hao-Tern-Shin)	Sales and manufacturing of printed circuit board	100	100			
Honor Seiki	Honor Seiki International Co., Ltd. ( HSI )	Sales of machine tools	-	-	Note 2		
Chin-Jig	Honor Seiki USA Corporation ( HSU )	Sales of machine tools	-	-	Note 2		
	Time Trade International Limited ( Time Trade )	General investment	100	100			
Time Trade	Chin-Jig Precision Machine (Shanghai) Co., Ltd. (Shanghai Chin-Jig)	Sales and manufacturing of mold and equipment	100	100			
TTE PCI-SCEMM	Tongtai East Europe S.R.L. ( TEE )	Sales of machine tools	-	-	Note 3		
	TTGroup France	Sales of machine tools	100	100			
Tongan MBI	Mbi-group Beteiligung GmbH ( MBI )	General investment	100	100	Note 4		
	HPC Produktions GmbH ( HPC )	Sales of mold and equipment	100	100			
Anger	Anger Machining GmbH ( Anger )	Sales, manufacturing and maintenance of machine tools	100	100			
	Anger Machining Inc. ( Anger - US )	Sales and maintenance of machine tools	100	100			
	Anger Service Deutschland GmbH ( Anger - DE )	Sales and maintenance of machine tools	100	100			
TTJP	SKTD Co., Ltd. ( SKTD )	Design and development of machine tools	98.73	98.73			

Note 1: In March 2020, Honor Seiki purchased treasury shares which resulted in the changes in the Company's percentage of ownership interests in Honor Seiki. (Refer to Note 28)

Note 2: The subsidiaries HSI and HSU were liquidated in May and November 2019, respectively.

Note 3: The subsidiary TEE was liquidated in July 2019.

Note 4: In December 2019, the subsidiary Tongan acquired all of MBI's shares from non-controlling interest. (Refer to Note 28).

b. Details of subsidiaries that have material non-controlling interests

Name of subsidiary	Percentage of Ownership and Voting Rights of Non-controlling Interests	
	December 31, 2020	December 31, 2019
Honor Seiki	46%	49%

Names, locations, and related information of investees Honor Seiki please refer to Table 7.

Name of subsidiary	Profit Allocated to Non-controlling Interests		Accumulated, Non-controlling Interests	
	For the Year Ended December 31		December 31,	
	2020	2019	2020	2019
Honor Seiki	\$ 21,952	\$ 55,871	\$ 548,641	\$ 602,994

Honor Seiki's financial information below represents amounts before intragroup eliminations.

	December 31	
	2020	2019
Current assets	\$ 1,396,872	\$ 1,859,299
Non-current assets	886,669	721,253
Current liabilities	( 758,981 )	( 1,062,491 )
Non-current liabilities	( 332,797 )	( 280,720 )
Equity	\$ 1,191,763	\$ 1,237,341
Equity attributable to		
Owner of Honor Seiki	\$ 643,122	\$ 634,347
Non-controlling interests of the Company	548,641	602,994
	\$ 1,191,763	\$ 1,237,341
	For the Year Ended December 31	
	2020	2019
Revenue	\$ 958,816	\$ 1,286,542
Profit for the year	\$ 45,852	\$ 114,647
Other comprehensive income for the year	( 1,313 )	427
Total comprehensive income for the year	\$ 44,539	\$ 115,074

For the Year Ended December 31

	<b>2020</b>	<b>2019</b>
Profit attributable to:		
Owners of the Company	\$ 23,899	\$ 58,776
Non-controlling interests of the Company	<u>21,953</u>	<u>55,871</u>
	<u>\$ 45,852</u>	<u>\$ 114,647</u>
Total comprehensive income attributable to:		
Owners of the Company	\$ 23,192	\$ 58,995
Non-controlling interests of the Company	<u>21,347</u>	<u>56,079</u>
	<u>\$ 44,539</u>	<u>\$ 115,074</u>
Net cash inflow (outflow) from		
Operating activities	\$ 88,523	\$ 90,549
Investing activities	193,800	( 182,752 )
Financing activities	( <u>268,373</u> )	( <u>100,884</u> )
Net cash inflow (outflow)	<u>\$ 13,950</u>	( <u>\$ 193,087</u> )
Dividends paid to non-controlling interests	( <u>\$ 15,572</u> )	( <u>\$ 58,994</u> )

## 12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Associates that are not individually material		
Printin3d DigiTech Co., Ltd.	\$ 7,771	\$ 9,100
Cyber Laser Taiwan Co., Ltd. (Cyber)	-	9,397
SOLIDCAMTAIWAN CO., LTD.	<u>-</u>	<u>1,008</u>
	<u>\$ 7,771</u>	<u>\$ 19,505</u>
	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
The Company and its subsidiaries' share of		
Net loss for the year	( \$ 2,951 )	( \$ 2,153 )
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income	<u>( \$ 2,951 )</u>	<u>( \$ 2,153 )</u>

The Company recognized impairment loss amounted of NT\$7,841 thousand of the associate, Cyber, due to the recoverable amount was lower than the carrying amount.

The subsidiary Quick-Tech has disposed the investment, SOLIDCAMTAIWAN CO., LTD., in December, 2020 with the sale price amounted of NT\$1,000 thousand and recognized the disposal gain with NT\$58 thousand.

Names, locations, and related information of associates please refer to Table 7.

The investments accounted for using the equity method and the share of loss and other comprehensive income of those investments for the years ended December 31, 2020 and 2019 were based on the associates' financial statements which have been audited for the same years.

### 13. OTHER FINANCIAL ASSETS

	December 31	
	2020	2019
<u>Current</u>		
Pledged deposits and time deposits	\$ 264,437	\$ 790,419
Time deposits with original maturities more than three months	38,794	-
Restricted deposits	9,352	1,884
Restricted time deposits	<u>734</u>	<u>7,063</u>
	<u>\$ 313,317</u>	<u>\$ 799,366</u>
<u>Non-current</u>		
Pledged deposits and time deposits	\$ 53,156	\$ 79,068
Deposits for projects	<u>19,900</u>	<u>20,862</u>
	<u>\$ 73,056</u>	<u>\$ 99,930</u>

Refer to Note 33 for information relating to other financial assets pledged as collateral.

### 14. PROPERTY, PLANT AND EQUIPMENT

For the Year Ended December 31, 2020

Cost								Construction in Progress and Equipment to be Inspected	Total
	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment			
Balance at January 1, 2020	\$ 908,875	\$ 2,966,157	\$ 1,190,170	\$ 170,291	\$ 174,592	\$ 514,216	\$ 2,758	\$ 5,927,059	
Additions	84,643	11,487	96,504	2,535	6,057	42,483	( 1,734)	241,975	
Disposals	( 25,792)	( 41,384)	( 18,418)	( 1,596)	( 1,266)	( 10,531)	-	( 98,987)	
Reclassifications	-	( 7,913)	5,644	-	576	1,482	-	( 211)	
Effects of foreign currency exchange difference	<u>1,099</u>	<u>12,556</u>	<u>20,919</u>	<u>616</u>	<u>5,060</u>	<u>4,411</u>	<u>44</u>	<u>44,705</u>	
Balance at December 31, 2020	<u>968,825</u>	<u>2,940,903</u>	<u>1,294,819</u>	<u>171,846</u>	<u>185,019</u>	<u>552,061</u>	<u>1,068</u>	<u>6,114,541</u>	
<u>Accumulated depreciation and impairment</u>									
Balance at January 1, 2020	-	1,143,956	861,612	124,870	137,185	318,330	-	2,585,953	
Depreciation	-	113,240	61,149	9,890	16,220	44,538	-	245,037	
Disposals	-	( 40,983)	( 16,384)	( 1,164)	( 1,234)	( 10,252)	-	( 70,017)	
Reclassifications	-	( 1,085)	( 413)	-	332	-	-	( 1,166)	
Effects of foreign currency exchange difference	<u>-</u>	<u>5,196</u>	<u>17,537</u>	<u>667</u>	<u>4,293</u>	<u>4,004</u>	<u>-</u>	<u>31,697</u>	
Balance at December 31, 2020	<u>-</u>	<u>1,220,324</u>	<u>923,501</u>	<u>134,263</u>	<u>156,796</u>	<u>356,620</u>	<u>-</u>	<u>2,791,504</u>	
Carrying amount at December 31, 2020	<u>\$ 968,825</u>	<u>\$ 1,720,579</u>	<u>\$ 371,318</u>	<u>\$ 37,583</u>	<u>\$ 28,223</u>	<u>\$ 195,441</u>	<u>\$ 1,068</u>	<u>\$ 3,323,037</u>	

For the Year Ended December 31, 2019

Cost								Construction in Progress and Equipment to be Inspected	Total
	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment			
Balance at January 1, 2019	\$ 929,998	\$ 2,948,790	\$ 1,192,233	\$ 168,008	\$ 192,228	\$ 494,175	\$ 3,876	\$ 5,929,308	
Additions	65	21,962	43,077	3,893	8,690	60,543	819	139,049	
Disposals	-	( 2,655)	( 10,691)	( 4,063)	( 18,238)	( 21,482)	-	( 57,129)	
Reclassifications	( 19,791)	20,944	( 4,704)	3,800	( 4,529)	( 8,575)	( 1,906)	( 14,761)	
Effects of foreign currency exchange difference	<u>( 1,397)</u>	<u>( 22,884)</u>	<u>( 29,745)</u>	<u>( 1,347)</u>	<u>( 3,559)</u>	<u>( 10,445)</u>	<u>( 31)</u>	<u>( 69,408)</u>	
Balance at December 31, 2019	<u>908,875</u>	<u>2,966,157</u>	<u>1,190,170</u>	<u>170,291</u>	<u>174,592</u>	<u>514,216</u>	<u>2,758</u>	<u>5,927,059</u>	
<u>Accumulated depreciation and impairment</u>									
Balance at January 1, 2019	-	1,034,055	828,170	115,431	145,671	313,325	-	2,436,652	
Depreciation	-	119,210	61,237	11,732	16,958	43,535	-	252,672	
Disposals	-	( 1,939)	( 9,975)	( 3,845)	( 17,664)	( 20,321)	-	( 53,744)	
Reclassifications	-	788	1,632	2,348	( 4,318)	( 7,188)	-	( 6,738)	
Effects of foreign currency exchange difference	<u>-</u>	<u>( 8,158)</u>	<u>( 19,452)</u>	<u>( 796)</u>	<u>( 3,462)</u>	<u>( 11,021)</u>	<u>-</u>	<u>( 42,889)</u>	
Balance at December 31, 2019	<u>-</u>	<u>1,143,956</u>	<u>861,612</u>	<u>124,870</u>	<u>137,185</u>	<u>318,330</u>	<u>-</u>	<u>2,585,953</u>	
Carrying amount at December 31, 2019	<u>\$ 908,875</u>	<u>\$ 1,822,201</u>	<u>\$ 328,558</u>	<u>\$ 45,421</u>	<u>\$ 37,407</u>	<u>\$ 195,886</u>	<u>\$ 2,758</u>	<u>\$ 3,341,106</u>	

The subsidiary Anger evaluated that the estimated future cash inflows from machinery and equipment had declined due to unsatisfactory operating conditions, and the estimated recoverable amount was lower than the carrying amount. As a result, the subsidiary Anger has recognized impairment loss in previous years. The accumulated impairment for the years ended December 31, 2020 and 2019 was NT\$29,812 thousand and NT\$28,595 thousand, respectively.

The following items of property, plant and equipment are depreciated on a straight-line basis over the following useful lives:

Buildings	
Main structure	35-60 years
Mechanical and electrical facilities	5-35 years
Engineering system	2-35 years
Air conditioning system and Decoration	2-35 years
Machinery and equipment	2-13 years
Transportation equipment	2-15 years
Office equipment	3-10 years
Other equipment	2-15 years

Property, plant and equipment pledged by the Company and its subsidiaries as collateral for bank borrowings are described in Note 33.

## 15. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Carrying amounts		
Land	\$ 489,464	\$ 487,426
Buildings	100,894	108,292
Machinery	18,900	25,048
Transportation equipment	<u>15,079</u>	<u>23,901</u>
	<u>\$ 624,337</u>	<u>\$ 644,667</u>
	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Additions to right-of-use assets	<u>\$ 31,053</u>	<u>\$ 26,946</u>
Depreciation charge for right-of-use assets		
Land	\$ 18,803	\$ 20,397
Buildings	17,897	9,692
Machinery	6,944	7,237
Transportation equipment	<u>12,798</u>	<u>21,835</u>
	<u>\$ 56,442</u>	<u>\$ 59,161</u>

b. Lease liabilities

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Carrying amounts		
Current	<u>\$ 47,364</u>	<u>\$ 39,812</u>
Non-current	<u>\$ 581,102</u>	<u>\$ 600,817</u>

Range of discount rate for lease liabilities (%) was as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Land	2.16~2.48	2.16~2.48
Buildings	1.17~2.88	1.42~2.88
Machinery	1.45~2.88	1.45~2.88
Transportation equipment	1.05~4.10	1.05~5.65

c. Material lease activities and terms

The Company is leasing the land of Kaohsiung Luke plant from the management of Southern Taiwan Science Park. The lease period will expire in June 2039. The Company does not have a bargain purchase option to acquire the leased land at the expiration of the lease period.

The subsidiary Suzhou Tong-Yu is leasing land from the China government. The lease is recorded as land use rights with useful life of 50 years until July 2059.

The subsidiary Shanghai Chin-Jig is leasing its location from non-related parties. The lease period will expire in December 2020.

The subsidiary PCI is leasing its location from non-related parties. The lease period will expire in December 2027.

Because of the market conditions severely affected by COVID-19 in 2020, the Company negotiated with the lessor, the management of Southern Taiwan Science Park, for rent concessions for land lease. The lessor agreed to provide unconditional 20% rent reduction from January 1, 2020 to December 31, 2020. The Company recognized in profit or loss the impact of rent concessions of NT\$1,535 thousand (presented in other income for the year ended December 31, 2020).

d. Other lease information

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Expenses relating to short-term leases and low-value asset leases	<u>\$ 28,712</u>	<u>\$ 30,394</u>
Total cash outflow for leases	<u>( \$ 91,765 )</u>	<u>( \$ 96,612 )</u>

The Company and its subsidiaries lease certain buildings, transportation equipment and office equipment which qualify as short-term leases and low-value asset leases. The Company and its subsidiaries have elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.



## 16. INVESTMENT PROPERTIES

### For the Year ended December 31, 2020

Cost	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Balance at January 1, 2020	\$ 81,840	\$ 217,045	\$ 298,885
Additions	-	299	299
Disposals	( 4,290 )	-	( 4,290 )
Reclassification	-	7,913	7,913
Effects of foreign currency exchange differences	-	<u>1,670</u>	<u>1,670</u>
Balance at December 31, 2020	<u>77,550</u>	<u>226,927</u>	<u>304,477</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2020	-	62,384	62,384
Depreciation	-	11,710	11,710
Reclassification	-	1,085	1,085
Effects of foreign currency exchange differences	-	<u>367</u>	<u>367</u>
Balance at December 31, 2020	<u>-</u>	<u>75,546</u>	<u>75,546</u>
Carrying amount at December 31, 2020	<u>\$ 77,550</u>	<u>\$ 151,381</u>	<u>\$ 228,931</u>

### For the Year ended December 31, 2019

Cost	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Balance at January 1, 2019	\$ 81,840	\$ 220,918	\$ 302,758
Effects of foreign currency exchange differences	<u>-</u>	<u>( 3,873 )</u>	<u>( 3,873 )</u>
Balance at December 31, 2019	<u>81,840</u>	<u>217,045</u>	<u>298,885</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2019	-	51,202	51,202
Depreciation	-	11,789	11,789
Effects of foreign currency exchange differences	<u>-</u>	<u>( 607 )</u>	<u>( 607 )</u>
Balance at December 31, 2019	<u>-</u>	<u>62,384</u>	<u>62,384</u>
Carrying amount at December 31, 2019	<u>\$ 81,840</u>	<u>\$ 154,661</u>	<u>\$ 236,501</u>

The abovementioned investment properties were leased out for 2 to 15 years. The leases do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating leases of investment properties was as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Year 1	\$ 9,826	\$ 6,440
Year 2	8,748	6,038
Year 3	5,400	5,797
Year 4	5,520	5,400
Year 5	5,640	5,520
Year 6 onwards	<u>49,440</u>	<u>55,080</u>
	<u>\$ 84,574</u>	<u>\$ 84,275</u>

The above items of investment properties are depreciated on a straight-line basis over the following estimated useful lives:

Buildings	
Main structure	10-35 years
Engineering system	10 years

The investment properties of the Company and its subsidiaries are located at Hunei District in Kaohsiung City and Shanghai City in China. The fair value of the investment properties was assessed by the management of the Company and its subsidiaries based on the actual price registration information of nearby area or market evidence of transaction prices categorized as Level 3 input. Professional independent valuers were not involved in the fair value assessment. The fair value for the years ended December 31, 2020 and 2019 are NT\$448,162 thousand and NT\$412,254 thousand, respectively.

All of the Company and its subsidiaries' investment properties are held under freehold interests.

Investment properties pledged by the Company and its subsidiaries as collateral for bank borrowings are described in Note 33.

## 17. INTANGIBLE ASSETS

### For the year ended December 31, 2020

	Computer Software	Goodwill	Patents	Others	Total
<u>Cost</u>					
Balance at January 1, 2020	\$ 259,768	\$ 13,731	\$ 3,748	\$ 8,278	\$ 285,525
Additions	9,953	-	-	-	9,953
Reclassification	( 576)	-	-	-	( 576)
Disposals	( 1,619)	-	-	-	( 1,619)
Effects of foreign currency exchange differences	5,019	-	159	19	5,197
Balance at December 31, 2020	<u>272,545</u>	<u>13,731</u>	<u>3,907</u>	<u>8,297</u>	<u>298,480</u>
<u>Accumulated amortization</u>					
Balance at January 1, 2020	187,335	-	2,672	5,743	195,750
Amortization expenses	26,622	-	748	1,691	29,061
Reclassification	( 332)	-	-	-	( 332)
Disposals	( 1,619)	-	-	-	( 1,619)
Impairment losses recognized	-	11,989	-	-	11,989
Effects of foreign currency exchange differences	4,249	-	143	11	4,403
Balance at December 31, 2020	<u>216,255</u>	<u>11,989</u>	<u>3,563</u>	<u>7,445</u>	<u>239,252</u>
Carrying amount at December 31, 2020	<u>\$ 56,290</u>	<u>\$ 1,742</u>	<u>\$ 344</u>	<u>\$ 852</u>	<u>\$ 59,228</u>

**For the year ended December 31, 2019**

	<b>Computer Software</b>	<b>Goodwill</b>	<b>Patents</b>	<b>Others</b>	<b>Total</b>
<u>Cost</u>					
Balance at January 1, 2019	\$ 276,734	\$ 13,731	\$ 3,927	\$ 8,507	\$ 302,899
Additions	6,446	-	-	-	6,446
Disposals	( 8,836)	-	-	( 153)	( 8,989)
Effects of foreign currency exchange differences	( 14,576)	-	( 179)	( 76)	( 14,831)
Balance at December 31, 2019	<u>259,768</u>	<u>13,731</u>	<u>3,748</u>	<u>8,278</u>	<u>285,525</u>
<u>Accumulated amortization</u>					
Balance at January 1, 2019	181,340	-	2,014	4,229	187,583
Amortization expenses	28,814	-	773	1,748	31,335
Disposals	( 8,836)	-	-	( 153)	( 8,989)
Effects of foreign currency exchange differences	( 13,983)	-	( 115)	( 81)	( 14,179)
Balance at December 31, 2019	<u>187,335</u>	<u>-</u>	<u>2,672</u>	<u>5,743</u>	<u>195,750</u>
Carrying amount at December 31, 2019	<u>\$ 72,433</u>	<u>\$ 13,731</u>	<u>\$ 1,076</u>	<u>\$ 2,535</u>	<u>\$ 89,775</u>

The Company acquired Quick-Tech in previous year and recognized goodwill of NT\$11,989 thousand. Due to the performance of Quick-Tech did not turn out as expected, and the recoverable amount was lower than the carrying amount, impairment losses of NT\$11,989 thousand was recognized for the year ended December 31, 2020.

The recoverable amount of Quick-Tech was determined based on a value in use calculation that used the cash flow projections in the financial budgets approved by management covering a 5-year period; the discount rate was 4.85%. Other key assumptions included budgeted revenue and budgeted gross margin. Such assumptions were based on the past performance of the cash-generating unit and management's expectations of market development.

The above items of intangible assets are amortized on a straight-line basis over the following estimated useful lives:

Computer software	1-10 years
Patents	3-8 years
Others	5-8 years

**18. BORROWINGS**

a. Short-term borrowings

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Bank loans	\$ 2,294,199	\$ 2,264,437
Secured borrowings	233,111	691,619
Letters of credit	<u>40,443</u>	<u>43,477</u>
	<u>\$ 2,567,753</u>	<u>\$ 2,999,533</u>
Annual interest rate (%)	0.54~4.79	0.85~5.00

b. Short-term bills payable

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Commercial paper	\$ 250,000	\$ 242,000
Less: Unamortized discounts	<u>184</u>	<u>318</u>
	<u>\$ 249,816</u>	<u>\$ 241,682</u>
Annual interest rate (%)	0.9~1.10	1.00~1.24

The above commercial paper was secured by Mega Bills Finance Corporation, International Bills Finance Corporation, Taching Bill Finance Ltd., Dah Chung Bills Finance Corp. and China Bills Finance Corporation.

c. Long-term borrowings

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Bank loans		
Due on various dates through April 2025	\$ 1,351,291	\$ 1,554,163
Mortgage loans		
Due on various dates through July 2040	<u>1,858,003</u>	<u>1,701,254</u>
	3,209,294	3,255,417
Less: Current portion	<u>1,888,558</u>	<u>1,041,152</u>
	<u>\$ 1,320,736</u>	<u>\$ 2,214,265</u>
Annual interest rate (%)	0.45~2.75	0.99~2.88

- 1) The subsidiaries MBI and Anger entered into a loan agreement with CTBC Bank. The loan agreement stipulated that the net worth of subsidiaries, Tongan, MBI and Anger included in the reviewed consolidated financial statements for six months ended June 30 and audited annual consolidated financial statements for the year ended December 31 should meet certain amount. The bank will check compliance with the loan agreement every six months.
- 2) The subsidiaries MBI and Anger entered into a loan agreement with Taipei Fubon Bank. The loan agreement stipulated that specified financial ratios and amounts should be met based on the Company and the subsidiaries audited annual consolidated financial statements. The subsidiaries MBI and Anger should meet certain amount of net worth based on the audited annual consolidated financial statements. The bank will check compliance with the loan agreement annually. If the subsidiaries breach the contract, the bank management could increase the interest rate by 0.25% on the first time of breach, and immediately terminate the credit line on the second time of breach in accordance with the agreement. The Company and its subsidiaries' consolidated financial statements breached the contract for the year ended December 31, 2019; therefore, the long-term borrowings were all classified as current portion of long-term bank borrowings. The subsidiaries MBI and Anger have entered a new loan agreement with Taipei Fubon Bank in August 2020, and there is no longer stipulated specified financial ratio and amount as abovementioned.

- 3) The Company entered into a facility agreement of NT\$1 billion with O-Bank for medium and long-term loans and guarantee the issuance of commercial paper until July 2023. The Company might not change the chairman during the contract period and the facility agreement stipulated that specified financial ratios and amounts should be met based on the Company and its subsidiaries' reviewed consolidated financial statements for six months ended June 30 and audited annual consolidated financial statements.

The consolidated financial statements for the year ended December 31, 2020 breached the contract; therefore, the long-term borrowings were all classified as current portion of long-term bank borrowings while the consolidated financial statements for the year ended December 31, 2019 didn't breach the contract.

## 19. NOTES PAYABLE AND ACCOUNTS PAYABLE

All of the Company and its subsidiaries' notes payable and accounts payable (included related parties) are generated from operating and unsecured to the creditors.

The Company and its subsidiaries have financial risk management policies to ensure that all payables are paid within the agreed credit terms.

## 20. OTHER PAYABLES

	December 31	
	2020	2019
Salaries and incentive bonus	\$ 250,722	\$ 259,076
Commission and service fee	168,448	175,263
Employee compensation and remuneration of directors	55,805	83,606
Insurance	74,025	39,361
Purchases of equipment	31,074	33,466
Pension	28,959	30,325
Others	<u>109,408</u>	<u>100,284</u>
	<u>\$ 718,441</u>	<u>\$ 721,381</u>

## 21. PROVISIONS

	December 31		
	2020	2019	
Current			
Warranties	<u>\$ 102,527</u>		<u>\$ 111,884</u>
	<u>Warranties</u>	<u>Others</u>	<u>Total</u>
Balance at January 1, 2020	\$ 111,884	\$ -	\$ 111,884
Recognized (reversed)	156,115	-	156,115
Paid	( 166,670 )	-	( 166,670 )
Effects of foreign currency exchange differences	<u>1,198</u>	-	<u>1,198</u>
Balance at December 31, 2020	<u>\$ 102,527</u>	<u>\$ -</u>	<u>\$ 102,527</u>
Balance at January 1, 2019	\$ 95,854	\$ 3,332	\$ 99,186
Recognized (reversed)	181,417	-	181,417
Paid	( 163,554 )	( 3,276 )	( 166,830 )
Effects of foreign currency exchange differences	<u>( 1,833 )</u>	<u>( 56 )</u>	<u>( 1,889 )</u>
Balance at December 31, 2019	<u>\$ 111,884</u>	<u>\$ -</u>	<u>\$ 111,884</u>

The provision for warranty claims represents the present value of management’s best estimate of the future outflow of economic benefits that will be required under the Company and its subsidiaries’ obligations for warranties under local sale of goods legislation. The estimate was made on the basis of historical warranty trends and may vary with actual as a result of new materials, altered manufacturing processes or other events affecting product quality.

## 22. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

The Company and its domestic subsidiaries adopted a pension plan under the Labor Pension Act (the “LPA”), which is a state-managed defined contribution plan in the Republic of China. Under the LPA, an entity makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages. The foreign subsidiaries also make contributions in accordance with local regulations, which is a defined contribution plan.

The employees of subsidiaries Suzhou Tongyu, Shanghai Tong-tai Shin and Shanghai Chin-Jig in China make contributions in accordance with the local regulations. The subsidiaries are required to contribute a specified percentage of payroll cost to government.

### b. Defined benefit plans

The Company and its domestic subsidiaries adopted the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company and its domestic subsidiaries make contributions, equal to a certain percentage of total monthly salaries, to a pension fund, which is deposited in the Bank of Taiwan in the name of and administered by the pension fund monitoring committee. Before the end of each year, the Company and its domestic subsidiaries assess the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company and its domestic subsidiaries are required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the “Bureau”); the Company and its subsidiaries have no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Company and its subsidiaries’ defined benefit plans were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Present value of defined benefit obligation	\$ 291,696	\$ 299,055
Fair value of plan assets	( <u>193,836</u> )	( <u>210,846</u> )
	97,860	88,209
Less : Net defined benefit liabilities	<u>99,350</u>	<u>89,674</u>
Net defined benefit assets	( <u>\$ 1,490</u> )	( <u>\$ 1,465</u> )

Movements of net defined benefit liabilities (assets) were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities (Assets)</b>
Balance at January 1, 2019	<u>\$ 301,075</u>	<u>( \$ 223,853 )</u>	<u>\$ 77,222</u>
Service cost			
Current service cost	2,552	-	2,552
Interest expense (income)	<u>3,378</u>	<u>( 2,556 )</u>	<u>822</u>
Recognized in profit or loss	<u>5,930</u>	<u>( 2,556 )</u>	<u>3,374</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	( 7,760 )	( 7,760 )
Actuarial loss - changes in demographic assumptions	1,753	-	1,753
Actuarial loss - changes in financial assumptions	27,059	-	27,059
Actuarial loss - experience adjustments	<u>( 4,969 )</u>	<u>-</u>	<u>( 4,969 )</u>
Recognized in other comprehensive income	<u>23,843</u>	<u>( 7,760 )</u>	<u>16,083</u>
Contributions from the employer	-	( 8,470 )	( 8,470 )
Benefits paid	<u>( 31,793 )</u>	<u>31,793</u>	<u>-</u>
	<u>( 31,793 )</u>	<u>23,323</u>	<u>( 8,470 )</u>
Balance at December 31, 2019	<u>299,055</u>	<u>( 210,846 )</u>	<u>88,209</u>
Service cost			
Current service cost	1,766	-	1,766
Interest expense (income)	<u>2,239</u>	<u>( 1,715 )</u>	<u>524</u>
Recognized in profit or loss	<u>4,005</u>	<u>( 1,715 )</u>	<u>2,290</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	( 6,853 )	( 6,853 )
Actuarial loss - changes in demographic assumptions	2,024	( 76 )	1,948
Actuarial loss - changes in financial assumptions	10,119	-	10,119
Actuarial loss - experience adjustments	<u>8,799</u>	<u>-</u>	<u>8,799</u>
Recognized in other comprehensive income	<u>20,942</u>	<u>( 6,929 )</u>	<u>14,013</u>
Contributions from the employer	-	( 6,417 )	( 6,417 )
Contributions from plan participants	<u>( 32,071 )</u>	<u>32,071</u>	<u>-</u>
Exchange loss	<u>( 235 )</u>	<u>-</u>	<u>( 235 )</u>
	<u>( 32,306 )</u>	<u>25,654</u>	<u>( 6,652 )</u>
Balance at December 31, 2020	<u>\$ 291,696</u>	<u>( \$ 193,836 )</u>	<u>\$ 97,860</u>

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Operating costs	\$ 2,219	\$ 2,518
Operating expenses	<u>71</u>	<u>856</u>
	<u>\$ 2,290</u>	<u>\$ 3,374</u>

Through the defined benefit plans under the Labor Standards Law, the Company and its subsidiaries are exposed to the following risks:

1) Investment risk

A decrease in the government and corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

2) Interest risk

A decrease in the government and corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk

The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The principal assumptions used for the purposes of the actuarial valuations were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Discount rate (%)	0.35	0.8
Expected rate of salary increase (%)	2.25~2.63	2.25~2.63
Turnover rate (%)	1~30	1~30
Voluntary retirement rate (%)	5~100	5~100

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Discount rate		
0.25% increase	( <u>\$ 5,233</u> )	( <u>\$ 5,875</u> )
0.25% decrease	<u>\$ 5,370</u>	<u>\$ 7,263</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 5,152</u>	<u>\$ 5,810</u>
0.25% decrease	( <u>\$ 4,987</u> )	( <u>\$ 5,644</u> )



The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
The expected contributions to the plan for the next year	<u>\$ 6,832</u>	<u>\$ 7,226</u>
The average duration of the defined benefit obligation	9-14 years	6-12 years

## 23. EQUITY

### a. Ordinary Shares

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Numbers of shares authorized (in thousands)	<u>400,000</u>	<u>400,000</u>
Amount of shares authorized	<u>\$ 4,000,000</u>	<u>\$ 4,000,000</u>
Numbers of shares issued and fully paid (in thousands)	<u>254,827</u>	<u>254,827</u>
Amount of shares issued	<u>\$ 2,548,265</u>	<u>\$ 2,548,265</u>

Fully paid ordinary shares, which have a par value of NT\$10, carry one vote per share and the right to dividends.

