

Stock code : 8021



尖點科技股份有限公司

TOPOINT TECHNOLOGY CO., LTD

# 2020 Annual Report

Taiwan Stock Exchange Market Observation Post System :

<https://emops.twse.com.tw/server-java/t58query>

<http://www.topoint.tw/en/>

Published on April 30, 2021

## 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.*

Topoint Technology Co., Ltd.

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**Deputy Spokesperson**

Name: Irene Tsai

Title: Manager

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**2. Addresses and telephone number of Headquarter and Factory**

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**3. Stock transfer agent**

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**4. Auditors**

Deloitte & Touche

Auditors: Chien-Hsin, Hsieh and Chao-Mei, Chen

Address: 20F., No. 100, Songren Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)

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**5. Name of the institute for oversea negotiable security trade: None.**

**6. Company website: <http://www.topoint.tw>**

## Table of contents

|  | page  |
|--|-------|
| I. Letter to Shareholders.....   | 1~3   |
| II. Introduction of Corporation.....   | 4~5   |
| 1. Establishment Date.....   | 4     |
| 2. Development history.....  | 4     |
| III. Corporate Governance Report.....  | 6~37  |
| 1. Organization System.....  | 6     |
| 2. Directors, Supervisors, General Manager, Vice president, Assistant V.P., and department heads.....  | 8     |
| 3. Business management.....  | 17    |
| 4. CPA's Fees.....   | 33    |
| 5. CPA's information.....  | 34    |
| 6. The Chairman, General Manager, and financial or accounting manager of the company who had worked for the independent auditor or the related party in the most recent years..... | 34    |
| 7. Information on Net Change in Shareholding and Net Chang in Shares Pledged by Directors, Supervisors, Department Heads, and Shareholders 10% shareholding or more...             | 35    |
| 8. The relation of the top ten shareholders as defined by Finance Standard Article 6.....  | 36    |
| 9. Investment form Directors, Supervisors, Managers and directly or indirectly controlled businesses.....  | 37    |
| IV. Stock subscription.....  | 38~44 |
| 1. Capital and shares.....   | 38    |
| 2. Corporate bonds.....  | 44    |
| 3. Preferred stock.....  | 44    |
| 4. ADR/GDR.....  | 44    |
| 5. Employees stock option certificates.....  | 44    |
| 6. New restricted employee shares.....   | 44    |
| 7. Merger and acquisition (including merger, acquisition, and split).....  | 44    |
| 8. Fund implementation plan.....   | 44    |
| V. Overview of business operation.....   | 45~55 |
| 1. Principal activities.....   | 45    |
| 2. Market analysis and the condition of sale and production.....   | 48    |
| 3. Status of employees.....  | 52    |
| 4. Expenditure on Environmental Protection.....  | 53    |
| 5. Employee / Employer relation.....   | 53    |
| 6. Important agreements.....   | 55    |
| VI. Financial information.....   | 56~63 |
| 1. Condensed Balance Sheet and Income Statement of the last five years.....  | 56    |
| 2. Financial Analysis in the past five years.....  | 60    |

|  | page   |
|--|--------|
| 3. Supervisor's report in the most recent years.....   | 62     |
| 4 Consolidated financial statements in the most recent years.....  | 62     |
| 5. Financial statements in the most recent years.....  | 62     |
| 6. Impact of financial difficulties of the Company and related party on the Company's financial position.....  | 62     |
| VII. Review of financial position, management performance and risk management.....   | 64~68  |
| 1. Financial position.....   | 64     |
| 2. Management performance.....   | 65     |
| 3. Analysis of cash flow.....  | 65     |
| 4. Impact of major capital expenditure on finance and business.....  | 66     |
| 5. Policies, reasons for gain or loss and action plan in regard to investment plans in current year and the next year.....   | 66     |
| 6. Risk management.....  | 66     |
| 7. Other important matters.....  | 68     |
| VIII. Special disclosures.....   | 69~72  |
| 1. Information of Affiliated Firms.....  | 69     |
| 2. Subscription of marketable securities privately in the most recent years.....   | 72     |
| 3. The stock shares of the company held or disposed by the subsidiaries in the most recent years.....  | 72     |
| 4. Supplementary disclosures.....  | 72     |
| 5. Occurrence of events defined in Securities Transaction Law Article 36.3.2 that has great impact on shareholder's equity or security price in the most years and up to the date of the report printed..... | 72     |
| APPENDIX   |        |
| Appendix I: Independent Auditors' Report and 2020 Consolidated Financial Statements.....   | 73~157 |

## I. Letter to Shareholders

Dear shareholders,

In the year of 2020, the global COVID-19 pandemic, the ongoing global trade war, and the increasing labor and rising raw material cost brought uncertainties to global economic growth. In such highly dynamic environment, we continued taking action to diminish the unprofitable investment and dedicating resources to support our core business. With the persistent effort of the entire staff in 2020, our operation strategy adjustment brought prominent outcome. The net profit increased 48% compared to the previous year. Here we would like to present summary results on our business operations for the past year as well as the future outlook.

With regard to Topoint's operating performance for 2020, the consolidated revenue was NT\$2,973 million. Net income after tax was NT\$282 million. Basic after-tax earnings per share (EPS) was NT\$1.98. Looking forward to 2021, we set precise performance index, and expect to bring in revenue and profit above average performance of the industry. 2020 operating results and 2021 business plans are outlined in the following sections.

### I. Operation Results in 2020

#### 1. Consolidated Financial Result

Unit: NT\$ 1,000

|                  | 2020      |      | 2019      |      | Amount<br>Increase<br>(decrease) | Percentage<br>Increase<br>(decrease) |
|------------------|-----------|------|-----------|------|----------------------------------|--------------------------------------|
|                  | Amount    | %    | Amount    | %    |                                  |                                      |
| Net Sales        | 2,973,426 | 100% | 3,006,253 | 100% | (32,827)                         | (1.1%)                               |
| Gross Profit     | 970,153   | 33%  | 859,195   | 28%  | 110,958                          | 12.9%                                |
| Operating Income | 468,306   | 16%  | 307,102   | 10%  | 161,204                          | 52.5%                                |
| Pretax Income    | 466,449   | 16%  | 330,961   | 11%  | 135,488                          | 40.9%                                |
| Net Income       | 281,985   | 9%   | 190,275   | 6%   | 91,710                           | 48.2%                                |

#### 2. Budget Implementation

As dictated in current statutory laws and regulations, we did not release 2020 financial forecast to the public. However, our overall operating results are generally in line with the internal operation plan.

#### 3. Profitability Analysis

| Item                                       | 2020   | 2019   |
|--|--------|--------|
| Debt to Asset Ratio (%)                    | 24.77  | 24.52  |
| Long-term Capital to Fixed Asset Ratio (%) | 351.07 | 281.18 |
| Current Ratio (%)                          | 455.53 | 452.97 |
| Accounts Receivable Turnover (x)           | 2.65   | 2.37   |
| Inventory Turnover (x)                     | 4.37   | 4.49   |
| Return on Assets (%)                       | 5.06   | 3.49   |
| Return on Shareholders' Equity (%)         | 6.54   | 4.44   |
| Basic after-tax EPS (NT\$)                 | 1.98   | 1.34   |

#### 4. Research and Development Status

Topoint continues to push forward on enhancing product performance and lower product cost. Major projects completed or sustained development include:

- (1) Mass production of brand-new coating product series.
- (2) Development and mass production of drills specially designed for ABF substrate.
- (3) With persisting commitment to product development pertain to customer requirement and industrial technology advances, R&D expense reached 3.8% of total revenue, amounted to NT\$112 million in 2020.
- (4) Continue to develop patent technology and obtained 8 new patents in 2020. Number of patents recognition reached 132 by the end of 2020.

#### 5. Execution Results of Other Projects

- (1) Core business strategy focus: Since 2019, we set strategy to focus on business corresponded to core competencies, in order to diminish the unprofitable investment impact. This strategy has been fully implemented by end of 2020, and reallocated resources to support core business, further enhanced our industry competitive advantage.
- (2) Capacity expansion plan: To meet the market development demand, we continued to work on production capacity increase through process debottlenecking project. Hence, drills production capacity has increased to 23 million from 21 million pcs per month. Coating production lines set up in Taiwan simultaneously improved production capacity and product performance; whereas establishment of new drilling service center in Taiwan aimed to provide professional solutions to customers.
- (3) Corporate Governance and Social Responsibility: We actively promoted corporate social responsibility in accordance with ESG, aspects in environmental, social and governance. The company established goals and operation strategies in becoming a sustainable enterprise. Topoint was honored by two CSR awards, namely, Top 12 in Little Giant Category of “2020 Excellence in Corporate Social Responsibility”(CommonWealth Magazine), and “2020 Taiwan Corporate Sustainability Report-Platinum Award” (TSCA). In addition, being rated top 6-20% in the Sixth “Corporate Governance Evaluation” of TWSE listed companies, notably recognized Topoint’s effort toward corporate governance and social responsibility commitment.

## II. Overview of Operation Plan in 2021

### 1. Managing Principle and Important Policies

- (1) Proceed to contribute in innovative research, enhance R&D competence, and accomplish customer satisfaction.
- (2) Stringently manage various costs to ensure competitive advantage
- (3) Expand scale of production to suffice the need from market development and growth.
- (4) Continue to promote ESG related projects and ensure corporate accountability for social responsibility.

### 2. Perspectives

According to the research from TPCA(2021/02), 2021 global PCB production value forecast was US\$72.4 billion and increased 3.9% compared to 2020. Development of 5G related product, artificial intelligence (AI), Internet of Things (IoT), automotive applications, shall boost demand on high-frequency and high-speed PCB products, expecting to bring stronger growth momentum to drive the development of electronics industry. We shall prudently react to economic changes and technology trend to maintain stable operations and explore every opportunity for company growth.

Finally, we appreciated your continuing support to the Company. In the coming year, the entire management team and staff at Topoint will strive to achieve higher business performance and target being a sustainable business corporation for the benefit of all shareholders.

Sincerely yours,

Chairman **David Lin**

President **Karen Lin**

## II. Introduction of Corporation

### 1. Establishment date :

Established on: April 12, 1996

### 2. Development history :

- 1) 1996: Topoint Technology Co., Ltd. was established to engage in production and sales of precision drills with NT\$15 million in capital.
- 2) 1997 : In order to meet the market demand, it increased its capital by NT\$17.5 million to purchase new machinery equipment. By then, the total paid-in capital was NT\$32.5 million.
- 3) 1998 : It increased its capital by NT\$66.7 million to enlarge its business scale and purchase new machinery equipment. By then, the total paid-in capital was NT\$99.2 million. The factory was relocated to Beinei Street of Shulin where the factory buildings were enlarged so as to meet future expanding operation
- 4) 1999: It garnered RWTUV ISO9002, a quality assurance accreditation, in April, and had a cash capital increase of NT\$20.8 million on Sep. 20 for the purchase of leading-edge equipment to enhance production capacity. By then, the capital increase by earnings recapitalization was NT\$18.25 million, whereas the paid-in capitalization was NT\$138.25 million.
- 5) 2000: As approved by the competent authorities in May for public offer, it increased NT\$120 million of capital in cash in June to purchase production equipment and advanced inspection instruments to elevate production capacity and assure product quality. By then, the capital increase by earnings recapitalization was NT\$10.56 million, capital increase by capital surplus as stock dividends was NT\$4.19 million and the paid-in capitalization was NT\$273 million.
- 6) 2001: It increased NT\$54.91 million of capital by earnings recapitalization and NT\$12.09 million of capital by capital surplus as stock dividends in August. In December of the same year, it increased NT\$ 50 million of capital in cash to purchase production equipment, repay bank loans and supplement the working capital. By then, the paid-in capitalization was NT\$390 million.
- 7) 2003: It registered for the listing of the emerging stock on January 2, and increased NT20 million of capital in cash in December to purchase equipment and expand production capacity. By then, the paid-in capitalization was NT\$410 million.
- 8) 2004: It increased NT\$16.93 million of capital by earnings recapitalization in June to supplement the working capital. In December, it increased NT\$57 million of capital in cash to repay bank loans. As a total the paid-in capitalization was NT\$483.93 million. In December, its stock went public on the OTC market. New Shulin plant in Taiwan started operation and migrated headquarter to the new plate. Setup Topoint South China office in Shenzhen.
- 9) 2005: It relocated its factory to the present address having larger space so as to meet the demand for future expanding operation, and increased NT\$68,651,250 of capital by earnings recapitalization in July. As a total, the paid-in capitalization was NT\$552,581,250.
- 10) 2006: It issued NT\$40 million of its first local unsecured convertible corporate bonds in February to purchase equipment and repay bank loans, increased NT\$100 million of capital in cash in March to purchase equipment and expand production capacity, issued 5,520 units of employee stock options in April, and increased NT\$101,706,700 of capital by earnings recapitalization in July. As a total, the paid-in capitalization was NT\$773,881,710.
- 11) 2007: It increased NT\$112,269,820 of capital by earnings recapitalization in July to supplement the working capital. As a total, the paid-in capitalization was NT\$954,691,270. Expanded Shulin and Shanghai plants to 13 million units of overall capacity. Topoint was granted qualified from Taiwan Corporate Governance Association. Established Japanese subsidiary Topoint Japan. Setup Topoint North China office.
- 12) 2008: It increased NT\$115,873,410 of capital by earnings recapitalization and change shares of

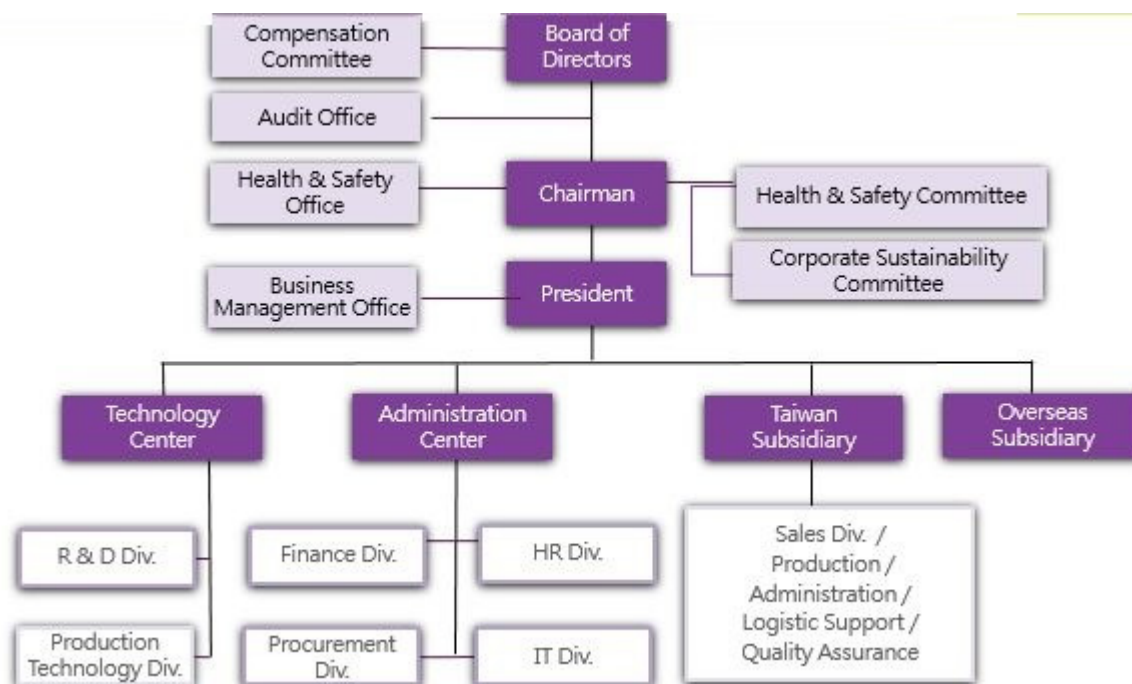


- employee stock option. As a total, the paid-in capitalization was NT\$1,070,564,680. Transferred stock listing from OTC exchange to TWSE exchange. Expanded Shulin and Shanghai plants to 17 million units of overall capacity. New Shanghai plant started operation.
- 13) 2009: It increased NT\$100 million of capital in cash in August to repay bank loans, and issued NT\$200 million of its first private of unsecured convertible bonds in September to repay bank loans, increased NT\$96,153,230 of capital by earnings recapitalization and change shares of employee stock option. As a total, the paid-in capitalization was NT\$1,266,717,910. Established Unipoint Technology Company.
  - 14) 2010: It increased NT\$23,696,680 of unsecured convertible bonds in November, and increased NT\$48,801,550 of capital by earnings recapitalization and change shares of employee stock option. As a total, the paid-in capitalization was NT\$1,339,216,140. Established Unipoint Technology (Shenzhen) Company and Sharpoint (Qinhuangdao) Company.
  - 15) 2011: It increased NT\$142,180,070 of unsecured convertible bonds, increased NT\$37,198,860 of capital by earnings recapitalization and increased NT\$7,090,000 of employee stock option. As a total, the paid-in capitalization was NT\$1,525,685,070. Established Sharpoint Technology (Shenzhen) Company and Sharpoint Technology (Suzhou) Company.
  - 16) 2012: It increased NT\$40,892,590 of capital by earnings recapitalization. As a total, the paid-in capitalization was NT\$1,566,577,660. Established Kunshan Topoint Electronics Company.
  - 17) 2013: It increased NT\$12,327,800 of capital by earnings recapitalization. As a total, the paid-in capitalization was NT\$1,578,905,460.
  - 18) 2014: It increased NT\$9,100,000 of capital by change shares of employee stock option. As a total, the paid-in capitalization was NT\$1,588,005,460. Established Sharpoint Electronics (Huaian) Company and Chengdu Raypoint Precision Tools Co., Ltd and Kunshan Raypoint Precision Tools Co., Ltd.
  - 19) 2015: It increased NT\$4,035,000 of capital by change shares of employee stock option. As a total, the paid-in capitalization was NT\$1,592,040,460. Established Winpoint Electronics (Huaian) Company. Shanghai Topoint granted 2015 TPM Excellence Award, by JIPM.
  - 20) 2016: It increased NT\$2,742,500 of capital by change shares of employee stock option. As a total, the paid-in capitalization was NT\$1,594,782,960. Established Shanghai Ringpoint Nano Material Co. Ltd. Invested Shanghai Hejin Roller Technology Co. Ltd.
  - 21) 2018: NT\$159,478,290 of capital reduction. As a total, the paid-in capitalization was NT\$1,435,304,670. Established E-point Precision Tools Co., Ltd. & Established Sharpoint Electric (Suzhou) Co., Ltd.
  - 22) 2019: NT\$13,500,000 of cancellation of treasury shares. As a total, the paid-in capitalization was NT\$1,421,804,670.
  - 23) 2020: Topoint was honored by two CSR awards, namely, Top 12 in Little Giant Category of “2020 Excellence in Corporate Social Responsibility” (CommonWealth Magazine), and “2020 Taiwan Corporate Sustainability Report-Platinum Award” (TSCA). In addition, being rated top 6-20% in the Sixth “Corporate Governance Evaluation” of TWSE listed companies.

### III. Corporate Governance Report

#### 1. Organization System

##### (1) Organization Chart



##### (2) Major Corporate Functions

| Title                    | Name         | Authority   |
|--------------------------|--------------|---|
| Chairman                 | David Lin    | <ul style="list-style-type: none"> <li>Formulate company management directives.</li> <li>Leading corporate strategies and objectives.</li> </ul>  |
| President                | Karen Lin    | <ul style="list-style-type: none"> <li>Oversee corporate operation goals, budget plan and control.</li> <li>Execute corporate strategies and objectives.</li> <li>Conduct system regulations and project management on finance, human resource, procurement, IT functions.</li> </ul>   |
| Executive Vice President | Stanley Weng | <ul style="list-style-type: none"> <li>Approve annual business budget plan in China region and supervise implementation results.</li> <li>Establish key business plan, product marketing and customer relationship management.</li> <li>Conduct high efficiency team in China region, to achieve operational performance goals and abide by the law.</li> </ul> |
| Vice President           | Slash Chen   | <ul style="list-style-type: none"> <li>Supervise product research &amp; development activities.</li> <li>Establish medium-term &amp; long-term product development strategies.</li> <li>Conduct optimization and advancement of production technology.</li> </ul>   |
| Senior Director          | Charles Yen  | <ul style="list-style-type: none"> <li>Oversee operation results of Drilling Service subsidiaries, in China region.</li> <li>Manage customer relations and service solutions.</li> </ul>  |
| Financial Manager        | Julianna Ko  | <ul style="list-style-type: none"> <li>Corporate budget plan, control and management.</li> <li>Corporate financial planning and investment management.</li> <li>Tax and accounting system planning and execution.</li> </ul>  |

| Department                           | Major functions   |
|--------------------------------------|---|
| Compensation Committee               | The Compensation Committee assists the Board in discharging its responsibilities related to Topoint's compensation and benefits policies, plans and programs, and in the evaluation and compensation of Topoint's directors of the Board and executives.  |
| Audit Office                         | Internal audit planning & implementing, designing auditing guidance, evaluating effectiveness of the internal control system and supervising audit work in the subsidiaries.  |
| Corporate Sustainability Committee   | In 2015, Topoint established “Corporate Sustainability Committee”, the Chairman and General Manager are appointed chairpersons of the Committee. The Corporate Sustainability Committee’s most important policy is corporate sustainable development. Topoint’s Corporate Sustainability Committee holds annual meetings to identify subjects of stakeholders' interests. By ensuring annual goals and planning developed in accordance with those subjects, further carry out CSR activities, Topoint commits to achieve objectives of sustainable business operation. |
| Environmental Health & Safety Office | In order to process the occupational safety and health policy, Topoint established "Occupational Safety and Health Committee". The CEO is the chairman of the committee and assigned Occupational Safety and Health department, all department managers, Labor health service workers and Labor representatives organized the meeting quarterly to reviewing, coordinating and recommending labor safety and health related businesses  |
| Technology Center                    | R&D of advanced technologies and development of new products. Patent planning and management.   |
| Administration Center                | Coordinate the establishment and implementation of various systems such as accounting, human resources, procurement, and information technology.  |

## 2. Information about Directors, Supervisors, General Manager , Vice presidents, Assistant presidents, Chiefs of Respective Divisions and Branch Offices