### b. Capital surplus

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)		
Additional paid-in capital	\$ 960,854	\$ 960,854
Conversion of bonds	222,593	222,593
Interest compensation	<u>5,577</u>	<u>5,577</u>
	<u>1,189,024</u>	<u>1,189,024</u>
May be used to offset a deficit only		
Expired employee stock warrants	1,234	1,234
Changes in percentage of ownership interests in subsidiaries	<u>3,838</u>	<u>-</u>
	<u>5,072</u>	<u>1,234</u>
	<u>\$ 1,194,096</u>	<u>\$ 1,190,258</u>

Note: The capital surplus could be used to offset a deficit and distributed as cash dividends or transferred to capital when the Company has no deficit (limited to a certain percentage of the Company's paid-in capital and once a year).

c. Retained earnings and dividend policy

Under the Company's Articles of Incorporation, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders.

The Company's dividend policy takes into consideration the entire corporate environment, the growth of industry, long-term financial planning for sustainable development, and stable business development. In the planning of dividend distribution, the Company performs the following steps:

- 1) Determine the best capital budget.
- 2) Determine the need for capital loan to satisfy the best capital budget.
- 3) Determine how much capital could be raised from retained earnings.
- 4) Determine the funds needed to maintain the profitable operations of the Company. After the operations are funded, dividends could be distributed to shareholders. In principle, cash dividends should not be less than 50% of the total dividends distributed.

Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Under Rule No. 1010012865 and Rule No.1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reverse special reserve.

The appropriation of earnings for 2019 and 2018 had been approved in the shareholder's meeting in June 2020 and 2019, respectively. The appropriations and dividends per share were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividend Per Share (NT\$)</u>	
	<u>For the Year Ended</u>		<u>For the Year Ended</u>	
	<u>December 31</u>		<u>December 31</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Legal reserve	\$ 5,895	\$ 31,223		
Recognized (reversed) of special reserve	( 43,694)	43,694		
Cash dividends	<u>50,965</u>	<u>76,448</u>	<u>\$ 0.2</u>	<u>\$ 0.3</u>
	<u>\$ 13,166</u>	<u>\$ 151,365</u>		

In March 2021, the board of directors of the Company proposed to recover the net loss in 2020 from the undistributed earnings in the previous year, and will not distribute earnings. The proposal is subject to the resolution in the shareholders' meeting to be held in June 2021.

d. Special reserve

On the first-time adoption of IFRSs, the Company transferred retained earnings to special reserve due to IFRSs adjustments. The Company reversed special reserve to retained earnings of NT\$89,749 thousand.

e. Other equity

1) Exchange differences on translating the financial statements of foreign operations

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	( \$ 137,912 )	( \$ 84,143 )
Recognized for the year		
Exchange differences on translating foreign operations	24,768	( 67,181 )
Income tax	( 4,954 )	13,412
Balance at December 31	<u>( \$ 118,098 )</u>	<u>( \$ 137,912 )</u>

2) Unrealized gain and loss on financial assets at FVTOCI

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 49,642	\$ 40,449
Recognized for the year		
Unrealized gain and loss - equity instruments	( 17,072 )	9,193
Disposal of investments in equity instruments	<u>55,088</u>	<u>-</u>
Balance at December 31	<u>\$ 87,658</u>	<u>\$ 49,642</u>

f. Non-controlling interests

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 707,483	\$ 744,237
Attributable to non-controlling interests:		
Share in profit for the year	( 49,933 )	30,673
Exchange difference on translating foreign operations	( 225 )	( 112 )
Income tax relating to exchange difference on translating foreign operations	-	( 28 )
Dividend distributed by subsidiaries	( 56,291 )	-
Remeasurement on defined benefit plans	( 18,593 )	( 69,781 )
Effect of change in subsidiaries' ownership percentage in investees	( 846 )	( 220 )
Increase and decrease in non-controlling interests	-	2,490
Balance at January 1	<u>( 3,838 )</u>	<u>224</u>
Balance at December 31	<u>\$ 577,757</u>	<u>\$ 707,483</u>

## 24. OPERATING REVENUE

### a. Contract balances

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Notes and accounts receivable, long-term notes and accounts receivables	\$ <u>3,229,863</u>	\$ <u>3,889,293</u>	\$ <u>4,298,278</u>
Contract liabilities			
Sales of goods	\$ <u>1,330,503</u>	\$ <u>1,001,236</u>	\$ <u>1,620,772</u>

### b. Disaggregation of revenue

	Reportable Segments			
	Machine Manufacturer	Component Manufacturer	Others	Total
<u>For the Year Ended December 31, 2020</u>				
Revenue from sale of goods	\$6,299,414	\$ 412,020	\$ 60,650	\$6,772,084
Revenue from maintenance and rebuilding services	<u>971,948</u>	<u>-</u>	<u>34,509</u>	<u>1,006,457</u>
	<u>\$7,271,362</u>	<u>\$ 412,020</u>	<u>\$ 95,159</u>	<u>\$7,778,541</u>
<u>For the Year Ended December 31, 2019</u>				
Revenue from sale of goods	\$9,052,461	\$ 507,198	\$ 300,969	\$9,860,628
Revenue from maintenance and rebuilding services	<u>1,103,197</u>	<u>-</u>	<u>36,268</u>	<u>1,139,465</u>
	<u>\$10,155,658</u>	<u>\$ 507,198</u>	<u>\$ 337,237</u>	<u>\$11,000,093</u>

## 25. PROFIT (LOSS) BEFORE INCOME TAX

The following items were included in profit (loss) before income tax:

### a. Other income

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Government subsidy income	\$ 204,225	\$ 39,529
Rental income	19,877	15,410
Dividend income	9,432	8,642
Others	<u>60,627</u>	<u>50,197</u>
	<u>\$ 294,161</u>	<u>\$ 113,778</u>

Government subsidy income was mainly from the subsidy due to the COVID-19.

b. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Net foreign exchange loss	( \$ 7,984 )	( \$ 107,449 )
Loss on financial instruments at fair value through profit or loss	( 4,901 )	( 365 )
Gain on disposal of property, plant and equipment	58,042	823
Depreciation expense	( 15,490 )	( 14,879 )
Compensation expense	( 49,916 )	( 1,600 )
Impairment loss (Notes 12 and 17)	( 19,830 )	-
Others	( <u>9,063</u> )	( <u>28,972</u> )
	<u>( \$ 49,142 )</u>	<u>( \$ 152,442 )</u>

The components of net foreign exchange loss were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Foreign exchange gain	\$ 146,628	\$ 108,207
Foreign exchange loss	( <u>154,612</u> )	( <u>215,656</u> )
Net foreign exchange loss	<u>( \$ 7,984 )</u>	<u>( \$ 107,449 )</u>

c. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Interest on bank loans	\$ 91,430	\$111,544
Interest on lease liabilities	14,784	17,167
Interest on short-term bills	<u>1,846</u>	<u>1,908</u>
	<u>\$108,060</u>	<u>\$130,619</u>

d. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Depreciation and amortization expenses		
Property, plant and equipment	\$ 245,037	\$ 252,672
Right-of-use assets	56,442	59,161
Investment properties	11,710	11,789
Intangible assets	29,061	31,335
Others	<u>25,723</u>	<u>28,188</u>
	<u>\$ 367,973</u>	<u>\$ 383,145</u>
An analysis of depreciation by function		
Operating costs	\$ 169,602	\$ 183,513
Operating expenses	128,097	125,230
Non-operating expenses	<u>15,490</u>	<u>14,879</u>
	<u>\$ 313,189</u>	<u>\$ 323,622</u>
An analysis of amortization by function		
Operating costs	\$ 32,278	\$ 36,016
Operating expenses	<u>22,506</u>	<u>23,507</u>
	<u>\$ 54,784</u>	<u>\$ 59,523</u>

e. Operating expenses directly related to investment properties

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Direct operating expenses of investment properties that generated rental income	<u>\$ 12,547</u>	<u>\$ 12,536</u>

f. Employee benefits

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Short-term employee benefits	<u>\$ 1,638,492</u>	<u>\$ 1,878,522</u>
Post-employment benefits		
Defined contribution plans	116,908	133,885
Defined benefit plans (Note 23)	<u>2,290</u>	<u>3,374</u>
	<u>119,198</u>	<u>137,259</u>
	<u>\$ 1,757,690</u>	<u>\$ 2,015,781</u>
Analysis of employee benefits by function		
Operating costs	\$ 1,108,183	\$ 1,278,380
Operating expenses	<u>649,507</u>	<u>737,401</u>
	<u>\$ 1,757,690</u>	<u>\$ 2,015,781</u>

g. Employees' compensation and remuneration of directors

The Articles of Incorporation of the Corporation stipulated the Company to distribute employees' compensation and remuneration of directors at the rates no less than 1% and no higher than 5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. Because of the net operating loss for the year ended December 31, 2020, employees' compensation and remuneration of directors were not accrued. The employees' compensation and remuneration of directors and supervisors (all in cash) for the year ended December 31, 2019 which have been approved by the Company's board of directors in March 2020 were NT\$3,894 thousand and NT\$944 thousand, respectively.

If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the difference is recorded as a change in accounting estimate.

There was no difference between the actual amounts of remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2019 and 2018. The employees' compensation for the year ended December 31, 2019 have not been paid.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors are available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 26. INCOME TAX

- a. Major components of income tax expense (benefit) recognized in profit or loss are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Current tax		
In respect of the current year	\$ 27,607	\$ 84,355
Income tax on unappropriated earnings	630	7,894
Adjustments for prior years	<u>3,817</u>	<u>( 461 )</u>
	<u>32,054</u>	<u>91,788</u>
Deferred tax		
In respect of the current year	( 140,181 )	( 35,862 )
Adjustments for prior years	<u>( 8,354 )</u>	<u>( 12,634 )</u>
	<u>( 148,535 )</u>	<u>( 48,496 )</u>
	<u>( \$ 116,481 )</u>	<u>\$ 43,292</u>

The reconciliation of accounting profit and income tax expense (benefit) was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Profit (loss) before income tax	( \$ 513,190 )	\$ 132,912
Income tax expense calculated at the statutory rate (loss carryforwards benefit)	( \$ 115,757 )	\$ 42,248
Non-deductible expenses in determining taxable income	3,183	6,245
Income tax on unappropriated earnings	630	7,894
Adjustments for prior years	<u>( 4,537 )</u>	<u>( 13,095 )</u>
	<u>( \$ 116,481 )</u>	<u>\$ 43,292</u>

In July 2019, the President of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. The Company and its subsidiaries only deducted the amount of the unappropriated earnings that has been reinvested in capital expenditure when calculating the tax on unappropriated earnings.

In accordance with Rule No. 10904550440 issued by the Ministry of Finance of Taiwan (MOF), the Company used the losses incurred in the first quarter of 2020 to estimate losses for the first six months of 2020 and this amount is deducted from the Company's unappropriated earnings for 2018 for filing the additional tax. For the 2020 consolidated financial reporting purpose, the tax on unappropriated earnings for 2018 is measured based on the actual loss for 2020, and the current income tax payable is adjusted accordingly.

b. Income tax benefit recognized directly in equity

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Deferred tax		
Change in percentage of ownership	\$ <u>      -</u>	( \$ <u>3,457</u> )

c. Income tax benefit recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Deferred tax		
In respect of the current period		
Translation of foreign operations	( \$ 4,954 )	\$ 13,384
Remeasurement on defined benefit plans	<u>2,681</u>	( <u>563</u> )
	( \$ <u>2,273</u> )	<u>\$ 12,821</u>

d. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Current tax assets		
Tax refund receivable	<u>\$ 8,372</u>	<u>\$ 19,811</u>
Current tax liabilities		
Income tax payable	<u>\$ 38,187</u>	<u>\$ 34,732</u>

e. Deferred tax assets and liabilities

Movements of deferred tax assets and liabilities were as follows:

For the Year Ended December 31, 2020

	<b>Balance, Beginning of Year</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Exchange Differences</b>	<b>Balance, End of Year</b>
<b>Deferred tax assets</b>					
<b>Temporary differences</b>					
Write-downs of inventory	\$ 111,699	\$ 54,173	\$ -	\$ 194	\$ 166,066
Allowance for bad debts	75,108	10,447	-	534	86,089
Share of loss of foreign subsidiaries	38,801	33,300	-	-	72,101
Exchange difference on translating foreign operations	34,465	14	( 4,954 )	-	29,525
Defined benefit plan	15,023	( 756 )	2,681	-	16,948
Deduction of development cost	4,306	7,841	-	-	12,147
Provisions	14,403	1,627	-	( 2,446 )	13,584
Loss carryforwards	-	37,439	-	-	37,439
Others	<u>68,497</u>	<u>5,521</u>	<u>-</u>	<u>3,440</u>	<u>77,458</u>
	<u>\$ 362,302</u>	<u>\$ 149,606</u>	<u>( \$ 2,273 )</u>	<u>\$ 1,722</u>	<u>\$ 511,357</u>
<b>Deferred tax liabilities</b>					
<b>Temporary differences</b>					
Land value increment tax	\$ 66,990	\$ -	\$ -	\$ -	\$ 66,990
Others	<u>2,634</u>	<u>1,071</u>	<u>-</u>	<u>90</u>	<u>3,795</u>
	<u>\$ 69,624</u>	<u>\$ 1,071</u>	<u>\$ -</u>	<u>\$ 90</u>	<u>\$ 70,785</u>



For the Year Ended December 31, 2019

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehen- sive Income	Recognized Directly in Equity	Exchange Differences	Balance, End of Year
<b>Deferred tax assets</b>						
<b>Temporary differences</b>						
Write-downs of inventory	\$ 84,033	\$ 27,981	\$ -	\$ -	(\$ 315)	\$ 111,699
Allowance for bad debts	61,124	14,853	-	-	( 869)	75,108
Share of loss of foreign subsidiaries	30,683	4,661	-	3,457	-	38,801
Exchange difference on translating foreign operations	21,081	-	13,384	-	-	34,465
Defined benefit plan	16,354	( 768)	( 563)	-	-	15,023
Deduction of development cost	4,366	( 60)	-	-	-	4,306
Provisions	12,492	2,006	-	-	( 95)	14,403
Others	<u>69,878</u>	<u>791</u>	<u>-</u>	<u>-</u>	<u>( 2,172)</u>	<u>68,497</u>
	<u>\$ 300,011</u>	<u>\$ 49,464</u>	<u>\$ 12,821</u>	<u>\$ 3,457</u>	<u>(\$ 3,451)</u>	<u>\$ 362,302</u>
<b>Deferred tax liabilities</b>						
<b>Temporary differences</b>						
Land value increment tax	\$ 66,990	\$ -	\$ -	\$ -	\$ -	\$ 66,990
Others	<u>1,708</u>	<u>968</u>	<u>-</u>	<u>-</u>	<u>( 42)</u>	<u>2,634</u>
	<u>\$ 68,698</u>	<u>\$ 968</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 42)</u>	<u>\$ 69,624</u>

- f. Unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

Subsidiary	December 31	
	2020	2019
Loss carryforwards	<u>\$ 213,903</u>	<u>\$ 321,344</u>

The unrecognized loss carryforwards will expire through 2036.

- g. Information about unused investment credits and Loss carryforwards

As of December 31, 2020, investment credits comprised of the following:

Law and Statutes	Tax Credit Source	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Research and development expenditure	<u>\$ 12,147</u>	2021

As of December 31, 2020, loss carryforwards comprised of the following:

Unused Amount	Expiry Year
\$ 46,586	2021
12,326	2022
24,772	2023
23,032	2024
3,572	2025
<u>290,808</u>	Over 2027
<u>\$ 401,096</u>	

h. Income tax assessments

The income tax returns of the Company and the subsidiaries (included Tongfong, Tong-Yeh, APEC, Chin-Jig, Quick-Tech and Honor Seiki) through 2018 have been assessed by the tax authorities.

## 27. EARNINGS (LOSS) PER SHARE

The net profit (loss) and weighted average number of ordinary shares outstanding in the computation of earnings (loss) per share were as follows:

Net profit (loss) for the year

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Attributable to owners of the Company	( \$ 346,776 )	\$ 58,947

Weighted average number of ordinary shares outstanding (in thousands of shares)

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Weighted average number of ordinary shares in computation of basic earnings per share	254,827	254,827
Effect of potentially dilutive potential ordinary shares:		
Employees' compensation	<u>-</u>	<u>477</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>254,827</u>	<u>255,304</u>

The dilutive loss per share for the year ended December 31, 2020 was the same as the basic loss per share because the operating result was net loss and, therefore, no earnings distribution and no potential dilutive shares from earnings distribution.

Since the Company offered to settle the compensation paid to employees by cash or shares, the Company assumed that the entire amount of the compensation would be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the shares have a dilutive effect. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

## 28. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

In March, 2020, the subsidiary Honor Seiki acquired its outstanding common shares and accounted for as treasury shares and the Company's percentage of ownership of Honor Seiki increased from 51% to 54%. The transaction was accounted for as equity transaction since the Company did not cease to have control over the subsidiary, and increased capital surplus by NT\$3,838 thousand.

In December 2019, the subsidiary Tongan acquired residual shares of MBI. The transaction was accounted for as equity transaction since the Company did not cease to have control over the subsidiary, reduced the capital surplus by NT\$10,622 thousand and the retained earnings by NT\$3,207 thousand (net of income tax of NT\$3,457 thousand).

In September 2019, the Company subscribed for additional new shares of Tong-Yeh at a percentage different from its existing ownership percentage. The transaction was accounted for as equity transaction since the Company did not cease to have control over the subsidiary, and reduced the capital surplus by NT\$224 thousand.

## 29. NON-CASH TRANSACTIONS

For the year ended December 31, 2020 and 2019, the Company and its subsidiaries entered into the following non-cash investing activities which were not reflected in the consolidated statements of cash flows:

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Investing activities affecting both cash and non-cash items		
Acquisition of property, plant and equipment	\$241,975	\$139,049
Decrease of payable for equipment	2,392	9,393
Increase of prepayment for equipment	<u>3,796</u>	<u>1,269</u>
Cash paid	<u>\$248,163</u>	<u>\$149,711</u>
Proceeds from disposal of property, plant and equipment	\$ 77,808	\$ 4,208
Increase of other receivables	( <u>57,746</u> )	<u>-</u>
Cash received	<u>\$ 20,062</u>	<u>\$ 4,208</u>
Proceeds from disposal of investment properties	\$ 13,494	\$ -
Increase of other receivables	( <u>13,494</u> )	<u>-</u>
Cash received	<u>\$ -</u>	<u>\$ -</u>

## 30. CAPITAL MANAGEMENT

The Company and its subsidiaries manage their capital to ensure that, as a whole, they will be able to continue as going concerns; they use operating capital effectively and optimize debt and equity balance.

The key management personnel of the Company and its subsidiaries reviews the capital structure periodically. As part of the review, the key management personnel considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Company and its subsidiaries may

adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and the amount of new debt issued or existing debt redeemed.

The capital structure of the Company and its subsidiaries consists of net debt and equity. It is the policy of the Company and its subsidiaries to monitor and comply with the terms of loan agreements (refer to Note 18).

### 31. FINANCIAL INSTRUMENTS

#### a. Fair value of financial instruments that are not measured at fair value

Except as detailed in the following table, the Company and its subsidiaries believe the carrying amounts of financial asset and liabilities recognized in the consolidated financial statements approximate their fair values.

#### b. Fair value of financial instruments that are measured at fair value on a recurring basis

##### 1) Fair value hierarchy

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2020</u>				
Financial assets at fair value through profit or loss - current				
Swap contracts	\$ -	\$ 3,332	\$ -	\$ 3,332
Foreign exchange forward contracts	-	509	-	509
CNY floating rate financial products	-	-	93,319	93,319
Mutual funds	<u>16,683</u>	<u>-</u>	<u>-</u>	<u>16,683</u>
	<u>\$ 16,683</u>	<u>\$ 3,841</u>	<u>\$ 93,319</u>	<u>\$ 113,843</u>
Financial assets at FVTOCI - non-current				
Domestic listed shares	\$ 113,838	\$ -	\$ -	\$ 113,838
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>32,365</u>	<u>32,365</u>
	<u>\$ 113,838</u>	<u>\$ -</u>	<u>\$ 32,365</u>	<u>\$ 146,203</u>
Financial liabilities at fair value through profit or loss - current				
Cross-currency swap contract	\$ -	\$ 11,280	\$ -	\$ 11,280
Foreign exchange forward contracts	<u>-</u>	<u>92</u>	<u>-</u>	<u>92</u>
	<u>\$ -</u>	<u>\$ 11,372</u>	<u>\$ -</u>	<u>\$ 11,372</u>
<u>December 31, 2019</u>				
Financial assets at fair value through profit or loss - current				
CNY floating rate financial products	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,456</u>	<u>\$ 18,456</u>
Financial assets at FVTOCI - non-current				
Domestic listed shares	\$ 121,572	\$ -	\$ -	\$ 121,572
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>58,692</u>	<u>58,692</u>
	<u>\$ 121,572</u>	<u>\$ -</u>	<u>\$ 58,692</u>	<u>\$ 180,264</u>
Financial liabilities at fair value through profit or loss - current				
Cross-currency swap contract	\$ -	\$ 6,357	\$ -	\$ 6,357
Swap contracts	<u>-</u>	<u>1,900</u>	<u>-</u>	<u>1,900</u>
	<u>\$ -</u>	<u>\$ 8,257</u>	<u>\$ -</u>	<u>\$ 8,257</u>

There was no transfer between Level 1 and Level 2 for the nine months ended September 30, 2020 and 2019.

2) Reconciliation of Level 3 fair value measurements of financial assets

For the Year Ended December 31, 2020

Financial assets	Non-derivatives Financial Assets at FVTPL	Equity Instruments Financial Assets at FVTOCI	Total
Balance at January 1, 2020	\$ 18,456	\$ 58,692	\$ 77,148
Purchase	81,358	-	81,358
Disposal	( 9,408 )	( 16,989 )	( 26,397 )
Change in fair value recognized in profit or loss	987	-	987
Transfer out from Level 3	-	( 7,170 )	( 7,170 )
Change in fair value recognized in other comprehensive income	-	( 2,168 )	( 2,168 )
Effect of foreign currency exchange difference	1,926	-	1,926
Balance at December 31, 2020	<u>\$ 93,319</u>	<u>\$ 32,365</u>	<u>\$ 125,684</u>

For the Year Ended December 31, 2019

Financial assets	Non-derivatives Financial Assets at FVTPL	Equity Instruments Financial Assets at FVTOCI	Total
Balance at January 1, 2019	\$ 46,411	\$ 56,005	\$ 102,416
Purchase	17,888	-	17,888
Disposal	( 46,255 )	-	( 46,255 )
Change in fair value recognized in profit or loss	1,128	-	1,128
Change in fair value recognized in other comprehensive income	-	2,687	2,687
Effect of foreign currency exchange difference	( 716 )	-	( 716 )
Balance at December 31, 2019	<u>\$ 18,456</u>	<u>\$ 58,692</u>	<u>\$ 77,148</u>

3) Valuation techniques and input applied for the purpose of measuring Level 2 fair value measurement.

Derivative instruments used the quoted price of bank as the basis of the fair values.

4) Valuation techniques and assumptions applied for the purpose of measuring Level 3 fair value measurement.

If there are no market price for reference, fair values were estimated by assessment approach.

For unlisted shares, fair values were determined based on the net worth of companies. For CNY floating rate financial products, fair values were estimated on the basis of expected rate of return.

c. Categories of financial instruments

	December 31	
	2020	2019
<u>Financial assets</u>		
Financial assets at FVTPL	\$ 113,843	\$ 18,456
Financial assets at amortized cost (1)	5,573,698	5,994,822
Financial assets at FVTOCI		
Equity instruments	146,203	180,264
<u>Financial liabilities</u>		
Financial liabilities at FVTPL	11,372	8,257
Financial liabilities at amortized cost (2)	8,232,164	8,886,226

- 1) The balances included financial assets at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable (including related parties), other receivables, other financial assets (current and non-current), refundable deposits, and long-term notes and accounts receivable.
- 2) The balances included financial liabilities at amortized cost, which comprise short-term borrowings, short-term bills payable, notes and accounts payable (including related parties), other payables, long-term borrowings (including those due in one year) and deposits received.

d. Financial risk management objectives and policies

The Company and its subsidiaries' major financial instruments include equity investments, notes and accounts receivable, notes and accounts payable, short-term and long-term borrowings, short-term bills payable and lease liabilities. The Finance Department provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company and its subsidiaries through internal risk reports which analyze exposures by degree and magnitude of risks. These risks are market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Company and its subsidiaries minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Company and its subsidiaries' policies approved by the board of directors, which provided written principles on foreign currency risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Company and its subsidiaries do not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Company and its subsidiaries' activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (refer to (a) below), interest rates (refer to (b) below) and other price (refer to (c) below).

There has been no change to the Company and its subsidiaries' exposure to market risks or the manner in which these risks are managed and measured.

a) Foreign currency risk

The Company and its subsidiaries are exposed to foreign currency risk due to sales, purchases, capital expenditures and equity investments denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters utilizing swap contract, cross-currency swap contract, and foreign exchange forward contracts.

The carrying amounts of significant foreign currency monetary assets and liabilities at the balance sheet date are disclosed in Note 35.

The Company and its subsidiaries are mainly exposed to the USD, CNY and EUR. The following table details the Company and its subsidiaries' sensitivity to a 3% increase and decrease in the functional currency against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 3%. The sensitivity analysis included only outstanding foreign currency denominated monetary items.

	USD Impact		CNY Impact		EUR Impact	
	For the Year Ended December 31		For the Year Ended December 31		For the Year Ended December 31	
	2020	2019	2020	2019	2020	2019
Profit or loss (Note)	( \$22,672 )	( \$35,786 )	( \$63,169 )	( \$55,817 )	( \$ 8,787 )	( \$ 7,054 )

Note: These were mainly attributable to the exposure of the USD, CNY and EUR (including cash and cash equivalent, accounts receivable and payable (including related parties), other receivable, other payable and short-term and long-term borrowings), which were not hedged at the balance sheet date.

In management's opinion, the sensitivity analysis was unrepresentative of the inherent foreign exchange risk because the exposure at the balance sheet date did not reflect the exposure during the period. Foreign currency sales change according to customer order and business cycle.

b) Interest rate risk

The Company and its subsidiaries are exposed to interest rate risk because the Company and its subsidiaries borrowed funds at both fixed and floating interest rates. The risk is managed by the Company and its subsidiaries by maintaining an appropriate mix of fixed and floating rate borrowings.

The carrying amounts of the Company and its subsidiaries' financial liabilities with exposure to interest rates at the balance sheet date were as follows:

	December 31	
	2020	2019
Fair value interest rate risk		
Financial assets	\$ 4,097	\$ 8,546
Financial liabilities	1,139,048	1,566,822
Cash flow interest rate risk		
Financial liabilities	3,606,163	3,692,051

The sensitivity analysis below was determined based on the Company and its subsidiaries' exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year. The interest rates change of 1% increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates of financial liabilities had been 1% higher/lower and all other variables were held constant, the Company and its subsidiaries' pre-tax profit would have been lower/higher by NT\$36,062 thousand and NT\$36,921 thousand for the years ended December 31, 2020 and 2019, respectively.

c) Other price risk

The Company and its subsidiaries are exposed to equity price risk through their investments in mutual funds, and domestic listed shares.

If domestic listed shares equity prices and mutual funds had been 1% higher/lower, the pre-tax other comprehensive income for the years ended December 31, 2020 and 2019 would have been higher/lower by NT\$1,138 thousand and NT\$1,216 thousand, as a result of the changes in fair value of financial assets at FVTOCI respectively; the pre-tax loss for the year ended December 31, 2020 would have been lower/higher by NT\$161 thousand as a result of the changes in fair value of financial assets at FVTPL.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company and its subsidiaries. As of the balance sheet date, the Company and its subsidiaries' maximum exposure to credit risk is the carrying amount of the financial assets on the consolidated balance sheets.

The Company and its subsidiaries adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company and its subsidiaries' exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Except for the following customer, the Company and its subsidiaries did not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Company and its subsidiaries' concentration of credit risk in receivables (including notes and accounts receivable, long-term notes and accounts receivable, overdue receivables and other receivables) by customer was as follows:

Customer	December 31	
	2020	2019
Company A	<u>\$ 678,599</u>	<u>\$ 863,211</u>



### 3) Liquidity risk

The Company and its subsidiaries manage liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company and its subsidiaries' operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The following table details the Company and its subsidiaries' remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company and its subsidiaries can be required to pay. The table included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

To the extent that interest flows are at floating rates, the undiscounted amount was derived from the interest rate at the end of the balance sheet date.