(1)Directors and supervisors :

a. directors and supervisors

April 30, 2021

April 30, 2021

| a. directors and supervisors |                                      |   |        |                                   |                 |                                 |                                   |                       |                      |                       |                                      |                       |                                       |                       |   |  |   |                                     |                                   |         |   |
|------------------------------|--------------------------------------|---|--------|-----------------------------------|-----------------|---------------------------------|-----------------------------------|-----------------------|----------------------|-----------------------|--------------------------------------|-----------------------|---------------------------------------|-----------------------|---|--|---|-------------------------------------|-----------------------------------|---------|---|
| Title                        | Nationality/<br>Country of<br>Origin | name                                      | Gender | Elected<br>(inaugurated )<br>date | Term<br>(years) | 1 <sup>st</sup> elected<br>date | Shares held when being<br>elected |                       | Current shareholding |                       | Shareholding of spouse<br>and minors |                       | Shares held in the<br>names of others |                       | Current post and/or<br>education  | Post concurrently taken in the<br>company or other companies   | Other executives, directors or<br>supervisors in spouse relationship or kin<br>relationship within 2 <sup>nd</sup> degree |                                     |                                   | Remarks |   |
|                              |                                      |   |        |                                   |                 |                                 | shares                            | Shareholding<br>ratio | Number of<br>shares  | Shareholding<br>ratio | Shares                               | Shareholding<br>ratio | Shares                                | Shareholding<br>ratio |   |  | Title   | Name                                | Relation                          |         |   |
| Chairman                     | Republic of<br>china                 | David Lin                                 | Man    | 06/14/2018                        | 3               | 03/18/1996                      | 5,528,414                         | 3.47%                 | 5,324,342            | 3.74%                 | -                                    | -                     | -                                     | -                     | President of the<br>company/Student of<br>National Open University  | The Chairman of the boards of<br>directors and Chief Executive<br>Officer.<br>Has been active in PCB drill<br>industry over 25 years.  | President<br>President  | Juo-Ping, Lin<br>Chia-Hung,<br>Wang | Father /.<br>Daughter<br>Affinity | -       |   |
| Director                     |                                      | Kevin Wang                                | Man    | 06/14/2018                        | 3               | 06/15/2010                      | 2,230,518                         | 1.40%                 | -                    | -                     | 2,105,098                            | 1.48%                 | 990,000                               | 0.70%                 | Manager of the company/<br>Soochow University,<br>Accounting  | General Manager of Topoint<br>Technology   | Chairman  | Hsu-Ting, Lin                       | Affinity                          | Note1   |   |
| Director                     |                                      | Fortune<br>Venture Capital<br>Corporation | -      | 06/14/2018                        | 3               | 06/20/2006                      | 4,906,836                         | 3.08%                 | 4,416,152            | 3.11%                 | -                                    | -                     | -                                     | -                     | -   | Director of Excellence Opto.<br>Inc., and AMC Holding Ltd and<br>subtron technology co.,LTD<br>and Crystalwise Technology<br>Inc and winwin precision<br>technology  | -   | -                                   | -                                 | -       |   |
|                              |                                      | Karis Peng                                | Man    | 06/14/2018                        | 3               | 06/14/2018                      | -                                 | -                     | -                    | -                     | -                                    | -                     | -                                     | -                     | Ph.D. in Management of<br>Technology from National<br>Chiao Tung University<br>Institute.   | Director and General Manager of UMC<br>capital corporation.<br>Director and Chairman of PURIUMFIL<br>Inc.<br>Director and Vice Chairman of<br>Crystalwise Technology Inc.<br>Director of TXC Corporation. TrendForce<br>Inc.subtron technology co.,LTD.<br>Independent director of Kiwi technology<br>Inc. | -   | -                                   | -                                 | -       |   |
| Director                     |                                      | Macking<br>International<br>Investment    | -      | 06/14/2018                        | 3               | 06/14/2018                      | 1,000,000                         | 0.63%                 | 3,000,600            | 2.11%                 | -                                    | -                     | -                                     | -                     | -   | -  | -   | -                                   | -                                 | -       | - |
|                              |                                      | Wen-Jin, Li                               | Man    | 06/14/2018                        | 3               | 06/14/2018                      | -                                 | -                     | -                    | -                     | -                                    | -                     | -                                     | -                     | Chairman of Topoint<br>Technology.<br>Bachelor's degree in<br>Mechanical Engineering<br>from National Taiwan<br>University  | Chairman of Macking<br>International Investment<br>Corporation.<br>The General Manager of Rechi<br>Precision Co., Ltd.   | -   | -                                   | -                                 | -       |   |
| Independent<br>director      |                                      | Tsung-Ming, Lo                            | Man    | 06/14/2018                        | 3               | 06/06/2003                      | 2,975                             | 0.00%                 | 2,677                | 0.00%                 | 2,677                                | 0.00%                 | -                                     | -                     | Graduate of NTU College<br>of Law/Legal affairs<br>manager of Sampo<br>Group.   | Chairman of Sipo Land Agent<br>Firm  | -   | -                                   | -                                 | -       |   |
| Independent<br>director      |                                      | Po-Cheng, Ko                              | Man    | 06/14/2018                        | 3               | 06/06/2003                      | -                                 | -                     | -                    | -                     | -                                    | -                     | -                                     | -                     | Associate professor of<br>the Accounting<br>Department of Soochow<br>University   | Director and remuneration<br>committees and audit<br>committees of Sofiva Genomics<br>Co., Ltd.<br>Remuneration committees of<br>ACULA Technology Corp.<br>Associate Professor in<br>Accounting Information from<br>NTUB.  | -   | -                                   | -                                 | -       |   |
| Independent<br>director      |                                      | Jung-Sheng,<br>Pai                        | Man    | 06/14/2018                        | 3               | 06/13/2008                      | -                                 | -                     | -                    | -                     | -                                    | -                     | -                                     | -                     | National Chung Hsing<br>University, Chemistry   | TPCA technical consultant.<br>Technical consultant of<br>Unimicron Corporation.<br>Independent Director of<br>ShineMore Corporation.   | -   | -                                   | -                                 | -       |   |
| Supervisor                   |                                      | Gen-Cing,<br>Chen                         | Man    | 06/14/2018                        | 3               | 06/20/2006                      | 2,300,235                         | 1.44%                 | 2,070,211            | 1.46%                 | 336,316                              | 0.24%                 | -                                     | -                     | Graduate of a commercial<br>senior high school /<br>employee of Sampo<br>Group  | President of Hong Gy Co., Ltd.<br>Chairman of Li-Heng Investment<br>Chairman of Pai-Jing Investment<br>Supervisor of Lustrous<br>Technology Ltd.   | -   | -                                   | -                                 | -       |   |
| supervisor                   |                                      | Cheng-Chie,<br>Niu                        | Man    | 06/14/2018                        | 3               | 06/20/2006                      | 2,676                             | 0.00%                 | 2,408                | 0.00%                 | -                                    | -                     | -                                     | -                     | Ph.D. in Polymer<br>Chemistry from<br>Polytechnic Institute of<br>Brooklyn.   | Adjunct Assistant Professor in Biomedical<br>Engineering department of I-Shou<br>University.   | -   | -                                   | -                                 | -       |   |
| supervisor                   |                                      | Fang-Cheng,<br>Siao                       | Man    | 06/14/2018                        | 3               | 06/14/2018                      | -                                 | -                     | -                    | -                     | -                                    | -                     | -                                     | -                     | Chairman of Yu Xu Industrial Co., Ltd.<br>Chairman of E-CMOS Corporation.<br>Director of Xinglong System Co., Ltd.<br>Director of Fu Feng Co., Ltd.<br>Director of Xin Ridong Optoelectronics<br>Co., Ltd.<br>Supervisor of Xiaoteng International Co.,<br>Ltd. | -  | -   | -                                   | -                                 |         |   |

Note1. Mr. Wang passed away on October 9, 2020. The vacancy of directors will be elected at the 2021 general meeting of shareholders.

**Major institutional shareholders:**

April 30, 2021

| Name of institutional shareholder   | Major shareholders of the institutional shareholders   |
|-------------------------------------|--|
| Fortune Venture Capital Corporation | 100% of shares are held by United Microelectronics Corp.   |
| Macking International Investment    | 10.76% of shares are held by Jheng-De, Li<br>10.01% of shares are held by Yan-Da, Huang<br>9.97% of shares are held by Jheng-Ting, Li<br>8.04% of shares are held by Jhih-Wei, Du<br>7.56% of shares are held by Wen-Jin, Li<br>6.51% of shares are held by Ming-Zhu, Ping<br>6.12% of shares are held by Yun-Mei, Huang<br>6.03% of shares are held by Li-Qiang, Huang<br>5.14% of shares are held by Jian-Zhi, Liu<br>4.87% of shares are held by, Shu-E, Lu |

**Major shareholders of the major shareholders that are Juridical Persons**

April 30, 2021

| Institutional shareholder name  | Major shareholders of the institutional shareholder  |
|---------------------------------|--|
| United Microelectronics Corp. * | 5.93% of shares are held by JPMorgan Chase Bank, N.A. acting in its capacity as depositary and representative to the holders of ADRs.<br>3.76% of shares are held by Hsun Chieh Investment Co., Ltd.<br>2.71% of shares are held by Nan Shan Life Insurance Company, Ltd.<br>2.43% of shares are held by Silicon Integrated Systems Corp.<br>2.39% of shares are held by Silchester International Investors International Value Equity Trust.<br>1.71% of shares are held by Yann Yuan Investment Co., Ltd.<br>1.61% of shares are held by Prudential Assurance Company Ltd.<br>1.45% of shares are held by Dimensional Emerging Markets Value Fund.<br>1.38% of shares are held by JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, and a series of Vanguard Star Funds. |

Note: The data shown above was recorded on June 10, 2020. Excerpted from the 2019 Annual Report of UMC.

## b. Personal data of directors and supervisors

April 30, 2021

| Condition        | With over five years of job experience and the following business qualification                           |   |  | Are they in compliance with the independence terms ( Note ) |   |   |   |   |   |   |   |   |    |    |    | Also an independent director of other public company |
|------------------|---|---|--|---|---|---|---|---|---|---|---|---|----|----|----|--|
|                  | Teachers of public or private colleges for the subject Of commerce, law, finance, accounting, or business | Judge, prosecutor, attorney, accountant, or business salespersons passed national exam & certified specialists or technicians | With job experience in commerce, law, finance, accounting, or business | 1   | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |  |
| Name (Note1)     |   |   |  |   |   |   |   |   |   |   |   |   |    |    |    |  |
| David Lin        |   |   | ✓  |   |   |   | ✓ | ✓ | ✓ |   | ✓ | ✓ | ✓  | ✓  | ✓  | -  |
| Kevin Wang       |   |   | ✓  |   |   |   | ✓ | ✓ | ✓ |   | ✓ | ✓ | ✓  | ✓  | ✓  | -  |
| Kris Peng        |   |   | ✓  | ✓   | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓  | ✓  | ✓  | 1  |
| Wen-Jin, Li      |   |   | ✓  | ✓   | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |   | ✓ | ✓  | ✓  | ✓  | -  |
| Tsung-Ming, Lo   |   |   | ✓  | ✓   | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓  | ✓  | ✓  | -  |
| Po-Cheng, Ko     | ✓   |   | ✓  | ✓   | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓  | ✓  | ✓  | 3  |
| Jung-Sheng, Pai  |   |   | ✓  | ✓   | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓  | ✓  | ✓  | -  |
| Gen-Cing, Chen   |   |   | ✓  | ✓   | ✓ |   | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓  | ✓  | ✓  | -  |
| Cheng-Chie, Niu  |   |   | ✓  | ✓   | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓  | ✓  | ✓  | -  |
| Fang-Cheng, Siao |   |   | ✓  | ✓   | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓  | ✓  | ✓  | -  |

Note: Directors and supervisors who have qualified the following conditions two years before being elected and during the term are to tick the box ("✓") of the corresponding condition.

- (1) Not the employee of the company or its affiliated enterprises
- (2) Not the director or supervisor of the company or its affiliated enterprises (however, it is not limited to the independent director of the subsidiary in which the company directly or indirectly holds more than 50% of voting shares.)
- (3) Not the shareholder whose spouse, minor children or related persons in his or her name hold more for than 1% of the company's issued shares, nor the one who is one of company's top-10 nature person shareholders.
- (4) Not the direct lineal blood relative (including spouse and the relatives within 2<sup>nd</sup> degree) of the persons listed in the preceding three items.
- (5) Not the director, supervisor or employee of the institutional shareholder who directly holds more than 5% of the company's issued shares, nor the director, supervisor or employee of the top 5 institutional shareholders.
- (6) More than half of the shares that are not with the company's directors or voting rights are directors, supervisors or employees of other companies controlled by the same person (but if the company or its parent company, subsidiary or child of the same parent company) (The independent directors established by the company in accordance with this law or local laws and regulations shall not be limited).
- (7) Directors (directors), supervisors (supervisors) or employees of other companies or agencies who are not the same person or spouse of the company's chairman, general manager or equivalent person (but if the company and its parent company, The subsidiary company or a subsidiary company of the same parent company in accordance with this law or the local directors of independent directors established concurrently, not limited to this).
- (8) Directors (directors), supervisors (supervisors), managers, or shareholders holding more than 5% of a specific company or institution that does not have financial or business dealings with the company (but if a specific company or institution holds issued shares of the company The total number is more than 20%, but not more than 50%, and the independent directors established by the company and its parent company, subsidiary company, or a subsidiary company of the same parent company in accordance with this law or local laws and regulations concurrently hold each other.
- (9) Non-professionals, sole proprietorships, partnerships, companies, or institutions that provide auditing or related business services related to business, legal affairs, finance, accounting and other related services for which the cumulative amount of remuneration has not exceeded NT \$ 500,000 for the past two years Business owners, partners, directors (directors), supervisors (supervisors), managers and their spouses. However, members of the Compensation and Remuneration Committee, the Public Takeovers Review Committee or the Special Committee on Mergers and Acquisitions who perform their functions in accordance with the relevant laws of the Securities Exchange Law or the Corporate M & A Law are not limited.
- (10) Not the director, supervisor, manager of the specific company or institute having financial or business relationship with the company, nor the shareholders holding more than 5% of the company's shares.
- (11) Free of any of the behaviors as defined in Article 30 of Company Act.
- (12) Not a governmental officer, juridical person or its representative as defined in Article 27 of Company Act.

## (2) President, Vice President, Junior V.P., and Department Heads

April 30, 2021

| Title                        | Nationality       | Name         | Gender | Date Effective | Shareholding |      | Spouse & Minor Shareholding |       | Shareholding by Nominee Arrangement |      | Experience (Education)  | Other Position   | Managers who are Spouses or Within Two Degrees of Kinship |                               |                                | Remarks |
|------------------------------|-------------------|--------------|--------|----------------|--------------|------|-----------------------------|-------|-------------------------------------|------|---|--|---|-------------------------------|--------------------------------|---------|
|                              |                   |              |        |                | Shares       | %    | Shares                      | %     | Shares                              | %    |   |  | Title   | Name                          | Relation                       |         |
| Chairman                     | Republic of china | David Lin    | Man    | 11/29/2005     | 5,324,342    | 3.74 | -                           | -     | -                                   | -    | -   | The Chairman of the company  | President President                                       | Juo-Ping, Lin Chia-Hung, Wang | Father/ daughter cousin-in-law | -       |
| President,                   |                   | Kevin Wang   | Man    | 01/13/2011     | -            | -    | 2,105,098                   | 1.48% | 990,000                             | 0.70 | Professional ability to coordinate operational strategies and goals is beneficial to the company                | The Directors and general managers of subsidiaries                           | Chairman  | Hsu-Ting, Lin                 | cousin-in-law                  | Note1   |
| President,                   |                   | Karen Lin    | Female | 08/10/2015     | 915,713      | 0.64 | -                           | -     | 1,260,900                           | 0.89 | Consultant of i2 Technologies Inc./ MIM from National Chung Cheng University                                    | The Directors and supervisors of subsidiaries CEO of Moneyou Company Limited | Chairman  | Hsu-Ting, Lin                 | Father/ daughter               | Note2   |
| Executive Vice President     |                   | Stanley Weng | Man    | 02/01/2014     | 89,337       | 0.06 | -                           | -     | -                                   | -    | Manager of Topoint Student of Affiliated Senior High School of National Taiwan Normal University                | Directors and supervisors of subsidiaries                                    | -   | -                             | -                              | -       |
| Vice president               |                   | Slash Chen   | Man    | 02/01/2002     | 187,474      | 0.13 | -                           | -     | -                                   | -    | Manager of Topoint / Graduate of Minghsin Junior College.   | The Directors, of subsidiaries   | -   | -                             | -                              | -       |
| Chairman's Special Assistant |                   | Jacky Huang  | Man    | 05/08/2006     | 54,158       | 0.04 | 3,978                       | 0.00  | -                                   | -    | Manager of ASE Inc. / Graduate of the materials science and engineering department of Feng Chia University      | -  | -   | -                             | -                              | -       |
| Senior Director              |                   | Charles Yen  | Man    | 02/01/2014     | 82,657       | 0.06 | 24,764                      | 0.02  | -                                   | -    | Manager of Gigabyte / Graduate of the accounting department of Soochow University                               | Directors and supervisors of subsidiaries                                    | -   | -                             | -                              | -       |
| Plant Manager                |                   | Jack Huang   | Man    | 10/01/2014     | 53,062       | 0.04 | -                           | -     | -                                   | -    | Manager of Topoint /Graduate of China University of Technology  | -  | -   | -                             | -                              | -       |
| Financial Manager            |                   | Julianna Ko  | Female | 06/26/2008     | 8,354        | 0.00 | -                           | -     | -                                   | -    | Junior manager of Taiwan International Securities / Graduate of the accounting department of Soochow University | -  | -   | -                             | -                              | -       |

Note1. Mr. Wang passed away on October 9, 2020. The vacancy of directors will be elected at the 2021 general meeting of shareholders.

Note2. She has professional operation management capabilities and accepts a period of succession training plan. The company will also add an independent director by 2023.

### (3) Remuneration of Directors, Supervisors, President, and Vice President

#### i. Remuneration of Directors

Unit: NT\$1,000/1,000 shares

| Title  | Name   | Remuneration          |  |                   |  |                           |  |                |  | Ratio of Total Remuneration (A+B+C+D) to Net Income (%) |  | Relevant Remuneration Received by Directors Who are Also Employees |  |                   |  |                           |       |  |       | Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%) |  | Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary |
|--|--|-----------------------|--|-------------------|--|---------------------------|--|----------------|--|---|--|--|--|-------------------|--|---------------------------|-------|--|-------|---|--|---|
|  |  | Base Compensation (A) |  | Severance Pay (B) |  | Directors Compensation(C) |  | Allowances (D) |  |   |  | Salary, Bonuses, and Allowances (E)                                |  | Severance Pay (F) |  | Employee Compensation (G) |       |  |       |   |  |   |
|  |  | The company           | All companies in the consolidated financial statements | The company       | Companies in the consolidated financial statements | The company               | Companies in the consolidated financial statements | The company    | Companies in the consolidated financial statements | The company   | Companies in the consolidated financial statements | The company  | Companies in the consolidated financial statements | The company       | Companies in the consolidated financial statements | The company               |       | Companies in the consolidated financial statements |       | The company   | Companies in the consolidated financial statements |   |
|  |  |                       |  |                   |  |                           |  |                |  |   |  |  |  |                   |  | Cash                      | Stock | Cash   | Stock |   |  |   |
| Chairman   | David Lin  | -                     | -  | -                 | -  | 3,909.5                   | 4,077.4  | 76.6           | 76.6   | 1.41%   | 1.47%  | 4,720  | 18,658.7   | 83.7              | 83.7   | 6,400                     | -     | 6,400  | -     | 5.37%   | 10.39%   | -   |
| Director   | Kevin Wang   |                       |  |                   |  |                           |  |                |  |   |  |  |  |                   |  |                           |       |  |       |   |  |   |
| Director   | Fortune Venture Capital Corporation Kris Peng            |                       |  |                   |  |                           |  |                |  |   |  |  |  |                   |  |                           |       |  |       |   |  |   |
| Director   | Macking International Investment Corporation Wen-Jin, Li |                       |  |                   |  |                           |  |                |  |   |  |  |  |                   |  |                           |       |  |       |   |  |   |
| Independent director   | Tsung-Ming, Lo   | -                     | -  | -                 | -  | 2,932.1                   | 2,932.1  | 57.4           | 57.4   | 1.06%   | 1.06%  | -  | -  | -                 | -  | -                         | -     | -  | 1.06% | 1.06%   |  |   |
| Independent director   | Po-Cheng, Ko   |                       |  |                   |  |                           |  |                |  |   |  |  |  |                   |  |                           |       |  |       |   |  |   |
| Independent director   | Jung-Sheng, Pai  |                       |  |                   |  |                           |  |                |  |   |  |  |  |                   |  |                           |       |  |       |   |  |   |
| In addition to the above remuneration, director remuneration shall be disclosed as follows when received from companies included in the consolidated financial statements in the most recent year to compensate directors for their services, such as being independent contractors : NT\$2,400. |  |                       |  |                   |  |                           |  |                |  |   |  |  |  |                   |  |                           |       |  |       |   |  |   |

Note 1. As passed in the board meeting on February 26, 2021 for 2020 annual earnings distribution, NT\$9,773,747 is for remuneration of directors and supervisors and NT\$58,642,484 for employee bonus. The distributed amounts shown above were calculated according to last year's distribution ratio.

Note 2. Total Severance Pay to Topoint's President and V.P. in 2019 was \$0, that pensions funded according to applicable law. In 2019 was NT\$83,700.

Note 3. Mr. Wang passed away on October 9, 2020.



| Range of Remuneration            | Name of Directors   |  |  |  |
|----------------------------------|---|--|--|--|
|                                  | Total of (A+B+C+D)  |  | Total of (A+B+C+D+E+F+G)   |  |
|                                  | The company   | Companies in the consolidated financial statements   | The company  | Companies in the consolidated financial statements   |
| Under NT\$ 1,000,000             | David Lin 、Kevin Wang 、Fortune Venture Capital Corporation 、Macking International Investment Corporation 、Tsung-Ming, Lo 、Po-Cheng, Ko 、Jung-Sheng, Pai | Fortune Venture Capital Corporation 、Macking International Investment Corporation 、Tsung-Ming, Lo 、Po-Cheng, Ko 、Jung-Sheng, Pai | Fortune Venture Capital Corporation 、Macking International Investment Corporation 、Tsung-Ming, Lo 、Po-Cheng, Ko 、Jung-Sheng, Pai | Fortune Venture Capital Corporation 、Macking International Investment Corporation 、Tsung-Ming, Lo 、Po-Cheng, Ko 、Jung-Sheng, Pai |
| NT\$1,000,001 ~ NT\$2,000,000    | -   | David Lin 、Kevin Wang  | -  | -  |
| NT\$2,000,001 ~ NT\$3,500,000    | -   | -  | -  | -  |
| NT\$3,500,001 ~ NT\$5,000,000    | -   | -  | -  | -  |
| NT\$5,000,001 ~ NT\$10,000,000   | -   | -  | David Lin 、Kevin Wang  | -  |
| NT\$10,000,001 ~ NT\$15,000,000  | -   | -  | -  | David Lin 、Kevin Wang  |
| NT\$15,000,001 ~ NT\$30,000,000  | -   | -  | -  | -  |
| NT\$30,000,001 ~ NT\$50,000,000  | -   | -  | -  | -  |
| NT\$50,000,001 ~ NT\$100,000,000 | -   | -  | -  | -  |
| Over NT\$100,000,000             | -   | -  | -  | -  |
| Total                            | 7   | 7  | 7  | 7  |

B: Remuneration for supervisors

Unit: NT\$1,000/1,000 shares

| Title      | Name             | Remuneration          |  |                          |  |                |  | Ratio of Total Remuneration (A+B+C) to Net Income (%) |  | Compensation Paid to Supervisors from an Invested Company Other than the Company's Subsidiary |
|------------|------------------|-----------------------|--|--------------------------|--|----------------|--|---|--|---|
|            |                  | Base Compensation (A) |  | Bonus to Supervisors (B) |  | Allowances (C) |  |   |  |   |
|            |                  | The company           | Companies in the consolidated financial statements | The company              | Companies in the consolidated financial statements | The company    | Companies in the consolidated financial statements | The company   | Companies in the consolidated financial statements |   |
| Supervisor | Gen-Cing, Chen   | -                     | -  | 2,932.1                  | 2,932.1  | 32             | 32   | 1.05%   | 1.05%  | -   |
| Supervisor | Cheng-Chie, Niu  |                       |  |                          |  |                |  |   |  |   |
| Supervisor | Fang-Cheng, Siao |                       |  |                          |  |                |  |   |  |   |

Note 1. As passed in the board meeting on February 26, 2021 for 2020 annual earnings distribution, NT\$9,773,747 is for remuneration of directors and supervisors and NT\$58,642,484 for employee bonus. The distributed amounts shown above were calculated according to last year's distribution ratio.

| Range of Remuneration            | Name of Supervisors                               |  |
|----------------------------------|---|--|
|                                  | Total of (A+B+C)                                  |  |
|                                  | The company                                       | Companies in the consolidated financial statements |
| Under NT\$ 1,000,000             | Gen-Cing, Chen 、Cheng-Chie, Niu 、Fang-Cheng, Siao | Gen-Cing, Chen 、Cheng-Chie, Niu 、Fang-Cheng, Siao  |
| NT\$1,000,001 ~ NT\$2,000,000    | -   | -  |
| NT\$2,000,001 ~ NT\$3,500,000    | -   | -  |
| NT\$3,500,001 ~ NT\$5,000,000    | -   | -  |
| NT\$5,000,001 ~ NT\$10,000,000   | -   | -  |
| NT\$10,000,001 ~ NT\$15,000,000  | -   | -  |
| NT\$15,000,001 ~ NT\$30,000,000  | -   | -  |
| NT\$30,000,001 ~ NT\$50,000,000  | -   | -  |
| NT\$50,000,001 ~ NT\$100,000,000 | -   | -  |
| Over NT\$100,000,000             | -   | -  |
| Total                            | 3   | 3  |

C. Remuneration for President and V.P.

Unit: NT\$1,000/1,000 shares

Unit: RMB 1,000/1,000 shares

| Title                    | Name         | Salary(A)   |  | Severance Pay (B) |  | Bonuses and Allowances (C) |  | Employee Compensation (D) |       |  |       | Ratio of total compensation (A+B+C+D) to net income (%) |  | Compensation Paid to the President and Vice Presidents from an Invested Company Other than the Company's Subsidiary |
|--------------------------|--------------|-------------|--|-------------------|--|----------------------------|--|---------------------------|-------|--|-------|---|--|---|
|                          |              | The company | Companies in the consolidated financial statements | The company       | Companies in the consolidated financial statements | The company                | Companies in the consolidated financial statements | The company               |       | Companies in the consolidated financial statements |       | The company   | Companies in the consolidated financial statements |   |
|                          |              |             |  |                   |  |                            |  | Cash                      | Stock | Cash   | Stock |   |  |   |
| Chairman                 | David Lin    | 10,716      | 16,729.3   | 398.4             | 398.4  | 3,200                      | 13,785.6   | 11,800                    | -     | 11,800   | -     | 9.26%   | 15.15%   | -   |
| President                | Kevin Wang   |             |  |                   |  |                            |  |                           |       |  |       |   |  |   |
| President                | Karen Lin    |             |  |                   |  |                            |  |                           |       |  |       |   |  |   |
| Executive Vice President | Stanley Weng |             |  |                   |  |                            |  |                           |       |  |       |   |  |   |
| Vice President           | Slash Chen   |             |  |                   |  |                            |  |                           |       |  |       |   |  |   |

Note 1 : As passed in the board meeting on February 26, 2021 for 2020 annual earnings distribution, NT\$9,773,747 is for remuneration of directors and supervisors and NT\$58,642,484 for employee bonus. The distributed amounts shown above were calculated according to last year's distribution ratio.

Note 2 : Total Severance Pay to Topoint's President and V.P. in 2020 was \$0 that pensions funded according to applicable law. In 2020 was NT\$398,412.

| Range of Remuneration            | Name of President and Vice Presidents |  |
|----------------------------------|---------------------------------------|--|
|                                  | The company                           | Companies in the consolidated financial statements |
| Under NT\$ 1,000,000             | -                                     | -  |
| NT\$1,000,001 ~ NT\$2,000,000    | -                                     | -  |
| NT\$2,000,001 ~ NT\$3,500,000    | Stanley Weng                          | -  |
| NT\$3,500,001 ~ NT\$5,000,000    | Slash Chen                            | Slash Chen   |
| NT\$5,000,001 ~ NT\$10,000,000   | David Lin 、 Kevin Wang 、 Karen Lin    | Karen Lin 、 Stanley Weng                           |
| NT\$10,000,001 ~ NT\$15,000,000  | -                                     | David Lin 、 Kevin Wang                             |
| NT\$15,000,001 ~ NT\$30,000,000  | -                                     | -  |
| NT\$30,000,001 ~ NT\$50,000,000  | -                                     | -  |
| NT\$50,000,001 ~ NT\$100,000,000 | -                                     | -  |
| Over NT\$100,000,000             | -                                     | -  |
| Total                            | 5                                     | 5  |

D. Name of managers who received dividend and the distribution of dividend

April 30, 2021

Unit: NT\$1,000

| Title                        | Name         | Employee Compensation - in Stock (Fair Market Value) | Employee Compensation - in Cash(Note1) | Total  | Ratio of Total Amount to Net Income (%) |
|------------------------------|--------------|--|--|--------|---|
| Chairman                     | David Lin    | -  | 15,350                                 | 15,350 | 5.44%                                   |
| President                    | Kevin Wang   |  |  |        |   |
| President                    | Karen Lin    |  |  |        |   |
| Executive Vice President     | Stanley Weng |  |  |        |   |
| Vice President               | Slash Chen   |  |  |        |   |
| Chairman's Special Assistant | Jacky Huang  |  |  |        |   |
| Senior Director              | Charles Yen  |  |  |        |   |
| Plant Manager                | Jack Huang   |  |  |        |   |
| Financial Manager            | Julianna Ko  |  |  |        |   |

Note 1 : As passed in the board meeting on February 26, 2021 for 2020 annual earnings distribution, d NT\$58,642,484 for employee bonus. The distributed amounts shown above were calculated according to last year's distribution ratio.

E. Analysis of the ratio of the total remuneration for the directors, supervisors, general managers and vice general managers of the company and its consolidated statement companies in the recent two years to after-tax net profit, and description of remuneration payment policies, standards, combinations, procedure to determine the remuneration and the correlation with operating performance :

| Year | Total remuneration of directors, supervisors, general managers and vice general managers | Ratio of the preceding remuneration to after-tax net profit | Remuneration payment policies, standards, combinations, procedure to determine the remuneration and the correlation with operation performance |
|------|--|---|--|
| 2019 | 63,646 thousand  | 33.45%  | (Note1)  |
| 2020 | 52,821 thousand (Note2)  | 18.73%  | (Note1)  |

Note 1: The remuneration for directors and supervisors is regulated according to the dividend distribution policy stipulated in the company's constitution. The remuneration for general managers shall be released according to the company's performance evaluation system.

The remuneration of directors is based on the results of the regular performance evaluation of directors of the Remuneration Management Committee and will be used as a reference for the remuneration of individual directors. The remuneration of managers is determined by the chairman of the board of directors after being approved by the chairman of the board of directors for review and redistribution based on the extent of their participation in the company's operations and their personal performance contributions.

Note 2 : As passed in the board meeting on February 26, 2021 for 2020 annual earnings distribution, NT\$9,773,747 is for remuneration of directors and supervisors and NT\$58,642,484 for employee bonus. The distributed amounts shown above were calculated according to last year's distribution ratio.

### 3. Business management

#### (1) Board of Directors

The attendance of Directors for 7 (A) Board Meetings in 2020:

| Title                | Name  | Attendance (B) | Proxy | Frequency of attendance (%) (B/A) | Remarks                                  |
|----------------------|---|----------------|-------|-----------------------------------|--|
| Chairman             | David Lin   | 7              | 0     | 100                               | -  |
| Director             | Kevin Wang  | 3              | 2     | 60                                | Mr. Wang passed away on October 9, 2020. |
| Director             | Fortune Venture Capital Corporation Corporate Representative Kris Peng            | 6              | 0     | 86                                | -  |
| Director             | Macking International Investment Corporation Corporate Representative Wen-Jin, Li | 7              | 0     | 100                               | -  |
| Independent Director | Tsung-Ming, Lo  | 6              | 1     | 86                                | -  |
| Independent Director | Po-Cheng, Ko  | 6              | 0     | 86                                | -  |
| Independent Director | Jung-Sheng, Pai   | 6              | 0     | 86                                | -  |

#### Remarks:

- If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified:
  - Matters referred to in Article 14-3 of the Securities and Exchange Act. : N/A
  - Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the board of directors : N/A
- The name of the directors who have excused themselves from the meeting due to a conflict of interest, the name of the directors, the content of the case, the reason for the conflict of interest, and the voting must be stated in details:
  - Date of the board of directors resolution: 2020/11/10
  - General manager of the previous position holder: MS. Karen Lin
  - Chairman of Lin Xu-ting has an interest in the case, so he avoided discussion and voting. The chairman appointed director Peng Zhiq-iang as the chairman, and the chairman consulted the remaining directors present and approved it.

#### 3. Evaluate its board performance information :

|        |  |
|--------|--|
| Cycle  | Once a year  |
| Period | 2020.01.01~2020.12.31  |
| Scope  | Evaluation of the board of directors 、Evaluating The Individual Performance Of the board members and Evaluation of Compensation Committee.   |
| Method | Self-evaluation  |
| Detail | <ol style="list-style-type: none"> <li>The board of directors : 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 、Internal control.</li> <li>The board members : Familiarity with 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 、Internal control.</li> <li>The Compensation Committee : Participation in the operation of the company 、Awareness of the duties of a compensation committee 、Improvement of the quality of</li> </ol> |

|   |
|---|
| the compensation committee 、 Composition and election of the compensation committee 、 Internal control. |
|---|

4.The goal for improving the function of the board of directors (e.g. establishing the audit committee and enhancing information transparency, etc.) and execution evaluation:

In addition to the establishment of three independent directors, the company has adopted the "Guidelines for Board Meetings" as the basis for board execution to improve the board's operational efficiency and decision-making capabilities. In addition, all directors actively attended the board of directors to discuss major company decisions and provide opinions. The company formulated the "Code of Practice for Corporate Governance" in 2015 and the "Board Performance Evaluation Method" in 2016 to enhance the efficiency of the board of directors; in the first quarter of 2019, an external professional independent organization was appointed to conduct an external performance evaluation of the board of directors. Good performance for the overall performance of the board.

(2) Audit Committee or Board of Supervisors

(a) The attendance of Audit Committee in 2020:N/A

(b) The attendance of Supervisors for 7(A) Board Meetings in 2020:

| Title       | Name             | Attendance<br>(B) | Proxy<br>Frequency of attendance<br>(%)(B/A) | Remarks |
|-------------|------------------|-------------------|--|---------|
| Supervisors | Gen-Cing, Chen   | 7                 | 100  | -       |
| Supervisors | Cheng-Chie, Niu  | 5                 | 71   | -       |
| Supervisors | Fang-Cheng, Siao | 7                 | 100  | -       |

Remarks:

1. The formation and responsibility of the supervisors:

(1) Communication among the employees and shareholders of the company:

The company's supervisors use periodical or non-periodical meetings and shareholders' meetings to communicate with the company's employees and shareholders.

(2) Communication among the audit Manager and CPA of the company:

The company's supervisors use periodical or non-periodical meetings with the company's audit manager and CPA.

2. If supervisors have opinion from the meeting that are recorded or declared in writing, the date, term, the content of the case, supervisor's opinion, and the company's response to the supervisor's opinion must be stated in details: None.

(3) Corporate governance and the deviation from the Rules Governing Listed & OTC corporate governance and the causes

| Evaluation Item  | Implementation Status |    |  | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|--|-----------------------|----|--|--|
|  | Yes                   | No | Abstract Illustration  |  |
| 1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?  | ✓                     |    | The Company has established the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” on November 10, 2015. The information has been disclosed on the Company’s website.   | None   |
| 2. Shareholding structure & shareholders’ rights<br>(1) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure? | ✓                     |    | In addition to the existing hotline and email channels, the Company has established an internal operating procedure, and has designated appropriate departments, such as Investor Relations, Public Relations, and Legal Department, to handle shareholders’ suggestions, doubts, disputes and litigation. The company has a spokesman (Karen Lin), a deputy spokesperson (Irene Tsai) and the stock affairs division. | None   |
| (2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?  | ✓                     |    | The Finance & Shared Services Division is responsible for collecting the updated information of major shareholders and the list of ultimate owners of those shares.  |  |
| (3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?  | ✓                     |    | The company has laid down the regulations for trading operation with its affiliated enterprises, and for surveillance of its subsidiaries.   |  |
| (4) Does the company establish internal rules against insiders trading with undisclosed information?   | ✓                     |    | To protect shareholders’ rights and fairly treat shareholders, the Company has established the internal rules to forbid insiders trading on undisclosed information. The Company has also strongly advocated these rules in order to prevent any violations.   |  |
| 3. Composition and Responsibilities of the Board of Directors<br>(1) Does the Board develop and implement a  | ✓                     |    | Member diversification is considered by the Board members. Factors taken into account include, but are not limited to gender, age, cultures, educational background, race, professional experience, skills, knowledge and terms  | None   |

| Evaluation Item  | Implementation Status      |    |   | Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons |
|--|----------------------------|----|---|--|
|  | Yes                        | No | Abstract Illustration   |  |
| <p>diversified policy for the composition of its members?</p> <p>(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?</p> <p>(3) Does the company establish a standard to measure the performance of the Board, and implement it annually?</p> <p>(4) Does the company regularly evaluate the independence of CPAs?</p> | <p>✓</p> <p>✓</p> <p>✓</p> |    | <p>of service. The Board objectively chooses candidates to meet the goal of member diversification. Among the company's directors, independent directors account for 43% and employee-identified directors account for 29%. Currently, the three independent directors have served for more than three terms. In order to achieve gender equality in the composition of directors, the future goal is toward the selection of independent directors for each term, no more than three consecutive terms, and at least one female director. Topoint established the "Corporate Sustainability Council" in 2015.</p> <p>The company's board of directors passed the "Board Performance Evaluation Measures" on December 28, 2016, and conducted the year board performance evaluation in accordance with the method in January, 2021. The results of the evaluation were excellent in the performance of the board of directors and reported on February 26, 2021. Daily report of the board of directors; another external performance evaluation once every three years. In the first quarter of 2019, an external professional independent organization was appointed to conduct an external performance evaluation of the board of directors.</p> <p>The Company evaluates the independence of CPAs annually, ensuring that that they are not stakeholders such as a Board member, supervisor, shareholder or person paid by the Company.</p> | None   |
| 4. Does the company set up a corporate governance unit or appoint personnel responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform  | ✓                          |    | The company passed the resolution of the board of directors on August 7, 2018, designating the current financial manager Li-ching Ko as the corporate governance director, who is the company's manager. The main responsibilities are to provide directors with the information needed to perform their business, assist directors in  | None   |



| Evaluation Item  | Implementation Status |    |   | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons |
|--|-----------------------|----|---|--|
|  | Yes                   | No | Abstract Illustration   |  |
| their functions, handling work related to meetings of the board of directors and the shareholders' meetings, filing company registration and changes to company registration, and producing minutes of board meetings and shareholders' meetings)?   |                       |    | complying with laws and regulations, and handle matters related to the board of directors and shareholders meeting in accordance with the law, and actively participate in corporate governance related training courses and corporate governance evaluation and promotion meeting. The total number of training is 12 hours in 2020.   |  |
| 5. Does the company establish a communication channel and build a designated section on its website for stakeholders, as well as handle all the issues they care for in terms of corporate social responsibilities?  | ✓                     |    | The company setup Investor Relations on its website to periodically release the company's business and financial information. In addition, an e-mail address is also available for shareholders to contact the company.   | None   |
| 6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?  | ✓                     |    | The company has entrusted a stock affairs agency (the stock affairs agency division of Grand Fortune Securities Co., Ltd.) and has exclusive stock affairs personnel to serve shareholders.   | None   |
| 7. Information Disclosure<br>(1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?<br>(2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?<br>(3) Does the company announce and announce the annual financial report within two months after the end of the fiscal year, and publish and 1st, 2nd, and 3rd quarter financial reports and | ✓<br><br>✓<br><br>✓   |    | (1) The address of the company's website is: <a href="http://www.topoint.tw">www.topoint.tw</a><br>The company has already posted its governance information on the website. Viewers may also use the website to link to the Market Observation Post System for enquiry of the company's financial and business information.<br>(2) The company has its spokesperson system which is used to collect and disclose information and as the bridge to communicate with outsiders.<br><br>(3) The company announced and declared the 2020th annual financial report on February 26, 2021. In addition, it announced and declared the first, second, and third quarter financial reports and monthly operating conditions by the deadline. | None   |

| Evaluation Item  | Implementation Status |    |  | Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons |
|--|-----------------------|----|--|--|
|  | Yes                   | No | Abstract Illustration  |  |
| the monthly operating status before the prescribed deadline?   |                       |    |  |  |
| 8. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?  | ✓                     |    | (1)Advanced study of directors and supervisors: Please go to the corporate governance section of the "Market Observation Post System" on <a href="http://newmops.twse.com.tw">http://newmops.twse.com.tw</a> .<br>(2)The company's shareholding unit regularly arranges directors and supervisors to take courses related to corporate governance.<br>(3)The risk management/measurement and customers protection policy are defined in the company's internal control system, and executed according to the regulations.<br>(4)The directors and supervisors attend of the board when the trustee like fords to a trustee office row bill have excused themselves and benefit that not join the vote.<br>(5)Liability insurance is acquired for directors and supervisors according to the articles of Incorporation. | None   |
| 9. Please describe the status of improvement regarding the latest corporate governance evaluation results, issued by the Corporate Governance Center of Taiwan Stock Exchange, and propose priority strengthening matters and measures for those that have not yet improved?<br><br>"2020 Taiwan Corporate Sustainability Report-Platinum Award" (TSCA). In addition, being rated top 6-20% in the Sixth "Corporate Governance Evaluation" of TWSE listed companies.<br>(1)The company has completed the formulation of a risk management policy, Please refer to our website.<br>(2)Priorities and measures: It is expected that female directors will be added and an audit committee will be established when the directors are fully re-elected in 2021. |                       |    |  |  |

(4) Composition, Responsibilities and Operations of Compensation Committee :

Board resolution to establish compensation committee on December 28, 2011 and remuneration committee under the Act, it shall adopt a remuneration committee charter. The remuneration committee members shall be appointed by resolution of the board of directors. The committee shall not be fewer than three members. The remuneration committee shall exercise the care of a good administrator in faithfully performing the official powers listed below, and shall submit its recommendations for deliberation by the board of directors:

(a)Prescribe and periodically review the performance review and remuneration policy, system, standards, and structure for directors, supervisors and managerial officers.

(b)Periodically evaluate and prescribe the remuneration of directors, supervisors, and managerial officers.

**A. Professional Qualifications and Independence Analysis of the Compensation Committee Members**

| Position             | Criteria        | Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience   |   |  | Independence Criteria(Note) |   |   |   |   |   |   |   |   |    | Number of other Public Companies in Which the Individual is Concurrently Serving as an Member of the Compensation Committee | Remarks |
|----------------------|-----------------|--|---|--|-----------------------------|---|---|---|---|---|---|---|---|----|---|---------|
|                      |                 | An Instructor or Higher Position 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, CPA, 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 |   |         |
| Independent director | Po-Cheng, Ko    | ✓  |   | ✓  | ✓                           | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓  | 2   | -       |
| Independent director | Tsung-Ming, Lo  |  |   | ✓  | ✓                           | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓  | -   | -       |
| Independent director | Jung-Sheng, Pai |  |   | ✓  | ✓                           | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓  | -   | -       |

Note: Please tick the corresponding boxes if members have been any of the following 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. The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary.
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 outstanding 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 the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top 5 in holding.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the share, of a specified company or institution that has a financial or business relationship with the Company.
7. Directors (directors), supervisors (supervisors) or servants of other companies or organizations who are not the same person or spouse with each other and are the same person or spouse (If the independent directors established by subsidiaries of the same parent company in accordance with this law or local laws and regulations serve concurrently, they are not limited to this).
8. Directors (directors), supervisors (supervisors), managers or shareholders holding more than 5% of a specific company or organization that does not have financial or business dealings with the company (but if a specific company or organization holds 20% of the company's total issued shares Above, not more than 50%, and the independent directors established by the company and its parent company, subsidiary 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 commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
10. Not been a person of any conditions defined in Article 30 of the Company Law.

B.The attendance of Compensation Committee for 3 (A) Board Meetings in 2020:

| Title  | Name            | Attendance<br>(B) | Proxy<br>Frequency of<br>attendance<br>(%)(B/A) | Remarks |
|--|-----------------|-------------------|---|---------|
| President  | Po-Cheng, Ko    | 3                 | 100   | -       |
| Members  | Tsung-Ming, Lo  | 3                 | 100   | -       |
| Members  | Jung-Sheng, Pai | 3                 | 100   | -       |
| Annotations:<br>1. If the Board of Directors declines to adopt, or modifies a recommendation of the Compensation Committee: None.<br>2. The Compensation member has an objection or qualified opinion together with a record or written statement regarding a Compensation Committee resolution: None. |                 |                   |   |         |

| Compensation<br>Committee<br>Meeting Date                               | Content of Motion   | Resolutions   | Compensation Committee<br>Members' Opinion and Company's<br>Response                 |
|---|---|---|--|
| 02/21/2020<br>The 7 <sup>th</sup><br>Meeting of the<br>4th<br>Committee | 1. Considered the Company's 2019 employee compensation and director and supervisor compensation distribution case for the year.                                       | All attending members unanimously agree to pass the proposal. | All attending Directors unanimously agree to pass the proposal on the Board Meeting. |
| 07/09/2020<br>The 8 <sup>th</sup><br>Meeting of the<br>4th<br>Committee | 1. Examine the case of remuneration distribution of directors and supervisors for the year 2019.<br>2. Examine the case of 2019 employees' remuneration distribution. | All attending members unanimously agree to pass the proposal. | All attending Directors unanimously agree to pass the proposal on the Board Meeting. |
| 12/22/2020<br>The 9 <sup>th</sup><br>Meeting of the<br>4th<br>Committee | 1. Review of the Board of Directors' Performance Evaluation Index Proposal.<br>2. Formulate the 2021 annual work plan of the salary and remuneration committee.       | All attending members unanimously agree to pass the proposal. | All attending Directors unanimously agree to pass the proposal on the Board Meeting. |

(5) Social Responsibility

| Evaluation Item   | Implementation Status <sup>1</sup> |    |   | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|---|------------------------------------|----|---|---|
|   | Yes                                | No | Abstract Explanation <sup>2</sup>   |   |
| 1. Does the company undertake environmental, social, and corporate governance in operation related risk assessment based on materiality principle and develop risk management policy or strategy?                       | V                                  |    | The Company has formulated Business Continuity Management procedure, and developed operation risk management policy, evaluating aspects in operation, finance, social, climate change and information security. 2019 Business Continuity Management Committee has identified 4 major risk topics including environmental, supply, safety and climate, by taking necessary risk control measures, target toward corporate sustainability.  | N/A   |
| 2. Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board? | V                                  |    | The Company established “Corporate Sustainability Committee” in 2015, with company Chairman acts as the chairman of committee, General Manager as co-chairman. Having the Company’s sustainability as the prime directive, the committee developed Corporate Sustainability Responsibility (CSR) annual objectives and review progress and results thru regular performance meetings. According to Topoint Sustainability Development Strategy, 5 different functional teams were formed in charge of related topics, namely Corporate Governance, Partner Relations, Work Environment, Green Sustainability, and Social Care; and set up a promotion office to assist operations of the committee. The Corporate Sustainability Committee held quarterly review meetings, and 2020 implementation results were reported to the board meeting on Dec. 22, 2020. | N/A   |
| 3. Sustainable Environmental Development<br>(1) Does the company establish proper environmental management systems based on the characteristics of their industries?  | V                                  |    | (1) The Company formulated environmental policy as “compliance of regulation, preserve resources, reduce waste output, participation of all”. With environmental management system ISO14001 as the foundation, by implementing regular internal system audit and apply the Plan-Do-Check-Action (PDCA) improvement method to ensure proper operation and effectiveness of the system.   | N/A   |
| (2) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?   | V                                  |    | (2) The Company actively promote green recycling program, reduce raw material and energy consumption, decrease the production of waste material during manufacturing process. By 2020, more than 30 customers joined the project, and reclaimed rate reached 83.8%. With new customers, green recycling concept is incorporated in beginning stage of business cooperation.   | N/A   |

| Evaluation Item   | Implementation Status <sup>1</sup> |    |  | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|---|------------------------------------|----|--|---|
|   | Yes                                | No | Abstract Explanation <sup>2</sup>  |   |
| (3) Does the company assess the risk and opportunity in the topic of climate change, and take countermeasures?  | V                                  |    | The Company established Environmental Policy and Energy Management Procedure. By assessing the potential risk, including climate change, water and power shortage aspect in Business Continuity Committee, the Company takes pre-cautious measures and managerial mechanism. This not only strengthened company's operation, cost control management, and help ensure corporate sustainable development.   | N/A   |
| (4) Does the company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish company strategies for energy conservation and carbon reduction? | V                                  |    | (3) The Company's Administration Department is responsible for maintenance and management of environmental issues, and performs the greenhouse gas (GHG) inventory annually. In 2020, total GHG emission was 5,818 ton of CO <sub>2</sub> e, with its prime source of emission from Scope 2 power consumption, which the GHG emission was 5,734 ton of CO <sub>2</sub> e, a 0.7% drop from the previous year. The major focus in GHG emission deduction was conserving power usage. The energy conservation task force laid out annual plan, implement carbon reduction process, and setup annual GHG emission reduction rate of 1% as the goal. | N/A   |
| 4. Preserving Public Welfare<br>(1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?               | V                                  |    | (1) The Company has established “Topoint Human Rights Policy” in accordance to relevant regulations.   | N/A   |
| (2) Does the company provide employee welfare program (including salary, vacation, other benefits), and appropriately reflect business performance to employee wage program?                              | V                                  |    | Based on Topoint's Articles of Incorporation, the Company accrued employees' compensation at the rates between 1% to 25%, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors, and setup appropriate employee compensation policy. Meanwhile, key performance indicators for CSR, and employee performance evaluation are incorporated into employee assessment program.   | N/A   |

| Evaluation Item   | Implementation Status <sup>1</sup> |    |  | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|---|------------------------------------|----|--|---|
|   | Yes                                | No | Abstract Explanation <sup>2</sup>  |   |
| (3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?  | V                                  |    | (3) The Company initiates annual regular employee health examination, and monthly in-house physical advisory sessions. There were 14 health promoting courses or seminars held in 2020, total 225 participants. The Company also received of Accredited Healthy Workplace- Health Promoting Badge, and Excellence for Healthy Workplace-Health Care Award. To further strengthen Company’s health and safety management, aside from OHSAS18001 (Occupational Health and Safety Assessment Series) system certification, the Company is also certified for TOSHMS (Taiwan Occupational Safety and Health Management System) as of 2020. Total annual safety, hygiene, health management program training reached 3,268 man-hours.   | N/A   |
| (4) Does the company provide its employees with career development and training sessions?   | V                                  |    | (4) Constructing a self-learning organization was Company’s strategy in employee development, particularly through complete training programs, internal and external training courses for newcomers and current employees, skill certifications, and internal instructor training. The Company not only assesses and provides feedback on employees’ skills and interests, but also offers training and development activities that match career development objectives and job requirements. 2020 total training hours reached 12,085hrs, and average hours of training per employee reached 33.7hrs. The company group adopted on-line training program, which played an important role in quickly carry out COVID-19 pandemic awareness training to employees, and help construct an user-friendly learning environment without constraint of time and location.. | N/A   |
| (5) Does the company advertise and label its goods and services according to relevant regulations and international standards, and formulate any consumer protection and irregular business conduct reporting policy? | V                                  |    | (5) There were no known advertising and labeling regulations specified for the Company’s goods and services. Nonetheless, goods and services of the Company comply with the ISO requirements. Therefore, there is no Incident of non-compliance concerning product and service information and labeling in 2020. In case of any problem, stakeholders may file complaints based on related categories on Topoint website “contact us”.   | N/A   |

| Evaluation Item  | Implementation Status <sup>1</sup> |    |   | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|--|------------------------------------|----|---|---|
|  | Yes                                | No | Abstract Explanation <sup>2</sup>   |   |
| (6) Does the company has supplier management policy, evaluate suppliers' regulation on environment, safety and labor right related issues, and their implementation?   | V                                  |    | (6) The company requested suppliers to abide to “Supplier Corporate Social Responsibility Statement”, and evaluate whether suppliers comply with social or environmental issues. 2020 Supplier CSR Statement compliance rate was 100% | N/A   |
| 5. Does the company follow any global reporting standard to disclose non-financial information in report such as a corporate social responsibility report, and such report being verified by external certification institutions?  | V                                  |    | The Company's CSR report was verified by SGS Taiwan Ltd. in accordance to GRI Sustainability Reporting Standards: core items and with AA1000 Assurance Standard. The statement release date is expected by June 2021.                 | N/A   |
| 6.If the Company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the Principles and their implementation: N/A   |                                    |    |   |   |
| <p>7. Other important information to facilitate better understanding of the company's corporate social responsibility practices :</p> <p>Topoint acquired CSR related awards including : 2020 Taiwan Corporate Sustainability Report Awards – Electronics Industry –Platinum Award; 2020 “Excellence in Corporate Social Responsibility”, ranked no. 12 in Little Giant category by CommonWealth Magazine; ranked top 6-20% in 6th “Corporate Governance Appraisal” by TWSE.</p> <p>Topoint charity program, consisted 3 major themes of local care, environmental conservation, and community participation. Company resources are effectively consolidated and contributed to those aspects, meanwhile encourages fellow employees to participate in various activities. In 2020, total 306 persons participated and cumulated 385 man-hrs in social care activities.</p> <p>1.Tree Seedling Cultivating Project: supported after-school care program in Sanxia Grass Book House, an institution for underprivileged children.</p> <p>2.Early vocational skill training: supported Sanxia Grass Book House, provided resources supporting vocational training program, and fund raising proposals of bike-the-island team.</p> <p>3.Charity bakery stand: Sanxia Spring Sunshine Center, long-term supported agency, though performed only once in 2020 due to COVID-19 pandemic.</p> <p>4.Sanxia River clean-up: Total 54 employees and family members gathered and strolled the riverbank of Sanxia River, cleaned bags of man-made wastes including plastic bottles and carried out an on-site session of environmental education for young and adults.</p> |                                    |    |   |   |



| Evaluation Item   | Implementation Status <sup>1</sup> |    |                                   | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|---|------------------------------------|----|-----------------------------------|---|
|   | Yes                                | No | Abstract Explanation <sup>2</sup> |   |
| 5. Blood Donation: Topoint, gathered 30,000 c.c. blood.   |                                    |    |                                   |   |
| 6. Charity Run: encourage employees to join runs to support social welfare agencies.  |                                    |    |                                   |   |
| 7. Support Athlete Plus program: Donate to CareBoth organization, funding training of athlete runners.  |                                    |    |                                   |   |
| 8. Massage service from Charity group: adopt massage service for employees provided by visually impaired persons from Eden Social Welfare Foundation. Total 8 sessions were held in 2020. |                                    |    |                                   |   |
| 9. Recycling activities: 200 reusable bags collection, 85 pairs of second hand shoes and 58ea second hand bookbags, all donated to organizations in need.                                 |                                    |    |                                   |   |
| 10. Charity purchase: purchased company gift boxes from Taiwan Foundation for the Blind.  |                                    |    |                                   |   |
| 11. Other Charity activities: support “Fun Bai-Da” local community fair.  |                                    |    |                                   |   |
| 12. Continuous donations to needing organizations and foundations   |                                    |    |                                   |   |
| For more information, please visit Topoint official website: <a href="http://www.topoint.tw/tw/csr">http://www.topoint.tw/tw/csr</a>  |                                    |    |                                   |   |