#### For the Year Ended December 31, 2020

	<u>Less than 1 Year</u>	<u>1-5 Years</u>	<u>5+ Years</u>	<u>Total</u>
Non-interest bearing liabilities	\$2,205,244	\$ 57	\$ -	\$2,205,301
Interest bearing liabilities	4,754,126	1,059,783	338,952	6,152,861
Finance lease liabilities	<u>46,797</u>	<u>148,295</u>	<u>618,942</u>	<u>814,034</u>
	<u>\$7,006,167</u>	<u>\$1,208,135</u>	<u>\$ 957,894</u>	<u>\$9,172,196</u>

Further information for maturity analysis of lease liabilities was as follows:

	<u>Less than 1 Year</u>	<u>1-5 Years</u>	<u>5-10 Years</u>	<u>10-15 Years</u>	<u>15-20 Years</u>	<u>20+ Years</u>
Lease liabilities	<u>\$46,797</u>	<u>\$148,295</u>	<u>\$128,369</u>	<u>\$118,318</u>	<u>\$115,028</u>	<u>\$257,227</u>

#### For the Year Ended December 31, 2019

	<u>Less than 1 Year</u>	<u>1-5 Years</u>	<u>5+ Years</u>	<u>Total</u>
Non-interest bearing liabilities	\$2,387,803	\$ 1,791	\$ -	\$2,389,594
Interest bearing liabilities	4,341,830	1,995,227	284,038	6,621,095
Finance lease liabilities	<u>53,912</u>	<u>167,060</u>	<u>660,688</u>	<u>881,660</u>
	<u>\$6,783,545</u>	<u>\$2,164,078</u>	<u>\$ 944,726</u>	<u>\$9,892,349</u>

Further information for maturity analysis of lease liabilities was as follows:

	<u>Less than 1 Year</u>	<u>1-5 Years</u>	<u>5-10 Years</u>	<u>10-15 Years</u>	<u>15-20 Years</u>	<u>20+ Years</u>
Lease liabilities	<u>\$ 53,912</u>	<u>\$ 167,060</u>	<u>\$ 166,159</u>	<u>\$ 113,434</u>	<u>\$112,552</u>	<u>\$ 268,543</u>

## 32. TRANSACTIONS WITH RELATED PARTIES

Details of transactions between the Company and its subsidiaries and other related parties are disclosed below:

- a. The name of the related parties and their relationships with the Company and its subsidiaries

Related Party Name	Relationship
Contrel Technology Co., Ltd.	Other related parties
F.S.E Corporation	Other related parties
Ever Lumin Incorporation	Other related parties
Shiang Jen Co., Ltd. (Shiang Jen)	Other related parties
Hao Shiang Co., Ltd.( Hao Shiang)	Other related parties (was liquidated in August 2020)
San Shin Co., Ltd. (San Shin)	Other related parties
Sysco Machinery Corporation	Other related parties
Dong Ying Investment Co., Ltd.	Other related parties
Sheng Li Machine Industry Co., Ltd.	Other related parties
Pt Tong - Tai Seikindo Utama	Substantial related party

- b. Sales of goods

Account Item	Related Party Type	For the Year Ended December 31	
		2020	2019
Revenues from sales	Other related parties	<u>\$ 15,347</u>	<u>\$ 22,518</u>

Sales to related parties are made at arm's length and the collection terms have no material difference with unrelated parties.

- c. Purchase of goods

Related Party Type	For the Year Ended December 31	
	2020	2019
Other related parties	<u>\$ 156,195</u>	<u>\$ 194,949</u>

The purchase prices and payment term have no material difference with unrelated parties.

- d. Receivables from related parties

Account Item	Related Party Type	December 31	
		2020	2019
Accounts receivable - related parties	Other related parties	<u>\$ 5,178</u>	<u>\$ 5,503</u>
Other accounts receivable	Other related parties	<u>\$ 18,238</u>	<u>\$ 786</u>

e. Payables to related parties

Account Item	Related Party Type	December 31	
		2020	2019
Notes payable - related parties	Other related parties	\$ <u>-</u>	\$ <u>38</u>
Accounts payable - related parties	Other related parties		
	Shiang Jen	\$ 38,002	\$ 49,330
	Shan Shin	<u>26,823</u>	<u>24,018</u>
		\$ <u>64,825</u>	\$ <u>73,348</u>
Other accounts payable	Other related parties	\$ <u>1,064</u>	\$ <u>4,031</u>

f. Other transactions with related parties

1) Commission expense (recognized as selling and marketing expenses)

Related Party Type	For the Year Ended December 31	
	2020	2019
Other related parties	\$ <u>1,411</u>	\$ <u>5,890</u>

2) Rental income

Related Party Type	For the Year Ended December 31	
	2020	2019
Other related parties		
Shiang Jen	\$ 5,040	\$ 4,920
Others	<u>40</u>	<u>40</u>
	\$ <u>5,080</u>	\$ <u>4,960</u>

The above rent was determined by negotiation and collected according to the contract. The contract price is comparable to the prices of similar contracts in the area.

g. Compensation of key management personnel

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	\$ 15,693	\$ 12,231
Post-employment benefits	<u>402</u>	<u>234</u>
	\$ <u>16,095</u>	\$ <u>12,465</u>

### 33. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The Company and its subsidiaries' assets mortgaged or pledged as collateral for short-term and long-term borrowings, lease of land at Southern Science Industrial Park, and banker's guarantee were as follows:

	December 31	
	2020	2019
Property, plant and equipment	\$ 2,039,240	\$ 1,755,738
Investment properties	148,143	152,290
Pledged deposits (including in other financial assets)	<u>327,679</u>	<u>878,434</u>
	<u>\$ 2,515,062</u>	<u>\$ 2,786,462</u>

### 34. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in Note 15, significant commitments and contingencies of the Company and its subsidiaries as of December 31, 2020 were as follows:

- a. Unused letters of credit in the amount of NT\$22,711 thousand.
- b. For sales bidding, export tariff and commodity tax, the Company and its subsidiaries entered into credit facility agreements with banks for commitment amount of NT\$108,198 thousand.

### 35. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Company and its subsidiaries and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2020	Foreign Currency (In Thousands)	Exchange Rate		Carrying Amount (In Thousands of New Taiwan Dollars)
Monetary foreign currency assets				
USD	\$ 55,863	28.48	(USD:NTD)	\$ 1,590,978
CNY	490,508	4.377	(CNY:NTD)	2,146,954
EUR	8,774	35.02	(EUR:NTD)	307,265
Non-monetary foreign currency assets				
Investment accounted for using the equity method				
USD	179	28.48	(USD:NTD)	5,099
EUR	5,348	35.02	(EUR:NTD)	187,297
MRY	6,993	6.79	(MRY:NTD)	47,477
JPY	82,884	0.2763	(JPY:NTD)	22,901
Monetary foreign currency liabilities				
USD	25,982	28.48	(USD:NTD)	739,967
USD	3,346	0.813	(USD:EUR)	95,294
CNY	9,441	4.377	(CNY:NTD)	41,323
EUR	410	35.02	(EUR:NTD)	14,358

(Continued)

December 31, 2019	Foreign Currency (In Thousands)	Exchange Rate		Carrying Amount (In Thousands of New Taiwan Dollars)
Monetary foreign currency assets				
USD	\$ 64,357	29.98	(USD:NTD)	\$ 1,929,423
USD	1,112	0.893	(USD:EUR)	33,338
CNY	443,536	4.305	(CNY:NTD)	1,909,422
EUR	7,364	33.59	(EUR:NTD)	247,357
Non-monetary foreign currency assets				
Investment accounted for using the equity method				
USD	457	29.98	(USD:NTD)	13,709
EUR	10,088	33.59	(EUR:NTD)	338,856
MRY	6,927	7.033	(MRY:NTD)	48,716
JPY	90,967	0.276	(JPY:NTD)	25,107
Monetary foreign currency liabilities				
USD	20,333	29.98	(USD:NTD)	609,583
USD	5,347	0.893	(USD:MYR)	160,303
CNY	11,345	4.305	(CNY:NTD)	48,840
EUR	364	33.59	(EUR:NTD)	12,227

(Concluded)

The total foreign exchange net loss amounted to NT\$7,984 thousand and NT\$107,449 thousand for the years ended December 31, 2020 and 2019, respectively. It is impractical to disclose the net foreign exchange gains and losses by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies.

### 36. ADDITIONAL DISCLOSURES

- a. Following are the additional disclosures required by the Securities and Futures Bureau for the Company:
  - 1) Financial provided: Please see Table 1 attached;
  - 2) Endorsement/guarantee provided: Please see Table 2 attached;
  - 3) Marketable securities held (excluding investments in subsidiaries, associates and joint venture): Please see Table 3 attached;
  - 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None;
  - 5) Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: None;
  - 6) Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None;

- 7) Total purchase from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Please see Table 4 attached;
  - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 5 attached;
  - 9) Information about the derivative financial instruments transaction: Please see Note 7;
  - 10) Others: The business relationship between the parent and the subsidiaries and significant transactions between them: Please see Table 6 attached;
- b. Names, locations, and related information of investees over which the Company and its subsidiaries exercises significant influence (excluding information on investment in Mainland China): Please see Table 7 attached;
- c. Information on investment in Mainland China
- 1) The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits/losses of investee, ending balance, amount received as dividends from the investee, and the limitation on investee: Please see Table 8 attached;
  - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
    - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: Please see Table 6 attached;
    - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Please see Table 4 and 5 attached;
    - c) The amount of property transactions and the amount of the resultant gains or losses: None;
    - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None;
    - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: Please see Table 1 attached;
    - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: None.
- d. Information of major shareholders: Please see Table 9 attached.

### 37. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Reported segments of the Company and its subsidiaries were as follows:

- Machine Manufacturer Segment: Including the Company, Suzhou Tongyu, Honor Seiki、APEC, Quick-Tech, PCI-SCEMM and Anger, which are engaging in the manufacturing and selling of machine tools and after-sales service.
- Component Manufacturer Segment: Including Tongfong, Tong-Yeh, Shanghai Chin-Jig, HPC and SKTD, mainly engage in sales and manufacturing of parts, mold and maintenance of machine tool.
- Others: Apart from the aforementioned segments, mainly engage in sales of machines, and holding investment and so on.

#### a. Segment revenues and operating results

	Machine Manufacturer	Component Manufacturer	Others	Adjustment and Elimination	Total
<u>For the Year Ended December 31, 2020</u>					
Revenues from external customers	\$ 7,271,362	\$ 412,020	\$ 95,159	\$ -	\$ 7,778,541
Inter-segment revenues	<u>889,629</u>	<u>203,166</u>	<u>73,662</u>	<u>( 1,166,457)</u>	<u>-</u>
Segment revenues	<u>\$ 8,160,991</u>	<u>\$ 615,186</u>	<u>\$ 168,821</u>	<u>(\$ 1,166,457)</u>	<u>\$ 7,778,541</u>
Segment profit (loss)	(\$ 629,191)	(\$ 5,799)	(\$ 50,489)	\$ 15,351	(\$ 670,128)
Interest income	29,668	79	600	( 7,417)	22,930
Financial costs	( 106,030)	( 1,912)	( 7,535)	7,417	( 108,060)
Share of the profit (loss) of associates and subsidiaries	( 191,588)	-	( 294,589)	483,226	( 2,951)
Other non-operating income and expenses	<u>214,601</u>	<u>38,225</u>	<u>13,623</u>	<u>( 21,430)</u>	<u>245,019</u>
Profit (loss) before income tax	( 682,540)	30,593	( 338,390)	477,147	( 513,190)
Income tax expense (benefit)	<u>( 121,843)</u>	<u>3,761</u>	<u>1,601</u>	<u>-</u>	<u>( 116,481)</u>
Net profit (loss) for the year	<u>(\$ 560,697)</u>	<u>\$ 26,832</u>	<u>(\$ 339,991)</u>	<u>\$ 477,147</u>	<u>(\$ 396,709)</u>
<u>For the Year Ended December 31, 2019</u>					
Revenues from external customers	\$ 10,155,658	\$ 507,198	\$ 337,237	\$ -	\$ 11,000,093
Inter-segment revenues	<u>898,786</u>	<u>246,818</u>	<u>87,226</u>	<u>( 1,232,830)</u>	<u>-</u>
Segment revenues	<u>\$ 11,054,444</u>	<u>\$ 754,016</u>	<u>\$ 424,463</u>	<u>(\$ 1,232,830)</u>	<u>\$ 11,000,093</u>
Segment profit (loss)	\$ 227,098	\$ 40,239	(\$ 12,374)	\$ 15,678	\$ 270,641
Interest income	38,162	70	1,060	( 5,585)	33,707
Financial costs	( 121,628)	( 2,361)	( 12,215)	5,585	( 130,619)
Share of the profit (loss) of associates and subsidiaries	40,878	-	( 136,800)	93,769	( 2,153)
Other non-operating income and expenses	<u>( 40,606)</u>	<u>5,916</u>	<u>9,048</u>	<u>( 13,022)</u>	<u>( 38,664)</u>
Profit (loss) before income tax	143,904	43,864	( 151,281)	96,425	132,912
Income tax expense	<u>30,895</u>	<u>8,227</u>	<u>4,170</u>	<u>-</u>	<u>43,292</u>
Net profit (loss) for the year	<u>\$ 113,009</u>	<u>\$ 35,637</u>	<u>(\$ 155,451)</u>	<u>\$ 96,425</u>	<u>\$ 89,620</u>

Segment profit represented the profit from operations earned by each segment and was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment total assets and liabilities

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Segment assets</u>		
Machine Manufacturer	\$ 18,627,964	\$ 19,233,910
Component Manufacturer	511,420	545,700
Others	1,623,255	2,116,433
Adjustment and Elimination	( <u>4,753,574</u> )	( <u>4,974,191</u> )
	<u>\$ 16,009,065</u>	<u>\$ 16,921,852</u>
<u>Segment liabilities</u>		
Machine Manufacturer	\$ 11,030,961	\$ 10,960,885
Component Manufacturer	264,291	301,587
Others	599,140	734,752
Adjustment and Elimination	( <u>1,346,001</u> )	( <u>1,067,419</u> )
	<u>\$ 10,548,391</u>	<u>\$ 10,929,805</u>

c. Revenues from major products and services

Revenues from major products and services of the Company and its subsidiaries were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Sales		
Machining Center	\$ 3,107,575	\$ 4,349,263
CNC Lathe	1,406,349	2,695,906
PCB Processing Machine	1,172,571	1,342,861
Special Purpose Machine	608,725	994,089
Others	476,864	478,509
Maintenance and rebuilding revenues	<u>1,006,457</u>	<u>1,139,465</u>
	<u>\$ 7,778,541</u>	<u>\$ 11,000,093</u>

d. Geographical information

The Company and its subsidiaries operate in three principal geographical areas - Taiwan, Asia and Europe.

The Company and its subsidiaries' revenues from continuing operations from external customers and information about their non-current assets by geographical location are detailed below:

	<b>Revenues from External Customers</b>		<b>Noncurrent Assets</b>	
	<b>For the Year Ended December 31</b>		<b>December 31</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Taiwan	\$ 900,811	\$ 1,016,780	\$ 3,349,220	\$ 3,378,490
China	3,717,118	3,984,832	417,456	440,422
Europe	1,604,789	2,362,178	425,057	453,120
Asia	994,790	2,086,285	86,212	95,226
Others	<u>561,033</u>	<u>1,550,018</u>	<u>1,962</u>	<u>370</u>
	<u>\$ 7,778,541</u>	<u>\$ 11,000,093</u>	<u>\$ 4,279,907</u>	<u>\$ 4,367,628</u>



Non-current assets excluded financial assets, investment accounted for using the equity method, deferred tax assets, long-term notes and accounts receivables and net defined benefit assets.

e. Geographical information

No revenue from any individual customer exceeds 10% of the Company and its subsidiaries' total revenues for the years ended December 31, 2020 and 2019.

**TABLE 1**

**TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES**

**FINANCING PROVIDED TO OTHERS**

**FOR THE YEAR ENDED DECEMBER 31, 2020**

**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn (Note 4)	Interest Rate	Nature for Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company	Financing Company's Total Financing Amount Limits	Note
													Item	Value			
0	Tongtai Machine & Tool Co., Ltd.	Tongtai Machinery Co., Ltd.	Other receivables - related party	Yes	\$ 77,074	\$ 35,600	\$ 35,600	1.7-2.7	Note 1	\$	Acquiring Building	\$		\$	\$ 488,292	\$ 976,583	Note 2
0	Tongtai Machine & Tool Co., Ltd.	Anger Machining GmbH	Other receivables - related party	Yes	398,880	210,120	210,120	1.7	Note 1		Operating capital				488,292	976,583	Note 2
0	Tongtai Machine & Tool Co., Ltd.	SKTD Co., Ltd.	Other receivables - related party	Yes	11,152	5,526	5,526	1.7	Note 1		Operating capital				488,292	976,583	Note 2
0	Tongtai Machine & Tool Co., Ltd.	Union Top Industrial (Samoa) Limited	Other receivables - related party	Yes	225,150	213,600	77,485	1.19-1.7	Note 1		Operating capital				488,292	976,583	Note 2
0	Tongtai Machine & Tool Co., Ltd.	Tongtai Europe B.V.	Other receivables - related party	Yes	129,968	65,504	65,504	1.7	Note 1		Operating capital				488,292	976,583	Note 2
0	Tongtai Machine & Tool Co., Ltd.	Suzhou Tongyu Machine Tool Co., Ltd.	Other receivables - related party	Yes	131,370	131,310	131,310	1.7	Note 1		Operating capital				488,292	976,583	Note 2
0	Tongtai Machine & Tool Co., Ltd.	Quick-Tech Machinery Co., Ltd.	Other receivables - related party	Yes	60,000	60,000	54,500	1.5	Note 1		Operating capital				488,292	976,583	Note 2
0	Tongtai Machine & Tool Co., Ltd.	Asia Pacific Elite Corp.	Other receivables - related party	Yes	30,000	30,000	-	-	Note 1		Operating capital				488,292	976,583	Note 2
0	Tongtai Machine & Tool Co., Ltd.	Mbi-group Beteiligung GmbH	Other receivables - related party	Yes	21,012	21,012	8,755	1.15	Note 1		Operating capital				488,292	976,583	Note 2
1	Union Top	Tongtai Machine Tool (Sea) Sdn. Bhd.	Other receivables - related party	Yes	6,912	-	-	3.0	Note 1		Operating capital				100,472	200,945	Note 3
1	Union Top	Quick-Tech Machinery Co., Ltd.	Other receivables - related party	Yes	19,963	19,188	-	1.19-2.7	Note 1		Operating capital				100,472	200,945	Note 3
1	Union Top	TongTai Europe B.V.	Other receivables - related party	Yes	14,079	13,779	13,779	1.2	Note 1		Operating capital				100,472	200,945	Note 3
2	PCI-SCEMM	TTGroup France	Other receivables - related party	Yes	7,016	7,004	5,375	1.5	Note 1		Operating capital				41,478	82,955	Note 3
3	Honor Seiki Co., Ltd.	Quick-Tech Machinery Co., Ltd.	Other receivables - related party	Yes	10,000	-	-	1.7	Note 1		Operating capital				119,176	238,353	Note 3

Note 1: The need for short-term financing.

Note 2: According to the "Procedures for Lending Funds to Other Parties" established by the Company, the aggregate lending amount and the amount lending to any individual entity having business relationship with the Company shall not exceed the total transaction amount between the parties during the period of 12 months prior to the time of lending and shall not exceed 20% of the net worth of the Company. The aggregate lending amount and the amount lending to any individual entity for short-term financing shall not exceed 20% and 10% of the net worth of the Company.

Note 3: According to the "Procedures for Lending Funds to Other Parties" established by the subsidiaries, the aggregate lending amount and the amount lending to any individual entity having business relationship with the Company shall not exceed the total transaction amount between the parties during the period of 12 months prior to the time of lending and shall not exceed 20% of the net worth of the Company. The aggregate lending amount and the amount lending to any individual entity for short-term financing shall not exceed 20% and 10% of the net worth of the Company.

Note 4: All the transactions had been eliminated when preparing consolidated financial statements.

## TONGTAI MACHINE &amp; TOOL CO., LTD. AND SUBSIDIARIES

## ENDORSEMENTS/GUARANTEES PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorsement/Guarantee Provider	Endorsee/Guarantee		Limits on Endorsement/Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement /Guarantee to Net Equity per Latest Financial Statements (%)	Maximum Endorsement/Guarantee Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Nature of Relationship											
0	Tongtai Machine & Tool Co., Ltd.	Tongtai Machine Tool (SEA) Sdn. Bhd.	The Company owns directly or indirectly over 50% ownership of the investee company	\$ 1,464,875	\$ 30,250	\$ 28,480	\$ -	\$ -	0.58	\$ 2,441,459	Y	-	-	
0	Tongtai Machine & Tool Co., Ltd.	PCI-SCEMM	The Company owns directly or indirectly over 50% ownership of the investee company	1,464,875	31,572	31,518	18,857	-	0.65	2,441,459	Y	-	-	
0	Tongtai Machine & Tool Co., Ltd.	Union Top Industrial (Samoa) Limited	The Company owns directly or indirectly over 50% ownership of the investee company	1,464,875	527,258	496,406	196,227	-	10.17	2,441,459	Y	-	-	
0	Tongtai Machine & Tool Co., Ltd.	Mbi-group Beteiligung GmbH	The Company owns directly or indirectly over 50% ownership of the investee company	1,464,875	70,160	70,040	59,255	-	1.43	2,441,459	Y	-	-	
0	Tongtai Machine & Tool Co., Ltd.	Anger Machining GmbH	The Company owns directly or indirectly over 50% ownership of the investee company	1,464,875	942,038	661,878	580,457	-	13.55	2,441,459	Y	-	-	
0	Tongtai Machine & Tool Co., Ltd.	Asia Pacific Elite Corp.	The Company owns directly or indirectly over 50% ownership of the investee company	1,464,875	275,000	245,000	153,120	-	5.02	2,441,459	Y	-	-	
0	Tongtai Machine & Tool Co., Ltd.	Tongan GmbH	The Company owns directly or indirectly over 50% ownership of the investee company	1,464,875	19,974	17,510	17,510	-	0.36	2,441,459	Y	-	-	
0	Tongtai Machine & Tool Co., Ltd.	Tong-Yeh Precision Co., Ltd.	The Company owns directly or indirectly over 50% ownership of the investee company	1,464,875	10,000	10,000	-	-	0.20	2,441,459	Y	-	-	
0	Tongtai Machine & Tool Co., Ltd.	Quick-Tech Machinery Co., Ltd.	The Company owns directly or indirectly over 50% ownership of the investee company	1,464,875	202,620	201,960	84,983	-	4.14	2,441,459	Y	-	-	

Note: According to the "Procedures for Making Endorsements and Guarantees" established by the Company, the ceilings on the amounts to make endorsements/guarantees are as follows,

## 1. For Tongtai Machine &amp; Tool Co., Ltd.,

- (1) The ceilings on the amounts for the aggregate amounts to the entities shall not exceed 50% of the net worth of the Company.
- (2) The ceilings on the amounts for any individual entity to the entities shall not exceed 30% of the net worth of the Company.

## 2. For Tongtai Machine &amp; Tool Co., Ltd. and subsidiaries,

- (1) The ceilings on the amounts for the aggregate amounts to the entities shall not exceed 50% of the net worth of the Company.
- (2) The ceilings on the amounts for any individual entity to the entities shall not exceed 30% of the net worth of the Company.
- (3) Except for (1) and (2), the total amount of endorsement/guarantee provided by the Company to any individual entity deriving from business relations shall not exceed the total business amount between such party and the Company for the twelve-month period immediately before the extension of endorsement/guarantee (the business amount refers to purchase amount or sales amount of the goods between the parties, whichever is higher).

## TONGTAI MACHINE &amp; TOOL CO., LTD. AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Held Company Name	Type and Name of Marketable Securities	Relationship with The Company	Financial Statement Account	DECEMBER 31, 2020				Note
				Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
Tongtai Machine & Tool Co., Ltd.	Common stock Contrel Technology Co., Ltd.	Same president	Financial assets at fair value through other comprehensive income - non current	6,849,178	\$103,422	4	\$103,422	
	SHIANG JEN CO., LTD.	The held company as its director	Financial assets at fair value through other comprehensive income - non current	1,520,000	16,003	19	16,003	
	World Known MFG (Cayman) Limited	-	Financial assets at fair value through other comprehensive income - non current	280,000	10,416	1	10,416	
	USYNC INC.	-	Financial assets at fair value through other comprehensive income - non current	295,371	10,382	4	10,382	
	WORLD KNOWN MFG. CO., LTD.	-	Financial assets at fair value through other comprehensive income - non current	229,729	5,980	1	5,980	
					<u>\$146,203</u>		<u>\$146,203</u>	
	Common stock YI XIANG Technology Co., Ltd.	-	Financial assets at fair value through profit or loss - non current	75,000	\$ -	14	\$ -	
	Mutual funds Allianz Global Investors Preferred Securities and Income Fund	-	Financial assets at fair value through profit or loss - current	350,000	<u>\$ 16,683</u>		<u>\$ 16,683</u>	
Suzhou Tongyu Machine Tool Co., Ltd.	Closed fund No. 13108	-	Financial assets at fair value through profit or loss - current		<u>\$ 70,813</u>		<u>\$ 70,813</u>	
CHIN-JIG CO., LTD (SHANGHAI)	QIAN YUAN - 2020.86 wealth management products	-	Financial assets at fair value through profit or loss - current		\$ 9,003		\$ 9,003	
	QIAN YUAN - HUI XIANG open-end wealth management products	-	Financial assets at fair value through profit or loss - current		13,503		13,503	
					<u>\$ 22,506</u>		<u>\$ 22,506</u>	

## TONGTAI MACHINE &amp; TOOL CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer (Seller)	Related Party	Related Party	Relationship				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Purchase/Sale Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Tongtai Machine & Tool Co., Ltd.	Suzhou Tongyu Machine Tool Co., Ltd.	Subsidiary	Sales	( \$ 462,011 )	( 6 )	Comparable with ones of non-related party transactions	\$ -	-	\$ 275,056	9	Note
	Asia Pacific Elite Corp.	Subsidiary	Sales	( 119,723 )	( 2 )	Comparable with ones of non-related party transactions	-	-	507	-	Note
	Tongfong Auto Tech Co., Ltd.	Subsidiary	Purchases	119,232	2	Comparable with ones of non-related party transactions	-	-	( 42,429 )	3	Note

Note: All the transactions had been eliminated when preparing consolidated financial statements.

## TONGTAI MACHINE &amp; TOOL CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
 DECEMBER 31, 2020  
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance (Note 3)	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Tongtai Machine & Tool Co., Ltd.	Suzhou Tongyu Machine Tool Co., Ltd.	Subsidiary	\$ 408,897 (Note 1)	2.17	\$ -	-	\$ 168,973	\$ -
	Anger Machining GmbH	Subsidiary	214,442 (Note 2)	0.78	-	-	-	-

Note 1: Including accounts receivable amounted of NT\$275,056 thousand and other receivable amounted of NT\$133,841 thousand. Other receivable was excluded in the calculation turnover rate.

Note 2: Including accounts receivable amounted of NT\$1,778 thousand and other receivable amounted of NT\$212,664 thousand. Other receivable was excluded in the calculation turnover rate.

Note 3: All the transactions had been eliminated when preparing consolidated financial statements.

## TONGTAI MACHINE &amp; TOOL CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Investee Company	Counterparty	Relationship	Transaction Details			% of Total Operating Revenues or Assets
				Financial Statement Accounts	Amount	Payment Terms	
0	Tongtai Machine & Tool Co., Ltd.	Tongfong Auto Tech Co., Ltd.	Parent to subsidiary	Sales	\$ 67,605	Based on contracts	0.87
0	Tongtai Machine & Tool Co., Ltd.	Asia Pacific Elite Corp.	Parent to subsidiary	Sales	119,723	Based on contracts	1.54
0	Tongtai Machine & Tool Co., Ltd.	Honor Seiki Co., Ltd.	Parent to subsidiary	Sales	69,667	Based on contracts	0.90
0	Tongtai Machine & Tool Co., Ltd.	Suzhou Tongyu Machine Tool Co., Ltd.	Parent to subsidiary	Sales	267,647	Based on contracts	3.44
0	Tongtai Machine & Tool Co., Ltd.	Suzhou Tongyu Machine Tool Co., Ltd.	Parent to subsidiary	Sales	194,364	Based on contracts	2.50
0	Tongtai Machine & Tool Co., Ltd.	Tongtai Europe B.V.	Parent to subsidiary	Sales	30,356	Based on contracts	0.39
0	Tongtai Machine & Tool Co., Ltd.	Quick-Tech Machinery Co., Ltd.	Parent to subsidiary	Other receivable	54,565	Based on contracts and BOD resolution	0.34
0	Tongtai Machine & Tool Co., Ltd.	Suzhou Tongyu Machine Tool Co., Ltd.	Parent to subsidiary	Accounts receivable	275,056	Based on contracts	1.72
0	Tongtai Machine & Tool Co., Ltd.	Suzhou Tongyu Machine Tool Co., Ltd.	Parent to subsidiary	Other receivable	133,841	Based on contracts and BOD resolution	0.84
0	Tongtai Machine & Tool Co., Ltd.	Tong Tai Machinery Co., Ltd.	Parent to subsidiary	Other receivable	35,701	Based on contracts and BOD resolution	0.22
0	Tongtai Machine & Tool Co., Ltd.	Anger Machining GmbH	Parent to subsidiary	Other receivable	212,664	Based on contracts and BOD resolution	1.33
0	Tongtai Machine & Tool Co., Ltd.	Union Top Industrial (Samoa) Limited	Parent to subsidiary	Other receivable	78,406	Based on contracts and BOD resolution	0.49
0	Tongtai Machine & Tool Co., Ltd.	Tongtai Europe B.V.	Parent to subsidiary	Other receivable	66,386	Based on contracts and BOD resolution	0.41
1	Tongfong Auto Tech Co., Ltd.	Tongtai Machine & Tool Co., Ltd.	Subsidiary to Parent	Sales	119,232	Based on contracts	1.53
1	Tongfong Auto Tech Co., Ltd.	Tongtai Machine & Tool Co., Ltd.	Subsidiary to Parent	Accounts receivable	42,429	Based on contracts	0.27
2	Honor Seiki Co., Ltd.	Suzhou Tongyu Machine Tool Co., Ltd.	Subsidiary to Subsidiary	Sales	36,261	Based on contracts	0.47
3	Tong-Yeh Precision Co., Ltd.	Tongtai Machine & Tool Co., Ltd.	Subsidiary to Parent	Sales	35,210	Based on contracts	0.45
4	HPC Produktions GmbH	Anger Machining GmbH	Subsidiary to Subsidiary	Sales	38,442	Based on contracts	0.49

## TONGTAI MACHINE &amp; TOOL CO., LTD. AND SUBSIDIARIES

## INFORMATION ON INVESTEEES

FOR THE YEAR ENDED DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2020	December 31, 2019	Number of Shares	%	Carrying Amount			
Tongtai Machine & Tool Co., Ltd.	Tongfong Auto Tech Co., Ltd.	Kaohsiung City	Sales of electric automation equipment	\$ 13,974	\$ 13,974	1,499,000	99.00	\$ 46,336	\$ 14,952	\$ 14,942	Note
Tongtai Machine & Tool Co., Ltd.	Asia Pacific Elite Corp.	Taichung City	Sales and manufacturing of equipment	409,238	409,238	14,515,414	99.00	94,715	14,390	15,402	Note
Tongtai Machine & Tool Co., Ltd.	Quick-Tech Machinery Co., Ltd.	Tainan City	Sales and manufacturing of equipment	80,582	80,582	6,238,800	52.00	( 3,203 )	( 138,635 )	( 76,690 )	Note
Tongtai Machine & Tool Co., Ltd.	Honor Seiki Co., Ltd.	Kaohsiung City	Sales and manufacturing of equipment	100,731	100,731	18,253,424	54.00	530,328	45,852	23,899	Note
Tongtai Machine & Tool Co., Ltd.	Tong-Yeh Precision Co., Ltd.	Kaohsiung City	Sales of electric automation equipment	14,476	14,476	1,052,898	60.00	29,851	4,496	2,698	Note
Tongtai Machine & Tool Co., Ltd.	Chin-Jig Technology Co., Ltd.	Taipei City	Sales of mold and equipment	27,971	27,971	2,799,000	70.00	52,034	( 1,651 )	( 1,156 )	Note
Tongtai Machine & Tool Co., Ltd.	Tongtai Machine & Tool Japan Co., Ltd.	Japan	Sales and manufacturing of equipment	31,561	31,561	889	100.00	22,901	( 2,238 )	( 2,238 )	Note
Tongtai Machine & Tool Co., Ltd.	Tong Tai Machinery Co., Ltd.	Thailand	Sales of customized machine	5,854	5,854	999,998	100.00	26,378	( 4,278 )	( 4,278 )	Note
Tongtai Machine & Tool Co., Ltd.	Tongtai Seiki Vietnam Co., Ltd.	Vietnam	Sales of customized machine	9,054	9,054	631,080	100.00	16,509	( 1,859 )	( 1,859 )	Note
Tongtai Machine & Tool Co., Ltd.	Tongtai Machine Tool (SEA) Sdn. Bhd.	Malaysia	Sales of customized machine	5,107	5,107	520,000	52.00	9,261	2,725	1,417	Note
Tongtai Machine & Tool Co., Ltd.	Tongtai Machine Tool (MFG) Sdn. Bhd.	Malaysia	Sales and manufacturing of equipment	71,952	71,952	8,500,000	100.00	38,216	( 973 )	( 973 )	Note
Tongtai Machine & Tool Co., Ltd.	Tong-Tai Seiki USA, Inc.	USA	Sales of merchandise	71,667	71,667	100	100.00	5,099	( 8,221 )	( 8,221 )	Note
Tongtai Machine & Tool Co., Ltd.	Tongtai Mexico ,S.A. DE C.V.	Mexico	Sales and maintenance of machine tools	10,155	10,155	65,999	100.00	7,126	( 559 )	( 559 )	Note
Tongtai Machine & Tool Co., Ltd.	PCI-SCEMM	France	Sales, manufacturing and maintenance of machine tools	182,200	182,200	1,000,000	100.00	414,776	13,192	13,192	Note
Tongtai Machine & Tool Co., Ltd.	Tongtai Europe B.V.	Netherlands	Sales of merchandise	96,221	96,221	9,000	100.00	( 30,644 )	( 20,679 )	( 20,679 )	Note
Tongtai Machine & Tool Co., Ltd.	Union Top Industrial (Samoa) Limited	Samoa	General investment	560,867	560,867	16,465,400	100.00	989,528	10,497	10,497	Note
Tongtai Machine & Tool Co., Ltd.	Tongan GmbH	Austrian	General investment	597,771	597,771	35,000	100.00	( 196,835 )	( 152,801 )	( 152,801 )	Note
Tongtai Machine & Tool Co., Ltd.	Cyber Laser Taiwan Co., Ltd.	Tainan City	Machine and manufacturing of electronic component	20,000	20,000	2,000,000	33.00	-	( 4,470 )	( 1,556 )	
Tongtai Machine & Tool Co., Ltd.	Printin3d DigiTech Co., Ltd.	Taoyuan City	Development of 3D printer of digital Implantology	10,000	10,000	1,000,000	40.00	7,771	( 3,322 )	( 1,329 )	
Union Top Industrial (Samoa) Limited	Great Pursuit Limited	Samoa	General investment	40,054	40,054	-	55.00	-	-	-	Note
Chin-Jig Technology Co., Ltd.	Time Trade Internation Limited	Samoa	General investment	32,771	32,771	-	100.00	70,204	2,567	2,567	Note
PCI-SCEMM	TTGroup France	France	Sales of merchandise	1,076	1,076	30,000	100.00	1,802	360	360	Note
Tongan GmbH	Mbi-group Beteiligung GmbH	Austrian	General investment	611,202	611,202	-	100.00	( 181,900 )	( 154,157 )	( 152,401 )	Note
Mbi-group Beteiligung GmbH	HPC Produktions GmbH	Austrian	Sales of mold and equipment	1,215	1,215	-	100.00	63,695	4,218	4,218	Note
Mbi-group Beteiligung GmbH	Anger Machining GmbH	Austrian	Sales, manufacturing and maintenance of machine tools	595,855	595,855	-	100.00	( 139,730 )	( 158,347 )	( 158,347 )	Note
Anger Machining GmbH	Anger Machining Inc.	USA	Sales and maintenance of machine tools	122	122	60,000	100.00	( 3,958 )	( 2,063 )	( 2,063 )	Note
Anger Machining GmbH	Anger Service Deutschland GmbH	Germany	Sales and maintenance of machine tools	868	868	-	100.00	1,368	474	474	Note
Tongtai Machine & Tool Japan Co., Ltd.	SKTD Co., Ltd.	Japan	Design and development of machine tools	23,203	23,203	780	98.73	16,894	( 3,169 )	( 3,129 )	Note
Quick-Tech Machinery Co., Ltd.	SCTW. Co., Ltd.	Tainan City	Software related service	-	1,000	-	-	-	( 226 )	( 66 )	

Note: All the transactions had been eliminated when preparing consolidated financial statements.



## TONGTAI MACHINE &amp; TOOL CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital (Note 1)	Method of Investment (Note 2)	Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020 (Note 1)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020	Note
					Outward	Inward							
Tong-Yu Machine Tool (Shanghai) Co., Ltd.	Sales and maintenance of machine tools	\$ 68,580	Investments through a holding company registered in a third region	\$ 68,580	\$ -	\$ -	\$ 68,580	( \$ 3,319 )	100.00	( \$ 3,319 )	\$ 99,860	\$ -	Note 4
Suzhou Tongyu Machine Tool Co., Ltd.	Manufacturing of digital control machine and system	712,000	Investments through a holding company registered in a third region	712,000	-	-	712,000	9,628	100.00	9,628	1,144,761	53,223	Note 4
Shanghai Tong-Tai-Shin Trading Co., Ltd.	International trade	5,696	Investments through a holding company registered in a third region	5,696	-	-	5,696	( 141 )	100.00	( 141 )	9,716	8,972	Note 4
Hao-Tern-Shin Electronics (Shenzhen) Co., Ltd.	Sales and manufacturing of printed circuit board	71,200	Investments through a holding company registered in a third region	39,160	-	-	39,160	-	55.00	-	-	-	Note 4
Chin-Jig Precision Machine (Shanghai) Co., Ltd.	Sales and manufacturing of mold and equipment	15,664	Investments through a holding company registered in a third region	15,664	-	-	15,664	6,335	70.00	4,435	49,143	47,997	Note 4

Investee Company	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020 (Note 1)	Investment Amount Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 3)
Tongtai Machine & Tool Co., Ltd. Chin-Jig Technology Co., Ltd.	\$ 825,436 15,664	\$ 825,436 15,664	\$ 2,929,750 44,617

Note 1: The amounts were calculated based on the foreign exchange rate as of December 31, 2020.

Note 2: The basis for recognition of investment income (loss) is based on the financial statements reviewed and attested by R.O.C. parent company's CPA.

Note 3: The limit on investment in Mainland China pursuant to "Principle of investment or Technical Cooperation in Mainland China" shall not exceed 60% of their net worth.

Note 4: All the transactions had been eliminated when preparing consolidated financial statements.

**TONGTAI MACHINE & TOOL CO., LTD.**  
**INFORMATION OF MAJOR SHAREHOLDERS**  
**December 31, 2020**

Name of The Major Shareholder	Shares	
	Number of Shares Owned	Percentage of Ownership (%)
San Shin Investment Co., Ltd.	20,776,889	8.15

Note 1: Major shareholders in the Table above are shareholders owning 5% or more of the Company's common shares (only ones that have completed dematerialized registration and delivery) based on calculations performed by the Taiwan Depository & Clearing Corporation using data as of the last business date at the end of each quarter. The amount of capital in the financial statements may differ from the Company's actual number of stocks that have completed dematerialized registration and delivery due to different calculation bases.

Note 2: Where the stocks are entrusted by shareholders, information is disclosed by the individual account of settlor who has segregated trust accounts opened by trustees. As for shareholders filing shareholdings of insiders with 10% or more of the Company's stocks pursuant to the securities and exchange laws and regulations, the number of stocks owned shall be ones owned by the persons plus ones entrusted where the shareholders have the power to decide how to utilize the trust property. Please access the Market Observation Post System website for information on insiders' shareholding filings.

**Appendix II: Standalone Financial Statements for  
the Year Ended December 31, 2020**

**Tongtai Machine & Tool Co., Ltd.**

**Standalone Financial Statements for the  
Years Ended December 31, 2020 and 2019 and  
Independent Auditors' Report**

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Tongtai Machine & Tool Co., Ltd.

### **Opinion**

We have audited the accompanying standalone financial statements of Tongtai Machine & Tool Co., Ltd. (the "Company"), which comprise the standalone balance sheets as of December 31, 2020 and 2019, the standalone statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the standalone financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the audit reports issued by other independent auditors (refer to Other Matter paragraph below), the accompanying standalone financial statements present fairly, in all material respects, the standalone financial position of the Company as of December 31, 2020 and 2019, and its standalone financial performance and its standalone cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers of the Republic of China.

### **Basis for Opinion**

We conducted our audits of the standalone financial statements for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. We conducted our audits of the standalone financial statements for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants Rule No.1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020, and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Standalone Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the report of 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 standalone financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in the Company's standalone financial statements for the year ended December 31, 2020 are as follows:

#### **Revenue recognition**

Specific machine types have different degree of customization based on the customer requirements.

For machine and tool makers, sales revenues may be recognized before the completion of machine or

tool installation based on the customization requirements. As a result, we identified revenue recognition as one of the key audit matters.

Refer to Note 4 (m) to the standalone financial statements for the related accounting policies and disclosures on revenue recognition.

1. We performed the understanding and testing the design and implementation and operating effectiveness of internal control of the sales of specific machine types.
2. We performed test of details of recorded revenue against the supporting documents including contracts, reports on completion of installation, and acceptance receipts signed by customer.
3. We obtained details of sales returns and allowances in the current year to the report date and examined if there was any abnormal sales return and allowance for adjustment, and confirmed that recorded transactions were properly authorized.

### **Inventory valuation**

Inventory is material to the Company. As of December 31, 2020, inventory amounted to NT\$2,462,707 thousand, representing 23% of the Company's total assets. In addition, inventory valuation involves critical accounting estimates. Therefore, we identified the inventory valuation as one of the key audit matters. Refer to Notes 4 (e), 5 (b) and 9 to the standalone financial statements for the related accounting policies and disclosures on inventory valuation.

The key audit procedures performed in respect of the above key audit matter included the following:

1. We participated in the physical count of inventory, and observed the physical condition of inventory and checked against the records for any identified obsolete and slow-moving inventory.
2. We obtained inventory aging report, tested the accuracy of inventory aging and evaluated compliance with the inventory accounting policies.
3. We obtained details of inventory valuation and confirmed that inventory items were stated at the lower of cost or net realizable value. We test-checked the cost and market value of inventory against the supporting documents.

### **Other Matter**

Certain investments in subsidiaries accounted for using the equity method were included in the standalone financial statements as of December 31, 2020 and 2019 and for the years then ended based on financial statements audited by other independent auditors. The total of such investments amounted to NT\$275,046 thousand and NT\$1,201,401 thousand, representing 3% and 11% of the Company's total assets as of December 31, 2020 and 2019, respectively, and the total share of profit (loss) of subsidiaries and associates amounted to NT\$(143,566) thousand and NT\$15,504 thousand, representing (31%) and 28% of the Company's total profit (loss) before income tax for the years ended December 31, 2020 and 2019, respectively.

### **Responsibilities of Management and Those Charged with Governance for the Standalone Financial Statements**

Management is responsible for the preparation and fair presentation of the standalone financial

statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of standalone financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Standalone Financial Statements**

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

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

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

including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the standalone financial statements. We are responsible for the direction, supervision, and performance of the audit of the Company. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Yu-Shiang Liu and Jui-Hsuan Hsu.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 18, 2021

#### Notice to Readers

*The accompanying standalone financial statements are intended only to present the standalone financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such standalone financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying standalone financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and standalone financial statements shall prevail.*



# TONGTAI MACHINE & TOOL CO., LTD

## STANDALONE BALANCE SHEETS

DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 820,591	8	\$ 525,213	5
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	20,015	-	-	-
Notes receivable, net (Notes 5 and 8)	53,622	-	82,150	1
Notes receivable - related parties (Notes 5, 8 and 31)	510	-	1,455	-
Accounts receivable, net (Notes 4, 5 and 8)	1,248,416	11	1,560,358	14
Accounts receivable - related parties (Notes 4, 5, 8 and 31)	312,497	3	316,962	3
Other receivables	105,714	1	20,207	-
Other receivables - related parties (Note 31)	617,594	6	377,733	3
Inventories (Notes 4, 5 and 9)	2,462,707	23	2,906,983	26
Other financial assets - current (Notes 12 and 32)	-	-	130,884	1
Other current assets	57,555	1	70,231	1
Total current assets	<u>5,699,221</u>	<u>53</u>	<u>5,992,176</u>	<u>54</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 10)	146,203	1	180,264	2
Investments accounted for using the equity method (Notes 4 and 11)	2,287,626	21	2,340,299	21
Property, plant and equipment (Notes 4, 13 and 32)	1,349,942	12	1,496,339	13
Right-of-use assets (Notes 4 and 14)	484,270	5	483,437	4
Investment properties (Notes 4, 15 and 32)	374,340	3	172,264	2
Computer software (Notes 4 and 16)	48,330	-	57,714	1
Deferred tax assets (Notes 4 and 25)	383,416	4	269,127	2
Refundable deposits	4,852	-	10,213	-
Long-term notes and accounts receivable (Note 8)	4,097	-	500	-
Other financial assets - non-current (Notes 12 and 32)	53,156	1	79,068	1
Other non-current assets (Note 8)	17,374	-	28,344	-
Total non-current assets	<u>5,153,606</u>	<u>47</u>	<u>5,117,569</u>	<u>46</u>
<b>TOTAL</b>	<u>\$ 10,852,827</u>	<u>100</u>	<u>\$ 11,109,745</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
CURRENT LIABILITIES (Note 17)	\$ 1,306,240	12	\$ 1,506,796	14
Short-term bills payable (Note 17)	60,000	1	-	-
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	11,372	-	8,257	-
Contract liabilities - current (Notes 4, 23 and 31)	515,062	5	377,691	4
Notes payable (Note 18)	-	-	33,803	-
Notes payable - related parties (Notes 18 and 31)	-	-	38	-
Accounts payable (Note 18)	654,962	6	631,508	6
Accounts payable - related parties (Notes 18 and 31)	130,829	1	154,133	1
Other payables (Notes 19 and 31)	212,441	2	258,437	2
Current tax liabilities (Notes 4 and 25)	11,916	-	13,732	-
Provisions - current (Notes 4 and 20)	18,161	-	26,251	-
Lease liabilities - current (Notes 4 and 14)	14,012	-	14,717	-
Current portion of long-term bank borrowings (Notes 17 and 32)	1,548,500	14	489,500	5
Other current liabilities	4,429	-	26,089	-
Total current liabilities	<u>4,487,924</u>	<u>41</u>	<u>3,540,952</u>	<u>32</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term bank borrowings (Notes 17 and 32)	635,000	6	1,633,500	15
Deferred tax liabilities (Notes 4 and 25)	61,301	1	61,301	-
Lease liabilities - noncurrent (Notes 4 and 14)	479,567	4	473,330	4
Net defined benefit liabilities (Notes 4 and 21)	78,639	1	70,260	1
Credit balance for investments accounted for using the equity method (Notes 4 and 11)	227,479	2	45,838	-
Total non-current liabilities	<u>1,481,986</u>	<u>14</u>	<u>2,284,229</u>	<u>20</u>
Total liabilities	<u>5,969,910</u>	<u>55</u>	<u>5,825,181</u>	<u>52</u>
<b>EQUITY (Notes 22 and 27)</b>				
Ordinary shares	2,548,265	23	2,548,265	23
Capital surplus	1,194,096	11	1,190,258	11
Retained earnings				
Legal reserve	731,144	7	725,249	7
Special reserve	89,749	1	133,443	1
Unappropriated earnings	350,103	3	775,619	7
Total retained earnings	<u>1,170,996</u>	<u>11</u>	<u>1,634,311</u>	<u>15</u>
Other equity	(30,440)	-	(88,270)	(1)
Total equity	<u>4,882,917</u>	<u>45</u>	<u>5,284,564</u>	<u>48</u>
<b>TOTAL</b>	<u>\$ 10,852,827</u>	<u>100</u>	<u>\$ 11,109,745</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated March 18, 2021)

## TONGTAI MACHINE & TOOL CO., LTD.

### STANDALONE STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019

(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	For the Year Ended December 31			
	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4, 23 and 31)	\$ 3,470,253	100	\$ 5,422,528	100
OPERATING COSTS (Notes 9, 21, 24 and 31)	<u>3,200,266</u>	<u>92</u>	<u>4,407,996</u>	<u>82</u>
GROSS PROFIT	269,987	8	1,014,532	18
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES	( 6,240 )	-	( 3,300 )	-
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES	<u>2,399</u>	<u>-</u>	<u>2,617</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>266,146</u>	<u>8</u>	<u>1,013,849</u>	<u>18</u>
OPERATING EXPENSES (Notes 8, 21, 24 and 31)				
Selling and marketing expenses	317,049	9	535,381	10
General and administrative expenses	187,116	5	222,691	4
Research and development expenses	133,314	4	135,123	2
Expected credit loss	<u>18,012</u>	<u>1</u>	<u>39,339</u>	<u>1</u>
Total operating expenses	<u>655,491</u>	<u>19</u>	<u>932,534</u>	<u>17</u>
PROFIT (LOSS) FROM OPERATIONS	( <u>389,345</u> )	( <u>11</u> )	<u>81,315</u>	<u>1</u>
NON-OPERATING INCOME AND EXPENSES (Notes 11, 24 and 31)				
Interest income	19,054	1	20,060	-
Other income	159,174	5	82,305	2
Other gains and losses	( 8,114 )	-	( 101,791 )	( 2 )
Finance costs	( 55,720 )	( 2 )	( 66,649 )	( 1 )
Share of profit of subsidiaries and associates	( <u>190,292</u> )	( <u>6</u> )	<u>39,673</u>	<u>1</u>
Total non-operating income and expenses	( <u>75,898</u> )	( <u>2</u> )	( <u>26,402</u> )	<u>-</u>
PROFIT (LOSS) BEFORE INCOME TAX	( 465,243 )	( 13 )	54,913	1
INCOME TAX BENEFIT (Notes 4 and 25)	( <u>118,467</u> )	( <u>3</u> )	( <u>4,034</u> )	<u>-</u>
NET PROFIT (LOSS) FOR THE YEAR	( <u>346,776</u> )	( <u>10</u> )	<u>58,947</u>	<u>1</u>

(Continued)

## TONGTAI MACHINE & TOOL CO., LTD.

### STANDALONE STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019

(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	For the Year Ended December 31			
	2020		2019	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 21, 22 and 25)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plan	( 11,766 )	-	2,813	-
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	( 17,072 )	( 1 )	9,193	-
Share of the other comprehensive income (loss) of subsidiaries accounted for using the equity method	( 1,073 )	-	( 18,676 )	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	2,353	-	( 563 )	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	21,498	1	( 49,198 )	( 1 )
Share of the other comprehensive (loss) income of subsidiaries accounted for using the equity method	3,270	-	( 18,013 )	-
Income tax relating to items that may be reclassified subsequently to profit or loss	( 4,954 )	-	13,442	-
Other comprehensive loss for the year, net of income tax	( 7,744 )	-	( 61,002 )	( 1 )
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	( \$ 354,520 )	( 10 )	( \$ 2,055 )	-
EARNINGS (LOSS) PER SHARE (Note 26)				
Basic	( \$ 1.36 )		\$ 0.23	
Diluted	( 1.36 )		0.23	

(Concluded)

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

(With Deloitte & Touche auditors' report dated March 18, 2021)

**TONGTAI MACHINE & TOOL CO., LTD.**

**STANDALONE STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars)**

	Retained Earnings					Other Equity			Total Equity
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Valuation Gain/(Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total Other Equity	
BALANCE AT JANUARY 1, 2019	\$ 2,548,265	\$ 1,201,104	\$ 694,026	\$ 89,749	\$ 887,670	( \$ 84,143 )	\$ 40,449	( \$ 43,694 )	\$ 5,377,120
Appropriation of 2018 earnings (Note 22)									
Legal reserve	-	-	31,223	-	( 31,223 )	-	-	-	-
Special reserve	-	-	-	43,694	( 43,694 )	-	-	-	-
Cash dividends	-	-	-	-	( 76,448 )	-	-	-	( 76,448 )
	-	-	31,223	43,694	( 151,365 )	-	-	-	( 76,448 )
Net profit for the year ended December 31, 2019	-	-	-	-	58,947	-	-	-	58,947
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	( 16,426 )	( 53,769 )	9,193	( 44,576 )	( 61,002 )
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	42,521	( 53,769 )	9,193	( 44,576 )	( 2,055 )
The difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition (Note 27)	-	( 10,622 )	-	-	( 3,207 )	-	-	-	( 13,829 )
Changes in percentage of ownership interests in subsidiaries (Note 27)	-	( 224 )	-	-	-	-	-	-	( 224 )
BALANCE AT DECEMBER 31, 2019	2,548,265	1,190,258	725,249	133,443	775,619	( 137,912 )	49,642	( 88,270 )	5,284,564
Appropriation of 2019 earnings (Note 22)									
Legal reserve	-	-	5,895	-	( 5,895 )	-	-	-	-
Cash dividends	-	-	-	-	( 50,965 )	-	-	-	( 50,965 )
Reversal of special reserve	-	-	-	( 43,694 )	43,694	-	-	-	-
	-	-	5,895	( 43,694 )	( 13,166 )	-	-	-	( 50,965 )
Net loss for the year ended December 31, 2020	-	-	-	-	( 346,776 )	-	-	-	( 346,776 )
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	( 10,486 )	19,814	( 17,072 )	2,742	( 7,744 )
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	( 357,262 )	19,814	( 17,072 )	2,742	( 354,520 )
Changes in percentage of ownership interests in subsidiaries (Note 27)	-	3,838	-	-	-	-	-	-	3,838
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	( 55,088 )	-	55,088	55,088	-
BALANCE AT DECEMBER 31, 2020	\$ 2,548,265	\$ 1,194,096	\$ 731,144	\$ 89,749	\$ 350,103	( \$ 118,098 )	\$ 87,658	( \$ 30,440 )	\$ 4,882,917

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

(With Deloitte & Touche auditors' report dated March 18, 2021)

## TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES

### STANDALONE STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) before income tax	( \$ 465,243 )	\$ 54,913
Adjustments for:		
Depreciation expense	148,854	154,484
Amortization expense	32,737	36,641
Expected credit loss	18,012	39,339
Net loss on fair value change of financial assets at fair value through profit or loss	6,308	1,513
Finance costs	55,720	66,649
Interest income	( 19,054 )	( 20,060 )
Dividend income	( 9,432 )	( 8,068 )
Share of loss (gain) of associates	190,292	( 39,673 )
Gain (loss) on disposal of property, plant and equipment	( 34,763 )	( 270 )
Gain on investment properties	( 9,204 )	-
Impairment loss recognized on nonfinancial assets	251,930	131,441
Unrealized gain	3,841	683
Recognition of provisions	61,964	97,163
Others	( 3,784 )	63
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	( 13,875 )	13,416
Notes receivable and long-term notes receivable	25,251	99,329
Notes receivable - related parties	945	( 404 )
Accounts receivable	293,610	353,207
Accounts receivable - related parties	4,465	305,288
Other receivables	( 19,909 )	8,740
Other receivables - related parties	1,493	13,288
Inventories	215,298	775,938
Other current assets	12,676	( 12,174 )
Financial liabilities held for trading	( 9,333 )	-
Contract liabilities	137,371	( 317,505 )
Notes payable	( 33,803 )	( 33,610 )
Notes payable - related parties	( 38 )	( 5,962 )
Accounts payable - related parties	( 23,304 )	( 149,012 )
Other payables	( 45,259 )	( 24,748 )
Provisions	( 70,054 )	( 85,351 )
Other current liabilities	( 21,660 )	( 13,280 )

(Continued)

## TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES

### STANDALONE STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2020	2019
Net defined benefit liabilities	( 3,387 )	( 2,615 )
Cash generated from operations	702,119	782,075
Interest received	16,582	17,650
Dividend received	9,432	8,068
Interest paid	( 56,308 )	( 67,378 )
Income taxes paid	( 239 )	( 31,475 )
Net cash generated from operating activities	<u>671,586</u>	<u>708,940</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	( 215,344 )	( 24,721 )
Proceeds from disposal of property, plant and equipment	5,096	277,054
Decrease in refundable deposits	5,361	904
Increase in other receivables - related parties	( 221,347 )	( 254,675 )
Acquisition of computer software	( 5,964 )	( 546 )
Acquisition of investment properties	( 883 )	-
Decrease (increase) in other financial assets	156,796	( 32,946 )
Increase in other non-current assets	( 5,946 )	( 14,285 )
Dividends received from subsidiaries	<u>52,233</u>	<u>123,156</u>
Net cash generated from (used in) financing activities	( <u>229,998</u> )	<u>73,941</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	568,217	251,249
Repayments of short-term borrowings	( 768,773 )	( 411,140 )
Decrease (increase) in short-term bills payable	60,000	( 200,000 )
Proceeds from long-term bank borrowings	1,050,000	1,390,000
Repayments of long-term bank borrowings	( 989,500 )	( 1,468,389 )
Repayment of principle of lease liabilities	( 15,189 )	( 14,799 )
Dividends paid	( 50,965 )	( 76,448 )
Acquisition of percentage of ownership interests in subsidiaries	-	( <u>11,174</u> )
Net cash used in financing activities	( <u>146,210</u> )	( <u>540,701</u> )
NET INCREASE IN CASH AND CASH EQUIVALENTS	295,378	242,180
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>525,213</u>	<u>283,033</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>\$ 820,591</u>	<u>\$ 525,213</u>

The accompanying notes are an integral part of the standalone financial statements.  
(With Deloitte & Touche auditors' report dated March 18, 2021)

(Concluded)

**TONGTAI MACHINE & TOOL CO., LTD.**

**NOTES TO STANDALONE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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**1. GENERAL INFORMATION**

Tongtai Machine & Tool Co., Ltd. (the “Company”) was incorporated in January 1969. It is mainly engaged in the manufacturing and selling of machine tools, computer components, computer numerical control lathes and cutting centers.

The Company’s shares have been listed on the Taiwan Stock Exchange since September 15, 2003.

The standalone financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

**2. APPROVAL OF FINANCIAL STATEMENTS**

The standalone financial statements were approved by the Company’s board of directors and authorized for issue on March 18, 2021.

**3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS**

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, the initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Company’s accounting policies:

1) Amendment to IFRS 16 “Covid-19-Related Rent Concessions”

The Company elected to apply the practical expedient provided in the amendment to IFRS 16 with respect to rent concessions negotiated with the lessor as a direct consequence of the COVID-19. The related accounting policies are stated in Note 4. Prior to the application of the amendment, the Company shall determine whether or not the abovementioned rent concessions need to be accounted for as lease modifications.

The Company applied the amendment from January 1, 2020. Because the abovementioned rent concessions affect only in 2020, retrospective application of the amendment has no impact on the retained earnings as of January 1, 2020.

- b. The IFRSs endorsed by the FSC for application starting from 2021

<b>New IFRSs</b>	<b>Effective Date Announced by IASB</b>
Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase 2"	January 1, 2021

- c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
"Annual Improvements to IFRS Standards 2018-2020"	January 1, 2022 (Note 2)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 6)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 7)
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022 (Note 4)
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 5)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 "Agriculture" will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 "First-time Adoptions of IFRSs" will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.



Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

As of the date the standalone financial statements were approved by the Company's board of directors and authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

a. Statement of Compliance

The standalone financial statements has been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of Preparation

The standalone financial statements has been prepared on the historical cost basis except for the financial instruments which are measured at fair value and net defined benefit assets and liabilities which are measured at the present value of the defined benefit obligation less the fair value of the plan assets.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

When preparing its standalone financial statements, the Company used equity method to account for its investment in subsidiaries and associates. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the standalone financial statements to be the same with the amounts attributable to the owner of the Company in its standalone financial statements, adjustments arising from the differences in accounting treatment between standalone basis and consolidated basis were made to investments accounted for using equity method, share of profit or loss of subsidiaries and associates, share of other comprehensive income of subsidiaries and associates and related equity items, as appropriate, in the standalone financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;

- 2) Assets are realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being used for an exchange or used to settle a liability for more than 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities expected to be settled within twelve months after the reporting period; and
- 3) Liabilities without an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Foreign currencies

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the year in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are stated at the historical translated amount.