(4) Integrity management company to perform the case and adopt measures:

| Evaluation Item  | Implementation Status <sup>1</sup> |    |  | Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|--|------------------------------------|----|--|--|
|  | Yes                                | No | Abstract Illustration  |  |
| <p>1. Establishment of ethical corporate management policies and programs</p> <p>(1) Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?</p> <p>(2) Does the company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies?</p> <p>(3) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?</p> | V                                  |    | <p>(1) “Integrity” is one of Topoint’s core values. The Company has established its “Ethical Corporate Management Best Practice Principles”, “Procedures for Ethical Management and Guidelines for Conduct” and “Guidelines for the Code of Ethical Conduct” by shareholder on Jun.13,2008 and Jun.11, 2013. Awareness training is also provided to employees during their regular training sessions, and directors and senior executives are also required to attend training courses in ethical corporate management.</p> <p>(2) The aforementioned principles and related regulations were announced and disseminated to employees, The Company established its “Reporting illegal and non-ethical or non-integrity management practices”</p> <p>(3) In addition to prohibiting business activities related to the risk of dishonesty behaviors and adopting preventive measures in the “Code of Good Faith Management”, the company also regularly inspects the relevant operating procedures through internal audits to prevent the risk of dishonesty behaviors.</p> | N/A  |
| <p>2. Ethic Management Practice</p> <p>(1) Does the company evaluate business partners’ ethical records and include ethics-related clauses in business contracts?</p> <p>(2) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity?</p> <p>(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?</p> <p>(4) Has the company established effective systems for both accounting and internal control to facilitate ethical</p>  | V                                  |    | <p>(1) The Company conveying our integrity requirements to all our business partners. In addition, an ethic-related clause is included in every business contract. If there is any breach of the clause, the Company may terminate the partnership at any time without any further obligation or compensation.</p> <p>(2) The company establish an exclusively dedicated unit supervised by the Board to be in charge of HR</p> <p>(3) Taking the overall interests of the company as consideration shall not be intended to make their own, spouse, parents, children, or relatives within three degrees of improper advantage or prejudice the</p>   | N/A  |

| Evaluation Item  | Implementation Status <sup>1</sup> |    |  | Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|--|------------------------------------|----|--|--|
|  | Yes                                | No | Abstract Illustration  |  |
| <p>corporate management, and are they audited by either internal auditors or CPAs on a regular basis?</p> <p>(5) Does the company regularly hold internal and external educational trainings on operational integrity?</p>   | V                                  |    | <p>company's interests.</p> <p>(4) The Company has established accounting and internal control systems to ensure integrity in our operations. After internal auditors have analyzed and reviewed the annual audit program according to the risk evaluation results, the Company will compile them into an audit report.</p> <p>(5) Please go to “<a href="http://www.topoint.tw/Pages/CSR/CSR">http://www.topoint.tw/Pages/CSR/CSR</a>”</p>  |  |
| <p>3. Implementation of Complaint Procedures</p> <p>(1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?</p> <p>(2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?</p> <p>(3) Does the company provide proper whistleblower protection?</p> | V<br><br>V<br><br>V                |    | <p>(1) Any person who suspects or finds any violation of laws or ethical code may report the case to independent directors, manager officers, head of internal audit, or other eligible personnel. The Company has set up Reward and Discipline Commission to evaluate employee ethical and unethical conducts.</p> <p>(2) The company has stipulated the standard operating procedures for the investigation of complaints, and the identity of the informant and the content of the report are kept absolutely confidential.</p> <p>(3) The company provides a safe and confidential reporting channel, and protects the safety of whistleblowers from the risk of retaliation (or threats, harassment).</p> | N/A  |
| <p>4. Information Disclosure</p> <p>Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?</p>   | V                                  |    | <p>The address of the company's website is: <a href="http://www.topoint.tw">www.topoint.tw</a></p> <p>The company has already posted its governance information on the website. Viewers may also use the website to link to the Market Observation Post System for enquiry of the company's financial and CSR report.</p>  | N/A  |
| 5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation: None   |                                    |    |  |  |
| 6. Other important information to facilitate a better understanding of the company's ethical corporate management policies (e.g., review and amend its policies). The address of the company's website is: <a href="http://www.topoint.tw">www.topoint.tw</a>  |                                    |    |  |  |

- (5) Enquiry of corporate governance rules and related regulations: Please go to the corporate governance section of the "Market Observation Post System" .
- (6) The information to help investors more aware of how the company's corporate governance is operated:
- Please go to "Investor Relations" of company's website [www.topoint.tw](http://www.topoint.tw)
  - Advanced study the governance rules of Mangers: Please go to the corporate governance section of the "Market Observation Post System" on [http://newmops .twse.com.tw](http://newmops.twse.com.tw).
- (7) Execution of internal control system:
- Internal control declaration: Please go to the "Market Observation Post System"
  - Entrustment of CPA to audit internal control system: N/A
- (8) The punishments applied to the company and its employees due to law violation, the punishments applied by the company to its internal employee due to violation of internal control system, major drawbacks and improvement in the recent year and the current year as of the annual report publication date:
- As regulated by the company, other than including the violation of internal control system in the rating of personnel annual performance evaluation, the company has also given a detailed account of the punishments, major drawbacks and expected improvement deadline in each audit report. At the same time, the audit unit has continued to track the improvement status and make records. The major drawbacks had been corrected in the recent year and the current year as of the annual report publication date.
- (9) Major resolutions made in shareholders' meetings and board meetings in the recent year and the current year as of the annual report publication date:

**A. The company had the 2020 general shareholders meeting held with the following resolution reached (06/10/2020):**

| Resolutions  | Implementation Status   |
|--|---|
| (a) Recognized the financial results for FY2019.<br>(b) Recognized the FY2019 earnings distribution (Distributed \$1.2 /share of cash dividends. The board of directors is authorized to adjust the ensuing change to be caused by the change in the shareholder's stock dividend/ cash dividend rate resulting from the outstanding shares which are influenced by the change of capitalization.) | (a) RESOLVED, that the above proposal be and hereby was approved as proposed.<br>(b) The ex-dividend date Aug. 2, 2020 was determined and the cash dividend was distributed on Aug. 17, 2020. |

**B. Board meetings**

| Date       | Content  |
|------------|--|
| 2020.02.21 | 1. Approved the Financial Statements of 2019.<br>2. Approved dividend distribution of 2019.<br>Cash dividends of NT\$170,616,560(NT\$1.2 per share).<br>3. Approved 2019 remuneration of employees & directors<br>4. Approved 2020 AGM agenda.   |
| 2020.05.08 | 1. Approved the Financial Statement for 1st quarter of 2020.   |
| 2020.07.09 | 1. Announcement of the record date for common share dividend.  |
| 2020.08.07 | 1. Approved the Financial Statement for 2nd quarter of 2020.   |
| 2020.11.10 | 1. Approved the Financial Statement for 3rd quarter of 2020.<br>2. Approved the general manager appointment.   |
| 2020.12.22 | 1. Approved Year 2021 annual audit plan.<br>2. Approved to Release the Prohibition on Managers from Participation in Competitive Business.   |
| 2021.02.26 | 1. Approved the Financial Statements and Business Report of 2020.<br>2. Approved dividend distribution of 2020.<br>Cash dividends of NT\$224,645,138 (NT\$1.58 per share)<br>3. Approved 2020 remuneration of employees & directors.<br>4. Approved amendments to" Articles of Incorporation". |

(10) The directors or supervisors who have objected to the resolutions reached by the board of directors and the objections are recorded or declared in writing in the most recent years and up to the date of the annual report printed: None.

(11) The resignation or discharge of personnel who are responsible for financial statements in the most recent years and up to the date of the annual report printed: The President of Chia-Hung, Wang passed away on October 9, 2020

#### 4. CPAs Fees:

| Name of the firm  | Names of CPA      |                | During the audit         | Notes |
|-------------------|-------------------|----------------|--------------------------|-------|
| Deloitte & Touche | Chien-Hsin, Hsieh | Chao-Mei, Chen | Jan. 1,2020-Dec. 31,2020 |       |

|   |                            | Audit fees | Non-Audit fees | Total |
|---|----------------------------|------------|----------------|-------|
| 1 | Below \$2,000,000          |            | √              | √     |
| 2 | \$2,000,000 ~ \$4,000,000  | √          |                | √     |
| 3 | \$4,000,000 ~ \$6,000,000  |            |                |       |
| 4 | \$6,000,000 ~ \$8,000,000  |            |                |       |
| 5 | \$8,000,000 ~ \$10,000,000 |            |                |       |
| 6 | Over \$10,000,000          |            |                |       |

- A. When non-audit fees paid to the certified public accountant, to the accounting firm of the certified public accountant, and/or to any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid thereto, the amounts of both audit and non-audit fees as well as details of non-audit services shall be disclosed: None.
- B. When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed: None.
- C. When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 15 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed: None.

The professional fees for auditing services referred to in item (1) means the professional fees paid by the company to a certified public accountant for auditing, review, and secondary reviews of financial reports, financial forecast reviews, and tax certification.

5. CPA's Information:

Regarding former CPA:

|   |  |                |                                  |
|---|--|----------------|----------------------------------|
| Replacement date  | Approved by the board of directors on February 22, 2019.   |                |                                  |
| Replacement reasons   | The CPA certifying the company's 2019 Q1 financial statements were CPA Wan-Yi, Liao and Yung-Fu, Liu at Deloitte & Touche – Taiwan. However, due to the firm's internal task transfer and arrangement, the company's 2019 Q1 financial statements were certified by CPA Zhao-Mei, Chen and Chien-Shin, Shieh |                |                                  |
| Please explain whether the termination or refusal of the commission is initiated by the entrusted or CPA.   | The party  | CPA            | Entrustor                        |
|   | Status   | Not applicable |                                  |
|   | Refusal (discontinuation) of the commission  |                |                                  |
| The opinions on the auditing reports in the recent two years and reasons, except the issue of unqualified opinions.   | Not applicable   |                |                                  |
| Different opinions with the issuer:   | Yes  |                | Accounting principle or practice |
|   |  |                | Disclosure of financial reports  |
|   |  |                | Auditing range and steps         |
|   |  |                | Others                           |
|   | No   | √              |                                  |
| Why   | Not applicable.  |                |                                  |
| Other disclosure items:<br>( The items required to be disclosed as per item 4, subparagraph 1 of article 11 in regulations governing the preparation of financial reports by securities issuers.) | None   |                |                                  |

(1) Regarding successor CPA:

|  |   |
|--|---|
| Name of the firm   | Deloitte & Touche – Taiwan                                |
| Names of CPA   | Chien-Shin, Shieh and Zhao-Mei, Chen                      |
| Date of commission   | As passed by the board of directors on February 22, 2019. |
| Items and results of the consultation made before the commission for the possible opinions on the accounting process method or accounting principle and the financial reports of specific transactions | None  |
| The written opinions from the successor CPA against the ones from the former CPA.  | None  |

(2) The response made by former CPA for the issues listed in item 3 of subparagraph 1 of article 22 of “regulations governing the preparation of financial reports by securities issuers”: None.

6. If the Chairman, General Manager, and financial or accounting manager of the company who had worked for the independent auditor or the related party in the most recent year, the name, title, and the term with the independent auditor or the related party must be disclosed: None.

7. Information on Net Change in Shareholding and Net Change in Shares Pledged by Directors, Supervisors, Department Heads, and Shareholders 10% shareholding or more:

(1) Information on Net Change in Shareholding and Net Change in Shares Pledged by Directors, Supervisors, Department Heads and Shareholders

Unit: share

| Title                        | Name   | 2020                       |                             | As of April 30, 2021       |                             |
|------------------------------|--|----------------------------|-----------------------------|----------------------------|-----------------------------|
|                              |  | Net change in Shareholding | Net change in Share Pledged | Net change in Shareholding | Net change in Share Pledged |
| Chairman                     | David Lin                                    | 44,616                     | -                           | -                          | -                           |
| Director                     | Kevin Wang                                   | 44,617                     | -                           | -                          | -                           |
| Director                     | Fortune Venture Capital Corporation          | -                          | -                           | -                          | -                           |
|                              | Kris Peng                                    | -                          | -                           | -                          | -                           |
| Director                     | Macking International Investment Corporation | 1,110,000                  | -                           | -                          | -                           |
|                              | Wen-Jin, Li                                  | -                          | -                           | -                          | -                           |
| Independent director         | Tsung-Ming, Lo                               | -                          | -                           | -                          | -                           |
| Independent director         | Po-Cheng, Ko                                 | -                          | -                           | -                          | -                           |
| Independent director         | Jung-Sheng, Pai                              | -                          | -                           | -                          | -                           |
| Supervisor                   | Gen-Cing, Chen                               | -                          | -                           | -                          | -                           |
| Supervisor                   | Cheng-Chie, Niu                              | -                          | -                           | -                          | -                           |
| Supervisor                   | Fang-Cheng, Siao                             | -                          | -                           | -                          | -                           |
| President                    | Karen Lin                                    | 532,356                    | -                           | -                          | -                           |
| Executive Vice President     | Stanley Weng                                 | 4,184                      | -                           | -                          | -                           |
| Vice President               | Slash Chen                                   | 40,230                     | -                           | -                          | -                           |
| Chairman's Special Assistant | Jacky Huang                                  | 40,184                     | -                           | 10,000                     | -                           |
| Senior Director              | Charles Yen                                  | 35,700                     | -                           | -                          | -                           |
| Plant Manager                | Jack Huang                                   | 31,064                     | -                           | -                          | -                           |
| Financial Manager            | Julianna Ko                                  | 24,542                     | -                           | (24,542)                   | -                           |

(2) The information of the related party who was the corresponding party of the equity transfer: N/A

(3) The information of the related party who was the corresponding party of the equity pledge: N/A

8. The relation of the top ten shareholders as defined by Finance Standard Article 6:

April 12, 2021

| Name   | Current shareholding |                    | Shareholding of spouse and minors |                    | Shares held in the names of others |                    | The relation of the top ten shareholders as defined by Finance Standard Article 6 |                      |
|--|----------------------|--------------------|-----------------------------------|--------------------|------------------------------------|--------------------|---|----------------------|
|  | Shares               | Shareholding ratio | Shares                            | Shareholding ratio | Shares                             | Shareholding ratio | Name  | relationship         |
| Ling-Guan, Ding  | 6,810,000            | 4.79%              | -                                 | N/A                | -                                  | N/A                | -   | N/A                  |
| David Lin  | 5,324,342            | 3.75%              | -                                 | N/A                | -                                  | N/A                | Liu-Ze, Lin<br>Ji-ping, Lin   | Brothers<br>Daughter |
| Morgan Stanley & Co. International Plc   | 4,755,596            | 3.35%              | -                                 | N/A                | -                                  | N/A                | -   | N/A                  |
| Fortune Venture Capital Corporation  | 4,416,152            | 3.11%              | -                                 | N/A                | -                                  | N/A                | -   | N/A                  |
| Macking International Investment Corporation   | 3,000,600            | 2.11%              | -                                 | N/A                | -                                  | N/A                | -   | N/A                  |
| MITSUBISHI UFJ MORGAN STANLEY SECURITIES CO.,LTD.-EQUITY TRADING DIVISION (PROPRIETARY TRADING DESK) | 2,812,000            | 1.98%              | -                                 | N/A                | -                                  | N/A                | -   | N/A                  |
| Liu-Ze, Lin  | 2,587,268            | 1.82%              | -                                 | N/A                | -                                  | N/A                | David Lin   | Brothers             |
| Ji-ping, Lin   | 2,105,098            | 1.48%              | -                                 | N/A                | 990,000                            | 0.70%              | David Lin   | Father               |
| Gen-Cing, Chen   | 2,070,211            | 1.46%              | 331,316                           | 0.23%              | -                                  | N/A                | -   | N/A                  |
| J.P. MORGAN SECURITIES PLC   | 1,693,600            | 1.19%              | -                                 | N/A                | -                                  | N/A                | -   | N/A                  |



9. Investment form Directors, Supervisors, Managers and directly or indirectly controlled businesses:

Unit: Share

| Trans-investment business                       | The company's investment |                    | Investment made by directors, supervisors, managers and the businesses directly or indirectly controlled by the company |                    | Total investment |                          |
|---|--------------------------|--------------------|---|--------------------|------------------|--------------------------|
|   | Shares                   | Shareholding ratio | Shares  | Shareholding ratio | Shares           | Total shareholding ratio |
| Topoint Technology Co.,Ltd.(B.V.I)              | 7,194                    | 100%               | -   | -                  | 7,194            | 100%                     |
| Unipoint Technology Co., Ltd.                   | 30,696,297               | 61.76%             | -   | -                  | 30,696,297       | 61.76%                   |
| Warspeed Corporation(B.V.I)                     | 50,000                   | 100%               | -   | -                  | 50,000           | 100%                     |
| Topoint Japan Co., Ltd.                         | 600                      | 100%               | -   | -                  | 600              | 100%                     |
| Shanghai Topoint Precision Technology Co., Ltd. | -                        | -                  | -   | 100%               | -                | 100%                     |
| Sharpont Technology (Qinhuangdao) Co., Ltd.     | -                        | -                  | -   | 100%               | -                | 100%                     |
| Unipoint Technology Holdings Co., Ltd.(B.V.I.)  | 11,200                   | 100%               | -   | -                  | 11,200           | 100%                     |
| Unipoint Technology Shenzhen Co., Ltd.          | -                        | -                  | -   | 100%               | -                | 100%                     |
| Sharpont Technology (Shenzhen) Co., Ltd.        | -                        | -                  | -   | 100%               | -                | 100%                     |
| Sharpont Technology (Suzhou) Co., Ltd.          | -                        | -                  | -   | 100%               | -                | 100%                     |
| Kunshan Restek Technology Co., Ltd              | -                        | -                  | -   | 75%                | -                | 75%                      |
| Kunshan Topoint Technology Co., Ltd             | -                        | -                  | -   | 100%               | -                | 100%                     |
| Sharpont Electronics (Huaian) Co., Ltd.         | -                        | -                  | -   | 100%               | -                | 100%                     |
| Chengdu Raypoint Precision Tools Co., Ltd.      | -                        | -                  | -   | 100%               | -                | 100%                     |
| Winpoint Electronics (Huaian) Co., Ltd.         | -                        | -                  | -   | 100%               | -                | 100%                     |
| Shanghai Ringpoint Nano Material Co., Ltd.      | -                        | -                  | -   | 81.83%             | -                | 81.83%                   |
| Topmicron Investment Ltd.                       | -                        | -                  | -   | 61.76%             | -                | 61.76%                   |
| Raypoint Precision Tools Co.,Ltd.               | 50,000                   | 100%               | -   | -                  | 50,000           | 100%                     |
| Drilltek Corporation                            | 6,523,668                | 58.77%             | -   | -                  | 6,523,668        | 58.77%                   |

#### IV. Stock subscription

##### 1. Capital and shares: (1) Stock capital

Unit: NT\$1,000/1,000 shares

| Month / year | Issued price (\$) | Approved capitalization |           | Paid-in capitalization |         | Capital sources   |   | Remarks  |  |
|--------------|-------------------|-------------------------|-----------|------------------------|---------|-------------------|---|--|--|
|              |                   | Shares                  | Amount    | Shares                 | Amount  | Amount            | Source  | Use of non-cash property to pay for the shares | Others   |
|              |                   |                         |           |                        |         |                   |   |  |  |
| 4/1996       | 10                | 1,500                   | 15,000    | 1,500                  | 15,000  | 15,000            | Cash capital increase   | -  | 04/12/1996<br>1996 Jien (3) Geng Zi No. 48510      |
| 5/1997       | 10                | 6,000                   | 60,000    | 3,250                  | 32,500  | 17,500            | Cash capital increase   | -  | 02/23/1998<br>1998 Jien (3) Jia Zi No. 124692      |
| 6/1998       | 10                | 20,000                  | 200,000   | 9,920                  | 99,200  | 49,200<br>17,500  | Cash capital increase<br>Capital surplus transfer               | -  | 11/18/1998<br>1998 Jien (3) Jia Zi No. 259480      |
| 9/1999       | 10                | 20,000                  | 200,000   | 13,852                 | 138,253 | 20,800<br>18,253  | Cash capital increase<br>Earnings transfer                      | -  | 10/21/1999<br>Jing (1999) Shang Zi No. 08813853    |
| 5/2000       | 23                | 49,000                  | 490,000   | 27,300                 | 273,000 | 120,000<br>14,747 | Cash capital increase,<br>earnings and capital surplus transfer | -  | 06/28/200<br>Jing (2000) Shang Zi No. 089121529    |
| 05/2002      | 10                | 49,000                  | 490,000   | 34,000                 | 340,000 | 67,000            | Earnings and capital surplus transfer                           | -  | 09/19/2001<br>Jing (2001) Shang Zi No. 0901372890  |
| 11/2002      | 20                | 49,000                  | 490,000   | 39,000                 | 390,000 | 50,000            | Cash capital increase   | -  | 01/03/2002<br>Jing (2001) Shang Zi No. 09001523010 |
| 12/2003      | 10                | 49,000                  | 490,000   | 41,000                 | 410,000 | 20,000            | Cash capital increase   | -  | 12/29/2003<br>Jing-Shou-Zhong Zi No. 09233192270   |
| 08/2004      | 10                | 42,693                  | 426,930   | 42,693                 | 426,930 | 16,930            | Earnings transfer   | -  | 10/05/2004<br>Jing-Shou-Zhong Zi No. 09332806590   |
| 10/2004      | 16.8              | 70,000                  | 700,000   | 48,393                 | 483,930 | 57,000            | Cash capital increase   | -  | 12/29/2004<br>Jing-Shou-Zhong Zi No. 09333262600   |
| 09/2005      | 10                | 70,000                  | 700,000   | 55,258                 | 552,581 | 68,651            | Earnings and capital surplus transfer                           | -  | 09/16/2005<br>Jing-Shou-Shang Zi No. 09401183300   |
| 06/2006      | 10                | 140,000                 | 1,400,000 | 65,258                 | 652,581 | 100,000           | Cash capital increase   | -  | 06/20/2006<br>Jing-Shou-Shang Zi No 09501118760    |
| 09/2006      | 10                | 140,000                 | 1,400,000 | 75,428                 | 754,288 | 101,707           | Earnings transfer   | -  | 09/07/2006<br>Jing-Shou-Shang Zi                   |