For the purpose of presenting standalone financial statements, the functional currencies of the entities associated with the Company (including subsidiaries in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: assets and liabilities are translated at the exchange rates prevailing at the end of the balance sheet date; income and expense items are translated at the average exchange rates for the year. The resulting currency translation differences are recognized in other comprehensive income attributed to the owners of the Company and non-controlling interests as appropriate.

Goodwill and fair value adjustments on identifiable assets and liabilities recognized on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of balance sheet date. Exchange differences arising are recognized in other comprehensive income.

e. Inventories

Inventories consisting of raw materials, supplies, work-in-progress and finished goods are stated

at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Raw materials and supplies are recorded at the moving-average cost, and the work-in-progress and finished goods are recorded at cost by the specific identification method.

f. Investments accounted for equity method

The Company uses the equity method to account for its investments in subsidiaries and associates.

1) Investments in subsidiaries

Subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment is initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the share of other equity of subsidiaries.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control over the subsidiary are accounted for as equity transaction. Any difference between the carrying amount of the investment and the fair value of consideration paid or received is directly recognized in equity.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The entire carrying amount of the investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from investment and the carrying amount is net of impairment loss. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

Unrealized profits or losses on downstream transactions with subsidiaries are eliminated in the standalone financial statements. Profits and losses on transactions with subsidiaries other than downstream are recognized in standalone financial statements only to the extent of interests in the subsidiary that are not related to the Company

2) Investments in associates

An associate is an entity over which the Company has significant influence and which is neither a subsidiary nor an interest in a joint venture.

The Company uses the equity method to account for its investments in associates. Under the equity method, investments in an associate is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the Company's share of the equity of associates.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included in the carrying amount of the investment and is not amortized.

When the Company subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the

investment will differ from the amount of the Company's proportionate interest in the associate. The Company should record such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted for using the equity method. If the Company's ownership interest is reduced due to non-subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be a deduction to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is deducted from retained earnings.

When the Company's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the associate), the Company will discontinue recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

Investment in associate is tested for impairment by treating the entire carrying amount of the investment (including goodwill) as a single asset and then compare that carrying amount with the estimated recoverable amount. Any impairment loss recognized is deducted from investment and the carrying amount of the investment is net of impairment loss. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment has subsequently increased.

Gains and losses resulting from upstream, downstream and sidestream transactions between and among the Company and its associates are recognized in the standalone financial statements only to the extent of interests in the associate of entities that are not related to the Company.

g. Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are carried at cost. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Except for the land is not depreciated, other depreciation of property, plant and equipment is recognized using the straight-line method.

Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation. Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

i. Computer Software

Computer software with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

j. Impairment of property, plant and equipment, right-of-use asset, investment properties, intangible assets

At the end of each reporting period, the Corporation reviews the carrying amounts of its property, plant and equipment, right - of use assets, investment properties and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to the individual cash-generating units; otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss subsequently is reversed, the carrying amount of the asset or cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined for the asset or cash-generating unit (net of amortization and depreciation) had no impairment loss been recognized in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

k. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Transaction costs that are directly attributable to an acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

## 1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

### a) Measurement category

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost, and investments in equity instruments at FVTOCI.

#### i Financial asset at FVTPL

Financial asset classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 30.

#### ii Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost, including cash and cash equivalents, notes and accounts receivable at amortized cost, other receivables, other financial assets, refundable deposits and long-term notes and accounts receivable, are measured at amortized cost, which equals to gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivables).

The Company always recognizes lifetime Expected Credit Losses (ECLs) for trade receivables. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECLs represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represents the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are

possible within 12 months after the reporting date.

For internal credit risk management purposes, the Company determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Company):

- i Internal or external information show that the debtor is unlikely to pay its creditors.
- ii When a financial asset is more than 90 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

The Company derecognize a financial asset only when the contractual rights to the cash flows from the asset expire or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

3) Financial liabilities

a) Subsequent measurement

Except the following situations, all financial liabilities are carried at amortized cost using the effective interest method:

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any interest or dividends paid on the financial liability.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4) Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage their exposure to interest rate and foreign exchange rate risks, including foreign exchange



forward contracts, cross-currency swap contracts and swap contracts.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each balance sheet date. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

#### I. Provisions

Provisions are measured at the best estimate of the cash flows required to settle the present obligation at the end of the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Provisions for the expected cost of warranty obligations are recognized at the date of sale of the relevant products at the Company's best estimate of the expenditure required to settle the obligations.

#### m. Revenue recognition

The Company identifies contracts with customers, allocate the transaction price to the performance obligations and recognize revenue when performance obligations are satisfied.

Revenue from the sale of goods comes from sales of machine. Revenue from domestic sales is recognized when the installation of machine or tool is completed. Revenue from export sales is recognized according to the trade conditions or the completion date of machine installation. The customer has full discretion over the manner of distribution and price to sell the goods and bears the risks of obsolescence. Transaction price received is recognized as a contract liability until performance obligations are satisfied.

Revenue from maintenance and rebuilding are recognized when services are provided.

#### n. Leases

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

For a contract that contains a lease component and non-lease components, the Company allocates the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately.

##### 1) The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying

assets and recognized as expenses on a straight-line basis over the lease terms.

2) The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the standalone balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease term.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, and variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the standalone balance sheets.

The Corporation negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by June 30, 2021, that results in the revised consideration for the lease less than the consideration for the lease immediately preceding the change. There is no substantive change to other terms and conditions. The Corporation elects to apply the practical expedient to rent concessions and, therefore, does not assess whether the rent concessions are lease modifications. Instead, the Corporation recognizes the reduction in lease payment in profit or loss as a deduction of expenses of variable lease payments, in the period in which the events or conditions that trigger the concession occur, and makes a corresponding adjustment to the lease liability.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

o. Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized as a reduction of the related costs on a systematic basis over the periods in which the Company recognizes as expenses the related costs that the grants intend to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they are received.

p. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the year in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the year in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities represent the actual deficit in the Company's defined benefit plans.

q. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law in the ROC, an additional tax of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences.

Deferred tax assets are generally recognized for all deductible temporary differences, loss carryforwards and research and development expenditure to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at each balance sheet date and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current tax and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimations and assumptions that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Company considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

### Key sources of estimation uncertainty

a. Estimated impairment of financial assets

The provision for impairment of trade receivables is based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, refer to Note 9. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Valuation of inventory

Inventories are stated at the lower of cost or net realizable value, and the Company uses judgment and estimate to determine the net realizable value of inventory at the end of the reporting period. Since the net realizable value of inventory is mainly determined on the basis of future selling price, it might be adjusted significantly.

**6. CASH AND CASH EQUIVALENTS**

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Cash on hand	\$ 663	\$ 601
Checking accounts and demand deposits	784,912	524,612
Cash equivalents		
Time deposits with original maturities of less than three months	<u>35,016</u>	<u>-</u>
	<u>\$ 820,591</u>	<u>\$ 525,213</u>

**7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets		
Swap contracts	\$ 3,332	\$ -
Non-derivative financial assets		
Mutual funds	<u>16,683</u>	<u>-</u>
	<u>\$ 20,015</u>	<u>\$ -</u>
<u>Financial liabilities at FVTPL - current</u>		
Financial liabilities held for trading		
Derivative financial liabilities		
Cross-currency swap contracts	\$ 11,280	\$ 6,357
Swap contracts	-	1,900
Foreign exchange forward contracts	<u>92</u>	<u>-</u>
	<u>\$ 11,372</u>	<u>\$ 8,257</u>

- a. At the balance sheet date, outstanding cross-currency swap contracts not accounted for by hedge accounting were as follows:

<b>Notional Amounts (In Thousands)</b>	<b>Maturity Date</b>	<b>Range of interest Rates Paid</b>	<b>Range of Interest Rates Received</b>
<u>December 31, 2020</u>			
USD2,000 / NTD60,140	2021.02	0.92	1M Libor+ 0.48
USD2,000 / NTD60,000	2021.05	0.8	1M Libor+1
USD2,000 / NTD59,600	2021.05	0.8	1M Libor+ 0.95
<u>December 31, 2019</u>			
USD6,000 / NTD185,200	2020.02 ~ 2020.05	0.8 ~ 0.9	3M Libor+ 0.5
USD2,000 / NTD61,680	2020.01	0.78	1M Libor+ 0.93

- b. At the balance sheet date, outstanding swap contracts and foreign exchange forward contracts not accounted for by hedge accounting were as follows:

	<b>Currency</b>	<b>Maturity Date</b>	<b>Contract Amount (In Thousands)</b>
<u>December 31, 2020</u>			
Swap contracts	NTD / CNY	2021.06	NTD80,119 / CNY19,500
Foreign exchange forward contracts	USD / NTD	2021.04	USD4,000 / NTD113,888
<u>December 31, 2019</u>			
Swap contracts	NTD / CNY	2020.02 ~ 2020.06	NTD168,123 / CNY39,000

The Company and its subsidiaries entered into cross-currency swap contracts, swap contracts and foreign exchange forward contracts to manage exposures to exchange rate and interest rate fluctuations of foreign currency denominated assets and liabilities. For the years ended December 31, 2020 and 2019, the Company recognized loss on cross-currency swap contracts, swap contracts and foreign exchange forward contracts not accounted for by hedge accounting in the amounts of NT\$8,345 thousand and NT\$1,513 thousand, respectively, included in gain (loss) on financial instruments at fair value through profit or loss. For the year ended December 31, 2020, the Company entered into mutual funds financial products and recognized gain in the amounts of NT\$2,037 thousand, included in gain (loss) on financial instruments at fair value through profit or loss.

**8. NOTES AND ACCOUNTS RECEIVABLE, LONG-TERM NOTES AND ACCOUNTS RECEIVABLE, AND OVERDUE RECEIVABLE, NET**

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Notes receivable (operating)		
Gross carrying amount at amortized cost	\$ 58,457	\$ 92,001
Less: Unrealized interest revenue	<u>4,835</u>	<u>9,851</u>
	<u>\$ 53,622</u>	<u>\$ 82,150</u>
Notes receivable- related parties (operating)		
Gross carrying amount at amortized cost	<u>\$ 510</u>	<u>\$ 1,455</u>
Accounts receivable		
Gross carrying amount at amortized cost	\$ 1,397,301	\$ 1,690,912
Less: Allowance for impairment loss	<u>148,885</u>	<u>130,554</u>
	<u>\$ 1,248,416</u>	<u>\$ 1,560,358</u>
Accounts receivable - related parties		
Gross carrying amount at amortized cost	<u>\$ 312,497</u>	<u>\$ 316,962</u>
Long-term notes and accounts receivable (operating)		
Gross carrying amount at amortized cost	<u>\$ 4,097</u>	<u>\$ 500</u>
Overdue receivable (included in other noncurrent assets)		
Gross carrying amount at amortized cost	\$ 73,088	\$ 81,442
Less : Allowance for impairment loss	<u>73,088</u>	<u>81,442</u>
	<u>\$ -</u>	<u>\$ -</u>

Accounts receivable

The credit period of the Company and its subsidiaries' receivables depends on customer classification and product category. The Company and its subsidiaries make prudent assessment of all their customers. The counterparties are creditworthy companies; as a result, the significant credit risk is unexpected. In order to minimize credit risk, the management of the Company and its subsidiaries have delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company and its subsidiaries review the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company and its subsidiaries' credit risk were significantly reduced.

The Company and its subsidiaries apply the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all notes and accounts receivables. The expected credit losses on notes and accounts receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast

direction of economic conditions at the reporting date. As the Company and its subsidiaries' historical credit loss experience do not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company and its subsidiaries' different customer base.

The Company and its subsidiaries write off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery after the recourse procedures. For accounts receivable that have been written off, the Company and its subsidiaries continue to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of notes and accounts receivables based on the Company and its subsidiaries' provision matrix:

#### December 31, 2020

	<u>Not Past Due</u>	<u>1 to 90 Days</u>	<u>91 to 180 Days</u>	<u>181 to 270 Days</u>	<u>271 to 365 Days</u>	<u>366 to 545 Days</u>	<u>546 to 720 Days</u>	<u>Over 721 Days</u>	<u>Over 721 Days</u>	<u>Total</u>
Gross carrying amount	\$ 1,386,053	\$ 119,435	\$ 51,020	\$ 36,343	\$ 28,280	\$ 31,938	\$ 45,632	\$ 69,326	\$ 73,088	\$ 1,841,115
Loss allowance (Lifetime ECL)	( 10,304)	( 17,915)	( 7,653)	( 5,451)	( 4,242)	( 11,178)	( 22,816)	( 69,326)	( 73,088)	( 221,973)
Amortized cost	<u>\$ 1,375,749</u>	<u>\$ 101,520</u>	<u>\$ 43,367</u>	<u>\$ 30,892</u>	<u>\$ 24,038</u>	<u>\$ 20,760</u>	<u>\$ 22,816</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,619,142</u>

#### December 31, 2019

	<u>Not Past Due</u>	<u>1 to 90 Days</u>	<u>91 to 180 Days</u>	<u>181 to 270 Days</u>	<u>271 to 365 Days</u>	<u>366 to 545 Days</u>	<u>546 to 720 Days</u>	<u>Over 721 Days</u>	<u>Over 721 Days</u>	<u>Total</u>
Gross carrying amount	\$ 1,490,747	\$ 187,859	\$ 64,438	\$ 41,351	\$ 43,568	\$ 89,286	\$ 21,311	\$ 26,465	\$ 208,396	\$ 2,173,421
Loss allowance (Lifetime ECL)	( 11,601)	( 28,179)	( 9,666)	( 6,203)	( 6,535)	( 31,250)	( 10,655)	( 26,465)	( 81,442)	( 211,996)
Amortized cost	<u>\$ 1,479,146</u>	<u>\$ 159,680</u>	<u>\$ 54,772</u>	<u>\$ 35,148</u>	<u>\$ 37,033</u>	<u>\$ 58,036</u>	<u>\$ 10,656</u>	<u>\$ —</u>	<u>\$ 126,954</u>	<u>\$ 1,961,425</u>

The movements of the loss allowance of notes and accounts receivable were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Balance at January 1	\$ 211,996	\$ 173,128
Recognition	18,012	39,339
Written off	( 8,035 )	( 471 )
Balance at December 31	<u>\$ 221,973</u>	<u>\$ 211,996</u>

## 9. INVENTORIES

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Raw materials	\$ 879,982	\$ 940,413
Supplies	144,422	156,758
Work-in-progress	686,550	1,148,420
Finished goods	<u>751,753</u>	<u>661,392</u>
	<u>\$ 2,462,707</u>	<u>\$ 2,906,983</u>

The cost of inventories recognized as operating costs for the years ended December 31, 2020 and 2019 was NT\$3,200,266 thousand and NT\$4,407,996 thousand, respectively, which included write-downs of inventory at NT\$232,100 thousand and NT\$131,441 thousand, respectively.



## 10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT

	December 31	
	2020	2019
<u>Investment in equity instruments</u>		
Domestic investments		
Listed shares	\$ 113,838	\$ 121,572
Unlisted shares	<u>32,365</u>	<u>58,692</u>
	<u>\$ 146,203</u>	<u>\$ 180,264</u>

## 11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2020	2019
Investments in subsidiaries	\$ 2,052,376	\$ 2,275,964
Investments in associates	<u>7,771</u>	<u>18,497</u>
	2,060,147	2,294,461
Add: Credit balance for investments accounted for using the equity method	<u>227,479</u>	<u>45,838</u>
	<u>\$ 2,287,626</u>	<u>\$ 2,340,299</u>

### a. Investments in subsidiaries - unlisted companies

	December 31			
	2020		2019	
	Amount	% of Owner - ship	Amount	% of Owner - ship
Union Top Industrial (Samoa) Limited (Union Top)	\$ 989,528	100	\$ 959,441	100
Honor Seiki Co., Ltd. (Honor Seiki)	530,328	54	519,868	51
Process Conception Ingenierie-Societe de Construction D'equipments, De Mecanisations Et De Machines (PCI-SCEMM)	414,776	100	384,694	100
Quick-Tech Machinery Co., Ltd. (Quick-Tech)	( 3,203 )	52	85,469	52
Chin-Jig Technology Co., Ltd. (Chin-Jig)	52,034	70	59,355	70
Asia Pacific Elite Corp. (APEC)	94,715	99	79,313	99
Tongfong Auto Tech Co., Ltd. (Tongfong)	46,336	99	58,376	99
Tongan GmbH (Tongan)	( 196,835 )	100	( 36,873 )	100
Tongtai Machine Tool (MFG) Sdn. Bhd. (TMM)	38,216	100	40,603	100
Tong-Yeh Precision Co., Ltd. (Tong-Yeh)	29,851	60	27,525	60
Tong Tai Machinery Co., Ltd. (TTM)	26,378	100	32,423	100
Tongtai Machine & Tool Japan Co., Ltd. (TTJP)	22,901	100	25,107	100
Tongtai Seiki Vietnam Co., Ltd. (TTVN)	16,509	100	19,293	100
Tong-Tai Seiki USA, Inc.	5,099	100	13,709	100
Tongtai Machine Tool (SEA) Sdn. Bhd. (TTS)	9,261	52	8,113	52
Tongtai Europe B.V. (TTE)	( 30,644 )	100	( 8,965 )	100
Tongtai Mexico, S.A.DE C.V. (TTGMx)	7,126	100	8,513	100
	<u>\$ 2,052,376</u>		<u>\$ 2,275,964</u>	

The Company recognized impairment loss amounted of NT\$11,989 thousand of the subsidiary, Quick-Tech, due to the recoverable amount was lower than the carrying amount.

In March 2020, Honor Seiki purchased treasury shares which resulted in the changes in the Company's percentage of ownership interests in Honor Seiki. (Refer to Note 27)

In September 2019, the Company subscribed for additional new shares at a percentage different from its existing ownership percentage of Tong-Yeh, please refer to Note 27 for further information.

The investments accounted for using the equity method and the share of loss and other comprehensive income of those investments for the years ended December 31, 2020 and 2019 were based on the subsidiaries' financial statements which have been audited for the same years.

b. Investments in associates

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Associates that are not individually material		
Cyber Laser Taiwan Co., Ltd.	\$ -	\$ 9,397
Printin3d DigiTech Co., Ltd.	<u>7,771</u>	<u>9,100</u>
	<u>\$ 7,771</u>	<u>\$ 18,497</u>
	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
The Company's share of		
Net loss for the year	( \$2,885 )	( \$1,907 )
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income	( <u>\$2,885</u> )	( <u>\$1,907</u> )

Related information of investees abovementioned please see Table 6 attached.

The Company recognized impairment loss amounted of NT\$7,841 thousand of the associate, Cyber, due to the recoverable amount was lower than the carrying amount.

The investments accounted for using the equity method and the share of loss and other comprehensive income of those investments for the years ended December 31, 2020 and 2019 were based on the associates' financial statements which have been audited for the same years.

## 12. OTHER FINANCIAL ASSETS

	December 31	
	2020	2019
<u>Current</u>		
Pledged time deposits	\$ -	\$ 130,000
Restricted deposits	<u>-</u>	<u>884</u>
	<u>\$ -</u>	<u>\$ 130,884</u>
<u>Non-current</u>		
Pledged deposits and time deposits	<u>\$ 53,156</u>	<u>\$ 79,068</u>

Refer to Note 32 for information relating to other financial assets pledged as collateral.

## 13. PROPERTY, PLANT AND EQUIPMENT

### For the Year Ended December 31, 2020

	Land	Buildings	Machinery and Equipment	Transportatio n Equipment	Office Equipment	Other Equipment	Construction in Progress and Equipment to be Inspected	Total
<u>Cost</u>								
Balance at January 1, 2020	\$ 210,229	\$ 1,725,315	\$ 368,689	\$ 110,221	\$ 32,602	\$ 147,204	\$ 1,734	\$ 2,595,994
Additions	175,000	25,896	11,547	671	-	3,342	( 1,734)	214,722
Disposals	( 23,211)	( 2,695)	( 261)	-	-	-	-	( 26,167)
Reclassifications	( 175,000)	( 62,740)	( 3,535)	-	-	( 981)	-	( 242,256)
Balance at December 31, 2020	<u>187,018</u>	<u>1,685,776</u>	<u>376,440</u>	<u>110,892</u>	<u>32,602</u>	<u>149,565</u>	<u>-</u>	<u>2,542,293</u>
<u>Accumulated depreciation</u>								
Balance at January 1, 2019	-	719,425	184,920	81,007	21,958	92,345	-	1,099,655
Depreciation	-	67,216	29,078	4,847	4,014	14,006	-	119,161
Disposals	-	( 2,358)	( 261)	-	-	-	-	( 2,619)
Reclassifications	-	( 23,433)	( 413)	-	-	-	-	( 23,846)
Balance at December 31, 2020	<u>-</u>	<u>760,850</u>	<u>213,324</u>	<u>85,854</u>	<u>25,972</u>	<u>106,351</u>	<u>-</u>	<u>1,192,351</u>
Carrying amount at December 31, 2020	<u>\$ 187,018</u>	<u>\$ 924,926</u>	<u>\$ 163,116</u>	<u>\$ 25,038</u>	<u>\$ 6,630</u>	<u>\$ 43,214</u>	<u>\$ -</u>	<u>\$ 1,349,942</u>

### For the Year Ended December 31, 2019

	Land	Buildings	Machinery and Equipment	Transportatio n Equipment	Office Equipment	Other Equipment	Construction in Progress and Equipment to be Inspected	Total
<u>Cost</u>								
Balance at January 1, 2019	\$ 306,930	\$ 1,744,979	\$ 373,959	\$ 109,627	\$ 32,177	\$ 146,962	\$ 3,876	\$ 2,718,510
Additions	-	5,922	1,552	594	425	7,092	( 236)	15,349
Disposals	( 139,239)	( 47,251)	( 308)	-	-	( 6,850)	-	( 193,648)
Reclassifications	<u>42,538</u>	<u>21,665</u>	<u>( 6,514)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 1,906)</u>	<u>55,783</u>
Balance at December 31, 2019	<u>210,229</u>	<u>1,725,315</u>	<u>368,689</u>	<u>110,221</u>	<u>32,602</u>	<u>147,204</u>	<u>1,734</u>	<u>2,595,994</u>
<u>Accumulated depreciation</u>								
Balance at January 1, 2019	-	660,518	156,870	74,781	17,737	82,999	-	992,905
Depreciation	-	72,291	28,575	6,226	4,221	15,500	-	126,813
Disposals	-	( 24,513)	( 308)	-	-	( 6,154)	-	( 30,975)
Reclassifications	<u>-</u>	<u>11,129</u>	<u>( 217)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,912</u>
Balance at December 31, 2019	<u>-</u>	<u>719,425</u>	<u>184,920</u>	<u>81,007</u>	<u>21,958</u>	<u>92,345</u>	<u>-</u>	<u>1,099,655</u>
Carrying amount at December 31, 2019	<u>\$ 210,229</u>	<u>\$ 1,005,890</u>	<u>\$ 183,769</u>	<u>\$ 29,214</u>	<u>\$ 10,644</u>	<u>\$ 54,859</u>	<u>\$ 1,734</u>	<u>\$ 1,496,339</u>

The following items of property, plant and equipment are depreciated on a straight-line basis over the following useful lives:

Buildings	
Main structure	35-60 years
Mechanical and electrical facilities	5-35 years
Engineering system	2-10 years
Air conditioning system	2-35 years
Decoration	2-35 years
Machinery and equipment	2-10 years
Transportation equipment	2-15 years
Office equipment	3-10 years
Other equipment	2-10 years

Property, plant and equipment pledged by the Company as collateral for bank borrowings are described in Note 32.

#### 14. LEASE ARRANGEMENTS

##### a. Right-of-use assets

###### For the Year Ended December 31, 2020

	Land	Buildings	Transportation Equipment	Total
<u>Cost</u>				
Balance at January 1, 2020	\$ 491,941	\$ 1,063	\$ 8,900	\$ 501,904
Additions	<u>20,721</u>	<u>-</u>	<u>-</u>	<u>20,721</u>
Balance at December 31, 2020	<u>512,662</u>	<u>1,063</u>	<u>8,900</u>	<u>522,625</u>
<u>Accumulated depreciation</u>				
Balance at January 1, 2020	15,139	512	2,816	18,467
Additions	<u>16,158</u>	<u>425</u>	<u>3,305</u>	<u>19,888</u>
Balance at December 31, 2020	<u>31,297</u>	<u>937</u>	<u>6,121</u>	<u>38,355</u>
Carrying amount at December 31, 2020	<u>\$ 481,365</u>	<u>\$ 126</u>	<u>\$ 2,779</u>	<u>\$ 484,270</u>

###### For the Year Ended December 31, 2019

	Land	Buildings	Transportation Equipment	Total
<u>Cost</u>				
Balance at January 1, 2019	\$ 704,699	\$ 1,053	\$ 4,281	\$ 710,033
Additions	-	10	4,619	4,629
Disposals	<u>( 212,758 )</u>	<u>-</u>	<u>-</u>	<u>( 212,758 )</u>
Balance at December 31, 2019	<u>491,941</u>	<u>1,063</u>	<u>8,900</u>	<u>501,904</u>
<u>Accumulated depreciation</u>				
Balance at January 1, 2019	-	-	-	-
Additions	16,957	512	2,816	20,285
Disposals	<u>( 1,818 )</u>	<u>-</u>	<u>-</u>	<u>( 1,818 )</u>
Balance at December 31, 2019	<u>15,139</u>	<u>512</u>	<u>2,816</u>	<u>18,467</u>
Carrying amount at December 31, 2019	<u>\$ 476,802</u>	<u>\$ 551</u>	<u>\$ 6,084</u>	<u>\$ 483,437</u>

b. Lease liabilities

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Carrying amounts		
Current	<u>\$ 14,012</u>	<u>\$ 14,717</u>
Non-current	<u>\$ 479,567</u>	<u>\$ 473,330</u>

Range of discount rate for lease liabilities (%) was as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Land	2.16~2.48	2.16~2.48
Buildings	1.42	1.42
Transportation equipment	1.05~1.42	1.05~1.42

c. Material lease activities and terms

The Company is leasing the land of Kaohsiung Luke plant from the management of Southern Taiwan Science Park. The lease period will expire in June 2039. The Company does not have a bargain purchase option to acquire the leased land at the expiration of the lease period

The Company and its subsidiaries did not enter into significant lease contracts for the years ended December 31, 2020 and 2019. Because of the market conditions severely affected by COVID-19 in 2020, the Company negotiated with the lessor, the management of Southern Taiwan Science Park, for rent concessions for land lease. The lessor agreed to provide unconditional 20% rent reduction from January 1, 2020 to December 31, 2020. The Company recognized in profit or loss the impact of rent concessions of NT\$1,535 thousand (presented in other income for the years ended December 31, 2020).

d. Other lease information

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Expenses relating to short-term leases and low-value asset leases	<u>\$ 4,347</u>	<u>\$ 8,402</u>
Total cash outflow for leases	<u>\$ (31,017)</u>	<u>\$ (36,224)</u>

The Company leases certain buildings, transportation equipment and office equipment which qualify as short-term leases and low-value asset leases. The Company have elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

## 15. INVESTMENT PROPERTIES

### For the Year Ended December 31, 2020

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>Cost</u>			
Balance at January 1, 2020	\$ 98,755	\$ 127,780	\$ 226,535
Additions	-	883	883
Reclassifications	175,000	63,721	238,721
Disposals	( 4,290 )	-	( 4,290 )
Balance at December 31, 2020	<u>269,465</u>	<u>192,384</u>	<u>461,849</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2020	-	54,271	54,271
Depreciation	-	9,805	9,805
Reclassifications	-	<u>23,433</u>	<u>23,433</u>
Balance at December 31, 2020	<u>-</u>	<u>87,509</u>	<u>87,509</u>
Carrying amount at December 31, 2020	<u>\$ 269,465</u>	<u>\$ 104,875</u>	<u>\$ 374,340</u>

### For the Year Ended December 31, 2019

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>Cost</u>			
Balance at January 1, 2019	\$ 141,293	\$ 149,445	\$ 290,738
Reclassifications	( 42,538 )	( 21,665 )	( 64,203 )
Balance at December 31, 2019	<u>98,755</u>	<u>127,780</u>	<u>226,535</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2019	-	58,014	58,014
Depreciation	-	7,386	7,386
Reclassifications	-	( 11,129 )	( 11,129 )
Balance at December 31, 2019	<u>-</u>	<u>54,271</u>	<u>54,271</u>
Carrying amount at December 31, 2019	<u>\$ 98,755</u>	<u>\$ 73,509</u>	<u>\$ 172,264</u>

The abovementioned investment properties were leased out for 2 to 15 years. The leases do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating leases of investment properties at December 31, 2020 was as follows:

	<u>December 31, 2020</u>
Year 1	\$ 5,956
Year 2	5,811
Year 3	5,400
Year 4	5,520
Year 5	5,640
Year 6 onwards	<u>49,440</u>
	<u>\$ 77,767</u>

The above items of investment properties are depreciated on a straight-line basis over the following estimated useful lives:

Buildings	
Main structure	10-60 years
Engineering system	10 years

The investment properties of the Company are located at Hunei District in Kaohsiung City. The fair value of the investment properties was assessed by the management of the Company based on the actual price registration information of nearby area or market evidence of transaction prices categorized as Level 3 input. Professional independent valuers were not involved in the fair value assessment. The fair value for the years ended December 31, 2020 and 2019 are NT\$824,805 thousand and NT\$292,143 thousand, respectively.

All of the Company's investment properties are held under freehold interests. Investment properties pledged by the Company as collateral for bank borrowings are described in Note 32.