| Month / year | Issued price (\$) | Approved capitalization |           | Paid-in capitalization |           | Remarks         |  |        |   |
|--------------|-------------------|-------------------------|-----------|------------------------|-----------|-----------------|--|--------|---|
|              |                   | Shares                  | Amount    | Shares                 | Amount    | Capital sources | Use of non-cash property to pay for the shares | Others |   |
|              |                   |                         |           |                        |           | Amount          | Source   |        | No. 09501202460                                     |
| 10/2006      | 10                | 140,000                 | 1,400,000 | 76,116                 | 761,161   | 6,873           | Shares transferred from corporate bonds        | -      | 10/07/2006<br>Jing-Shou-Shang Zi<br>No. 09501232720 |
| 01/2007      | 10                | 140,000                 | 1,400,000 | 77,388                 | 773,882   | 12,721          | Shares transferred from corporate bonds        | -      | 10/23/2007<br>Jing-Shou-Shang Zi<br>No. 09601018460 |
| 04/2007      | 10                | 140,000                 | 1,400,000 | 78,605                 | 786,050   | 12,168          | Shares transferred from corporate bonds        | -      | 04/17/2007<br>Jing-Shou-Shang Zi<br>No. 09601080210 |
| 07/2007      | 10                | 140,000                 | 1,400,000 | 84,242                 | 842,421   | 56,371          | Shares transferred from corporate bonds        | -      | 07/23/2007<br>Jing-Shou-Shang Zi<br>No. 09601175210 |
| 08/2007      | 10                | 140,000                 | 1,400,000 | 95,469                 | 954,691   | 112,270         | Earnings transfer                              | -      | 08/24/2007<br>Jing-Shou-Shang Zi<br>No. 09601206420 |
| 08/2008      | 10                | 140,000                 | 1,400,000 | 106,868                | 1,068,680 | 113,988         | Earnings transfer                              | -      | 08/28/2008<br>Jing-Shou-Shang Zi<br>No. 09701219390 |
| 10/2008      | 10                | 140,000                 | 1,400,000 | 107,056                | 1,070,565 | 1,885           | Stock Option transfer                          | -      | 10/21/2008<br>Jing-Shou-Shang Zi<br>No. 09701266600 |
| 08/2009      | 21                | 200,000                 | 2,000,000 | 117,056                | 1,170,564 | 100,000         | Cash capital increase                          | -      | 08/26/2009<br>Jing-Shou-Shang Zi<br>No. 09801191340 |
| 09/2009      | 10                | 200,000                 | 2,000,000 | 126,584                | 1,265,840 | 95,275          | Earnings transfer                              | -      | 09/11/2009<br>Jing-Shou-Shang Zi<br>No. 09801205940 |
| 10/2009      | 10                | 200,000                 | 2,000,000 | 126,671                | 1,266,717 | 877             | Stock Option transfer                          | -      | 10/30/2009<br>Jing-Shou-Shang Zi<br>No. 09801249110 |
| 01/2010      | 10                | 200,000                 | 2,000,000 | 127,577                | 1,275,577 | 8,860           | Stock Option transfer                          | -      | 01/19/2010<br>Jing-Shou-Shang Zi<br>No. 09901011840 |
| 04/2010      | 10                | 200,000                 | 2,000,000 | 127,694                | 1,276,947 | 1,370           | Stock Option transfer                          | -      | 04/16/2010<br>Jing-Shou-Shang Zi<br>No. 09901076220 |
| 09/2010      | 10                | 300,000                 | 3,000,000 | 131,551                | 1,315,519 | 38,571          | Earnings transfer                              | -      | 09/03/2010<br>Jing-Shou-Shang Zi<br>No. 09901203020 |

| Month / year | Issued price (\$) | Approved capitalization |           | Paid-in capitalization |           | Remarks         |                                       |  |  |
|--------------|-------------------|-------------------------|-----------|------------------------|-----------|-----------------|---------------------------------------|--|--|
|              |                   | Shares                  | Amount    | Shares                 | Amount    | Capital sources |                                       | Use of non-cash property to pay for the shares | Others   |
| 11/2010      | 21.1              | 300,000                 | 3,000,000 | 133,921                | 1,339,216 | 23,696          | CB transfer                           | -  | 11/01/2010<br>Jing-Shou-Shang Zi No. 09901244520 |
| 01/2011      | 10                | 300,000                 | 3,000,000 | 134,060                | 1,340,604 | 1,388           | Stock Option transfer                 | -  | 01/25/2011<br>Jing-Shou-Shang Zi No. 10001017040 |
| 04/2011      | 21.1<br>10        | 300,000                 | 3,000,000 | 139,370                | 1,393,699 | 53,096          | CB transfer and Stock Option transfer | -  | 04/21/2011<br>Jing-Shou-Shang Zi No. 10001080020 |
| 07/2011      | 21.1              | 300,000                 | 3,000,000 | 144,109                | 1,441,093 | 47,393          | CB transfer                           | -  | 07/28/2011<br>Jing-Shou-Shang Zi No. 10001173710 |
| 08/2011      | 21.1<br>10        | 300,000                 | 3,000,000 | 152,569                | 1,525,685 | 84,592          | CB transfer and Earnings transfer     | -  | 08/26/2011<br>Jing-Shou-Shang Zi No. 10001199400 |
| 08/2012      | 10                | 300,000                 | 3,000,000 | 156,658                | 1,566,578 | 40,893          | Earnings transfer                     | -  | 08/24/2012<br>Jing-Shou-Shang Zi No. 10101176420 |
| 09/2013      | 10                | 300,000                 | 3,000,000 | 157,890                | 1,578,905 | 12,327          | Earnings transfer                     | -  | 09/03/2013<br>Jing-Shou-Shang Zi No. 10201180390 |
| 04/2014      | 20.7              | 300,000                 | 3,000,000 | 157,938                | 1,579,380 | 475             | Stock Option transfe                  | -  | 04/15/2014<br>Jing-Shou-Shang Zi No. 10301065310 |
| 07/2014      | 20.7              | 300,000                 | 3,000,000 | 158,166                | 1,581,665 | 2,285           | Stock Option transfe                  | -  | 07/18/2014<br>Jing-Shou-Shang Zi No. 10301141790 |
| 10/2014      | 20.7              | 300,000                 | 3,000,000 | 158,800                | 1,588,005 | 6,340           | Stock Option transfe                  | -  | 10/16/2014<br>Jing-Shou-Shang Zi No. 10301216480 |
| 01/2015      | 20.7              | 300,000                 | 3,000,000 | 159,046                | 1,590,465 | 2,460           | Stock Option transfe                  | -  | 01/23/2015<br>Jing-Shou-Shang Zi No. 10401007350 |
| 04/2015      | 20.7              | 300,000                 | 3,000,000 | 159,155                | 1,591,557 | 1,092           | Stock Option transfe                  | -  | 04/16/2015<br>Jing-Shou-Shang Zi No. 10401070200 |
| 07/2015      | 20.7              | 300,000                 | 3,000,000 | 159,204                | 1,592,040 | 483             | Stock Option transfe                  | -  | 07/21/2015<br>Jing-Shou-Shang Zi No. 10401147210 |
| 01/2016      | 20.7              | 300,000                 | 3,000,000 | 159,478                | 1,594,782 | 2,742           | Stock Option transfe                  | -  | 01/19/2016<br>Jing-Shou-Shang Zi No. 10501010900 |
| 09/2018      | 10                | 300,000                 | 3,000,000 | 143,530                | 1,435,304 | 159,478         | capital reduction                     | -  | 09/03/2018<br>Jing-Shou-Shang Zi No. 10701109470 |
| 06/2019      | 10                | 300,000                 | 3,000,000 | 142,180                | 1,421,804 | 13,500          | Cancellation of treasury shares       | -  | 06/06/2019<br>Jing-Shou-Shang Zi No. 10801065750 |

April 30, 2021 / Unit: share

| Type of Shares | Authorized Shares  |                  |             | Remarks |
|----------------|--------------------|------------------|-------------|---------|
|                | Outstanding shares | Un-issued shares | Total       |         |
| Common stock   | 142,180,467        | 157,819,533      | 300,000,000 | -       |

(2) Status of shareholders

April 12, 2021

| Status of shareholders<br>Q'ty | Government agencies | Financial institutions | Other institutional investors | Foreign institutional & Natural Persons | Domestic Natural Persons | Total       |
|--------------------------------|---------------------|------------------------|-------------------------------|---|--------------------------|-------------|
| Number of shareholders         | 1                   | 4                      | 65                            | 91                                      | 22,867                   | 23,028      |
| Shareholding                   | 78                  | 480,687                | 14,272,298                    | 27,081,270                              | 100,346,134              | 142,180,467 |
| Shareholding ratio             | 0.00%               | 0.34%                  | 10.04%                        | 19.04%                                  | 70.58%                   | 100.00%     |

(3) Status of Shareholding Distributed

Face value per share: \$10

April 12, 2021

| Classification   | Number of shareholder | Shareholding | Shareholding Ratio (%) |
|------------------|-----------------------|--------------|------------------------|
| 1-999            | 11,051                | 1,381,756    | 0.97%                  |
| 1000-5,000       | 9,358                 | 19,461,616   | 13.69%                 |
| 5,001-10,000     | 1,405                 | 11,556,866   | 8.13%                  |
| 10,001-15,000    | 320                   | 4,128,636    | 2.90%                  |
| 15,001-20,000    | 276                   | 5,150,072    | 3.62%                  |
| 20,001-30,000    | 216                   | 5,653,203    | 3.98%                  |
| 30,001-40,000    | 88                    | 3,113,839    | 2.19%                  |
| 40,001-50,000    | 72                    | 3,388,535    | 2.38%                  |
| 50,001-100,000   | 118                   | 8,872,905    | 6.24%                  |
| 100,001-200,000  | 54                    | 7,863,637    | 5.53%                  |
| 200,001-400,000  | 27                    | 8,186,417    | 5.76%                  |
| 400,001-600,000  | 14                    | 6,637,442    | 4.67%                  |
| 600,001-800,000  | 6                     | 4,262,739    | 3.00%                  |
| 800,001-1000,000 | 3                     | 2,755,713    | 1.94%                  |
| 1000,001-        | 20                    | 49,767,091   | 35.00%                 |
| Total            | 23,028                | 142,180,467  | 100.00%                |

## (4) Roster of Major shareholders:

April 12, 2021

| Shareholder's Name   | Shareholding | Shareholding ratio |
|--|--------------|--------------------|
| Ling-Guan, Ding  | 6,810,000    | 4.79%              |
| David Lin  | 5,324,342    | 3.75%              |
| Morgan Stanley & Co. International Plc   | 4,755,596    | 3.35%              |
| Fortune Venture Capital Corporation  | 4,416,152    | 3.11%              |
| Macking International Investment Corporation   | 3,000,600    | 2.11%              |
| mitsubishi UFJ MORGAN STANLEY SECURITIES CO.,LTD.-EQUITY TRADING DIVISION (PROPRIETARY TRADING DESK) | 2,812,000    | 1.98%              |
| Liu-Ze, Lin  | 2,587,268    | 1.82%              |
| Ji-ping, Lin   | 2,105,098    | 1.48%              |
| Gen-Cing, Chen   | 2,070,211    | 1.46%              |
| J.P. MORGAN SECURITIES PLC   | 1,849,954    | 1.30%              |

## (5) Market price, net value, earnings, dividend per share and related information in the recent two years. .

Unit: NT\$/share

| Year                   |   | 2019        | 2020        | As of Mar. 31, 2021 |
|------------------------|---|-------------|-------------|---------------------|
| Item                   |   |             |             |                     |
| Market price per share | Highest                                     | 24.70       | 29.15       | 35.10               |
|                        | Lowest                                      | 17.50       | 14.50       | 25.65               |
|                        | Average                                     | 20.24       | 22.04       | 31.02               |
| NAV                    | Pre-distribution                            | 30.08       | 31.26       | 31.79((note1)       |
|                        | Post-distribution                           | 28.88       | (note2)     | -                   |
| EPS                    | Weighted average shares                     | 142,180,467 | 142,180,467 | 142,180,467         |
|                        | EPS (pre-adjustment)<br>(post-adjustment)   | 1.34        | 1.98        | 0.65<br>(note1)     |
| DPS                    | Cash dividend                               | 1.2         | (note2)     | -                   |
|                        | Scrip issue                                 | -           | -           | --                  |
|                        | -   | -           | -           | --                  |
| Analysis of ROI        | Accumulated dividends having yet to be paid | -           | -           | -                   |
|                        | P/E   | 15.10       | (note2)     | -                   |
|                        | Dividend ratio                              | 16.87       | (note2)     | -                   |
|                        | Cash dividend yield                         | 5.93%       | (note2)     | -                   |

Note 1 : The NAV and EPS shown above are the data certified by the CPA as of the 1<sup>st</sup> quarter of 2021.

Note 2: Subject to the approval of the annual shareholders meeting.

- (6) Execution of Dividend Policy
- In view of the Company's current business growth, and in consideration of its future business development plans, financial structure and shareholders' equity. Shareholders of the company dividend distribution shall not be lower than 20% of the Distributable Earnings for the same year.  
Cash dividends shall not be lower than 10% of the total shareholders' dividends distributed for the same year.
  - The dividends planned to be distributed this year are as below: (the proposal has been passed by the board of directors, and planned to be submitted to the shareholders' meeting for discussion)  
As passed in the board meeting on February 26, 2021 for 2020 earnings distribution, the company plans to distribute the cash dividend at \$1.58 per share. (It is planned to request shareholders to authorize the board of directors to adjust the ensuing change to be caused by the change in shareholder's stock dividend/cash dividend rate resulting from the outstanding shares which are influenced by the change of capitalization).
- (7) Impact of the proposed stock dividend in shareholders meeting on business performances and EPS: Not Applicable  
Note: The Company did not have financial forecast proposed up to the date of the annual report printed.
- (8) Employee bonuses and remuneration of directors and supervisors
- The ratio or range of employee bonuses and remuneration of directors and supervisors stated in the corporate constitution:  
Profit before income tax set aside Employees' bonus to employees in the range of 1% to 25%.  
Remuneration of directors and supervisors shall be no more than 3%.
  - Information of the employee bonus and director/supervisor remuneration passed by the board of directors:
    - The amounts of the employee cash bonus, stock bonus and director/supervisor remuneration planned to be distributed are as below:  
As approved by the board of directors on February 26, 2021, it is expected to distribute NT \$58,642 thousand of employee cash bonuses and NT \$9,774 thousand of director/supervisor remuneration or 2019
    - The shares of employee stock bonuses planned to be distributed and their ratio to the increased capital from earnings transfer: None.
  - The actual distributions of dividend to employees and remuneration to directors and supervisors with retained in 2018:

|   | Resolved in<br>shareholders<br>meeting | Resolved by<br>board of<br>directors | Difference |
|---|--|--------------------------------------|------------|
| Distribution status:                                  |  |                                      |            |
| Employee cash bonus                                   | 39,950,753                             | 39,950,753                           | -          |
| Employee stock bonus                                  |  |                                      |            |
| Shares  | -                                      | -                                    | -          |
| Amount  | -                                      | -                                    | -          |
| Ratio to the outstanding<br>shares at the end of 2018 | -                                      | -                                    | -          |
| Director/supervisor remuneration                      | 6,658,459                              | 6,658,459                            | -          |
| Information of EPS                                    |  |                                      |            |
| Original EPS  | \$1.34                                 | \$1.34                               | -          |
| EPS taking bonuses and<br>remuneration into account   | \$1.34                                 | \$1.34                               | -          |

(9) Treasury stock:

|   |                           |
|---|---------------------------|
| Frequency of shares repurchased   | 1st                       |
| Purpose of the share repurchase   | transferring to employees |
| Original scheduled period for the repurchase  | 2016/03/15~2016/05/14     |
| Originally determined repurchase price range  | NTD \$18~30 per share     |
| Number of shares repurchased  | 1,500,000 Shares          |
| Total monetary amount of shares repurchased   | \$ 31,725,673             |
| The cumulative number of shares held during the repurchase period as a percentage of the total planned repurchase             | 50%                       |
| Cancellation and transfer   | 1,500,000 Shares          |
| Cumulative number of own shares held  | 0 Shares                  |
| Ratio of cumulative number of own shares held during the repurchase period to the total number of the Company's issued shares | 0%                        |

2. Corporate bonds: None.

3. Preferred stock: None.

4. ADR/GDR: None.

5. Employee stock option certificates: None.

6. New restricted employee shares: None.

7. Merger and acquisition (including merger, acquisition, and split): None.

8. Fund implementation plan: None.



## V. Overview of business operation

### 1. Principal activities

#### (1) Scope of Business

- ①. Major Business the Company has Engaged
  - i. Manufacture and sales of micro-drill bits exclusively for printed circuit boards.
  - ii. Manufacture and sales of digital drilling machines exclusively for printed circuit boards.
  - iii. Manufacture and sales of the peripheral facilities for the process of printed circuit boards.
  - iv. General export/import trading and agency businesses.
- ②. Major products and their ratios in the company's total businesses

Unit: NT\$1,000

| Business items                                   | 2019            |              | 2020            |              |
|--|-----------------|--------------|-----------------|--------------|
|  | Amount of sales | % in revenue | Amount of sales | % in revenue |
| Precision metal products and Processing services | 2,919,721       | 97.12        | 2,911,564       | 97.92        |
| Others   | 86,532          | 2.88         | 61,862          | 2.08         |
| Total  | 3,006,253       | 100.00       | 2,973,426       | 100.00       |

#### ③. Major Products of the Company

| Product    |            | Specification (Diameter) |
|------------|------------|--------------------------|
| Drill bit  | Micro size | Below 0.25mm             |
|            | Mini size  | 0.30mm~0.45mm            |
| Router bit | Micro size | 0.50mm~0.75mm            |
|            | Mini size  | 0.80mm~3.175mm           |
|            | Large size | Above 3.175mm            |

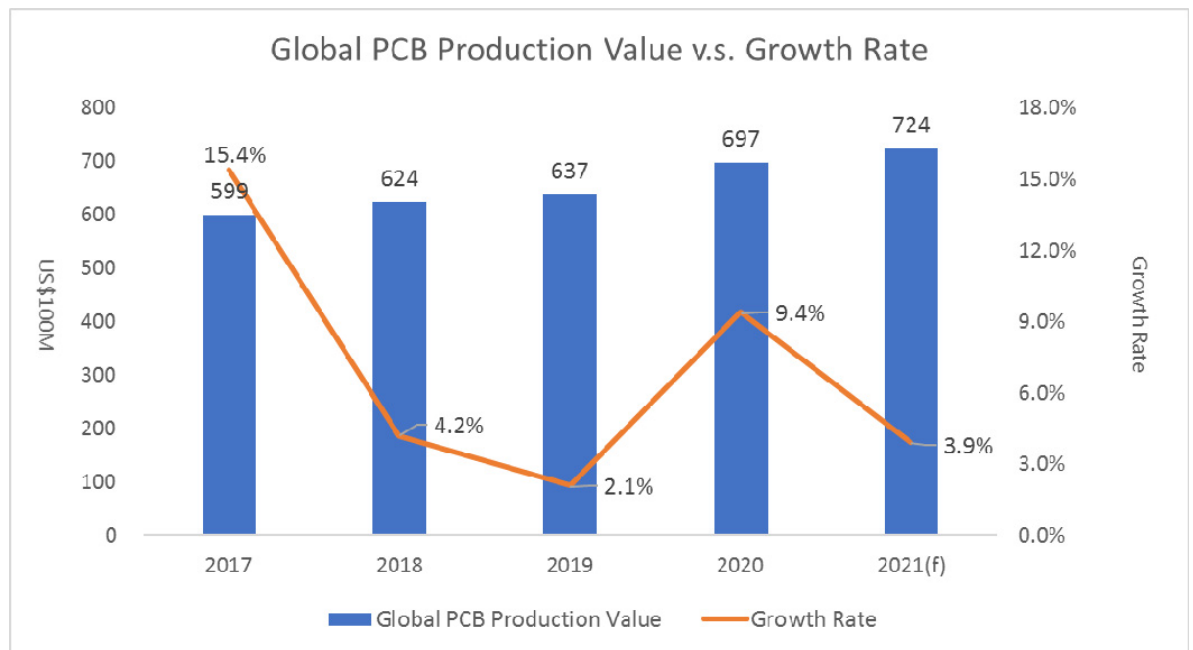
- ④. New Products under Development
  - i. Sustainable development of performance enhancing micro drills.
  - ii. Sustainable development of performance enhancing micro routers.
  - iii. Development of prolonged tool life product and high aspect ratio drills.
  - iv. Development and mass production of drills specially designed for ABF substrate.

#### (2) Industry Overview

##### ①. Industry Status and Development

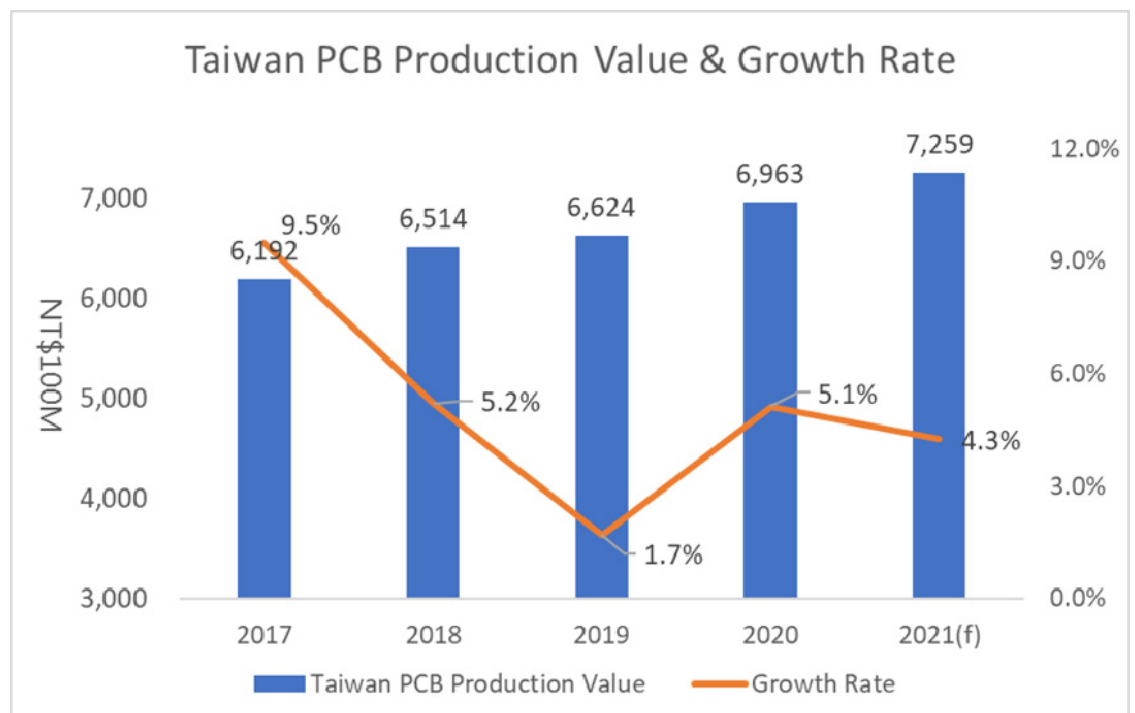
Drill bit is one of the critical materials used in PCB manufacturing process. PCBs fundamentally support the connection among components and wirings assembled in modern electronic devices. Hence, supply and demand condition for drills has a close tie to the PCB industrial development.

In the beginning of 2020, the global PCB industry was shut down by the global COVID-19 pandemic. And as the resumption time is better than expected, the impact on the production side is minimized. The 2020 global pcb production values is estimated growth 9.4% to reach US \$ 69.7 billion US dollars. According to TPCA (2021/02) data, the global PCB output value is estimated to reach US \$ 72.4 billion in 2021, an increase of approximately 3.9% compared to 2020.



Source : TPCA (2021/02), compiled by Topoint

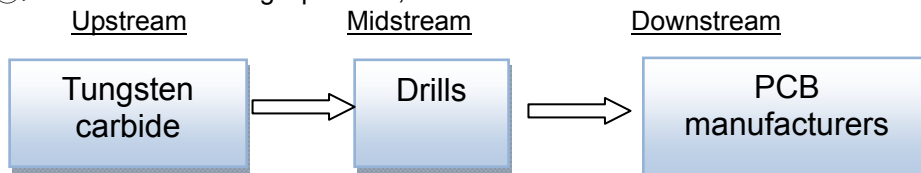
Taiwan PCB output value reached a new record high with NT \$725.9 billion in 2020. It increased by 5.1% compared with 2019 and it estimated growth rate was 4.3% in 2021 higher than it was in 2020. It has been growing for four consecutive years. With the global economy and the end product consumption weak, Taiwan PCB output value can still hit a high level. Apart from the exchange rate factor of the depreciation of the Taiwan dollar, the most important thing is still the result of the adjustment of the industrial structure. The leading companies felt the demand pressure from standard product but gain from 5G development on high-frequency flexible board antennas, high-end carrier boards, class carrier boards, etc. It plays an important role in filling the demand gap and leading the growth of the industry. On the other hand, small and medium-sized companies were also facing new markets, including hard and soft boards for wireless headsets and camera lenses, high-frequency and high-speed boards for servers, IC test boards and etc.



Source : TPCA (2021/02), compiled by Topoint.

With the developments of end-products, PCB industry is facing dramatic changes in technologies and materials. We should continue to focus on the following major trends: 1. the development of 5G and AIoT base stations and automotive PCBs as well as its competition; 2. China manufacturers entry into high-end market aggressively; 3. The replacement of smartphones has become longer and the market is full and the uncertainty of the economy. In the first for 2021, we face the end user demand and globe economic impact from new coronary pneumonia on the supply chain of electronic components. We\ will pay close attention to changes in industrial development. By focusing on the core strategy, it will continue to develop market share and expend business to the new market. To fulfill all the customers' demands and increase value, Topoint devotes ourselves to work closely with customers to develop advanced technologies and products.

②. Correlations among Upstream, Midstream and Downstream Industries



③. Product Development

- i. Electronic products are built toward high speed transmission and mini-sized design, driving new material and process development for PCB. To further down-size printed circuit boards (PCB) in wearable devices, must tightly line-up electronic components, and adopt higher density PCB product, such as using Any-Layer HDI (High Density Interconnect) and MSAP (Modified Semi-Additive Process). As drilling technology shifting toward high density and efficiency-oriented, pushing quality requirement of drills to a higher level.
- ii. Embedded component technology is to build ICs inside substrates, or bury passive components such as resistor, capacitor, or inductor inside printed circuit board; helps to enhance quality of signals, reduce surface area and lower energy consumption. As proportion of wearable devices increase, the adoption for embedded technology shall be more prominent, become one of PCB suppliers' important technology development.
- iii. Increasing awareness of green environmental protection, made higher standards of Halogen-free, Phosphorus-free and High Tg product progress for copper clad laminate (CCL), eco-friendly CCL products gradually takes up more percentage of the market share. Countermeasures must be developed for drills to cope with changes in material, to ensure drilling quality suffice with the market demand.
- iv. With the future market demand for 5G, AIoT and automotive industry, PCB will use a large amount of high-frequency material such as thicker copper, rigid-flex board and HDI. The material selection and shape design must be adjusted to match the characteristics of the materials to be processed.