## 16. INTANGIBLE ASSETS

The computer software is amortized on a straight-line basis over 3 to 10 years, the movements were as follows,

	Cost	Accumulated amortization	Carrying amount
Balance at January 1, 2019	\$ 138,719	(\$ 63,763)	\$ 74,956
Additions	546	-	546
Amortization expenses	-	( 17,788)	( 17,788)
Balance at December 31, 2019	139,265	( 81,551)	57,714
Additions	5,964	-	5,964
Amortization expenses	-	( 15,348)	( 15,348)
Balance at December 31, 2020	<u>\$ 145,229</u>	<u>( \$ 96,899)</u>	<u>\$ 48,330</u>

## 17. BORROWINGS

### a. Short-term borrowings

	December 31	
	2020	2019
Bank loans	\$ 1,306,240	\$ 1,499,840
Letters of credit	-	6,956
	<u>\$ 1,306,240</u>	<u>\$ 1,506,796</u>
Annual interest rate (%)	0.63~1.15	0.95~2.67

### b. Short-term bills payable-December 31, 2020

Secured Institute	Par Value	Discount Amount	Carrying Amount	Annual interest rate (%)
International Bills Finance Corporation	\$ 60,000	\$ -	\$ 60,000	0.93

c. Long-term borrowings

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Bank loans		
Due on various dates through September 2024, interest at 0.52%-1.02% p.a. and 1%-1.39% p.a. for 2020 and 2019, respectively	\$ 935,000	\$1,025,000
Mortgage loans		
Due on various dates through July 2025, interest at 1.05%-1.38% p.a. and 1.37%-1.45% p.a. for 2020 and 2019, respectively	<u>1,248,500</u> 2,183,500	<u>1,098,000</u> 2,123,000
Less: Current portion	<u>1,548,500</u> <u>\$ 635,000</u>	<u>489,500</u> <u>\$1,633,500</u>

The Company entered into a facility agreement of NT\$1 billion with O-Bank for medium and long-term loans and guarantee the issuance of commercial paper until October 2023. The Company might not change the chairman during the contract period and the facility agreement stipulated that specified financial ratios and amounts should be met based on the Company and its subsidiaries' reviewed consolidated financial statements for six months ended June 30 and audited annual consolidated financial statements.

The consolidated financial statements for the year ended December 31, 2020 breached the contract; therefore, the long-term borrowings were all classified as current portion of long-term bank borrowings while the consolidated financial statements for the year ended December 31, 2019 didn't breach the contract.

## 18. NOTES PAYABLE AND ACCOUNTS PAYABLE

All of the Company's notes payable and accounts payable (included related parties) are generated from operating and unsecured to the creditors.

The Company has financial risk management policies to ensure that all payables are paid within the agreed credit terms.

## 19. OTHER PAYABLES

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Commission and service fee	\$ 99,077	\$ 107,093
Salaries and incentive bonus	74,744	103,636
Employee compensation and remuneration of directors	3,894	4,838
Purchases of equipment	774	923
Others	<u>33,952</u>	<u>41,947</u>
	<u>\$ 212,441</u>	<u>\$ 258,437</u>



## 20. PROVISIONS

	<u>December 31</u>	
	<b>2020</b>	<b>2019</b>
Warranties	<u>\$ 18,161</u>	<u>\$ 26,251</u>

Movements of the warranties were as follows,

	<u>For the Year Ended December 31</u>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 26,251	\$ 14,439
Recognition	61,964	97,163
Written off	( 70,054 )	( 85,351 )
Balance at December 31	<u>\$ 18,161</u>	<u>\$ 26,251</u>

The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Company's obligations for warranties under local sale of goods legislation. The estimate was made on the basis of historical warranty trends and may vary with actual as a result of new materials, altered manufacturing processes or other events affecting product quality.

## 21. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan in the Republic of China. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

### b. Defined benefit plans

The Company adopted the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company makes contributions, equal to a certain percentage of total monthly salaries, to a pension fund, which is deposited in the Bank of Taiwan in the name of and administered by the pension fund monitoring committee. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the standalone balance sheets in respect of the Company's defined benefit plans were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Present value of defined benefit obligation	\$ 264,155	\$ 264,055
Fair value of plan assets	<u>(185,516)</u>	<u>(193,795)</u>
Net defined benefit liabilities	<u>\$ 78,639</u>	<u>\$ 70,260</u>

Movements of net defined benefit liabilities (assets) were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2019	<u>\$ 285,706</u>	<u>( \$ 210,018 )</u>	<u>\$ 75,688</u>
Service cost			
Current service cost	2,455	-	2,455
Interest expense (income)	<u>3,214</u>	<u>( 2,397 )</u>	<u>817</u>
Recognized in profit or loss	<u>5,669</u>	<u>( 2,397 )</u>	<u>3,272</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	<u>( 7,287 )</u>	<u>( 7,287 )</u>
Actuarial loss - changes in demographic assumptions	1,724	-	1,724
Actuarial loss - changes in financial assumptions	8,619	-	8,619
Actuarial loss - experience adjustments	<u>( 5,869 )</u>	<u>-</u>	<u>( 5,869 )</u>
Recognized in other comprehensive income	<u>4,474</u>	<u>( 7,287 )</u>	<u>( 2,813 )</u>
Contributions from the employer	-	<u>( 5,887 )</u>	<u>( 5,887 )</u>
Benefits paid	<u>( 31,794 )</u>	<u>31,794</u>	<u>-</u>
	<u>( 31,794 )</u>	<u>25,907</u>	<u>( 5,887 )</u>
Balance at December 31, 2019	<u>264,055</u>	<u>( 193,795 )</u>	<u>70,260</u>
Service cost			
Current service cost	1,673	-	1,673
Interest expense (income)	<u>2,112</u>	<u>( 1,575 )</u>	<u>537</u>
Recognized in profit or loss	<u>3,785</u>	<u>( 1,575 )</u>	<u>2,210</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	<u>( 6,478 )</u>	<u>( 6,478 )</u>
Actuarial loss - changes in demographic assumptions	1,927	-	1,927
Actuarial loss - changes in financial assumptions	9,633	-	9,633
Actuarial loss - experience adjustments	<u>6,684</u>	<u>-</u>	<u>6,684</u>
Recognized in other comprehensive income	<u>18,244</u>	<u>( 6,478 )</u>	<u>11,766</u>
Contributions from the employer	-	<u>( 5,597 )</u>	<u>( 5,597 )</u>
Benefits paid	<u>( 21,929 )</u>	<u>21,929</u>	<u>-</u>
	<u>( 21,929 )</u>	<u>16,332</u>	<u>( 5,597 )</u>
Balance at December 31, 2020	<u>\$ 264,155</u>	<u>( \$ 185,516 )</u>	<u>\$ 78,639</u>

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2019</b>
Operating costs	\$ 1,685	\$ 2,499
Selling expenses	362	559
General and administrative expenses	<u>163</u>	<u>214</u>
	<u>\$ 2,210</u>	<u>\$ 3,272</u>

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

1) Investment risk

The plan assets are invested in domestic and foreign equity securities, debt securities, and bank deposits, etc. The investment is conducted at the discretion of the Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk

A decrease in the government and corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk

The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The principal assumptions used for the purposes of the actuarial valuations were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Discount rate (%)	0.35	0.8
Expected rate of salary increase (%)	2.25	2.25
Turnover rate (%)	1-30	1-30
Voluntary retirement rate (%)	5-100	5-100

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Discount rate		
0.25% increase	<u>\$ (5,444)</u>	<u>\$ (5,600)</u>
0.25% decrease	<u>\$ 5,633</u>	<u>\$ 6,979</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 5,361</u>	<u>\$ 5,537</u>
0.25% decrease	<u>\$ (5,209)</u>	<u>\$ (5,379)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
The expected contributions to the plan for the next year	<u>\$ 5,597</u>	<u>\$ 6,150</u>
The average duration of the defined benefit obligation	11 years	11 years

## 22. EQUITY

### a. Ordinary Shares

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Numbers of shares authorized (in thousands)	<u>400,000</u>	<u>400,000</u>
Amount of shares authorized	<u>\$ 4,000,000</u>	<u>\$ 4,000,000</u>
Numbers of shares issued and fully paid (in thousands)	<u>254,827</u>	<u>254,827</u>
Amount of shares issued	<u>\$ 2,548,265</u>	<u>\$ 2,548,265</u>

Fully paid ordinary shares, which have a par value of NT\$10, carry one vote per share and the right to dividends.

### b. Capital surplus

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)		
Additional paid-in capital	\$ 960,854	\$ 960,854
Conversion of bonds	222,593	222,593
Interest compensation	5,577	5,577
	<u>1,189,024</u>	<u>1,189,024</u>
May be used to offset a deficit only		
Expired employee stock warrants	1,234	1,234
Changes in percentage of ownership interests in subsidiaries	<u>3,838</u>	<u>-</u>
	<u>5,072</u>	<u>1,234</u>
	<u>\$ 1,194,096</u>	<u>\$ 1,190,258</u>

Note: The capital surplus could be used to offset a deficit and distributed as cash dividends or transferred to capital when the Company has no deficit (limited to a certain percentage of the Company's paid-in capital and once a year).

c. Retained earnings and dividend policy

Under the Company's Articles of Incorporation, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders.

The Company's dividend policy takes into consideration the entire corporate environment, the growth of industry, long-term financial planning for sustainable development, and stable business development. In the planning of dividend distribution, the Company performs the following steps:

- 1) Determine the best capital budget.
- 2) Determine the need for capital loan to satisfy the best capital budget.
- 3) Determine how much capital could be raised from retained earnings.
- 4) Determine the funds needed to maintain the profitable operations of the Company. After the operations are funded, dividends could be distributed to shareholders. In principle, cash dividends should not be less than 50% of the total dividends distributed.

Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Under Rule No. 1010012865 and Rule No.1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reverse special reserve.

The appropriations of earnings for 2019 and 2018 were approved in the shareholders' meetings in June 2020 and 2019. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividend Per Share (NT\$)</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Legal reserve	\$ 5,895	\$ 31,223		
Recognized (reversed) of special reserve	(43,694)	43,694		
Cash dividends	<u>50,965</u>	<u>76,448</u>	\$ <u>0.2</u>	\$ <u>0.3</u>
	<u>\$ 13,166</u>	<u>\$151,365</u>		

In March 2021, the board of directors of the Company proposed to recover the net loss in 2020 from the undistributed earnings in the previous year, and will not distribute earnings. The proposal is subject to the resolution in the shareholders' meeting to be held in June 2021. The proposal is subject to the resolution in the shareholders' meeting to be held in June 2021.

d. Special reserve

On the first-time adoption of IFRSs, the Company transferred retained earnings to special reserve due to IFRSs adjustments. The Company reversed special reserve to retained earnings of NT\$89,749 thousand.

e. Other equity

1) Exchange differences on translating the financial statements of foreign operations

	<u>For the Year Ended December 31</u>	
	2020	2019
Balance at January 1	\$ (137,912)	\$ (84,143)
Recognized for the year		
Exchange differences on translating foreign operations	21,498	(49,198)
Share of exchange difference of subsidiaries accounted for using the equity method	3,270	(18,013)
Income tax	<u>(4,954)</u>	<u>13,442</u>
Balance at December 31	<u>\$ (118,098)</u>	<u>\$ (137,912)</u>

2) Unrealized gain and loss on financial assets at FVTOCI:

	<u>For the Year Ended December 31</u>	
	2020	2019
Balance at January 1	\$ 49,642	\$ 40,449
Recognized for the year		
Unrealized gain and loss - equity instruments	(17,072)	9,193
Disposal of investments in equity instruments	<u>55,088</u>	<u>-</u>
Balance at December 31	<u>\$ 87,658</u>	<u>\$ 49,642</u>

## 23. OPERATING REVENUE

a. Contract balances

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>January 1, 2019</u>
Notes and accounts receivable, long-term notes receivables	<u>\$ 1,619,142</u>	<u>\$ 1,961,425</u>	<u>\$ 2,758,184</u>
Contract liabilities			
Sales of goods	<u>\$ 515,062</u>	<u>\$ 377,691</u>	<u>\$ 695,196</u>

b. Disaggregation of revenue

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Revenue from sale of goods	\$ 3,026,870	\$ 4,919,646
Revenue from maintenance and rebuilding services	<u>443,383</u>	<u>502,882</u>
	<u>\$ 3,470,253</u>	<u>\$ 5,422,528</u>

**24. PROFIT (LOSS) BEFORE INCOME TAX**

The following items were included in profit (loss) before income tax:

a. Other income

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Subsidy income	\$ 111,830	\$ 39,254
Rental income	23,905	18,531
Dividend income	9,432	8,068
Others	<u>14,007</u>	<u>16,452</u>
	<u>\$ 159,174</u>	<u>\$ 82,305</u>

Government subsidy income was mainly from the subsidy due to the COVID-19.

b. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Net foreign exchange gain (loss)	\$ 15,068	( \$ 82,917 )
Compensation expense	( 29,498 )	( 9,005 )
Impairment loss (Note 11)	( 19,830 )	-
Depreciation expense	( 11,044 )	( 8,263 )
Loss on financial instruments at fair value through profit or loss	( 6,308 )	( 1,513 )
Gain on disposal of property, plant and equipment	43,967	270
Others	<u>( 469 )</u>	<u>( 363 )</u>
	<u>( \$ 8,114 )</u>	<u>( \$ 101,791 )</u>

The components of net foreign exchange loss were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Foreign exchange gain	\$ 76,522	\$ 40,625
Foreign exchange loss	<u>( 61,454 )</u>	<u>( 123,542 )</u>
	<u>\$ 15,068</u>	<u>( \$ 82,917 )</u>

c. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
(		
Interest on bank loans	\$ 43,642	\$ 52,872
Interest on lease liabilities	11,481	13,023
Interest on short-term bills	<u>597</u>	<u>754</u>
	<u>\$ 55,720</u>	<u>\$ 66,649</u>

d. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Depreciation expenses		
Property, plant and equipment	\$ 119,161	\$ 126,813
Right-of-use assets	19,888	20,285
Investment properties	<u>9,805</u>	<u>7,386</u>
	<u>\$ 148,854</u>	<u>\$ 154,484</u>
An analysis of depreciation by function		
Operating costs	\$ 75,761	\$ 81,617
Operating expenses	62,049	64,604
Non-operating expenses	<u>11,044</u>	<u>8,263</u>
	<u>\$ 148,854</u>	<u>\$ 154,484</u>
Amortization expenses		
Operating costs	\$ 15,348	\$ 17,788
Operating expenses	<u>17,389</u>	<u>18,853</u>
	<u>\$ 32,737</u>	<u>\$ 36,641</u>
An analysis of amortization by function		
Operating costs	\$ 23,311	\$ 26,101
Operating expenses	<u>9,426</u>	<u>10,540</u>
	<u>\$ 32,737</u>	<u>\$ 36,641</u>

e. Operating expenses directly related to investment properties

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Direct operating expenses of investment properties that generated rental income	<u>\$ 10,642</u>	<u>\$ 8,133</u>



f. Employee benefits

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Short-term employee benefits		
Salaries	\$ 420,016	\$ 488,169
Insurance	48,747	55,836
Others	<u>27,968</u>	<u>34,038</u>
	<u>496,731</u>	<u>578,043</u>
Post-employment benefits		
Defined contribution plans	22,991	26,273
Defined benefit plans (Note 21)	<u>2,210</u>	<u>3,272</u>
	<u>25,201</u>	<u>29,545</u>
	<u>\$ 521,932</u>	<u>\$607,588</u>
Analysis of employee benefits by function		
Operating costs	\$ 401,448	\$ 456,457
Operating expenses	<u>120,484</u>	<u>151,131</u>
	<u>\$ 521,932</u>	<u>\$607,588</u>

g. Employees' compensation and remuneration of directors

The Articles of Incorporation of the Corporation stipulated the Company to distribute employees' compensation and remuneration of directors at the rates no less than 1% and no higher than 5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. Because of the net operating loss for the year ended December 31, 2020, employees' compensation and remuneration of directors were not accrued. The employees' compensation and remuneration of directors and supervisors (all in cash) for the year ended December 31, 2019 which have been approved by the Company's board of directors in March 2020 were NT\$3,894 thousand and NT\$944 thousand, respectively.

If there is a change in the proposed amounts after the annual standalone financial statements are authorized for issue, the difference is recorded as a change in accounting estimate.

There was no difference between the actual amounts of remuneration of directors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2019 and 2018. The employees' compensation for the year ended December 31, 2020 have not been paid.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors are available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 25. INCOME TAX

a. Major components of income tax benefit recognized in profit or loss are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Current tax		
In respect of the current year	\$ -	\$ 23,474
Income tax on unappropriated earnings	-	6,141
Adjustments for prior years	( <u>1,577</u> )	<u>5,731</u>
	( <u>1,577</u> )	<u>35,346</u>
Deferred tax		
In respect of the current year	( 108,536 )	( 26,746 )
Adjustments for prior years	( <u>8,354</u> )	( <u>12,634</u> )
	( <u>116,890</u> )	( <u>39,380</u> )
	( <u>\$ 118,467</u> )	( <u>\$ 4,034</u> )

The reconciliation of accounting profit and income tax benefit was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Profit (loss) before income tax	( <u>\$ 465,243</u> )	<u>\$ 54,913</u>
Income tax expense calculated at the statutory rate (loss carryforwards benefit)	( \$ 93,049 )	\$ 10,983
Income tax on unappropriated earnings	-	6,141
Non-deductible expenses in determining taxable income	( 15,487 )	( 14,255 )
Adjustments for prior years	( <u>9,931</u> )	( <u>6,903</u> )
	( <u>\$ 118,467</u> )	( <u>\$ 4,034</u> )

In July 2019, the President of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. The Company and its subsidiaries only deducted the amount of the unappropriated earnings that has been reinvested in capital expenditure when calculating the tax on unappropriated earnings.

In accordance with Rule No. 10904550440 issued by the Ministry of Finance of Taiwan (MOF), the Company used the losses incurred in the first quarter of 2020 to estimate losses for the first six months of 2020 and this amount is deducted from the Company's unappropriated earnings for 2018 for filing the additional tax. For the 2020 standalone financial reporting purpose, the tax on unappropriated earnings for 2018 is measured based on the actual loss for 2020, and the current income tax payable is adjusted accordingly.

b. Income tax recognized directly in equity

	<u>For the Year Ended December 31</u>	
	2020	2019
Deferred tax		
Change in percentage of ownership	<u>\$ -</u>	<u>( \$ 3,457 )</u>

c. Income tax recognized directly in other comprehensive income

	<u>For the Year Ended December 31</u>	
	2020	2019
Deferred tax		
In respect of the current period		
Translation of foreign operations	( \$ 4,954 )	\$ 13,442
Remeasurement on defined benefit plans	<u>2,353</u>	<u>( 563 )</u>
	<u>( \$ 2,601 )</u>	<u>\$ 12,879</u>

d. Current tax liabilities

	<u>For the Year Ended December 31</u>	
	2020	2019
Current tax liabilities		
Income tax payable	<u>\$ 11,916</u>	<u>\$ 13,732</u>

e. Deferred tax assets and liabilities

Movements of deferred tax assets and liabilities were as follows:

For the Year Ended December 31, 2020

	<u>Balance, Beginning of Year</u>	<u>Recognized in Profit or Loss</u>	<u>Recognized in Other Comprehensive Income</u>	<u>Balance, End of Year</u>
<u>Deferred tax assets</u>				
Temporary differences				
Write-downs of inventory	\$ 93,320	\$ 46,420	\$ -	\$ 139,740
Allowance for bad debts	38,052	2,958	-	41,010
Share of loss of foreign subsidiaries	38,800	33,301	-	72,101
Exchange difference on translating foreign operations	34,479	-	( 4,954 )	29,525
Deduction of development cost	4,306	7,841	-	12,147
Defined benefit plan	14,051	( 677 )	2,353	15,727
Time difference of revenue recognition	16,160	11,822	-	27,982
Unrealized gain on transactions with subsidiaries	1,874	768	-	2,642
Provisions	5,250	( 1,618 )	-	3,632
Loss carryforwards	-	37,439	-	37,439
Others	<u>22,835</u>	<u>( 21,364 )</u>	<u>-</u>	<u>1,471</u>
	<u>\$ 269,127</u>	<u>\$ 116,890</u>	<u>( \$ 2,601 )</u>	<u>\$ 383,416</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Land value increment tax	<u>\$ 61,301</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,301</u>

For the Year Ended December 31, 2019

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Balance, End of Year
<u>Deferred tax assets</u>					
Temporary differences					
Write-downs of inventory	\$ 67,032	\$ 26,288	\$ -	\$ -	\$ 93,320
Allowance for bad debts	28,763	9,289	-	-	38,052
Share of loss of foreign subsidiaries	30,335	5,008	-	3,457	38,800
Exchange difference on translating foreign operations	21,037	-	13,442	-	34,479
Deduction of development cost	4,366	( 60 )	-	-	4,306
Defined benefit plan	15,137	( 523 )	( 563 )	-	14,051
Time difference of revenue recognition	28,540	( 12,380 )	-	-	16,160
Unrealized gain on transactions with subsidiaries	1,737	137	-	-	1,874
Provisions	2,888	2,362	-	-	5,250
Others	<u>13,576</u>	<u>9,259</u>	-	-	<u>22,835</u>
	<u>\$ 213,411</u>	<u>\$ 39,380</u>	<u>\$ 12,879</u>	<u>\$ 3,457</u>	<u>\$ 269,127</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Land value increment tax	<u>\$ 61,301</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,301</u>

f. Information about unused investment credits, unused loss carryforwards

As of December 31, 2020, investment credits comprised of the following:

Laws and Statutes	Tax Credit Source	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Research and development expenditure	<u>\$ 12,147</u>	2021

As of December 31, 2020, loss carryforwards comprised of the following:

<u>Unused Amount</u>	<u>Expiry Year</u>
<u>\$ 187,193</u>	119

g. Income tax assessments

The income tax returns of the Company through 2018 have been assessed by the tax authorities.

**26. EARNINGS (LOSS) PER SHARE**

The net profit (loss) and weighted average number of ordinary shares outstanding in the computation of earnings (loss) per share were as follows:

Net profit (loss) for the year

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Attributable to owners of the Company	<u>( \$ 346,776 )</u>	<u>\$ 58,947</u>

Weighted average number of ordinary shares outstanding (in thousands of shares)

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Weighted average number of ordinary shares in computation of basic earnings (loss) per share	254,827	254,827
Effect of potentially dilutive potential ordinary shares:		
Employees' compensation	<u>-</u>	<u>477</u>
Weighted average number of ordinary shares used in the computation of diluted earnings (loss) per share	<u>254,827</u>	<u>255,304</u>

The dilutive loss per share for the year ended December 31, 2020 was the same as the basic loss per share because the operating result was net loss and, therefore, no earnings distribution and no potential dilutive shares from earnings distribution.

Since the Company offered to settle the compensation paid to employees by cash or shares, the Company assumed that the entire amount of the compensation would be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the shares have a dilutive effect. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

## **27. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS**

In March, 2020, the subsidiary Honor Seiki acquired its outstanding common shares and accounted for as treasury shares and the Company's percentage of ownership of Honor Seiki increased from 51% to 54%. The transaction was accounted for as equity transaction since the Company did not cease to have control over the subsidiary, and increased capital surplus by NT\$3,838 thousand.

In December 2019, the subsidiary Tongan acquired residual shares of MBI. The transaction was accounted for as equity transaction since the Company did not cease to have control over the subsidiary, reduced the capital surplus by NT\$10,622 thousand and the retained earnings by NT\$3,207 thousand (net of income tax of NT\$3,457 thousand).

In September 2019, the Company subscribed for additional new shares of Tong-Yeh at a percentage different from its existing ownership percentage. The transaction was accounted for as equity transaction since the Company did not cease to have control over the subsidiary, and reduced the capital surplus by NT\$224 thousand.

## 28. NON-CASH TRANSACTIONS

For the years ended December 31, 2020 and 2019, the Company entered into the following non-cash investing activities which were not reflected in the consolidated statements of cash flows:

	For the Year Ended December 31	
	2020	2019
Investing activities affecting both cash and non-cash items		
Acquisition of property, plant and equipment	\$ 214,722	\$ 15,349
Decrease of payable for equipment	149	9,372
Increase of prepayment for equipment	<u>473</u>	<u>-</u>
Cash paid	<u>\$ 215,344</u>	<u>\$ 24,721</u>
Proceeds from disposal of property, plant and equipment	\$ 57,746	\$ 277,054
Increase of other receivables	( <u>52,650</u> )	<u>-</u>
Cash received	<u>\$ 5,096</u>	<u>\$ 277,054</u>
Proceeds from disposal of investment properties	\$ 13,494	\$ -
Increase of other receivables	( <u>13,494</u> )	<u>-</u>
Cash received	<u>\$ -</u>	<u>\$ -</u>

## 29. CAPITAL MANAGEMENT

The Company manages its capital to ensure that, as a whole, it will be able to continue as going concerns; the Company uses operating capital effectively and optimize debt and equity balance. The overall strategy of the Company has not significantly changed over in 2020.

The key management personnel of the Company reviews the capital structure periodically. As part of the review, the key management personnel considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Company may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and the amount of new debt issued or existing debt redeemed.

The capital structure of the Company consists of net debt and equity. It is the policy of the Company and its subsidiaries to monitor and comply with the terms of loan agreements (refer to Note 17).

## 30. FINANCIAL INSTRUMENTS

- a. Fair value of financial instruments that are not measured at fair value

Except as detailed in the following table, the Company believes the carrying amounts of financial asset and liabilities recognized in the standalone financial statements approximate their fair values.

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2020</u>				
Financial assets at fair value through profit or loss - current				
Swap contracts	\$ -	\$ 3,332	\$ -	\$ 3,332
Mutual funds	<u>16,683</u>	<u>-</u>	<u>-</u>	<u>16,683</u>
	<u>\$ 16,683</u>	<u>\$ 3,332</u>	<u>\$ -</u>	<u>\$ 20,015</u>
Financial assets at FVTOCI - non-current				
Domestic listed shares	\$ 113,838	\$ -	\$ -	\$ 113,838
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>32,365</u>	<u>32,365</u>
	<u>\$ 113,838</u>	<u>\$ -</u>	<u>\$ 32,365</u>	<u>\$ 146,203</u>
Financial liabilities at fair value through profit or loss - current				
Cross-currency swap contract	\$ -	\$ 11,280	\$ -	\$ 11,280
Foreign exchange forward contracts	<u>-</u>	<u>92</u>	<u>-</u>	<u>92</u>
	<u>\$ -</u>	<u>\$ 11,372</u>	<u>\$ -</u>	<u>\$ 11,372</u>
 <u>December 31, 2019</u>				
Financial assets at FVTOCI - non-current				
Domestic listed shares	\$ 121,572	\$ -	\$ -	\$ 121,572
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>58,692</u>	<u>58,692</u>
	<u>\$ 121,572</u>	<u>\$ -</u>	<u>\$ 58,692</u>	<u>\$ 180,264</u>
Financial liabilities at fair value through profit or loss - current				
Cross-currency swap contract	\$ -	\$ 6,357	\$ -	\$ 6,357
Swap contracts	<u>-</u>	<u>1,900</u>	<u>-</u>	<u>1,900</u>
	<u>\$ -</u>	<u>\$ 8,257</u>	<u>\$ -</u>	<u>\$ 8,257</u>

There was no transfer between Level 1 and Level 2 for the years ended December 31, 2020 and 2019.

2) Reconciliation of Level 3 fair value measurements of financial assets

<u>Financial assets</u>	<b>Equity Instruments - Financial Assets at FVTOCI</b>	
	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 58,692	\$ 56,005
Disposals	( 16,989 )	-
Transfer out from Level 3	( 7,170 )	-
Change in fair value recognized in other comprehensive income	( 2,168 )	2,687
Balance at December 31	<u>\$ 32,365</u>	<u>\$ 58,692</u>

3) Valuation techniques and input applied for the purpose of measuring Level 2 fair value measurement

Derivative instruments used the quoted price of bank as the basis of the fair values.

4) Valuation techniques and assumptions applied for the purpose of measuring Level 3 fair value measurement.

If there are no market price for reference, fair values were estimated by assessment approach. For unlisted shares, fair values were determined based on the net worth of companies.

c. Categories of financial instruments

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Financial assets</u>		
Financial assets at FVTPL	\$ 20,015	\$ -
Financial assets at amortized cost (1)	3,221,049	3,104,743
Financial assets at FVTOCI		
Equity instruments	146,203	180,264
<u>Financial liabilities</u>		
Financial liabilities at FVTPL	11,372	8,257
Financial liabilities at amortized cost (2)	4,547,972	4,707,715

3) The balances included financial assets at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable (including related parties), other receivables, other financial assets (current and non-current), refundable deposits, and long-term notes and accounts receivable.

4) The balances included financial liabilities at amortized cost, which comprise short-term borrowings, short-term bills payable, notes and accounts payable (including related parties), other payables and long-term borrowings (including those due in one year).

d. Financial risk management objectives and policies

The Company and its subsidiaries' major financial instruments include equity investments, notes and accounts receivable, notes and accounts payable, short-term and long-term borrowings, short-term bills payable and lease liabilities. The Finance Department provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company and its subsidiaries through internal risk reports which analyze exposures by degree and magnitude of risks. These risks are market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Company and its subsidiaries minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Company and its subsidiaries' policies approved by the board of directors, which provided



written principles on foreign currency risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Company and its subsidiaries do not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (refer to (a) below), interest rates (refer to (b) below) and other price (refer to (c) below).

There has been no change to the Company's exposure to market risks or the manner in which these risks are managed and measured.

a) Foreign currency risk

The Company is exposed to foreign currency risk due to sales, purchases, capital expenditures and equity investments denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters utilizing swap contract, cross-currency swap contract, and foreign exchange forward contracts.

The carrying amounts of significant foreign currency monetary assets and liabilities at the balance sheet date are disclosed in Note 34.

The Company is mainly exposed to the USD and CNY. The following table details the Company's sensitivity to a 3% increase and decrease in the functional currency against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 3%. The sensitivity analysis included only outstanding foreign currency denominated monetary items.

	USD Impact		CNY Impact	
	For the Year Ended December 31		For the Year Ended December 31	
	2020	2019	2020	2019
Pre-tax profit or loss (Note)	<u>(\$ 8,163)</u>	<u>(\$ 10,560)</u>	<u>(\$ 48,556)</u>	<u>(\$ 48,085)</u>

Note: These were mainly attributable to the exposure of the USD, CNY and EUR (including cash and cash equivalent, accounts receivable and payable (including related parties), other receivable, other payable and short-term and long-term borrowings), which were not hedged at the balance sheet date.

In management's opinion, the sensitivity analysis was unrepresentative of the inherent foreign exchange risk because the exposure at the balance sheet date did not reflect the exposure during the period. Foreign currency sales change according to customer order and business cycle.

b) Interest rate risk

The Company is exposed to interest rate risk because the Company borrowed funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix of fixed and floating rate borrowings.

The carrying amounts of the Company's financial liabilities with exposure to interest rates at the balance sheet date were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Fair value interest rate risk		
Financial assets	\$ 4,097	\$ 500
Financial liabilities	893,579	1,188,047
Cash flow interest rate risk		
Financial liabilities	1,740,380	1,792,840

The sensitivity analysis below was determined based on the Company's exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year. The interest rates change of 1% increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates of financial liabilities had been 1% higher/lower and all other variables were held constant, the Company's pre-tax profit would have been lower/higher by NT\$17,404 thousand and NT\$17,928 thousand for the year ended December 31, 2020 and 2019, respectively.

c) Other price risk

The Company is exposed to equity price risk through their investments in domestic listed shares.

If equity prices had been 1% higher/lower, the pre-tax other comprehensive income for the years ended December 31, 2020 and 2019 would have been higher/lower by NT\$1,138 thousand and NT\$1,216 thousand, as a result of the changes in fair value of financial assets at FVTOCI respectively; the pre-tax profit for the year ended December 31, 2020 would have been lower/higher by NT\$167 thousand as a result of the changes in fair value of financial assets at FVTPL.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. As of the balance sheet date, the Company's maximum exposure to credit risk is the carrying amount of the financial assets on the standalone balance sheets.

The Company adopted a policy of only dealing with creditworthy counterparties and

obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Except for the following customer, the Company did not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Company's concentration of credit risk in receivables (including notes and accounts receivable, long-term notes receivable, overdue receivables and other receivables) by customer was as follows:

Customer	December 31	
	2020	2019
Company A	\$ 678,599	\$ 863,211
Suzhou Tongyu Machine Tool Co., Ltd. (Suzhou Tongyu)	408,897	151,025
Company B	<u>253,074</u>	<u>103,007</u>
	<u>\$ 1,340,570</u>	<u>\$ 1,117,243</u>

### 3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The table included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

To the extent that interest flows are at floating rates, the undiscounted amount was derived from the interest rate at the end of the balance sheet date.

#### December 31, 2020

	1 Year	1-5 Years	5+ Years	Total
Non-interest bearing liabilities	\$ 998,232	\$ -	\$ -	\$ 998,232
Interest bearing liabilities	2,940,186	660,975	-	3,601,161
Finance lease liabilities	25,193	92,148	600,353	717,694
Financial guarantee liabilities	<u>1,762,792</u>	-	-	<u>1,762,792</u>
	<u>\$5,726,403</u>	<u>\$ 753,123</u>	<u>\$ 600,353</u>	<u>\$7,079,879</u>

Further information for maturity analysis of lease liabilities was as follows:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 25,193</u>	<u>\$ 92,148</u>	<u>\$114,375</u>	<u>\$114,375</u>	<u>\$114,375</u>	<u>\$257,228</u>

December 31, 2019

	<u>1 Year</u>	<u>1-5 Years</u>	<u>5+ Years</u>	<u>Total</u>
Non-interest bearing liabilities	\$1,077,919	\$ -	\$ -	\$1,077,919
Interest bearing liabilities	2,026,617	1,661,687	-	3,688,304
Finance lease liabilities	25,727	90,689	597,508	713,924
Financial guarantee liabilities	<u>1,885,616</u>	<u>-</u>	<u>-</u>	<u>1,885,616</u>
	<u>\$5,015,879</u>	<u>\$1,752,376</u>	<u>\$ 597,508</u>	<u>\$7,365,763</u>

Further information for maturity analysis of lease liabilities was as follows:

	<u>Less than 1 Year</u>	<u>1-5 Years</u>	<u>5-10 Years</u>	<u>10-15 Years</u>	<u>15-20 Years</u>	<u>20+ Years</u>
Lease liabilities	<u>\$ 25,727</u>	<u>\$ 90,689</u>	<u>\$109,655</u>	<u>\$109,655</u>	<u>\$109,655</u>	<u>\$268,543</u>

### 31. TRANSACTIONS WITH RELATED PARTIES

Except for the information discloses in other notes, details of transactions between the Company and other related parties were as follows:

- a. The name of the related parties and their relationships with the Company

<u>Related Party Name</u>	<u>Relationship</u>
Tongfong	Subsidiary
APEC	Subsidiary
Quick-Tech	Subsidiary
Honor Seiki	Subsidiary
Tong-Yeh	Subsidiary
Chin-Jig	Subsidiary
Suzhou Tongyu	Subsidiary
TTJP	Subsidiary
TTM	Subsidiary
TTVN	Subsidiary
TTS	Subsidiary
TMM	Subsidiary
SKTD Co., Ltd.	Subsidiary
PCI-SCEMM	Subsidiary
Anger Machining GmbH ( Anger )	Subsidiary
HPC Producttions GmbH	Subsidiary
TTE	Subsidiary
Tongtai East Europe S.R.L.	Subsidiary (was liquidated in July 2019)
Union Top	Subsidiary
Tongan	Subsidiary
Mbi-group Beteiligung GmbH	Subsidiary
Control Technology Co., Ltd.	Other related parties
F.S.E Corporation	Other related parties
Ever Lumin Incorporation	Other related parties

(Continued)

Related Party Name	Relationship
Shiang Jen Co., Ltd. (Shiang Jen)	Other related parties
Hao Shiang Co., Ltd.	Other related parties (was liquidated in August 2020)
San Shin Co., Ltd. (San Shin)	Other related parties
Sysco Machinery Corporation	Other related parties
Dong Ying Investment Co., Ltd.	Other related parties
Sheng Li Machine Industry Co., Ltd.	Other related parties
PT. Tong-Tai Seikindo Utama	Substantial related party

(Concluded)

b. Sales of goods

Account Item	Related Party Type	For the Year Ended December 31	
		2020	2019
Revenues from sales	Subsidiaries		
	Suzhou Tongyu	\$462,011	\$415,044
	Others	321,798	368,528
	Other related parties	<u>5,009</u>	<u>11,210</u>
		<u>\$788,818</u>	<u>\$794,782</u>

Sales to related parties are made at arm's length and the collection terms have no material difference with unrelated parties.

c. Purchase of goods

Related Party Type	For the Year Ended December 31	
	2020	2019
Subsidiaries	\$ 213,779	\$ 364,505
Other related parties	<u>154,205</u>	<u>192,846</u>
	<u>\$ 367,984</u>	<u>\$ 557,351</u>

The purchase prices and payment term have no material difference with unrelated parties.

d. Receivables from related parties (not including loans to related parties)

Account Item	Related Party Type	December 31	
		2020	2019
Notes receivables - related parties	Subsidiaries		
	APEC	\$ 507	\$ 1,455
	Other related parties	<u>3</u>	<u>-</u>
		<u>\$ 510</u>	<u>\$ 1,455</u>
Accounts receivable-related parties	Subsidiaries		
	Suzhou Tongyu	\$275,056	\$150,370
	Others	34,535	162,179
	Other related parties	<u>2,906</u>	<u>4,413</u>
		<u>\$312,497</u>	<u>\$316,962</u>
Other receivables - related parties	Subsidiaries	\$ 10,556	\$ 9,494
	Other related parties	<u>18,238</u>	<u>786</u>
		<u>\$ 28,794</u>	<u>\$ 10,280</u>

e. Payables to related parties

Account Item	Related Party Type	December 31	
		2020	2019
Notes payable - related parties	Other related parties		
	San Shin	\$ <u>-</u>	\$ <u>38</u>
Accounts payable - related parties	Subsidiaries		
	Tongfong	\$ 42,429	\$ 54,079
	Tong-Yeh	15,316	11,183
	Others	8,586	16,193
	Other related parties		
	Shiang Jen	37,996	49,330
	San Shin	<u>26,502</u>	<u>23,348</u>
		\$ <u>130,829</u>	\$ <u>154,133</u>
Other payables - related parties	Subsidiaries	\$ 29,265	\$ 43,838
	Other related parties	<u>949</u>	<u>3,951</u>
		\$ <u>30,214</u>	\$ <u>47,789</u>

f. Contract liabilities

Account Item	December 31	
	2020	2019
Subsidiaries		
APEC	\$ 1,100	\$ 46,292
Others	2,143	8,155
Other related parties	<u>-</u>	<u>3</u>
	\$ <u>3,243</u>	\$ <u>54,450</u>

g. Loans to related parties

Account Item	December 31	
	2020	2019
Other receivables - related parties		
Subsidiaries		
Anger	\$ 210,120	\$ 201,540
Suzhou Tongyu	131,310	-
Union Top	77,485	62,958
TTE	65,504	59,960
Quick-Tech	54,500	-
TTM	35,600	37,475
Others	<u>14,281</u>	<u>5,520</u>
	\$ <u>588,800</u>	\$ <u>367,453</u>

Account Item	For the Year Ended December 31	
	2020	2019
Interest income		
Subsidiaries	\$ <u>9,104</u>	\$ <u>5,131</u>

The Company provided short-term loans to its subsidiaries, with the interest rate calculated based on the average rate of the Company's bank loans from ordinary financial institutions.

h. Endorsements and guarantees

	Related Party Type	December 31	
		2020	2019
Amount endorsed			
Subsidiaries			
Anger		\$ 661,878	\$ 940,520
Union Top		496,406	522,551
APEC		245,000	275,000
Quick-Tech		201,960	-
Others		<u>157,548</u>	<u>147,545</u>
		<u>\$ 1,762,792</u>	<u>\$ 1,885,616</u>
Amount utilized			
Subsidiaries			
Anger		\$ 580,457	\$ 483,856
Union Top		196,227	198,767
APEC		153,120	224,300
Quick-Tech		84,983	-
Others		<u>95,622</u>	<u>97,608</u>
		<u>\$ 1,110,409</u>	<u>\$ 1,004,531</u>

i. Other transactions with related parties

	Related Party Type	For the Year Ended December 31	
		2020	2019
1) After-sales service expenses			
(recognized as selling and marketing expenses)			
Subsidiaries			
Suzhou Tongyu		\$ 24,579	\$ 25,388
TTJP		22,211	28,968
Others		1,851	17,911
Other related parties		<u>81</u>	<u>-</u>
		<u>\$ 48,722</u>	<u>\$ 72,267</u>
2) Commission expense			
(recognized as selling and marketing expenses)			
Subsidiaries			
Suzhou Tongyu		\$ 3,150	\$ 16,398
TTVN		2,957	6,591
Others		4,882	14,230
Other related parties		<u>1,330</u>	<u>5,890</u>
		<u>\$ 12,319</u>	<u>\$ 43,109</u>
3) Rental income			
Subsidiaries			
PCI		\$ 2,305	\$ 2,305
Quick-Tech		3,357	-
Others		2,804	2,892
Other related parties			
Shiang Jen		5,040	4,920
Others		<u>6</u>	<u>6</u>
		<u>\$ 13,512</u>	<u>\$ 10,123</u>

The above rent was determined by negotiation and collected according to the contract. The contract price is comparable to the prices of similar contracts in the area.

j. Property, plant and equipment transactions

1) Acquisition of property, plant and equipment

The Company acquired the property, plant and equipment from subsidiary Quick-Tech with the purchase price amounted of NT\$200,000 thousand. The transaction price and terms were determined by negotiation between both parties.

2) Disposal of property, plant and equipment

The Company disposed the property, plant and equipment to subsidiary Honor Seiki with the sale price amounted of NT\$275,500 thousand and recognized the disposal gain NT\$82 thousand.

k. Compensation of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Short-term employee benefits	\$ 15,693	\$ 12,231
Post-employment benefits	<u>402</u>	<u>234</u>
	<u>\$ 16,095</u>	<u>\$ 12,465</u>

### 32. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The Company and its subsidiaries' assets mortgaged or pledged as collateral for short-term and long-term borrowings, lease of land at Southern Science Industrial Park, and banker's guarantee were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Property, plant and equipment	\$ 1,062,252	\$ 659,985
Investment properties	175,530	172,264
other financial assets (including current and non-current)	<u>53,156</u>	<u>209,952</u>
	<u>\$ 1,290,938</u>	<u>\$ 1,042,201</u>

### 33. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments and contingencies of the Company as of December 31, 2020 were as follows:

- Unused letters of credit in the amount of NT\$22,088 thousand.
- For sales bidding, export tariff and commodity tax, the Company entered into credit facility agreements with banks for commitment amount of NT\$46,462 thousand.



### 34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Company and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

	Foreign Currency (In Thousands)	Exchange Rate		Carrying Amount (In Thousands of New Taiwan Dollars)
<u>December 31, 2020</u>				
Monetary foreign currency assets				
CNY	\$ 372,548	4.377	(CNY:NTD)	\$ 1,630,643
USD	23,515	28.48	(USD:NTD)	669,720
Non-monetary foreign currency assets				
Investment accounted for using the equity method				
USD	179	28.48	(USD:NTD)	5,099
EUR	5,348	35.02	(EUR:NTD)	187,297
MRY	6,993	6.7895	(MRY:NTD)	47,477
JPY	82,884	0.2763	(JPY:NTD)	22,901
Monetary foreign currency liabilities				
USD	13,962	28.48	(USD:NTD)	397,633
CNY	2,767	4.377	(CNY:NTD)	12,110
<u>December 31, 2019</u>				
Monetary foreign currency assets				
CNY	377,007	4.305	(CNY:NTD)	1,623,013
USD	21,779	29.98	(USD:NTD)	652,922
Non-monetary foreign currency assets				
Investment accounted for using the equity method				
USD	457	29.98	(USD:NTD)	13,709
EUR	10,088	33.59	(EUR:NTD)	338,856
MRY	6,927	7.033	(MRY:NTD)	48,716
JPY	90,967	0.276	(JPY:NTD)	25,107
Monetary foreign currency liabilities				
USD	10,037	29.98	(USD:NTD)	300,922
CNY	4,686	4.305	(CNY:NTD)	20,174

For the years ended December 31, 2020 and 2019, net foreign exchange gains and losses were gain of NT\$15,068 thousand, loss of NT\$82,917 thousand, respectively. It is impractical to disclose the net foreign exchange gains and losses by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies.

### 35. ADDITIONAL DISCLOSURES

- a. Following are the additional disclosures required by the Securities and Futures Bureau for the Company:
- b. Information about the derivative financial instruments transaction: Please see Note 7;
  - 1) Financial provided: Please see Table 1 attached;
  - 2) Endorsement/guarantee provided: Please see Table 2 attached;
  - 3) Marketable securities held (excluding investments in subsidiaries, associates and joint venture): Please see Table 3 attached;
  - 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None;
  - 5) Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: None;
  - 6) Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None;
  - 7) Total purchase from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Please see Table 4 attached;
  - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 5 attached;
  - 9) Information about the derivative financial instruments transaction: Please see Note 7;
  - 10) Names, locations, and related information of investees over which the Company and its subsidiaries exercises significant influence (excluding information on investment in Mainland China): Please see Table 6 attached;
- c. Information on investment in Mainland China
  - 1) The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits/losses of investee, ending balance, amount received as dividends from the investee, and the limitation on investee: Please see Table 7 attached;
  - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
    - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: None;
    - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Please see Table 4 attached;
    - c) The amount of property transactions and the amount of the resultant gains or losses: None;
    - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None;
    - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: Please see Table 1 attached;
    - f) Other transactions that have a material effect on the profit or loss for the period or on the

financial position, such as the rendering or receiving of services: None.

d. Information of major shareholders: Please see Table 8 attached.

### **36. SEGMENT INFORMATION**

Disclosure of the segment information in standalone financial statements is waived.

TABLE 1

## TONGTAI MACHINE &amp; TOOL CO., LTD. AND SUBSIDIARIES

## FINANCING PROVIDED TO OTHERS

FOR THE YEAR ENDED DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Interest Rate	Nature for Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company	Financing Company's Total Financing Amount Limits	Note
													Item	Value			
0	Tongtai Machine & Tool Co., Ltd.	Tongtai Machinery Co., Ltd.	Other receivables - related party	Yes	\$ 77,074	\$ 35,600	\$ 35,600	1.7-2.7	Note 1	\$ -	Acquiring Building	\$ -		\$ -	\$ 488,292	\$ 976,583	Note 2
0	Tongtai Machine & Tool Co., Ltd.	Anger Machining GmbH	Other receivables - related party	Yes	398,880	210,120	210,120	1.7	Note 1	-	Operating capital	-		-	488,292	976,583	Note 2
0	Tongtai Machine & Tool Co., Ltd.	SKTD Co., Ltd.	Other receivables - related party	Yes	11,152	5,526	5,526	1.7	Note 1	-	Operating capital	-		-	488,292	976,583	Note 2
0	Tongtai Machine & Tool Co., Ltd.	Union Top Industrial (Samoa) Limited	Other receivables - related party	Yes	225,150	213,600	77,485	1.19-1.7	Note 1	-	Operating capital	-		-	488,292	976,583	Note 2
0	Tongtai Machine & Tool Co., Ltd.	Tongtai Europe B.V.	Other receivables - related party	Yes	129,968	65,504	65,504	1.7	Note 1	-	Operating capital	-		-	488,292	976,583	Note 2
0	Tongtai Machine & Tool Co., Ltd.	Suzhou Tongyu Machine Tool Co., Ltd.	Other receivables - related party	Yes	131,370	131,310	131,310	1.7	Note 1	-	Operating capital	-		-	488,292	976,583	Note 2
0	Tongtai Machine & Tool Co., Ltd.	Quick-Tech Machinery Co., Ltd.	Other receivables - related party	Yes	60,000	60,000	54,500	1.5	Note 1	-	Operating capital	-		-	488,292	976,583	Note 2
0	Tongtai Machine & Tool Co., Ltd.	Asia Pacific Elite Corp.	Other receivables - related party	Yes	30,000	30,000	-	-	Note 1	-	Operating capital	-		-	488,292	976,583	Note 2
0	Tongtai Machine & Tool Co., Ltd.	Mbi-group Beteiligung GmbH	Other receivables - related party	Yes	21,012	21,012	8,755	1.15	Note 1	-	Operating capital	-		-	488,292	976,583	Note 2
1	Union Top	Tongtai Machine Tool (Sea) Sdn. Bhd.	Other receivables - related party	Yes	6,912	-	-	3.0	Note 1	-	Operating capital	-		-	100,472	200,945	Note 3
1	Union Top	Quick-Tech Machinery Co., Ltd.	Other receivables - related party	Yes	19,963	19,188	-	1.19-2.7	Note 1	-	Operating capital	-		-	100,472	200,945	Note 3
2	Union Top	Tongtai Europe B.V.	Other receivables - related party	Yes	14,079	13,779	13,779	1.2	Note 1	-	Operating capital	-		-	100,472	200,945	Note 3
2	PCI-SCEMM	TTGroup France	Other receivables - related party	Yes	7,016	7,004	5,375	1.5	Note 1	-	Operating capital	-		-	41,478	82,955	Note 3
3	Honor Seiki Co., Ltd.	Quick-Tech Machinery Co., Ltd.	Other receivables - related party	Yes	10,000	-	-	1.7	Note 1	-	Operating capital	-		-	119,176	238,353	Note 3

Note 1: The need for short-term financing.

Note 2: According to the "Procedures for Lending Funds to Other Parties" established by the Company, the aggregate lending amount and the amount lending to any individual entity having business relationship with the Company shall not exceed the total transaction amount between the parties during the period of 12 months prior to the time of lending and shall not exceed 20% of the net worth of the Company. The aggregate lending amount and the amount lending to any individual entity for short-term financing shall not exceed 20% and 10% of the net worth of the Company.

Note 3: According to the "Procedures for Lending Funds to Other Parties" established by the subsidiaries, the aggregate lending amount and the amount lending to any individual entity having business relationship with the Company shall not exceed the total transaction amount between the parties during the period of 12 months prior to the time of lending and shall not exceed 20% of the net worth of the Company. The aggregate lending amount and the amount lending to any individual entity for short-term financing shall not exceed 20% and 10% of the net worth of the Company.

TABLE 2

## TONGTAI MACHINE &amp; TOOL CO., LTD. AND SUBSIDIARIES

## ENDORSEMENTS/GUARANTEES PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorsement/Guarantee Provider	Endorsee/Guarantee		Limits on Endorsement/Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/Guarantee to Net Equity per Latest Financial Statements (%)	Maximum Endorsement/Guarantee Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Nature of Relationship											
0	Tongtai Machine & Tool Co., Ltd.	Tongtai Machine Tool (SEA) Sdn. Bhd.	The Corporation owns directly or indirectly over 50% ownership of the investee company	\$ 1,464,875	\$ 30,250	\$ 28,480	\$ -	\$ -	0.58	\$ 2,441,459	Y	-	-	
0	Tongtai Machine & Tool Co., Ltd.	PCI-SCEMM	The Corporation owns directly or indirectly over 50% ownership of the investee company	1,464,875	31,572	31,518	18,857	-	0.65	2,441,459	Y	-	-	
0	Tongtai Machine & Tool Co., Ltd.	Union Top Industrial (Samoa) Limited	The Corporation owns directly or indirectly over 50% ownership of the investee company	1,464,875	527,258	496,406	196,227	-	10.17	2,441,459	Y	-	-	
0	Tongtai Machine & Tool Co., Ltd.	Mbi-group Beteiligung GmbH	The Corporation owns directly or indirectly over 50% ownership of the investee company	1,464,875	70,160	70,040	59,255	-	1.43	2,441,459	Y	-	-	
0	Tongtai Machine & Tool Co., Ltd.	Anger Machining GmbH	The Corporation owns directly or indirectly over 50% ownership of the investee company	1,464,875	942,038	661,878	580,457	-	13.55	2,441,459	Y	-	-	
0	Tongtai Machine & Tool Co., Ltd.	Asia Pacific Elite Corp.	The Corporation owns directly or indirectly over 50% ownership of the investee company	1,464,875	275,000	245,000	153,120	-	5.02	2,441,459	Y	-	-	
0	Tongtai Machine & Tool Co., Ltd.	Tongan GmbH	The Corporation owns directly or indirectly over 50% ownership of the investee company	1,464,875	19,974	17,510	17,510	-	0.36	2,441,459	Y	-	-	
0	Tongtai Machine & Tool Co., Ltd.	Tong-Yeh Precision Co., Ltd.	The Corporation owns directly or indirectly over 50% ownership of the investee company	1,464,875	10,000	10,000	-	-	0.20	2,441,459	Y	-	-	
0	Tongtai Machine & Tool Co., Ltd.	Quick-Tech Machinery Co., Ltd.	The Corporation owns directly or indirectly over 50% ownership of the investee company	1,464,875	202,620	201,960	84,983	-	4.14	2,441,459	Y	-	-	

Note: According to the "Procedures for Making Endorsements and Guarantees" established by the Company, the ceilings on the amounts to make endorsements/guarantees are as follows,

## 1. For Tongtai Machine &amp; Tool Co., Ltd.,

(1) The ceilings on the amounts for the aggregate amounts to the entities shall not exceed 50% of the net worth of the Company.

(2) The ceilings on the amounts for any individual entity to the entities shall not exceed 30% of the net worth of the Company.

## 2. For Tongtai Machine &amp; Tool Co., Ltd. and subsidiaries,

(1) The ceilings on the amounts for the aggregate amounts to the entities shall not exceed 50% of the net worth of the Company.

(2) The ceilings on the amounts for any individual entity to the entities shall not exceed 30% of the net worth of the Company.

(3) Except for (1) and (2), the total amount of endorsement/guarantee provided by the Company to any individual entity deriving from business relations shall not exceed the total business amount between such party and the Company for the twelve-month period immediately before the extension of endorsement/guarantee (the business amount refers to purchase amount or sales amount of the goods between the parties, whichever is higher).

## TONGTAI MACHINE &amp; TOOL CO., LTD. AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Held Company Name	Type and Name of Marketable Securities	Relationship with The Company	Financial Statement Account	DECEMBER 31, 2020				Note	
				Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value		
Tongtai Machine & Tool Co., Ltd.	Common stock Contrel Technology Co., Ltd.	Same president	Financial assets at fair value through other comprehensive income - non current	6,849,178	\$ 103,422	4	\$ 103,422		
	SHIANG JEN CO., LTD.	The held company as its director	Financial assets at fair value through other comprehensive income - non current	1,520,000	16,003	19	16,003		
	World Known MFG (Cayman) Limited	-	Financial assets at fair value through other comprehensive income - non current	280,000	10,416	1	10,416		
	USYNC INC.	-	Financial assets at fair value through other comprehensive income - non current	295,371	10,382	4	10,382		
	WORLD KNOWN MFG. CO., LTD.	-	Financial assets at fair value through other comprehensive income - non current	229,729	5,980	1	5,980		
						<u>\$ 146,203</u>		<u>\$ 146,203</u>	
	Common stock YI XIANG Technology Co., Ltd.	-	Financial assets at fair value through profit or loss - non current	75,000	\$ -	14	\$ -		
Suzhou Tongyu Machine Tool Co., Ltd.	Mutual funds Allianz Global Investors Preferred Securities and Income Fund	-	Financial assets at fair value through profit or loss - non current	350,000	<u>\$ 16,683</u>		<u>\$ 16,683</u>		
	Closed fund No. 13108	-	Financial assets at fair value through profit or loss - non current		<u>\$ 70,813</u>		<u>\$ 70,813</u>		
	CHIN-JIG CO., LTD (SHANGHAI)	-	Financial assets at fair value through profit or loss - non current		\$ 9,003		\$ 9,003		
	QIAN YUAN - HUI XIANG open-end wealth management products	-	Financial assets at fair value through profit or loss - non current		13,503		13,503		
					<u>\$ 22,506</u>		<u>\$ 22,506</u>		

## TONGTAI MACHINE &amp; TOOL CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
 FOR THE YEAR ENDED DECEMBER 31, 2020  
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer (Seller)	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Purchase/Sale Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Tongtai Machine & Tool Co., Ltd.	Suzhou Tongyu Machine Tool Co., Ltd.	Subsidiary	Sales	( \$ 462,011 )	( 6 )	Comparable with ones of non-related party transactions	\$ -	-	\$ 275,056	9	
	Asia Pacific Elite Corp.	Subsidiary	Sales	( 119,723 )	( 2 )	Comparable with ones of non-related party transactions	-	-	507	-	
	Tongfong Auto Tech Co., Ltd.	Subsidiary	Purchases	119,232	2	Comparable with ones of non-related party transactions	-	-	( 42,429 )	3	

## TONGTAI MACHINE &amp; TOOL CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
 DECEMBER 31, 2020  
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Tongtai Machine & Tool Co., Ltd.	Suzhou Tongyu Machine Tool Co., Ltd.	Subsidiary	\$ 408,897 (Note 1)	2.17	\$ -	-	\$ 168,973	\$ -
	Anger Machining GmbH	Subsidiary	214,442 (Note 2)	0.78	-	-	-	-

Note 1: Including accounts receivable amounted of NT\$275,056 thousand and other receivable amounted of NT\$133,841 thousand. Other receivable was excluded in the calculation turnover rate.

Note 2: Including accounts receivable amounted of NT\$1,778 thousand and other receivable amounted of NT\$212,664 thousand. Other receivable was excluded in the calculation turnover rate.