④. Competition Status

Global consumer market demand for electronic product has changed. PCB manufactures confront with the changing from the standard mass production modal into "a small number and diverse" and "a large number and diverse" production modal especially the competition from the China PCB manufactures, PCB industry chain's intelligent upgrade, combination of ICT and smart machine to improve the overall production's efficiency and flexibility. All the drill manufactures need to provide the integrated solutions for the PCB industry's changes. Drills applied to general PCB and IC substrates are different in terms of whole diameters and technological requirement. Currently Japan, Taiwan and China manufacturers are the main suppliers for the PCB drills. In Japan, only one manufacturer with the world's largest market share, other manufacturers have gradually scaled down in recent years. In Taiwan, our competitors such as Keyware Electronic Corp. and Tera Auto Corporation, each manufacturer has focus on different products to separate the market. Topoint has the highest drills market share in Taiwan and has the abilities to provide the micro sizes (diameter less than 0.25mm) same as Japanese manufactures. In recent years, China manufactures have also actively entered the PCB market, mainly in the small size (diameter above 0.30mm) for traditional PCBs. Due to large number of competitors in this sector, resulted to severe price competition. Topoint also focused on development for micro drills and high-performance drills and have technical competitiveness in the middle and high-end market.

### (3) Technology and R&D Overview

#### ①. R&D personnel and their education as well as work experience

April 30, 2021

| Item / Education | PhD / Masters | University graduates | Senior high school | Total | Service seniority |
|------------------|---------------|----------------------|--------------------|-------|-------------------|
| No. of personnel | 3             | 18                   | 4                  | 25    | 10.23             |
| Ratio            | 12%           | 72%                  | 16%                | 100%  |                   |

#### ②. Amounts invested in annual R&D in the recent five years

Unit: NT\$1,000

| Item / year   | 2019      | 2020      |
|---------------|-----------|-----------|
| R&D expense   | 111,130   | 111,785   |
| Sales revenue | 3,006,253 | 2,973,426 |
| Ratio         | 4%        | 4%        |

#### ③. The products and technology successfully developed

|      |  |
|------|--|
| 2016 | Mass production of high performance product series.  |
| 2017 | Mass production of high life expectancy and unique performance of coating drill.<br>Mass production of ultra-high aspect ratio coating drill series. |
| 2018 | Mass production of new metal coating products series.<br>Mass production of high precision slot and router series.                                   |
| 2019 | Mass production of super wear resistant products.<br>Mass production of burrs for thick plates.  |
| 2020 | Development and mass production of drills specially designed for ABF substrate.<br>Mass production capacity of drills reached 23 million units.      |

#### ④. Long and Short-term Business Development Plans

##### i. Short-term Plan

- Continue to introduce innovative value-added products.
- Develop new markets and strengthen partnerships with customers.
- Cost control and maximization of production efficiency.
- Integrated resource and strengthen system processes.

##### ii. Long-term Plan

- Continue to develop core technology related new business to build up driving momentum for future business growth.
- Continue to seek any opportunity of strategic alliances to strengthen the company's competitive advantage.

## 2. Market analysis and the condition of sale and production

### (1) Market Analysis

#### ①. Sales Breakdown by Region

Unit: NT\$1,000

| Region / Year  | 2019            |              | 2020            |              |
|----------------|-----------------|--------------|-----------------|--------------|
|                | Amount of sales | % in revenue | Amount of sales | % in revenue |
| Domestic sales | 661,737         | 22.01        | 826,834         | 27.81        |
| China          | 2,073,718       | 68.98        | 1,909,642       | 64.22        |
| Others         | 270,798         | 9.01         | 236,950         | 7.97         |
| Total          | 3,006,253       | 100.00       | 2,973,426       | 100.00       |

#### ②. Market Share

The company speculated its global market share approximately 20%, with monthly sales volume at 23 million pieces vs. monthly total demand of 110 million pcs worldwide; making the company a leading drill supplier in the world.

- ③. The Status of Future Market Demand and Supply and Prospect
- i. Demand Side. The growth demand of high frequency and high speed, HDI and carrier boards and flexible boards. From 5G related products. Annual global production value is estimated at US\$ 72.4 billion and growth rate for 2021 is estimated at 3.9%.
  - ii. Supply Side: The Capacity of top three drill suppliers was took up 80% of global shares at the end of 2020. There were no capacity expansions among drill manufacturers in the past 3 years. It should help balance the demand and supply status as the market demand recover.
- ④. Competition Niche
- i. Advanced Core Technology: with high-precision grinding technology, high process yield and consistent mass production quality, these core technologies shall facilitate the company to maintain leading position in the PCB drill supply industry; furthermore, these are stepping stones for the company to cross into drilling services and metal cutting tool business.
  - ii. Flexible capacity allocation capabilities on 23 million pcs production base.
  - iii. Cost control effectiveness: highly automated production lines, continuous production improvement, advantage in material cost, maintained our cost competitiveness.
  - iv. Comprehensive customer base of worldwide well-known manufacturers.
- ⑤. Advantages/Disadvantages for the Future Development and Solutions
- i. Advantages
    - ① 、 China PCB market grows fast and technology ability is upgraded. It will drive the demands of high-end products.
    - ② 、 Positive prospects of cloud computing servers and base stations will increase demand for PCB drills and drilling service.
    - ③ 、 Continue to hold the leading position in advanced technology along with high-yield and stable production, enabling steady orders and new business.
  - ii. Disadvantages
    - ① 、 China's red supply chain rises, low-end mature products face price pressure
    - ② 、 Major raw material of the company's products is tungsten carbide. The company may not be in best position in material procurement because of its characteristic of rareness.
  - iii. Policy of Response
    - ① 、 Strengthen sales marketing activities.
    - ② 、 To expedite R&D development and put high value-added products to mass production.
    - ③ 、 To strengthen process management and effectively reduce production costs.
    - ④ 、 Develop new supply of raw material, to further enhance material cost management.

## (2) Major Applications and Production Process of the Main Products

### ①. Major Applications of the Main Products

| Item    | Major Functions  | Major Applications  |
|---------|--|---|
| Drills  | To form through-holes for interlayer of IC substrate, HDI, traditional PCB and FPC | Computer : Desktops, Laptops, servers and etc.<br>Communication: cell phones, networking products and etc.<br>Consumer: tablet PCs, game console, TV, wearable devices, automobile and etc. |
| Routers | To cut out profiles of printed circuit board                                       |   |

### ②. Production process



### ③. Supply Status of Major Materials

The major material of the company's products is tungsten carbide. Its material features and quality stability are the prime concerns in procurement. The company has established good relationship with its suppliers; hence the supply status is properly and stably sustained.

| Major material   | Suppliers                         | Supply status |
|------------------|-----------------------------------|---------------|
| Tungsten carbide | Mitsubishi<br>Sumitomo<br>Kyocera | Good          |

④. Major Customers with over 10% net sales and Suppliers with over 10% total purchases of the last two fiscal years:

a. Material supplier list

Unit: NT\$1,000

| 2019                |         |   |                              | 2020                |         |   |                              | 2021 Q1             |         |   |                              |
|---------------------|---------|---|------------------------------|---------------------|---------|---|------------------------------|---------------------|---------|---|------------------------------|
| Name                | Amount  | Ratio to annual net purchase amount (%) | Relationship with the issuer | Name                | Amount  | Ratio to annual net purchase amount (%) | Relationship with the issuer | Name                | Amount  | Ratio to annual net purchase amount (%) | Relationship with the issuer |
| A                   | 147,781 | 24.96                                   | None                         | A                   | 116,225 | 19.19                                   | None                         | A                   | 30,292  | 20.46                                   | None                         |
| Other               | 444,338 | 75.04                                   |                              | Other               | 489,562 | 80.81                                   |                              | Other               | 117,751 | 79.54                                   |                              |
| Purchase Amount-Net | 592,119 | 100.00                                  |                              | Purchase Amount-Net | 605,787 | 100.00                                  |                              | Purchase Amount-Net | 148,043 | 100.00                                  |                              |

b. List of major clients

Unit: NT\$1,000

| 2019             |           |   |                              | 2020             |           |   |                              | 2021 Q1          |         |   |                              |
|------------------|-----------|---|------------------------------|------------------|-----------|---|------------------------------|------------------|---------|---|------------------------------|
| Name             | Amount    | Ratio to annual net purchase amount (%) | Relationship with the issuer | Name             | Amount    | Ratio to annual net purchase amount (%) | Relationship with the issuer | Name             | Amount  | Ratio to annual net purchase amount (%) | Relationship with the issuer |
| A                | 261,044   | 8.68                                    | None                         | A                | 343,584   | 11.56                                   | None                         | A                | 104,732 | 13.43                                   | None                         |
| Other            | 2,745,209 | 91.32                                   |                              | Other            | 2,629,842 | 88.44                                   |                              | Other            | 674,931 | 86.57                                   |                              |
| Sales Amount-Net | 3,006,253 | 100.00                                  |                              | Sales Amount-Net | 2,973,426 | 100.00                                  |                              | Sales Amount-Net | 779,663 | 100.00                                  |                              |

⑤. Output values in the recent two years

Unit: NT\$1,000/1,000pcs

| Year/output value<br>Major products | 2019                |         |              | 2020                |         |              |
|-------------------------------------|---------------------|---------|--------------|---------------------|---------|--------------|
|                                     | Production capacity | Output  | Output value | Production capacity | Output  | Output value |
| PCB Tool                            | 241,752             | 226,235 | 1,037,448    | 267,667             | 243,319 | 1,025,430    |
| Total                               | 241,752             | 226,235 | 1,037,448    | 267,667             | 243,319 | 1,025,430    |

⑥. Sales turnovers in the recent two years

Unit: NT\$1,000/1,000 pcs

| Year/sales turnover<br>Major products            | 2019           |         |              |           | 2020           |         |              |           |
|--|----------------|---------|--------------|-----------|----------------|---------|--------------|-----------|
|  | Domestic sales |         | Export sales |           | Domestic sales |         | Export sales |           |
|  | volume         | value   | Volume       | Value     | Volume         | Value   | Volume       | value     |
| Precision metal products and Processing services | 42,821         | 654,522 | 158,934      | 2,265,200 | 45,688         | 821,148 | 167,822      | 2,090,417 |
| Others   | -              | 7,215   | -            | 79,316    |                | 5,686   |              | 56,175    |
| Total  | 42,821         | 661,737 | 158,934      | 2,344,516 | 45,688         | 826,834 | 167,822      | 2,146,592 |

3. Status of employees:

| Year                         |                              | 2019  | 2020  | April 30, 2021 |
|------------------------------|------------------------------|-------|-------|----------------|
| Number of employees          | Indirect                     | 218   | 230   | 226            |
|                              | Direct                       | 120   | 129   | 132            |
|                              | Total                        | 338   | 359   | 358            |
| Average age                  |                              | 37.5  | 37.8  | 38.06          |
| Average service years        |                              | 7.27  | 7.34  | 7.52           |
| Education distribution ratio | PhD                          | 0.3%  | 0.3%  | 0.6%           |
|                              | Master                       | 5.6%  | 5%    | 5.3%           |
|                              | College                      | 43.8% | 45.7% | 45%            |
|                              | Senior high school graduate  | 47.6% | 47.6% | 46.6%          |
|                              | senior high school and Below | 2.7%  | 1.4%  | 2.5%           |

Note: The number of global employees of the company is 2,048. The above data only counts the number of the parent company, and does not include the number of subsidiaries at home and abroad.



#### 4. Expenditure on Environmental Protection:

- (1) To elaborate on the amount the company spent on loss (including compensation) and punishment caused by environmental pollution for the recent two years and the current year as of the annual report publication date, and disclose the counter measures (including improvement measures) and possible disbursements (covering the estimated amounts of possible losses, punishments and compensation caused by not taking counter measures. If the amounts can't be appropriately estimated, please state why): None.

(2) Influence of RoHS :

As confirmed by the Industrial Development Bureau of Ministry of Economic Affairs as per doc. Guang-Dian-Zi no. 09500240130 dated March 29, 2006, the company is free from the restriction of RoHS requested by EU for hazardous substances.

#### 5. Employee / Employer relation:

(1) Working environment and personal safety

The Company deeply believes that “sustainable development” is the challenging goal encountered by businesses in the 21<sup>st</sup> century: we will never forget to exercise social responsibilities while pursuing growth. In addition to continuously enhancing production technology and product quality, we also actively establish an environmental management system and safety and health management system, establish social environmental responsibilities and safety and health policies and exercise responsibilities of good social citizens. We are not only devoted to environmental protection, but also establish a safe healthy and comfortable working environment. For standards and compliance rules regarding environmental protection, safety health policies, we commit to the following execution guidelines:

Comply with various environmental regulations – comply and satisfy environmental protection, labor safety and health regulations and other requirements promulgated by the government, respond to global green environment, labor rights and zero disaster exercise.

- Constant environmental improvement – keep the environmental management system in constant operation, meanwhile being devoted to current environment improvement to enhance overall performance.
- Ongoing waste reduction – reduce the creation of waste and reduce the waste volume created via recycle classification as much as possible
- Ongoing pollution prevention - launch overall planning via stream thinking to reduce the possibility to generate pollution
- Respect of life – safety is my responsibility, superiors in various degrees and all employees including OEM companies, contractors, suppliers, part-time students, contracted employees, temporary employees and outsourcing personnel shall comply with the governmental regulations and various work safety and environmental protection resolutions. In particular, superiors in different levels shall set a good example with their own conduct and execute good supervision.
- Risk management – identify risks and by danger assessment and risk evaluation and control the risk according to risk levels. Meanwhile, carry out safety and health self-management and establish an occupational safety and health management system (ISO 45001)
- Pollution Prevention - source management, carry out water reduction, energy saving, reuse, cleaning process, cost reduction, reduction impact to ecological environment and establishment of

environmental management system (ISO 14001)

- Ongoing improvement – environmental protection popularization, safety and health training, environmental safety conscious reinforcement, environmental system and regulations implementation, systematic management, ongoing improvement, quality environmental protection construction, safe and healthy working place.
- Carry out health management and promote employees' physical and mental health

(2) Assessment of employees' behavioral ethics

The company has established "Ethical Corporate Management Best Practice Principles" and "standards of conduct" as standards for compliance by directors, supervisors, managers and employees

- When engaging in commercial activities, directors, supervisors, managers, employees of the company or persons having substantial control over such company ("substantial controllers") shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, nor commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty ("unethical conduct") for purposes of acquiring or maintaining benefits.
- When conducting business, The company and their directors, supervisors, managers, employees and substantial controllers, shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, including rebates, commissions, grease payments, or offer or accept improper benefits in other ways to or from clients, agents, contractors, suppliers, public servants, or other interested parties, unless the laws of the territories where the company operate permit so.
- When directly or indirectly offering a donation to political parties or organizations or individuals participating in political activities, The Company and their directors, supervisors, managers, employees and substantial controllers, shall comply with the Political Donations Act and their own relevant internal operational procedures, and shall not make such donations in exchange for commercial gains or business advantages.
- When making or offering donations and sponsorship, The company and their directors, supervisors, managers, employees and substantial controllers shall comply with relevant laws and regulations and internal operational procedures, and shall not surreptitiously engage in bribery.
- The company and their directors, supervisors, managers, employees and substantial controllers shall not directly or indirectly offer or accept any unreasonable presents, hospitality or other improper benefits to establish business relationship or influence commercial transactions.
- Avoid conflict of interest: taking overall Company interest into consideration without intention to gain improper interest for themselves, spouse, parents, children or relative within the third-degree of kinship or impair the Company's interest.
- Avoid chance to make money for one's own: avoid opportunities to make money for one's own by using Company property, information and or taking advantage of duties.
- Confidentiality: information regarding the Company itself or its businesses, unless it is publicized under authorization or legal regulations, shall be kept confidential.
- Fair trade: treat the Company's customers, suppliers and competitors as fair as possible.
- Protect and properly use the Company's assets: protect the Company's assets to ensure that they can be efficiently and legally used for public affairs.
- Comply with laws and regulations: comply with all applicable regulations, rules and laws of the Company.
- Encourage reporting of any illegal conduct or conduct violating ethical behavior standards.
- Punishment: the Company shall investigate the responsibilities of any person that neglects his/her duties according to the violation condition and take appropriate legal actions.

(3) Employees' welfare

To value employees and take good care of them, the Company has established an employee recreation area, and offered extra life and medical insurance to protect employees, in which the field personnel shall

have accident insurance with a higher insurance amount.

There is an employee welfare committee organized to plan a variety of employee welfare matters. In addition to employee travel and various recreational activities, there are also subsidies for marriage, giving birth and education, solicitation money and gifts to three major holidays, birthdays, etc. provided.

①Salary and bonus: cash gift for shopping during the three major traditional holidays, and Employee compensation, Annual Senior Employee Commendation.

②Insurance: apart from the labor insurance and national health insurance required by law, Employees are enrolled in the group comprehensive insurance policy, free regular medical checkups for employees. Healthcare, including visits from medical, Massage services from people with visual impairments.

③employee activity: Employee travel allowance and health promotion program, Offer various types of clubs with subsidies, year-end party prize drawing.

④Intimate facilities: Birthday cash gift, Employee wedding, funeral service, hospitalization, and childbirth subsidies, Independent and private medical and lactation (breastfeeding) room, Meal subsidies and Free parking.

#### (4) Employee advanced studies and training

Various training courses were implemented under the plan referring to “implementation and management procedures of educational training”, which allowed all employees to be capable of undertaking work. To ensure the efficiency of training, the training system is divided into: internal and external training courses and accreditation appraisal. The Company not only holds training courses for new comer and on service personnel, but also actively cultivates internal lecturers as well as a training system and advanced employee studies for the expectation to cultivate internal talents in different fields, enhance personnel quality and to achieve the goal of speed talent training, skill improvement and experience inheritance. The best learning environment for all employees, the Company into diverse learning platform, in addition to the physical classroom, and build group video curriculum, and develop a knowledge management system and online teaching system, and motivating employees to the various learning activities.

#### (5) Retirement system

The Company follows Chapter 6 of the Labor Standard Law to implement employee retirement related affairs and contribute employee pension reserves as regulated in the old system and labor pension as required in the new system monthly pursuant to regulations. The Company has one person in filed a retirement application until December 31, 2020.

#### (6) Labor relationship

The Company has emphasized employee welfare and interest since its establishment, and the labor relation is very cohesive. The Company holds labor meetings periodically and provides employee proposal and opinion boxes for employees to respond to problems and constitute good interaction. It is expected to establish a cohesive relationship between labor and capital.

(7) As of the printing date of the annual report, the losses suffered and possible estimate amount in the future arising from disputes between labor and capital and correspondent actions. If it is unable to make a reasonable estimate, please explain the fact that cannot be reasonably estimated: None.

#### 6. Important agreements (including supply and sales contracts, technical corporation contracts, engineering contracts, long-term loan contracts, and the important contracts which may influence shareholders' equity)

| Contract characteristics | The interested party               | Contract start and end dates | Major content    | Restriction |
|--------------------------|------------------------------------|------------------------------|------------------|-------------|
| Long-term loan contract  | Mega International Commercial Bank | 2016.12~2022.12              | Payment due date | None        |

# VI. Financial information

## 1. Condensed balance sheet and Income statement of the last five years

### A-1-1. Condensed Balance Sheet-IFRSs(Consolidated Financial Statements)

Unit: NT\$ 1,000

| Year   |                   | Condensed Balance Sheet of fiscal year 2016~2020 |           |           |           |           | As of March 31, 2021 |
|--|-------------------|--|-----------|-----------|-----------|-----------|----------------------|
| Item   |                   | 2016   | 2017      | 2018      | 2019      | 2020      |                      |
| Current Assets                                     |                   | 3,578,675  | 3,869,456 | 3,982,776 | 3,998,337 | 4,662,360 | 5,147,855            |
| Property, plant and equipment                      |                   | 2,505,790  | 2,142,951 | 2,071,314 | 1,751,469 | 1,452,804 | 1,484,072            |
| Intangible Assets                                  |                   | 35,705   | 28,114    | 20,864    | 12,958    | 25,614    | 57,927               |
| Other Assets                                       |                   | 176,172  | 248,825   | 273,003   | 233,170   | 208,077   | 313,191              |
| Total Assets                                       |                   | 6,296,342  | 6,289,346 | 6,347,957 | 5,995,934 | 6,348,855 | 7,003,045            |
| Current Liabilities                                | Before allocation | 1,074,714  | 1,009,662 | 1,090,740 | 882,697   | 1,023,505 | 1,122,943            |
|  | After allocation  | 1,218,701  | 1,072,853 | 1,261,356 | 1,053,314 | *         | *                    |
| Non-Current Liabilities                            |                   | 585,873  | 621,185   | 633,590   | 587,497   | 549,255   | 820,755              |
| Total Liabilities                                  | Before allocation | 1,660,587  | 1,630,847 | 1,724,330 | 1,470,194 | 1,572,760 | 1,943,698            |
|  | After allocation  | 1,804,574  | 1,694,038 | 1,894,946 | 1,640,811 | *         | *                    |
| Equity attributable to shareholders of the company |                   | 4,384,922  | 4,408,323 | 4,369,192 | 4,277,144 | 4,444,899 | 4,520,051            |
| Capital Stock                                      |                   | 1,594,783  | 1,594,783 | 1,435,305 | 1,421,805 | 1,421,805 | 1,421,805            |
| Capital surplus                                    |                   | 1,235,440  | 1,232,138 | 1,228,597 | 1,230,872 | 1,229,931 | 1,229,931            |
| Retained earnings                                  | Before allocation | 1,733,081  | 1,823,902 | 2,014,663 | 2,028,936 | 2,138,482 | 2,231,430            |
|  | After allocation  | 1,589,094  | 1,760,711 | 1,844,047 | 1,858,319 | *         | *                    |
| Other stockholders' equity                         |                   | (146,686)  | (210,804) | (279,177) | (404,469) | (345,319) | (363,115)            |
| Treasury stock                                     |                   | (31,696)   | (31,696)  | (30,196)  | -         | -         | -                    |
| Non-controlling interest                           |                   | 250,833  | 250,176   | 254,435   | 248,596   | 331,196   | 539,296              |
| Total equities                                     | Before allocation | 4,635,755  | 4,658,499 | 4,623,627 | 4,525,740 | 4,776,095 | 5,059,347            |
|  | After allocation  | 4,491,768  | 4,595,308 | 4,453,011 | 4,355,123 | *         | *                    |

\*2020 regular meeting of shareholders resolution.

## A-1-2. Condensed Balance Sheet-IFRSs(Financial Statements)

Unit: NT\$ 1,000

| Year   |                   | Condensed Balance Sheet of fiscal year 2016~2020 |           |           |           |           | As of March 31, 2021 |
|--|-------------------|--|-----------|-----------|-----------|-----------|----------------------|
| Item   |                   | 2016   | 2017      | 2018      | 2019      | 2020      |                      |
| Current Assets                                     |                   | 727,736  | 953,931   | 1,005,391 | 834,531   | 744,067   | N/A                  |
| Property, plant and equipment                      |                   | 463,981  | 324,122   | 285,975   | 266,087   | 302,995   |                      |
| Intangible Assets                                  |                   | 10,272   | 7,579     | 4,793     | 1,127     | 3,428     |                      |
| Other Assets                                       |                   | 3,855,445  | 3,883,934 | 3,913,629 | 3,909,309 | 4,169,699 |                      |
| Total Assets                                       |                   | 5,057,434  | 5,169,566 | 5,209,788 | 5,011,054 | 5,220,189 |                      |
| Current Liabilities                                | Before allocation | 350,775  | 344,952   | 426,077   | 352,820   | 444,937   |                      |
|  | After allocation  | 494,762  | 408,143   | 596,693   | 523,437   | *         |                      |
| Non-Current Liabilities                            |                   | 321,737  | 416,291   | 414,519   | 381,090   | 330,353   |                      |
| Total Liabilities                                  | Before allocation | 672,512  | 761,243   | 840,596   | 733,910   | 775,290   |                      |
|  | After allocation  | 816,499  | 824,434   | 1,011,212 | 904,527   | *         |                      |
| Equity attributable to shareholders of the company |                   | 4,384,922  | 4,408,323 | 4,369,192 | 4,277,144 | 4,444,899 |                      |
| Capital Stock                                      |                   | 1,594,783  | 1,594,783 | 1,435,305 | 1,421,805 | 1,421,805 |                      |
| Capital surplus                                    |                   | 1,235,440  | 1,232,138 | 1,228,597 | 1,230,872 | 1,229,931 |                      |
| Retained earnings                                  | Before allocation | 1,733,081  | 1,823,902 | 2,014,663 | 2,028,936 | 2,138,482 |                      |
|  | After allocation  | 1,589,094  | 1,760,711 | 1,844,047 | 1,858,319 | *         |                      |
| Other stockholders' equity                         |                   | (146,686)  | (210,804) | (279,177) | (404,469) | (345,319) |                      |
| Treasury stock                                     |                   | (31,696)   | (31,696)  | (30,196)  | -         | -         |                      |
| Non-controlling interest                           |                   | -  | -         | -         | -         | -         |                      |
| Total equities                                     | Before allocation | 4,384,922  | 4,408,323 | 4,369,192 | 4,277,144 | 4,444,899 |                      |
|  | After allocation  | 4,240,935  | 4,345,132 | 4,198,576 | 4,106,527 | *         |                      |

\*2020 regular meeting of shareholders resolution.