## TONGTAI MACHINE &amp; TOOL CO., LTD. AND SUBSIDIARIES

## INFORMATION ON INVESTEEES

FOR THE YEAR ENDED DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2020	December 31, 2019	Number of Shares	%	Carrying Amount			
Tongtai Machine & Tool Co., Ltd.	Tongfong Auto Tech Co., Ltd.	Kaohsiung City	Sales of electric automation equipment	\$ 13,974	\$ 13,974	1,499,000	99.00	\$ 46,336	\$ 14,952	\$ 14,942	
Tongtai Machine & Tool Co., Ltd.	Asia Pacific Elite Corp.	Taichung City	Sales and manufacturing of equipment	409,238	409,238	14,515,414	99.00	94,715	14,390	15,402	
Tongtai Machine & Tool Co., Ltd.	Quick-Tech Machinery Co., Ltd.	Tainan City	Sales and manufacturing of equipment	80,582	80,582	6,238,800	52.00	( 3,203 )	( 138,635 )	( 76,690 )	
Tongtai Machine & Tool Co., Ltd.	Honor Seiki Co., Ltd.	Kaohsiung City	Sales and manufacturing of equipment	100,731	100,731	18,253,424	54.00	530,328	45,852	23,899	
Tongtai Machine & Tool Co., Ltd.	Tong-Yeh Precision Co., Ltd.	Kaohsiung City	Sales of electric automation equipment	14,476	14,476	1,052,898	60.00	29,851	4,496	2,698	
Tongtai Machine & Tool Co., Ltd.	Chin-Jig Technology Co., Ltd.	Taipei City	Sales of mold and equipment	27,971	27,971	2,799,000	70.00	52,034	( 1,651 )	( 1,156 )	
Tongtai Machine & Tool Co., Ltd.	Tongtai Machine & Tool Japan Co., Ltd.	Japan	Sales and manufacturing of equipment	31,561	31,561	889	100.00	22,901	( 2,238 )	( 2,238 )	
Tongtai Machine & Tool Co., Ltd.	Tong Tai Machinery Co., Ltd.	Thailand	Sales of customized machine	5,854	5,854	999,998	100.00	26,378	( 4,278 )	( 4,278 )	
Tongtai Machine & Tool Co., Ltd.	Tongtai Seiki Vietnam Co.,Ltd.	Vietnam	Sales of customized machine	9,054	9,054	631,080	100.00	16,509	( 1,859 )	( 1,859 )	
Tongtai Machine & Tool Co., Ltd.	Tongtai Machine Tool (SEA) Sdn. Bhd.	Malaysia	Sales of customized machine	5,107	5,107	520,000	52.00	9,261	2,725	1,417	
Tongtai Machine & Tool Co., Ltd.	Tongtai Machine Tool (MFG) Sdn. Bhd.	Malaysia	Sales and manufacturing of equipment	71,952	71,952	8,500,000	100.00	38,216	( 973 )	( 973 )	
Tongtai Machine & Tool Co., Ltd.	Tong-Tai Seiki USA, Inc.	USA	Sales of merchandise	71,667	71,667	100	100.00	5,099	( 8,221 )	( 8,221 )	
Tongtai Machine & Tool Co., Ltd.	Tongtai Mexico ,S.A. DE C.V.	Mexico	Sales and maintenance of machine tools	10,155	10,155	65,999	100.00	7,126	( 559 )	( 559 )	
Tongtai Machine & Tool Co., Ltd.	PCI-SCEMM	France	Sales, manufacturing and maintenance of machine tools	182,200	182,200	1,000,000	100.00	414,776	13,192	13,192	
Tongtai Machine & Tool Co., Ltd.	Tongtai Europe B.V.	Netherlands	Sales of merchandise	96,221	96,221	9,000	100.00	( 30,644 )	( 20,679 )	( 20,679 )	
Tongtai Machine & Tool Co., Ltd.	Union Top Industrial (Samoa) Limited	Samoa	General investment	560,867	560,867	16,465,400	100.00	989,528	10,497	10,497	
Tongtai Machine & Tool Co., Ltd.	Tongan GmbH	Austrian	General investment	597,771	597,771	35,000	100.00	( 196,835 )	( 152,801 )	( 152,801 )	
Tongtai Machine & Tool Co., Ltd.	Cyber Laser Taiwan Co., Ltd.	Tainan City	Machine and manufacturing of electronic component	20,000	20,000	2,000,000	33.00	-	( 4,470 )	( 1,556 )	
Tongtai Machine & Tool Co., Ltd.	Printin3d DigiTech Co., Ltd.	Taoyuan City	Development of 3D printer of digital Implantology	10,000	10,000	1,000,000	40.00	7,771	( 3,322 )	( 1,329 )	
Union Top Industrial (Samoa) Limited	Great Pursuit Limited	Samoa	General investment	40,054	40,054	-	55.00	-	-	-	
Chin-Jig Technology Co., Ltd.	Time Trade Internation Limited	Samoa	General investment	32,771	32,771	-	100.00	70,204	2,567	2,567	
PCI-SCEMM	TTGroup France	France	Sales of merchandise	1,076	1,076	30,000	100.00	1,802	360	360	
Tongan GmbH	Mbi-group Beteiligung GmbH	Austrian	General investment	611,202	611,202	-	100.00	( 181,900 )	( 154,157 )	( 152,401 )	
Mbi-group Beteiligung GmbH	HPC Produktions GmbH	Austrian	Sales of mold and equipment	1,215	1,215	-	100.00	63,695	4,218	4,218	
Mbi-group Beteiligung GmbH	Anger Machining GmbH	Austrian	Sales, manufacturing and maintenance of machine tools	595,855	595,855	-	100.00	( 139,730 )	( 158,347 )	( 158,347 )	
Anger Machining GmbH	Anger Machining Inc.	USA	Sales and maintenance of machine tools	122	122	60,000	100.00	( 3,958 )	( 2,063 )	( 2,063 )	
Anger Machining GmbH	Anger Service Deutschland GmbH	Germany	Sales and maintenance of machine tools	868	868	-	100.00	1,368	474	474	
Tongtai Machine & Tool Japan Co., Ltd.	SKTD Co., Ltd.	Japan	Design and development of machine tools	23,203	23,203	780	98.73	16,894	( 3,169 )	( 3,129 )	
Quick-Tech Machinery Co., Ltd	SCTW. Co., Ltd.	Tainan City	Software related service	-	1,000	-	-	-	( 226 )	( 67 )	

## TONGTAI MACHINE &amp; TOOL CO., LTD. AND SUBSIDIARIES

## INFORMATION ON INVESTMENTS IN MAINLAND CHINA

FOR THE YEAR ENDED DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital (Note 1)	Method of Investment (Note 2)	Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019 (Note 1)	Remittance of Funds (Note 1)		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020 (Note 1)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020	Note
					Outward	Inward							
Tong-Yu Machine Tool (Shanghai) Co., Ltd.	Sales and maintenance of machine tools	\$ 68,580	Investments through a holding company registered in a third region	\$ 68,580	\$ -	\$ -	\$ 68,580	( \$ 3,319 )	100.00	( \$ 3,319 )	\$ 99,860	\$ -	
Suzhou Tongyu Machine Tool Co., Ltd.	Manufacturing of digital control machine and system	712,000	Investments through a holding company registered in a third region	712,000	-	-	712,000	9,628	100.00	9,628	1,144,761	53,223	
Shanghai Tong-Tai-Shin Trading Co., Ltd.	International trade	5,696	Investments through a holding company registered in a third region	5,696	-	-	5,696	( 141 )	100.00	( 141 )	9,716	8,972	
Hao-Tern-Shin Electronics (Shenzhen) Co., Ltd.	Sales and manufacturing of printed circuit board	71,200	Investments through a holding company registered in a third region	39,160	-	-	39,160	-	55.00	-	-	-	
Chin-Jig Precision Machine (Shanghai) Co., Ltd.	Sales and manufacturing of mold and equipment	15,664	Investments through a holding company registered in a third region	15,664	-	-	15,664	6,335	70.00	4,435	49,143	47,997	

Investee Company	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020 (Note 1)	Investment Amount Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 3)
The Company	\$ 825,436	\$ 825,436	\$ 2,929,750
Chin-Jig Technology Co., Ltd.	15,664	15,664	44,617

Note 1: The amounts were calculated based on the foreign exchange rate as of December 31, 2020.

Note 2: The basis for recognition of investment income (loss) is based on the financial statements reviewed and attested by R.O.C. parent company's CPA.

Note 3: The limit on investment in Mainland China pursuant to "Principle of investment or Technical Cooperation in Mainland China" shall not exceed 60% of their net worth.

**TABLE 8**

**TONGTAI MACHINE & TOOL CO., LTD.**  
**INFORMATION OF MAJOR SHAREHOLDERS**  
**DECEMBER 31, 2020**

Name of The Major Shareholder	Shares	
	Number of Shares Owned	Percentage of Ownership (%)
San Shin Investment Co., Ltd.	20,776,889	8.15

Note 1: Major shareholders in the Table above are shareholders owning 5% or more of the Company's common shares (only ones that have completed dematerialized registration and delivery) based on calculations performed by the Taiwan Depository & Clearing Corporation using data as of the last business date at the end of each quarter. The amount of capital in the standalone financial statements may differ from the Company's actual number of stocks that have completed dematerialized registration and delivery due to different calculation bases.

Note 2: Where the stocks are entrusted by shareholders, information is disclosed by the individual account of settlor who has segregated trust accounts opened by trustees. As for shareholders filing shareholdings of insiders with 10% or more of the Company's stocks pursuant to the securities and exchange laws and regulations, the number of stocks owned shall be ones owned by the persons plus ones entrusted where the shareholders have the power to decide how to utilize the trust property. Please access the Market Observation Post System website for information on insiders' shareholding filings.

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**STATEMENT 1****TONGTAI MACHINE & TOOL CO., LTD****STATEMENT OF CASH AND CASH EQUIVALENTS  
DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

<u>Item</u>	<u>Amount</u>
Cash on hand	<u>\$ 663</u>
Bank deposits in New Taiwan dollar	
Checking accounts	45
Demand deposits	<u>351,350</u>
	<u>351,395</u>
Foreign currency deposits (Note)	
USD10,805 thousand	307,734
CNY 8,999 thousand	39,390
EUR 2,040 thousand	71,433
JPY11,229 thousand	3,103
GBP 305 thousand	<u>11,857</u>
	<u>433,517</u>
	<u>784,912</u>
Cash equivalents	
E.SUN Bank - CNY time deposit amounted of CNY 3,000 thousand with annual interest rate 2.5% and maturity date at 2021.02.28	13,131
First Bank - CNY time deposit amounted of CNY 5,000 thousand with annual interest rate 2.7% and maturity date at 2021.03.07	<u>21,885</u>
	<u>35,016</u>
	<u>\$ 820,591</u>

Note: US\$1=NT\$28.48, CNY1=NT\$4.377, JPY1=NT\$0.2763, EUR 1=NT\$35.02 and GBP 1= NT\$38.90.

## TONGTAI MACHINE &amp; TOOL CO., LTD

STATEMENT OF NOTES RECEIVABLES  
DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)

Customer Name	Amount
Notes receivable	
Non-Related Parties	
Company A	\$ 9,600
Company B	9,104
Company C	7,147
Company D	4,287
Company E	3,392
Others (Note)	<u>24,927</u>
	58,457
Less: Unrealized interest revenue	<u>4,835</u>
	<u>\$ 53,622</u>
Related Parties	
Asia Pacific Elite Corp.	\$ 507
Others	<u>3</u>
	<u>\$ 510</u>
Long-term notes receivable	
CENG HE INDUSTRIAL CO., LTD.	\$ 2,646
SHIUN TENG ELECTRONICS CO., LTD.	<u>1,451</u>
	<u>\$ 4,097</u>

Note: The amount of individual customer included in others does not exceed 5% of the account balance.

**STATEMENT 3****TONGTAI MACHINE & TOOL CO., LTD****STATEMENT OF ACCOUNTS RECEIVABLES****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

<u>Customer Name</u>	<u>Amount</u>	<u>Note</u>
Non-Related Parties		
Company α	\$ 672,290	Sale of goods
Company β	253,074	Sale of goods
Company F	83,417	Sale of goods
Others (Note)	<u>388,520</u>	
	1,397,301	
Less: Allowance for impairment loss	<u>148,885</u>	
	<u>\$ 1,248,416</u>	
Related Parties		
Suzhou Tongyu Machine Tool Co., Ltd.	\$ 275,056	Sale of goods and maintenance services
Others (Note)	<u>37,441</u>	
	<u>\$ 312,497</u>	

Note: The amount of individual customer included in others does not exceed 5% of the account balance.

## TONGTAI MACHINE &amp; TOOL CO., LTD

STATEMENT OF OTHER RECEIVABLES  
DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)

Item	Amount
Non-Related Parties	
Receivable from disposal of land	\$ 66,144
Receivable from government grants	22,706
Tax refund receivable	11,661
Others (Note)	<u>5,203</u>
	<u>\$ 105,714</u>
Related Parties	
Receivable from financing provided to others	\$ 588,800
Others (Note)	<u>28,794</u>
	<u>\$ 617,594</u>

Note: The amount of individual customer included in others does not exceed 5% of the account balance.



## TONGTAI MACHINE &amp; TOOL CO., LTD

STATEMENT OF INVENTORIES  
 DECEMBER 31, 2020  
 (In Thousands of New Taiwan Dollars)

Item	Amount	
	Carrying Value (Note 1)	Net Realizable Value (Note 2)
Raw materials	\$ 879,982	\$ 918,017
Supplies	144,422	146,192
Work-in-progress	686,550	843,316
Finished goods	<u>751,753</u>	<u>959,958</u>
	<u>\$ 2,462,707</u>	<u>\$ 2,867,483</u>

Note 1: Net carrying value with a deduction of allowance for loss on inventory value decline of inventories amounted of NT\$698,702 thousand.

Note 2: Refer to Note 4 for information of net realizable value.

## TONGTAI MACHINE &amp; TOOL CO., LTD

STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NONCURRENT  
 FOR THE YEAR ENDED DECEMBER 31, 2020  
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Name of Marketable Securities	Balance, January 1, 2020		Additions		Decrease		Balance, December 31, 2020		Collateral	Note
	Shares	Fair Value	Shares	Fair Value	Shares	Fair Value	Shares	Fair Value (Note 1)		
Domestic listed shares										
Control Technology Co., Ltd.	6,849,178	\$ 121,572	-	\$ -	-	(\$18,150)	6,849,178	\$ 103,422	None	
World Known MFG (Cayman) Limited	-	-	280,000	10,416 (Note 2)	-	-	280,000	10,416	None	
Domestic unlisted shares										
Hao Shiang Co., Ltd.	3,995,000	18,502	-	-	( 3,995,000 )	( 18,502 ) (Note 3)	-	-	None	
Shiang Jen Co., Ltd	1,520,000	16,977	-	-	-	( 974 )	1,520,000	16,003	None	
USYNC INC.	295,371	10,239	-	143	-	-	295,371	10,382	None	
World Known MFG (Cayman) Limited	280,000	7,170	-	-	( 280,000 )	( 7,170 ) (Note 2)	-	-	None	
WORLD KNOWN MFG. CO., LTD.	229,729	5,804	-	176	-	-	229,729	5,980	None	
		<u>\$180,264</u>		<u>\$10,735</u>		<u>(\$44,796)</u>		<u>\$ 146,203</u>		

Note 1: Fair values are measured on the basis of the closing price on the balance sheet date or measured using the valuation techniques in Note 30.

Note 2: Including the reclassification due to IPO of NT\$ 7,170 thousand and the increase of fair value NT\$ 3,246 thousand.

Note 3: Due to the disposal.

## TONGTAI MACHINE &amp; TOOL CO., LTD

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Balance, January 1, 2020		Additions		Decrease		Share of profit of subsidiaries and associates	Changes in percentage of ownership subsidiaries	Exchange differences on translating foreign operations	Remeasurement of defined benefit plan	Balance, December 31, 2020		Net Assets Value					
	Shares	Amount	Shares	Amount	Shares	Amount					Shares	% of Ownership	Amount	Unit Price	Total Amount	Collateral		
	Investments in subsidiaries																	
Tongfong Auto Tech Co., Ltd.	1,499,000	\$ 58,376	-	\$ -	-	(\$ 26,982)	Note 1	\$ 14,942	\$ -	\$ -	\$ -	1,499,000	99	\$ 46,336	\$ 30.91	\$ 46,336	None	
Asia Pacific Elite Corp.	14,515,414	96,599	-	-	-	-		15,402	-	-	-	14,515,414	99	112,001	6.86	99,636	None	
Quick-Tech Machinery Co., Ltd.	6,238,800	85,469	-	-	-	-		( 76,690)	-	7	-	6,238,800	52	8,786	0.23	1,411	None	
Honor Seiki Co., Ltd.	18,253,424	519,868	-	-	-	( 16,569)	Note 2	23,899	3,838	-	( 708)	18,253,424	54	530,328	35.23	643,122	None	
Tong-Yeh Precision Co., Ltd.	1,052,898	27,525	-	-	-	-		2,698	-	-	( 372)	1,052,898	60	29,851	28.35	29,851	None	
Chin-Jig Technology Co., Ltd.	2,799,000	59,355	-	-	-	( 6,997)	Note 1	( 1,156)	-	832	-	2,799,000	70	52,034	18.59	52,034	None	
Tongtai Machine & Tool Japan Co., Ltd.	889	25,107	-	-	-	-		( 2,238)	-	32	-	889	100	22,901	25,760.40	22,901	None	
Tong Tai Machinery Co., Ltd.	999,998	32,423	-	-	-	-		( 4,278)	-	( 1,767)	-	999,998	100	26,378	26.38	26,378	None	
Tongtai Seiki Vietnam Co., Ltd.	631,080	19,293	-	-	-	-		( 1,859)	-	( 925)	-	631,080	100	16,509	26.16	16,509	None	
Tongtai Machine Tool (SEA) Sdn. Bhd.	520,000	8,113	-	-	-	-		1,417	-	( 269)	-	520,000	52	9,261	17.81	9,261	None	
Tongtai Machine Tool (MFG) Sdn. Bhd.	8,500,000	40,603	-	-	-	-		( 973)	-	( 1,414)	-	8,500,000	100	38,216	4.50	38,216	None	
Tong-Tai Seiki USA, Inc.	100	13,709	-	-	-	-		( 8,221)	-	( 389)	-	100	100	5,099	50,990	5,099	None	
Tongtai Mexico, S.A. DE C. V.	65,999	8,513	-	-	-	-		( 559)	-	( 828)	-	65,999	100	7,126	107.97	7,126	None	
Process Conception Ingenierie-Societe de Construction D' equipments, De Mecanisations Et De Machines	1,000,000	384,694	-	-	-	-		13,192	-	16,890	-	1,000,000	100	414,776	414.78	414,776	None	
Tongtai Europe B.V.	9,000	( 8,965)	-	-	-	( 100)	Note 3	( 20,679)	-	( 900)	-	9,000	100	( 30,644)	(2,649.33)	( 23,844)	None	
Union Top Industrial (Samoa) Limited	16,465,400	959,441	-	-	-	( 1,077)	Note 3	10,497	-	20,667	-	16,465,400	100	989,528	61.02	1,004,724	None	
Tongan GmbH	35,000	( 36,873)	-	-	-	-		( 152,801)	-	( 7,161)	-	35,000	100	( 196,835)	(5,623.86)	( 196,835)	None	
		2,293,250				( 51,725)		( 187,407)	3,838	24,768	( 1,073)			2,081,651		2,196,701		
Accumulated impairment																		
Asia Pacific Elite Corp.		( 17,286)												( 17,286)				
Quick-Tech Machinery Co., Ltd.						( 11,989)								( 11,989)				
Add: Credit balance for investments accounted for using the equity method		45,838		181,641										227,479				
		2,321,802		181,641		( 63,714)		( 187,407)	3,838	24,768	( 1,073)			2,279,855		2,196,701		
Investments in associates																		
Cyber Laser Taiwan Co., Ltd.	2,000,000	9,397						( 1,556)				2,000,000	33	7,841	5.45	7,841		
Printin3d DigiTech Co., Ltd.	1,000,000	9,100						( 1,329)				1,000,000	40	7,771	9.43	7,771		
		18,497						( 2,885)						15,612		15,612		
Accumulated impairment- Cyber Laser Taiwan Co., Ltd.						( 7,841)								( 7,841)				
		18,497				( 7,841)		( 2,885)						7,771		15,612		
		\$ 2,340,299		\$ 181,641		(\$ 71,555)		(\$ 190,292)	\$ 3,838	\$ 24,768	(\$ 1,073)			\$ 2,287,626		\$ 2,212,313		

Note 1: Dividends received.

Note 2: Dividend received and the elimination of unrealized profit or loss from downstream transactions.

Note 3: The elimination of unrealized profit or loss from downstream transactions.

## TONGTAI MACHINE &amp; TOOL CO., LTD

## STATEMENT OF OTHER FINANCIAL ASSETS

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Bank Name	Interest Rates (%)	Period	Amount	Note
Noncurrent				
HSBC - Demand deposits	-	-	\$ 45,088	Note 1
Bank of Taiwan - Time deposit	0.755	2020.07.01 ~ 2021.07.01	4,000	Note 2
Bank of Taiwan - Time deposit	0.755	2020.07.02 ~ 2021.07.02	<u>4,068</u>	Note 2
			<u>\$ 53,156</u>	

Note 1: Deposit due to bank guarantee for oversea subsidiary, Anger.

Note 2: Deposit due to lease of land.

## TONGTAI MACHINE &amp; TOOL CO., LTD

## STATEMENT OF SHORT-TERM BORROWINGS

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Type	Contract Period	Range of Interest Rates (%)	Balance, End of Year	Loan Commitments	Collateral	Note
Unsecured loans						
First Commercial Bank	2020.10.08~2021.01.29	0.95	\$ 200,000	\$ 500,000	None	-
Shanghai Commercial & Savings Bank	2020.09.14~2021.01.12	0.77	128,160	200,000	None	-
Taipei Fubon Bank	2020.11.20~2021.05.19	1	71,200	100,000	None	-
Taishin International Bank	2020.12.23~2021.01.22	0.98	200,000	250,000	None	-
Bank of Taiwan	2020.12.21~2021.03.19	0.85	200,000	300,000	None	-
E. Sun Bank	2020.12.23~2021.03.22	0.9	100,000	100,000	None	-
Mega Bank	2020.10.26~2021.04.28	0.9	130,000	192,400	None	Loan Commitment: NT\$50,000 thousand and US\$5,000 thousand
Chang Hwa Bank	2020.12.29~2021.01.05	1.1	50,000	450,000	None	-
DBS Bank	2020.02.26~2021.05.07	0.63~1.15	170,880	284,800	None	Loan Commitment: US\$10,000 thousand
HSBC Bank	2020.10.14~2021.04.12	0.95	56,000	199,360	None	Loan Commitment: US\$7,000 thousand
			<u>\$ 1,306,240</u>			

**TONGTAI MACHINE & TOOL CO., LTD****STATEMENT OF CONTRACT LIABILITIES - CURRENT  
DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)**

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<b>Customer Name</b>	<b>Amount</b>
Company G	\$ 67,939
Company H	49,425
Company I	33,378
Company B	30,720
Company J	27,438
Others (Note)	<u>306,162</u>
	<u>\$ 515,062</u>

Note: The amount of individual customer included in others does not exceed 5% of the account balance.

## TONGTAI MACHINE &amp; TOOL CO., LTD

STATEMENT OF ACCOUNTS PAYABLE  
DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Non-related Parties	
ING CHYUAN INDUSTRIAL CO., LTD.	\$ 33,565
Others (Note)	<u>621,397</u>
	<u>\$ 654,962</u>
Related Parties	
Tongfong Auto Tech Co., Ltd.	\$ 42,429
Shiang Jen Co., Ltd.	37,996
San Shin Co., Ltd.	26,502
Tong-Yeh Precision Co., Ltd.	15,316
Others (Note)	<u>8,586</u>
	<u>\$ 130,829</u>

Note: The amount of individual customer included in others does not exceed 5% of the account balance.

## TONGTAI MACHINE &amp; TOOL CO., LTD

## STATEMENT OF LONG-TERM BORROWINGS

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Bank Name	Contract Period and Repayment Method	Interest Rates (%)	Balance, December 31, 2020			Collateral	Note
			Current	Over 1 Year	Total		
Unsecured Loans							
Export-Import Bank of the Republic of China	Repayable in June and August 2021	0.52	\$ 350,000	\$ -	\$ 350,000	None	
Export-Import Bank of the Republic of China	Repayable semiannually through March 2019 to September 2022	0.93	55,000	55,000	110,000	None	
Export-Import Bank of the Republic of China	Repayable semiannually through January 2018 to July 2021	0.91	35,000	-	35,000	None	
Export-Import Bank of the Republic of China	Repayable semiannually through March 2021 to September 2024	1.02	60,000	180,000	240,000	None	
Yuanta Commercial Bank	Repayable in June 2021	1	<u>200,000</u>	<u>-</u>	<u>200,000</u>	None	
			<u>700,000</u>	<u>235,000</u>	<u>935,000</u>		
Mortgage loans							
Bank of Taiwan	Repayable in June 2021	1.38	700,000	-	700,000	Note	
O-Bank	Repayable semiannually through April 2020 to October 2023	1.26	148,500	-	148,500	Note	
Chang Hwa Bank	Repayable quarterly through July 2022 to July 2025	1.05	-	400,000	400,000	Note	
			<u>848,500</u>	<u>400,000</u>	<u>1,248,500</u>		
			<u>\$ 1,548,500</u>	<u>\$ 635,000</u>	<u>\$ 2,183,500</u>		

Note: Refer to Note 32 for further information.



## TONGTAI MACHINE &amp; TOOL CO., LTD

## STATEMENT OF LEASE LIABILITIES

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Object	Period	Discount Rates (%)	Amount
Land	Note	2007.06~ 2039.06	2.16~2.48	\$490,641
Buildings	Lease of labs and dorms	2017.10~ 2021.09	1.42	127
Transportation Equipment	Lease of company cars	2017.08~ 2022.11	1.05~1.42	<u>2,811</u>
				493,579
Less: Current portion				<u>14,012</u>
Lease liabilities-noncurrent				<u>\$479,567</u>

Note: Refer to Note 14 for lease content.

## TONGTAI MACHINE &amp; TOOL CO., LTD

STATEMENT OF OPERATING REVENUES  
 FOR THE YEAR ENDED DECEMBER 31, 2020  
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Quantities (Number)	Amount
Total Operating Revenues		
Revenue from sale of goods		
Machining Center	393	\$ 1,248,794
PCB Processing Machine	415	1,172,907
CNC Lathe	174	504,262
Others (Note)	20	<u>114,885</u>
		3,040,848
Revenue from maintenance service		<u>444,873</u>
		<u>3,485,721</u>
Sales return and allowance		
Sales return		( 7,543 )
Sales allowance		( <u>6,435</u> )
		( <u>13,978</u> )
Maintenance return and allowance		
		( <u>1,490</u> )
		<u>\$ 3,470,253</u>

Note: The amount of each item included in others does not exceed 10% of the account balance.

## TONGTAI MACHINE &amp; TOOL CO., LTD

STATEMENT OF OPERATING COSTS  
 FOR THE YEAR ENDED DECEMBER 31, 2020  
 (In Thousands of New Taiwan Dollars)

Item	Amount
Raw materials, beginning of year	\$ 940,413
Raw material purchased	1,679,542
Raw materials, end of year	( 879,982 )
Transfer in from work-in-progress	101,424
Sale of raw materials	( 100,575 )
Others	<u>3,997</u>
Raw materials used	<u>1,744,819</u>
Supplies, beginning of year	156,758
Supplies purchased	296,346
Supplies, end of year	( 144,422 )
Transfer in from work-in-progress	274,958
Sale of supplies	( 14,316 )
Others	( <u>781</u> )
Supplies used	<u>568,543</u>
Direct labor	<u>250,688</u>
Manufacturing expenses	<u>353,485</u>
Manufacturing cost	2,917,535
Work in progress, beginning of year	1,148,420
Work in progress, end of year	( 686,550 )
Transfer in from finished goods	27,874
Transfer out to raw materials	( 101,424 )
Transfer out to supplies	( 274,958 )
Transfer out to expense	( <u>200,905</u> )
Total manufacturing cost	2,829,992
Finished goods, beginning of year	661,392
Finished goods purchased	26,225
Finished goods, end of year	( 751,753 )
Transfer out to work-in-progress	( <u>27,874</u> )
Total production cost	2,737,982
Sale of raw materials and supplies	<u>114,891</u>
Cost of goods sold	2,852,873
Warranties cost	61,964
Maintenance and repair cost	291,487
Others	( <u>6,058</u> )
Operating costs	<u>\$ 3,200,266</u>

Note: The inventories were stated as net carrying value with a deduction of allowance for loss on inventory value decline of inventories

## TONGTAI MACHINE &amp; TOOL CO., LTD

STATEMENT OF OPERATING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)

Item	Selling Expenses	General and Administrative Expenses	Research and Development Expenses	Expected credit loss	Total
Payroll expense (including pension and remuneration of director)	\$ 58,596	\$ 40,577	\$ -	\$ -	\$ 99,173
After sales service expense	66,423	-	-	-	66,423
Commission expense	17,398	-	-	-	17,398
Import/export expense	26,529	-	-	-	26,529
Sundry purchases expense	25,978	3,170	-	-	29,148
Entertainment expense	21,501	721	-	-	22,222
Depreciation	12,632	49,417	-	-	62,049
Repairs and maintenance expense	231	10,233	-	-	10,464
Impairment loss for bad debt	-	-	-	18,012	18,012
Others	87,761	82,998	133,314	-	304,073
	<u>\$ 317,049</u>	<u>\$ 187,116</u>	<u>\$ 133,314</u>	<u>\$ 18,012</u>	<u>\$ 655,491</u>

## TONGTAI MACHINE &amp; TOOL CO., LTD

STATEMENT OF EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31, 2020				For the Year Ended December 31, 2019			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Others	Total	Classified as Operating Costs	Classified as Operating Expenses	Classified as Others	Total
Employee benefits								
Salaries	\$ 326,355	\$ 92,086	\$ -	\$ 418,441	\$ 370,944	\$ 114,721	\$ -	\$ 485,665
Labor and health insurance	38,022	10,725	-	48,747	43,354	12,482	-	55,836
Post-employment benefits	19,689	5,512	-	25,201	22,954	6,591	-	29,545
Remuneration of directors	-	1,575	-	1,575	-	2,504	-	2,504
Others	17,382	10,586	-	27,968	19,205	14,833	-	34,038
	<u>\$401,448</u>	<u>\$120,484</u>	<u>\$ -</u>	<u>\$521,932</u>	<u>\$456,457</u>	<u>\$151,131</u>	<u>\$ -</u>	<u>\$607,588</u>
Depreciation	\$ 75,761	\$ 62,049	\$ 11,044	\$ 148,854	\$ 81,617	\$ 64,604	\$ 8,263	\$ 154,484
Amortization	23,311	9,426	-	32,737	26,101	10,540	-	36,641

Note 1: As of December 31, 2020 and 2019, the Company had 771 and 847 employees, respectively. Among them 10 directors did not serve concurrently as employees.

Note 2: Average employee benefits for the years ended December 31, 2020 and 2019 were NT\$684 thousand and NT\$ 723 thousand, respectively.

Note 3: Average salaries for the years ended December 31, 2020 and 2019 were NT\$550 thousand and NT\$580 thousand, respectively.

Note 4: Changes of adjustments of average salaries was (5%).

Note 5: The Company has established an Audit Committee to replace supervisors.

Note 6: The Company's remuneration policies are as follows:

The remuneration of independent directors of the Company is set at NT\$420 thousand per person per year and the Compensation Committee may adjust it at its discretion according to the value of its participation in and contribution to the Company's operations.

The Articles of Incorporation of the Corporation stipulated the Company to distribute remuneration of directors at the rates no higher than 5% of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. After the board of directors resolved the amount of directors' remuneration, the Compensation Committee will then make a distribution proposal based on the individual director's participation in the Company's operations and contribution value.

The salary of the Company's managers is determined and regularly evaluated by the Compensation Committee based on Taiwan's human resources market, industry categories of the same nature, and the value of the managers' participation in and contribution to the Company's operations. The remuneration of managers is based on the provisions of the Company's Articles of Incorporation. If there is profit in any given fiscal year, it shall allocate at the rates no less than 1% of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. After the board of directors resolved the amount of employee compensation, the Compensation Committee

will then formulate a distribution proposal based on the manager's personal and departmental performance achievement rate and the degree of important contribution to the Company, and the distribution will be distributed after the board of directors resolutions.

The Articles of Incorporation of the Corporation stipulated the Company to distribute employees' compensation at the rates no less than 1% of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. After the board of directors resolved the amount of employee compensation, bonuses will be issued based on the results of the employees' annual performance appraisal.

**Tongtai Machine & Tool Co., Ltd.**

**Chairman: Jui-Hsiung Yen**