## B-1-1. Condensed Income Statement-IFRSs(Consolidated Financial Statements)

Unit: NT\$1,000

| Item   | Condensed Balance Sheet of fiscal year<br>2016~2020 |           |           |           |           | As of March 31, 2021 |
|--|---|-----------|-----------|-----------|-----------|----------------------|
|  | 2016  | 2017      | 2018      | 2019      | 2020      |                      |
| Net sales  | 3,282,932   | 3,283,163 | 3,282,444 | 3,006,253 | 2,973,426 | 779,663              |
| Gross Profit   | 923,091   | 888,435   | 909,845   | 859,195   | 970,153   | 252,652              |
| Operating Income   | 344,741   | 308,733   | 328,983   | 307,102   | 468,306   | 141,661              |
| Non-operating income and expenses                                      | (24,167)  | 11,344    | 10,224    | 23,859    | (1,857)   | (279)                |
| Income before tax  | 320,574   | 320,077   | 339,207   | 330,961   | 466,449   | 141,382              |
| Operating income   | 260,457   | 233,439   | 254,676   | 203,007   | 304,257   | 101,474              |
| Loss of business units   | -   | -         | -         | -         | -         | -                    |
| Net income   | 260,457   | 233,439   | 254,676   | 203,007   | 304,257   | 101,474              |
| Other comprehensive income   | (322,922)   | (66,708)  | (68,379)  | (126,585) | 57,850    | (17,593)             |
| Total comprehensive income   | (62,465)  | 166,731   | 186,297   | 76,422    | 362,107   | 83,881               |
| Net income attributable to Shareholders of the company                 | 246,132   | 236,418   | 253,641   | 190,275   | 281,985   | 92,647               |
| Net income attributable to Non-controlling interest                    | 14,325  | (2,979)   | 1,035     | 12,732    | 22,272    | 8,827                |
| Total comprehensive income attributable to Shareholders of the company | (73,641)  | 170,690   | 185,579   | 64,986    | 339,313   | 75,152               |
| Total comprehensive income attributable to Non-controlling interest    | 11,176  | (3,959)   | 718       | 11,436    | 22,794    | 8,729                |
| Earnings per share   | 1.55  | 1.50      | 1.69      | 1.34      | 1.98      | 0.65                 |

## B-1-2. Condensed Income Statement- IFRSs(Financial Statements)

Unit: NT\$1,000

| Year<br>Item   | Condensed Balance Sheet of fiscal year<br>2016~2020 |           |           |           |           | As of March 31, 2021 |
|--|---|-----------|-----------|-----------|-----------|----------------------|
|  | 2016  | 2017      | 2018      | 2019      | 2020      |                      |
| Net sales  | 1,159,407   | 1,142,819 | 1,172,272 | 1,020,624 | 1,148,344 | N/A                  |
| Gross Profit   | 398,225   | 383,260   | 441,774   | 333,450   | 422,412   |                      |
| Operating Income   | 194,835   | 174,055   | 208,548   | 156,395   | 188,989   |                      |
| Non-operating income and expenses                                      | 99,677  | 100,345   | 126,368   | 63,334    | 133,544   |                      |
| Income before tax  | 294,512   | 274,400   | 334,916   | 219,729   | 322,533   |                      |
| Operating income   | 246,132   | 236,418   | 253,641   | 190,275   | 281,985   |                      |
| Loss of business units   | -   | -         | -         | -         | -         |                      |
| Net income   | 246,132   | 236,418   | 253,641   | 190,275   | 281,985   |                      |
| Other comprehensive income   | (319,773)   | (65,728)  | (68,062)  | (125,289) | 57,328    |                      |
| Total comprehensive income   | (73,641)  | 170,690   | 185,579   | 64,986    | 339,313   |                      |
| Net income attributable to Shareholders of the company                 | 246,132   | 236,418   | 253,641   | 190,275   | 281,985   |                      |
| Net income attributable to Non-controlling interest                    | -   | -         | -         | -         | -         |                      |
| Total comprehensive income attributable to Shareholders of the company | (73,641)  | 170,690   | 185,579   | 64,986    | 339,313   |                      |
| Total comprehensive income attributable to Non-controlling interest    | -   | -         | -         | -         | -         |                      |
| Earnings per share   | 1.55  | 1.50      | 1.69      | 1.34      | 1.98      |                      |

## C. Auditing by CPAs

CPAs and their auditing opinions in the past five years

| Year | CPAs   | Opinions    |
|------|--|-------------|
| 2016 | Wan-Yi, Liao & Chien-Hsin, Hsieh<br>(Deloitte & Touche-Taiwan)   | Unqualified |
| 2017 | Wan-Yi, Liao & Yung-Fu, Liu<br>(Deloitte & Touche-Taiwan)        | Unqualified |
| 2018 | Wan-Yi, Liao & Yung-Fu, Liu<br>(Deloitte & Touche-Taiwan)        | Unqualified |
| 2019 | Chao-Mei, Chen & Chien-Hsin, Hsieh<br>(Deloitte & Touche-Taiwan) | Unqualified |
| 2020 | Chien-Hsin, Hsieh & Chao-Mei, Chen<br>(Deloitte & Touche-Taiwan) | Unqualified |

## 2-1-1. Financial analysis in the past five years-IFRSs(Consolidated Financial Statements)

| Item                    |  | Condensed Income Statement of fiscal year<br>2016~2020 |        |        |        |        | As of March 31,<br>2021 |
|-------------------------|--|--|--------|--------|--------|--------|-------------------------|
|                         |  | 2016   | 2017   | 2018   | 2019   | 2020   |                         |
| Financial structure (%) | Ratio of liabilities to assets                 | 26.37  | 25.93  | 27.16  | 24.52  | 24.77  | 27.76                   |
|                         | Ratio of long-term capital to fixed assets     | 202.23   | 239.00 | 245.18 | 281.18 | 351.07 | 378.64                  |
| Solvency (%)            | Current Ratio                                  | 332.99   | 383.24 | 365.14 | 452.97 | 455.53 | 458.43                  |
|                         | Quick Ratio                                    | 285.10   | 334.13 | 315.67 | 402.21 | 406.95 | 400.99                  |
|                         | Times interest Earned Ratio                    | 13.76  | 16.95  | 20.10  | 22.91  | 49.22  | 65.00                   |
| Operating ability       | Account Receivables Turnover (times)           | 2.38   | 2.49   | 2.41   | 2.37   | 2.65   | 2.63                    |
|                         | Days sales in accounts receivable              | 153.36   | 146.59 | 151.45 | 154.01 | 137.74 | 138.78                  |
|                         | Inventory Turnover (times)                     | 4.62   | 4.98   | 4.75   | 4.49   | 4.37   | 3.83                    |
|                         | Account Payable Turnover (times)               | 13.21  | 12.18  | 11.58  | 11.48  | 10.89  | 9.74                    |
|                         | Average days in sales                          | 79.00  | 73.29  | 76.84  | 81.29  | 83.52  | 95.30                   |
|                         | Fixed Assets Turnover (times)                  | 1.20   | 1.41   | 1.56   | 1.57   | 1.86   | 2.12                    |
|                         | Total Assets Turnover(times)                   | 0.52   | 0.52   | 0.52   | 0.50   | 0.47   | 0.45                    |
| Profit ability          | Ratio of Return on assets (%)                  | 4.26   | 3.97   | 4.26   | 3.49   | 5.06   | 1.63                    |
|                         | Ratio of Return on shareholders' equity (%)    | 5.46   | 5.02   | 5.49   | 4.44   | 6.54   | 8.25                    |
|                         | Ratio of Income before tax to Capital stock(%) | 20.10  | 20.07  | 23.63  | 23.28  | 32.81  | 39.78                   |
|                         | Profit ratio (%)                               | 7.93   | 7.11   | 7.76   | 6.75   | 10.23  | 13.02                   |
|                         | EPS (\$)                                       | 1.55   | 1.50   | 1.69   | 1.34   | 1.98   | 0.65                    |
| Cash Flows (%)          | Cash flow ratio (%)                            | 93.58  | 71.40  | 50.92  | 107.63 | 87.55  | 10.46                   |
|                         | Cash flow adequacy ratio (%)                   | 133.57   | 150.98 | 147.46 | 170.91 | 197.57 | 187.41                  |
|                         | Cash reinvestment ratio (%)                    | 7.98   | 5.62   | 4.69   | 7.49   | 6.59   | 0.99                    |
| Balance                 | Degree of operating leverage                   | 5.00   | 5.04   | 4.52   | 4.84   | 3.30   | 3.11                    |
|                         | Degree of financial leverage                   | 1.08   | 1.07   | 1.06   | 1.06   | 1.02   | 1.02                    |



## 2-1-2.Financial analysis in the past five years-IFRSs(Financial Statements)

| Item                    |  | Condensed Income Statement of fiscal year<br>2016~2020 |          |          |          |          | As of March 31,<br>2021 |
|-------------------------|--|--|----------|----------|----------|----------|-------------------------|
|                         |  | 2016   | 2017     | 2018     | 2019     | 2020     |                         |
| Financial structure (%) | Ratio of liabilities to assets                 | 13.30  | 14.73    | 16.13    | 14.65    | 14.85    | N/A                     |
|                         | Ratio of long-term capital to fixed assets     | 1,011.39   | 1,483.97 | 1,667.70 | 1,742.72 | 1,569.30 |                         |
| Solvency (%)            | Current Ratio                                  | 207.47   | 276.54   | 235.96   | 236.53   | 167.23   |                         |
|                         | Quick Ratio                                    | 159.63   | 234.05   | 194.75   | 194.38   | 131.89   |                         |
|                         | Times interest Earned Ratio                    | 40.42  | 35.29    | 32.00    | 23.67    | 43.22    |                         |
| Operating ability       | Account Receivables Turnover (times)           | 4.58   | 4.15     | 4.41     | 3.98     | 4.46     |                         |
|                         | Days sales in accounts receivable              | 79.69  | 87.95    | 82.77    | 91.71    | 81.84    |                         |
|                         | Inventory Turnover (times)                     | 5.00   | 5.35     | 4.79     | 4.43     | 4.93     |                         |
|                         | Account Payable Turnover (times)               | 14.47  | 14.73    | 11.42    | 9.84     | 10.97    |                         |
|                         | Average days in sales                          | 73.00  | 68.22    | 76.20    | 82.39    | 74.04    |                         |
|                         | Fixed Assets Turnover (times)                  | 2.10   | 2.90     | 3.84     | 3.70     | 4.04     |                         |
|                         | Total Assets Turnover(times)                   | 0.23   | 0.22     | 0.23     | 0.20     | 0.22     |                         |
| Profit ability          | Ratio of Return on assets (%)                  | 4.80   | 4.75     | 5.06     | 3.88     | 5.64     |                         |
|                         | Ratio of Return on shareholders' equity (%)    | 5.43   | 5.38     | 5.78     | 4.40     | 6.47     |                         |
|                         | Ratio of Income before tax to Capital stock(%) | 18.47  | 17.21    | 23.33    | 15.45    | 22.68    |                         |
|                         | Profit ratio (%)                               | 21.23  | 20.69    | 21.64    | 18.64    | 24.56    |                         |
|                         | EPS (\$)                                       | 1.55   | 1.50     | 1.69     | 1.34     | 1.98     |                         |
| Cash Flows (%)          | Cash flow ratio (%)                            | 41.33  | 82.24    | 69.13    | 48.69    | 53.24    |                         |
|                         | Cash flow adequacy ratio (%)                   | 162.21   | 173.13   | 165.17   | 153.68   | 124.07   |                         |
|                         | Cash reinvestment ratio (%)                    | (1.07)   | 2.04     | 3.38     | 0.02     | 0.97     |                         |
| Balance                 | Degree of operating leverage                   | 3.64   | 4.14     | 2.86     | 3.65     | 2.63     |                         |
|                         | Degree of financial leverage                   | 1.04   | 1.06     | 1.05     | 1.08     | 1.04     |                         |

Note1: Equations:

1. Financial structure

(1)Ratio of liabilities to assets=Total liabilities/Total assets

(2)Ratio of long-term capital to fixed assets= (Net Shareholder's equity + Long-term liabilities) / Net fixed assets.

2. Debt-paying ability

(1)Current Ratio=Current assets/Current liabilities

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

(3)Times interest Earned Ratio= Net profit before tax and interest expense/interest expense

3. Operating ability

(1) Receivables (Including accounts receivable and the notes receivable due to operation) turnover ratio= Net

sales/Average receivables (including accounts receivable and the notes receivable due to operation) balance

(2) Average cash receiving days = 365 / Turnover rate of total assets.

(3) Inventory Turnover Ratio = Cost of sales / Average amount of inventory

(4) Payables (including accounts payable and the notes payable due to operation) turnover ratio = Cost of sales / Average Payables (including accounts payable and the notes payable due to operation) balance

(5) Average period of sales = 365 / Inventory Turnover Ratio

(6) Ratio of Fixed Assets Turnover = Net sales / Net fixed assets

(7) Ratio of Total Assets Turnover = Net sales / Total assets

#### 4. Profitability

(1) Return on assets = [gain and loss after tax + interest expense × (1 - tax ratio)] / Average Total assets

(2) Return on shareholders' equity = gain and loss after tax / Average Net shareholders' equity.

(3) Net profit margin = gain and loss after tax / Net sales

(4) EPS = (Net income - Preferred dividend) / weighted average number of issued shares (Note 4)

#### 5. Cash Flows

(1) Cash flow ratio = Operating net Cash Flows / Current liabilities

(2) Net Cash flow adequacy ratio = the past five years' operating net Cash Flows / the past five years' (capital expense + inventory increasing amount + cash dividend).

(3) Ratio of cash reinvestment = (Operating net Cash Flows - cash dividend) / (Gross fixed assets + Long-term investment + other financial assets + operating capital) (Note 5)

#### 6. Balance:

(1) Degree of Operating leverage = (Net operating income - operating cost and expense changes) / Operating income (Note 6)

(2) Degree of Financial leverage = Operating income / (Operating income - interest expense)

Note 2: The notice items for calculating EPS are as follows:

1. Based on weighted average common shares, not the weighted average number of issued shares.
2. For capitalization with cash or Treasury stock trade, the stock circulation must be included for consideration to calculate weighted average stock shares.
3. For capitalization with retained earnings and additional paid-in capital, the earnings per share calculated semi-annually and annually must be adjusted retroactively and proportionally to the capitalization but without considering the issuance period of the capitalization.
4. If preferred stock shares are nonconvertible and cumulative, the dividend of the year (whether it is distributed or not) should be deducted from net income or added to the net loss. If preferred stock shares are not cumulative, preferred stock dividend should be deducted from net income if there is any but it needs not be added to net loss if there is any.

Note 3: The notice items for cash flow analysis are as follows:

1. Net cash flow from operating activity meant for the net cash inflow from operating activity on the Statement of Cash Flow.
2. Capital expenditure meant for the cash outflow of capital investment annually.
3. Increase of inventory is counted only when ending inventory exceeds beginning inventory. If the ending inventory is decreased, it is booked as zero value.
4. Cash dividend includes the amount for common stock and preferred stock.
5. Gross fixed assets meant for the total fixed assets before deducting the cumulative depreciation.

Note 4: Issuers are to have operating cost and operating expenses classified into the category of fixed and variable. If the classification of operating cost and operating expense involves estimation or discretionary judgment, it must be made reasonably and consistently.

3. Supervisor's Report in the past five years: Please refer to **P63** in the annual report for details.

4. Consolidated financial difficulties of the Company and related party on the Company's financial position: N/A

5. Financial statements in the most recent years: Please refer to **P73~157** in the annual report for details.

6. Impact of financial difficulties of the Company and related party on the Company's financial position: None.

**Topoint Technology Co., Ltd.**

**Supervisor's Report**

The 2020 consolidated financial statements, business report, and remuneration of the company and its subsidiaries has been audited and certified by the CPAs: Chien-Hsin, Hsieh and Chao-Mei, Chen of Deloitte & Touche-Taiwan. The supervisors have reviewed and audited the above-mentioned issued documents, composed and presented by the Board of Directors. It is concluded that the said documents are presented fairly; therefore, the Supervisor's Report is hereby issued in accordance with Article 219 of Company Law.

Sincerely yours,

2021 Shareholder's Meeting of Topoint

Supervisor: Gen-Cing, Chen

Supervisor: Cheng-Chie, Niu

Supervisor: Fang-Cheng, Siao

February 26, 2021

## VII. Review of financial position, management performance and risk management

### 1. Financial position

#### A. Financial status comparison analysis

Unit: NT\$1,000

| Item  | Year | 2020        | 2019        | Difference |         |
|---|------|-------------|-------------|------------|---------|
|   |      |             |             | Amount     | %       |
| Current assets  |      | \$4,662,360 | \$3,998,337 | 664,023    | 16.61   |
| Property, plant and equipment   |      | 1,452,804   | 1,751,469   | (298,665)  | (17.05) |
| Intangible assets   |      | 25,614      | 12,958      | 12,656     | 97.67   |
| Other noncurrent assets   |      | 208,077     | 233,170     | (25,093)   | (10.76) |
| Total assets  |      | 6,348,855   | 5,995,934   | 352,921    | 5.89    |
| Current liabilities   |      | 1,023,505   | 882,697     | 140,808    | 15.95   |
| Noncurrent liabilities  |      | 549,255     | 587,497     | (38,242)   | (6.51)  |
| Total liabilities   |      | 1,572,760   | 1,470,194   | 102,566    | 6.98    |
| Total equity attributable to owners of the Company  |      | 4,444,899   | 4,277,144   | 167,755    | 3.92    |
| Common stock  |      | 1,421,805   | 1,421,805   | -          | -       |
| Capital surplus   |      | 1,229,931   | 1,230,872   | (941)      | (0.08)  |
| Retained earnings   |      | 2,138,482   | 2,028,936   | 109,546    | 5.40    |
| Other equity  |      | (345,319)   | (404,469)   | 59,150     | 14.62   |
| Treasury shares   |      | -           | -           | -          | -       |
| NON-CONTROLLING INTERESTS   |      | 331,196     | 248,596     | 82,600     | 33.23   |
| Total shareholders' equity  |      | 4,776,095   | 4,525,740   | 250,355    | 5.53    |
| Note:   |      |             |             |            |         |
| (1) The increase in intangible assets was mainly due to the recognition of goodwill by subsidiaries.                  |      |             |             |            |         |
| (2) The increase in non-controlling interests was mainly due to the acquisition of minority interests in subsidiaries |      |             |             |            |         |

## 2. Management performance

### A. Comparison of business performance

Unit: NT\$ 1,000

| Item  | Year | 2020        | 2019        | Amount change | Ratio change (%) |
|---|------|-------------|-------------|---------------|------------------|
| Net operating income  |      | \$2,973,426 | \$3,006,253 | (32,827)      | (1.09)           |
| Operating cost  |      | 2,003,273   | 2,147,058   | (143,785)     | (6.70)           |
| Gross profit  |      | 970,153     | 859,195     | 110,958       | 12.91            |
| Operating expense   |      | 497,159     | 579,421     | (82,262)      | (14.20)          |
| Operating income  |      | 468,306     | 307,102     | 161,204       | 52.49            |
| Non-operating income and expenses   |      | (1,857)     | 23,859      | (25,716)      | (107.78)         |
| Net income before tax   |      | 466,449     | 330,961     | 135,488       | 40.94            |
| Income tax expense(gain)  |      | 162,192     | 127,954     | 34,238        | 26.76            |
| Net income  |      | 304,257     | 203,007     | 101,250       | 49.88            |
| Net profit attributed to: Owner of the Company  |      | 281,985     | 190,275     | 91,710        | 48.20            |
| Analysis of financial ratio change:   |      |             |             |               |                  |
| (1) The increase in operating profit was mainly due to the decrease in the cost of goods sold and operating expenses. |      |             |             |               |                  |
| (2) The decrease in non-operating income and expenses was mainly due to an increase in impairment losses on assets.   |      |             |             |               |                  |
| (3) The increase in income tax expense was mainly due to an increase in net profit before tax.                        |      |             |             |               |                  |
| (4) The increase in consolidated interests and attributable to the parent company is mainly due to the above changes  |      |             |             |               |                  |

### B. KPI

Industry-specific Key Performance Indicator (KPI):

The Company periodically reviews various financial and industrial key performance indicators among businesses in the same industry to control the competitive advantages and industrial movements in a timely manner. The key performance indicator analyses in 2020 are as follows (consolidated number):

|                            |       |
|----------------------------|-------|
| Market Share (%)           | 20.0% |
| Quality Yield Rate (%)     | 98.8% |
| Production Utilization (%) | 90.9% |

## 3. Analysis of Cash Flows

### A. Liquidity analysis of the last two years

| Item \ Year                               | 2020   | 2019   | Fluctuation ratio % |
|---|--------|--------|---------------------|
| Cash flow ratio                           | 87.55  | 107.63 | (18.66)             |
| Cash adequacy ratio                       | 197.57 | 170.91 | 15.60               |
| Cash reinvestment ratio                   | 6.59   | 7.49   | (12.02)             |
| Analysis of financial ratio change: None. |        |        |                     |

B. Analysis of cash liquidity in one year

Unit:NT\$ 1,000

| Beginning cash balance   | Expected net cash flow from operating activity of the year | Expected cash outflow of the year | Expected cash surplus (deficit) | Remedial measures for the expected insufficient cash |                    |
|--|--|-----------------------------------|---------------------------------|--|--------------------|
|  |  |                                   |                                 | Investing activity                                   | Financing activity |
| 2,076,110  | 779,767  | 594,553                           | 2,261,324                       | -  | -                  |
| Remedial measures for the expected insufficient cash and liquidity analysis: N/A |  |                                   |                                 |  |                    |

4. Impact of major capital expenditure on finance and business: None.
5. Most recent fiscal year investment policies, reasons for gain or loss and action plan in regard to investment plans in current year and the next year:
  - (1) Most recent fiscal year investment policies: The degree of reinvestment profit, mainly integrated platform to increase revenues and profits as the main policies.
  - (2) The main reason for reinvestment profit: The company in 2020 under the equity method Investment income is NT \$119,346 thousand, mainly overseas investee companies operating in good condition, due to profit.
  - (3) Investment plans next year: Based on “discipline, insistence and innovation”, the perspective of long-term strategic investment plan carefully assessed.
6. Risk Management

**Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures**

A. Interest Rates

Topoint obtains more favorable borrowing interest rates and financing channels in the market based on the timing of capital needs, and uses the funds for the most effective dispatch to reduce interest expenses. As of December 31, 2020, the short-term and long-term loans amounted to NT \$ 442,580 thousand. Had interest rates been 25 basis points higher/lower and all other variables been held constant, the Group's pretax profits for the year ended December 31, 2020 would have increased/decreased by NT \$643 thousand.

B. Foreign Exchange Rates

Topoint uses the natural hedging method of balancing foreign currency assets and liabilities, combined with the actual hedging of forward foreign exchange transactions, to continuously control foreign currency positions to reduce the impact of exchange rate fluctuations on the company's profit and loss.

C. Inflation

The impact of inflation does not currently have a significant impact on the Company's profits and business operations.

**Management of Finance Risk: transactions of high risk, high leverage investment, loan funds to others, endorsement, and derivatives commodity**

The Company did not engage in any high-risk or high-leveraged investments and procedures related to lending during the most recent fiscal year. The balance of endorsement for subsidiaries, due to business relations is **See pages 143** of the annual report till the end of December 31, 2020. The Company has promulgated its “Procedures for Acquisition or Disposal of Assets”, “Procedure of External Lending” and “Procedures for Endorsement & Guarantee”, Therefore, there is no significant adverse impact on the company's profit and loss.

**Future R&D plans and expected R&D investment expense**

| Project Name                   | Status | Budget     | Estimated Mass Production Time | Key Successful Factors                        |
|--------------------------------|--------|------------|--------------------------------|---|
| Super Hard Coating Film        | 40%    | 52,000,000 | Nov,2021                       | Professional RD Team + University Cooperation |
| Drills for Different CCLs      | 50%    |            | Sep,2021                       | Early Development with different CCLs         |
| Drill Design Simulation System | 30%    |            | Dec,2021                       | Model Creating & Simulation Softwares         |

- (1) For higher transmission speed, 5G PCB materials become harder and result in serious drill bit wearouts. It is necessary to develop a harder film coating technology to increase drill wearout resistant ability.
- (2) We are able to provide professional mechanical drilling solutions by early study and development of new CCLs.
- (3) We must catch up the rapid customer product trend and supply capable drill bits in time. Develop a systematic product design process by suitable simulation softwares can improve the drill bit design efficiency.

**The impact of change in major policies, and laws, in Taiwan, and abroad, upon the financial standing of the company and the countermeasures**

The operations of the company have all followed the relevant laws and regulations, and noticed the policy direction and corresponded with the strategy appropriately; therefore, the company can always effectively correspond and grasp the domestic and international important policy and legal changes.

**The impact of change in technology and industry upon the financial standing of the company and the countermeasures**

The company always attaches great attention to the relevant technology changes of the industry to grasp the market trend and assess the impact it may cause to the company operations.

**The impact of change in corporate image upon corporate risk management and the countermeasures**

Since the establishment of the company, it has been actively strengthening internal management, improving management quality and effectiveness, continuing to follow and implement various corporate governance requirements, setting up independent directors, and appointing relevant experts to provide timely advice to reduce the occurrence of risks and the impact of risks to the company.

**Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans: None.**

**Expected Benefits from, Risks Relating to and Response to Facility Expansion Plans: None.**

**Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration**

The company strives to diversify its purchase suppliers or sales customers in order to reduce the risk of excessive concentration.

**Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors or Shareholders with Shareholdings of over 10%: None.**

**Effects of, Risks Relating to and Response to Changes in Control over the Company: None.**

**Litigation and non-litigation matters**

- (1) Major ongoing lawsuits, non-lawsuits or administrative lawsuit: None.
- (2) Major ongoing lawsuits, non-lawsuits or administrative lawsuits caused by directors or shareholders with over 10% shareholdings: None.

**Other major risks and countermeasures:**

| Group                  | Risk Items   | Countermeasures  |
|------------------------|--|--|
| Climate change Risk    | Water Resource   | <ul style="list-style-type: none"> <li>-Continuous operation of continuous measurement and monitoring, The use of water resources.</li> <li>-Improve operational water efficiency and reduction Low pollution.</li> <li>-Pay close attention to international environmental protection trends, Formulate relevant measures according to operational needs Shi.</li> <li>- Establish medium and long-term targets, and the water intensity will decrease by 0.5% annually from 2020 to 2022.</li> </ul> |
|                        | Carbon Management                                      | The major carbon sources come from the facility for manufacture based on the investigation results. To save the energy is the main actions to reduce carbon, This improvement plans will include. Renew the facility of air conditioner refit lighting lamps. Energy saving policy and efficient transportation project, to reduce the manufacture operation impact on the environment.  |
| Info com Security Risk | Info com Issues Caused by Man-made or natural disaster | In order to keep the smooth operation of Info com system, the company had defined the S.O.P. including the management of engine room. Account authority 、information backup and restore 、 The authority had been defined for the access of data read and write. Fire wall setting and system management, to prevent the undesired system revision and modification to ensure the security of intellectual property (IP).   |

7. Other important matters: None.

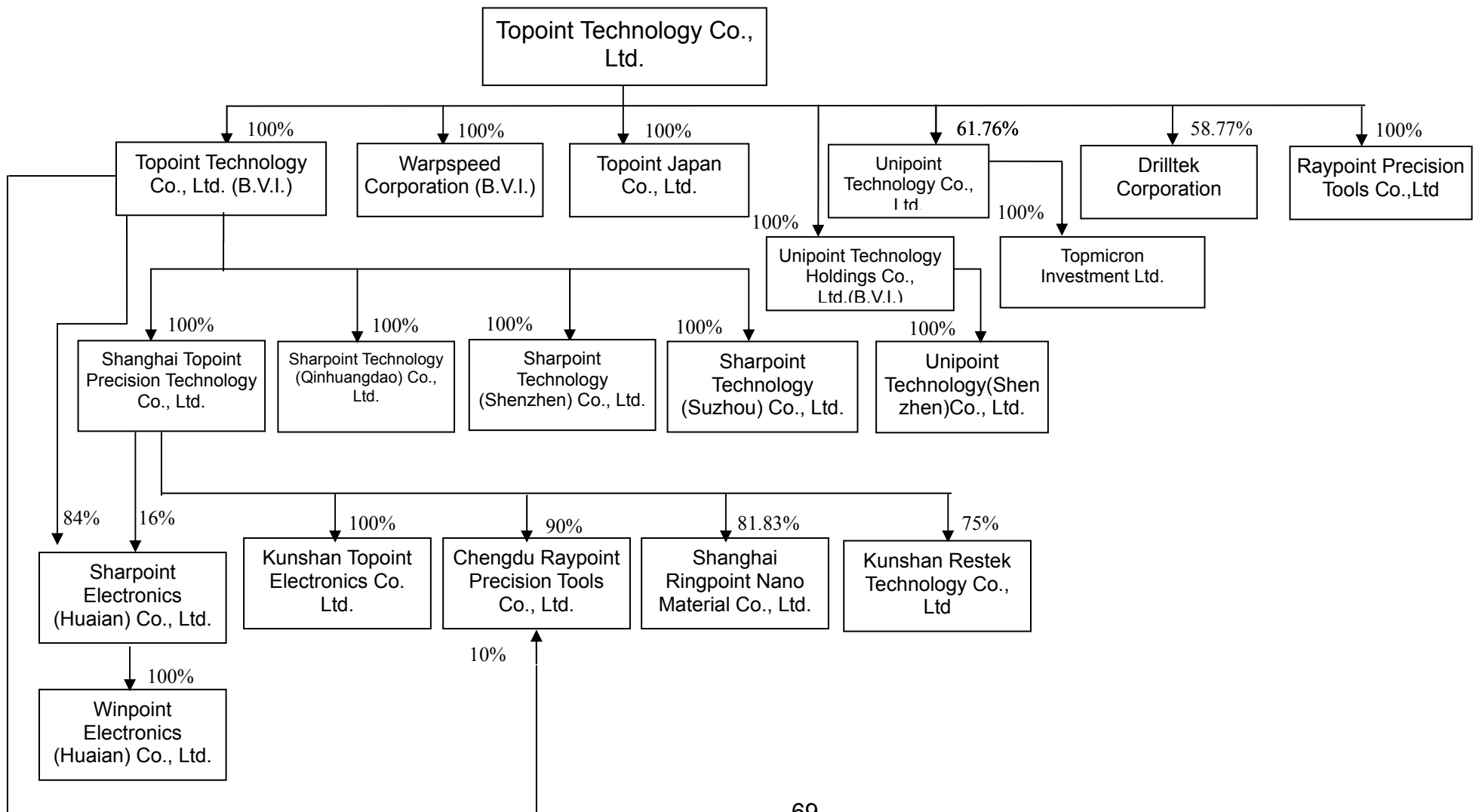


## VIII. Special Disclosures

### 1. Information of Affiliated Firms

#### A. Affiliates Consolidated Business Report

##### (1) Organization chart



## (2) Basic information

| Name of the invested company                    | Area                   | Major business   | Paid-up capital<br>Unit: NT\$ 1,000 |
|---|------------------------|--|-------------------------------------|
| Topoint Technology Co., Ltd.(B.V.I.)            | British Virgin Islands | International investment   | 1,772,629                           |
| Unipoint Technology Co., Ltd.                   | Republic of China      | Testing of drill bits and mounting plate bolt holes                      | 497,000                             |
| Warpspeed Corporation (B.V.I.)                  | British Virgin Islands | International trade  | 1,569                               |
| Topoint Japan Co., Ltd.                         | Japan                  | Selling electronic components  | 7,667                               |
| Topmicron Investment Ltd.                       | Samoa                  | International investment   | 0                                   |
| Shanghai Topoint Precision Technology Co., Ltd. | China                  | Manufacturing and selling precision equipment and measurement facilities | 1,443,066                           |
| Sharpont Technology (Qinhuangdao) Co., Ltd.     | China                  | Testing of drill bits and mounting plate bolt holes                      | 250,222                             |
| Unipoint Technology Holdings Co., Ltd.(B.V.I.)  | British Virgin Islands | International investment   | 178,814                             |
| Raypoint Precision Tools Co.,Ltd.               | Republic of Seychelles | International investment   | 1,511                               |
| Unipoint Technology Shenzhen Co., Ltd.          | China                  | Testing of drill bits and mounting plate bolt holes                      | 178,814                             |
| Sharpont Technology (Shenzhen) Co., Ltd.        | China                  | Testing of drill bits and mounting plate bolt holes                      | 147,583                             |
| Sharpont Technology (Suzhou) Co., Ltd.          | China                  | Testing of drill bits and mounting plate bolt holes                      | 177,872                             |
| Kunshan Topoint Electronics Co. Ltd.            | China                  | Drilling bits  | 97,228                              |
| Sharpont Electronics (Huaian) Co., Ltd.         | China                  | Testing of drill bits and mounting plate bolt holes                      | 308,875                             |
| Chengdu Raypoint Precision Tools Co., Ltd.      | China                  | Cutting equipment  | 292,145                             |
| Winpoint Electronics (Huaian) Co., Ltd.         | China                  | Testing of drill bits and mounting plate bolt holes                      | 25,341                              |
| Shanghai Ringpoint Nano Material Co., Ltd.      | China                  | Processing metal products  | 54,302                              |
| Drilltek Corporation                            | Republic of China      | Testing of drill bits and mounting plate bolt holes                      | 111,000                             |

(3) The shareholder's information presumed to have control and subordination:

None.

(4) The industry covered by the overall affiliates operating business

The operating business of the company and its affiliated enterprises include the R&D, manufacture, and sales of drills, etc.

(5) Affiliated enterprises directors, supervisors, and presidents

| Company Name                                    | Position          | Name/Representative              | Share holding |        |
|---|-------------------|----------------------------------|---------------|--------|
|   |                   |                                  | Amount        | %      |
| Topoint Technology Co., Ltd. (B.V.I.)           | Major Shareholder | Topoint Technology Hsu-Ting, Lin | 7,194         | 100%   |
| Unipont Technology Co., Ltd.                    | Major Shareholder | Topoint Technology Hsu-Ting, Lin | 30,696,297    | 61.76% |
| Warpspeed Corporation (B.V.I.)                  | Major Shareholder | Topoint Technology Hsu-Ting, Lin | 50,000        | 100%   |
| Topoint Japan Co., Ltd.                         | Major Shareholder | Topoint Technology Hsu-Ting, Lin | 600           | 100%   |
| Topmicron Investment Ltd.                       | Major Shareholder | Topoint Technology Hsu-Ting, Lin | 1,235,200     | 61.76% |
| Drilltek Corporation                            | Major Shareholder | Topoint Technology Hsu-Ting, Lin | 6,523,668     | 58.77% |
| Shanghai Topoint Precision Technology Co., Ltd. | Director          | Hsu-Ting, Lin                    | -             | -      |
|   | Director          | Juo-Ping, Lin                    | -             | -      |
|   | Director          | Sheng-Chou, Weng                 | -             | -      |
|   | Supervisor        | Chang-Long, Yan                  | -             | -      |
| Sharpoint Technology (Qinhuangdao) Co., Ltd.    | Director          | Chang-Long, Yan                  | -             | -      |
|   | Director          | Hsu-Ting, Lin                    | -             | -      |
|   | Director          | Juo-Ping, Lin                    | -             | -      |
|   | Supervisor        | Sheng-Chou, Weng                 | -             | -      |
| Unipoint Technology Holdings Co., Ltd. (B.V.I.) | Major Shareholder | Topoint Technology Hsu-Ting, Lin | 11,200        | 100%   |
| Raypoint Precision Tools Co.,Ltd.               | Major Shareholder | Topoint Technology Hsu-Ting, Lin | 50,000        | 100%   |
| Unipoint Technology Shenzhen Co., Ltd.          | Director          | Zhen-Jian, Liu                   | -             | -      |
|   | Director          | Hsu-Ting, Lin                    | -             | -      |
|   | Director          | Juo-Ping, Lin                    | -             | -      |
|   | Supervisor        | Chang-Long, Yan                  | -             | -      |
| Sharpoint Technology (Shenzhen) Co., Ltd.       | Director          | Chang-Long, Yan                  | -             | -      |
|   | Director          | Hsu-Ting, Lin                    | -             | -      |
|   | Director          | Juo-Ping, Lin                    | -             | -      |
|   | Supervisor        | Sheng-Chou, Weng                 | -             | -      |
| Sharpoint Technology (Suzhou) Co., Ltd.         | Director          | Chang-Long, Yan                  | -             | -      |
|   | Director          | Hsu-Ting, Lin                    | -             | -      |
|   | Director          | Sheng-Chou, Weng                 | -             | -      |
|   | Supervisor        | Juo-Ping, Lin                    | -             | -      |

| Company Name                               | Position   | Name/Representative | Share holding |   |
|--|------------|---------------------|---------------|---|
|  |            |                     | Amount        | % |
| Kunshan Topoint Electronics Co. Ltd.       | Director   | Sheng-Chou, Weng    | -             | - |
|  | Director   | Chang-Long, Yan     | -             | - |
|  | Director   | Jun-xi, Huang       | -             | - |
|  | Supervisor | Juo-Ping, Lin       | -             | - |
| Sharp Electronics (Huaian) Co., Ltd.       | Director   | Chang-Long, Yan     | -             | - |
|  | Director   | Hsu-Ting, Lin       | -             | - |
|  | Director   | Sheng-Chou, Weng    | -             | - |
|  | Supervisor | Juo-Ping, Lin       | -             | - |
| Chengdu Raypoint Precision Tools Co., Ltd. | Director   | Chang-Long, Yan     | -             | - |
|  | Director   | Zhan-Yang, Chen     | -             | - |
|  | Director   | Hsu-Ting, Lin       | -             | - |
|  | Supervisor | Juo-Ping, Lin       | -             | - |
| Winpoint Electronics (Huaian) Co., Ltd.    | Director   | Chang-Long, Yan     | -             | - |
|  | Director   | Hsu-Ting, Lin       | -             | - |
|  | Director   | Sheng-Chou, Weng    | -             | - |
|  | Supervisor | Juo-Ping, Lin       | -             | - |
| Shanghai Ringpoint Nano Material Co., Ltd. | Director   | Sheng-Chou, Weng    | -             | - |
|  | Director   | Chang-Long, Yan     | -             | - |
|  | Director   | Ci-Fong, Hong       | -             | - |
|  | Supervisor | Juo-Ping, Lin       | -             | - |

B. Affiliates Consolidated Financial Statements: **See P73~P157**

The affiliates of Topoint Technology Co., Ltd., which should have been included in the combined financial statements of Topoint Technology and its affiliates, as of 2020 (from January 1, 2020 to December 31, 2020), based on the “Principles and Guidelines for Preparation of the Affiliates Consolidated Business Report, Affiliates Consolidated Financial Statements, and the Report.”, are the same as those included in the consolidated financial statements of Topoint Technology and its subsidiaries as of 2019, prepared under the Statement of International Financial Reporting Standards (IFRS) No.10. The information required to be disclosed in the consolidated financial statements has already been disclosed in the above consolidated financial statements. Consequently, there is no need to prepare a separate consolidated financial statement of Topoint Technology and its affiliates.

C. Affiliation Report: N/A

2. Subscription of marketable securities privately in the most recent years: None.
3. The stock shares of the company held or disposed by the subsidiaries in the most recent years: None.
4. Supplementary disclosures: None.
5. Occurrence of events defined in Securities Transaction Law Article 36.3.2 that has great impact on shareholder's equity or security price in the most years and up to the date of the report printed: None.

**Topoint Technology Co., Ltd. and  
Subsidiaries**

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

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Topoint Technology Co., Ltd.

### **Opinion**

We have audited the accompanying consolidated financial statements of Topoint Technology Co., Ltd. (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and 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 (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years 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 of the Republic of China.

### **Basis for Opinion**

We conducted our audits 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. 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 Group 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. 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.

### The Authenticity of Drill Revenue

Management may feel pressure to achieve planned results and, therefore, auditing standards generally accepted in the Republic of China presume there is a risk of fraud in revenue recognition. We have determined this to apply specifically to the authenticity of transactions of drill sales. Refer to Note 4 to the accompanying consolidated financial statements for the relevant accounting policy of revenue recognition.

By conducting tests of controls, we obtained an understanding of the Group's recognition of drill revenue and of its design and implementation of related controls, and analyzed the changes in the top ten drill sales from customers and the accounts receivable turnover rate; we checked the rationale of drill revenue recognition based on the transactions. We tested the occurrence of drill revenue transactions, we performed journal entry testing by selecting samples of drill revenue journals and matching them with the original orders and external shipping documents or customer receipt documents. We reviewed that there were no significant sales returns after the year end and confirmed that there are no material misstatements of drill revenue.

### **Other Matter**

We have also audited the parent company only financial statements of Topoint Technology Co., Ltd. as of and for the years ended December 31, 2020 and 2019 on which we have issued an unmodified opinion.

### **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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the independent directors and supervisors, are responsible for overseeing the Group's 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 Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements 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 audits resulting in this independent auditors' report are Chien-Hsin Hsieh and Chao-Mei Chen.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 26, 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.*

# TOPOINT TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

|   | 2020                |            | 2019                |            |
|---|---------------------|------------|---------------------|------------|
|   | Amount              | %          | Amount              | %          |
| <b>ASSETS</b>   |                     |            |                     |            |
| <b>CURRENT ASSETS</b>   |                     |            |                     |            |
| Cash and cash equivalents (Notes 4 and 6)   | \$ 2,076,110        | 33         | \$ 1,762,897        | 30         |
| Financial assets at fair value through profit or loss (Notes 4, 7 and 32)             | 867,099             | 14         | 557,929             | 9          |
| Notes receivable (Notes 4, 9 and 23)  | 162,793             | 2          | 163,883             | 3          |
| Accounts receivable (Notes 4, 9 and 23)   | 806,139             | 13         | 862,609             | 14         |
| Accounts receivable - related parties (Notes 4, 23 and 33)                            | 125,566             | 2          | 119,591             | 2          |
| Other receivables (Notes 4 and 9)   | 125,882             | 2          | 58,292              | 1          |
| Other receivables - related parties (Notes 4 and 33)                                  | -                   | -          | 405                 | -          |
| Current tax assets (Notes 4 and 25)   | 938                 | -          | 1,080               | -          |
| Inventories (Notes 4 and 10)  | 482,352             | 7          | 434,286             | 7          |
| Prepayments (Note 11)   | 14,851              | -          | 36,511              | 1          |
| Other current assets  | 630                 | -          | 854                 | -          |
| Total current assets  | <u>4,662,360</u>    | <u>73</u>  | <u>3,998,337</u>    | <u>67</u>  |
| <b>NON-CURRENT ASSETS</b>   |                     |            |                     |            |
| Financial assets at fair value through other comprehensive income (Notes 4, 8 and 32) | 50,063              | 1          | 51,679              | 1          |
| Property, plant and equipment (Notes 4, 14 and 34)                                    | 1,452,804           | 23         | 1,751,469           | 29         |
| Right-of-use assets (Notes 4 and 15)  | 74,568              | 1          | 62,796              | 1          |
| Intangible assets (Notes 4, 16 and 27)  | 25,614              | -          | 12,958              | -          |
| Deferred tax assets (Notes 4 and 25)  | 49,255              | 1          | 78,035              | 1          |
| Other non-current assets (Notes 17 and 21)  | 34,191              | 1          | 40,660              | 1          |
| Total non-current assets  | <u>1,686,495</u>    | <u>27</u>  | <u>1,997,597</u>    | <u>33</u>  |
| <b>TOTAL</b>  | <u>\$ 6,348,855</u> | <u>100</u> | <u>\$ 5,995,934</u> | <u>100</u> |
| <b>LIABILITIES AND EQUITY</b>   |                     |            |                     |            |
| <b>CURRENT LIABILITIES</b>  |                     |            |                     |            |
| Short-term borrowings (Note 18)   | \$ 102,840          | 2          | \$ 68,112           | 1          |
| Financial liabilities at fair value through profit or loss (Notes 4, 7 and 32)        | 508                 | -          | 184                 | -          |
| Contract liabilities (Note 23)  | 1,286               | -          | 2,311               | -          |
| Notes payable   | 7,320               | -          | -                   | -          |
| Accounts payable (Note 19)  | 185,602             | 3          | 174,594             | 3          |
| Accounts payable - related parties (Note 33)  | 374                 | -          | 174                 | -          |
| Other payables (Note 20)  | 644,193             | 10         | 580,382             | 10         |
| Current tax liabilities (Notes 4 and 25)  | 52,072              | 1          | 31,278              | 1          |
| Lease liabilities (Notes 4 and 15)  | 8,793               | -          | 6,947               | -          |
| Long-term borrowings - current portion (Notes 18 and 34)                              | 15,500              | -          | 14,113              | -          |
| Other current liabilities   | 5,017               | -          | 4,602               | -          |
| Total current liabilities   | <u>1,023,505</u>    | <u>16</u>  | <u>882,697</u>      | <u>15</u>  |
| <b>NON-CURRENT LIABILITIES</b>  |                     |            |                     |            |
| Long-term borrowings, net of current portion (Notes 18 and 34)                        | 324,240             | 5          | 398,988             | 7          |
| Lease liabilities (Notes 4 and 15)  | 15,714              | 1          | 5,337               | -          |
| Net defined benefit liabilities (Notes 4 and 21)                                      | 10,279              | -          | -                   | -          |
| Guarantee deposits received   | 12,520              | -          | 12,751              | -          |
| Deferred tax liabilities (Notes 4 and 25)   | 186,502             | 3          | 170,421             | 3          |
| Total non-current liabilities   | <u>549,255</u>      | <u>9</u>   | <u>587,497</u>      | <u>10</u>  |
| Total liabilities   | <u>1,572,760</u>    | <u>25</u>  | <u>1,470,194</u>    | <u>25</u>  |
| <b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>                                   |                     |            |                     |            |
| Share capital   | 1,421,805           | 22         | 1,421,805           | 24         |
| Capital surplus   | 1,229,931           | 19         | 1,230,872           | 20         |
| Retained earnings   |                     |            |                     |            |
| Legal reserve   | 446,690             | 7          | 428,201             | 7          |
| Special reserve   | 404,469             | 7          | 279,177             | 5          |
| Unappropriated earnings   | 1,287,323           | 20         | 1,321,558           | 22         |
| Total retained earnings   | 2,138,482           | 34         | 2,028,936           | 34         |
| Other equity  | (345,319)           | (5)        | (404,469)           | (7)        |
| Total equity attributable to owners of the Company                                    | 4,444,899           | 70         | 4,277,144           | 71         |
| <b>NON-CONTROLLING INTERESTS</b>  | <u>331,196</u>      | <u>5</u>   | <u>248,596</u>      | <u>4</u>   |
| Total equity  | <u>4,776,095</u>    | <u>75</u>  | <u>4,525,740</u>    | <u>75</u>  |
| <b>TOTAL</b>  | <u>\$ 6,348,855</u> | <u>100</u> | <u>\$ 5,995,934</u> | <u>100</u> |

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

# TOPOINT TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

|  | 2020             |           | 2019             |            |
|--|------------------|-----------|------------------|------------|
|  | Amount           | %         | Amount           | %          |
| OPERATING REVENUE (Notes 23 and 33)                      | \$ 3,001,350     | 100       | \$ 3,021,251     | 100        |
| LESS: SALES RETURNS                                      | 466              | -         | 424              | -          |
| SALES DISCOUNTS AND ALLOWANCES                           | <u>27,458</u>    | <u>1</u>  | <u>14,574</u>    | <u>1</u>   |
| NET OPERATING REVENUE                                    | 2,973,426        | 99        | 3,006,253        | 99         |
| OPERATING COSTS  |                  |           |                  |            |
| Operating costs (Notes 10, 24 and 33)                    | <u>2,003,273</u> | <u>67</u> | <u>2,147,058</u> | <u>71</u>  |
| GROSS PROFIT   | <u>970,153</u>   | <u>32</u> | <u>859,195</u>   | <u>28</u>  |
| OPERATING EXPENSES (Note 24)                             |                  |           |                  |            |
| Selling and marketing                                    | 126,987          | 4         | 135,116          | 4          |
| General and administrative (Note 33)                     | 262,800          | 9         | 326,675          | 11         |
| Research and development                                 | 111,785          | 4         | 111,130          | 4          |
| Expected credit loss (gain)                              | <u>(4,413)</u>   | <u>-</u>  | <u>6,500</u>     | <u>-</u>   |
| Total operating expenses                                 | <u>497,159</u>   | <u>17</u> | <u>579,421</u>   | <u>19</u>  |
| OTHER OPERATING INCOME AND EXPENSES<br>(Notes 24 and 33) | <u>(4,688)</u>   | <u>-</u>  | <u>27,328</u>    | <u>1</u>   |
| PROFIT FROM OPERATIONS                                   | <u>468,306</u>   | <u>15</u> | <u>307,102</u>   | <u>10</u>  |
| NON-OPERATING EXPENSES                                   |                  |           |                  |            |
| Share of profit of associates (Note 13)                  | -                | -         | 357              | -          |
| Other income (Note 33)                                   | 22,197           | 1         | 28,236           | 1          |
| Interest income  | 18,444           | -         | 18,467           | 1          |
| Dividend income  | 1,634            | -         | 1,619            | -          |
| Gain on disposals of investments (Note 28)               | 37,374           | 1         | -                | -          |
| Gain or loss on valuation of financial instruments       | 27,566           | 1         | 11,824           | -          |
| Foreign exchange gain (loss), net (Note 24)              | 103              | -         | (4,209)          | -          |
| Loss on disposals of investments (Note 13)               | (2,005)          | -         | (2,517)          | -          |
| Other expenses   | (2,087)          | -         | (1,367)          | -          |
| Impairment loss (Notes 14 and 16)                        | (95,410)         | (3)       | (13,446)         | -          |
| Interest expense   | <u>(9,673)</u>   | <u>-</u>  | <u>(15,105)</u>  | <u>(1)</u> |
| Total non-operating expenses                             | <u>(1,857)</u>   | <u>-</u>  | <u>23,859</u>    | <u>1</u>   |

(Continued)

# TOPOINT TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

|   | 2020              |            | 2019              |            |
|---|-------------------|------------|-------------------|------------|
|   | Amount            | %          | Amount            | %          |
| PROFIT BEFORE INCOME TAX  | \$ 466,449        | 15         | \$ 330,961        | 11         |
| INCOME TAX EXPENSE (Notes 4 and 25)   | <u>(162,192)</u>  | <u>(5)</u> | <u>(127,954)</u>  | <u>(4)</u> |
| NET PROFIT  | <u>304,257</u>    | <u>10</u>  | <u>203,007</u>    | <u>7</u>   |
| OTHER COMPREHENSIVE INCOME (LOSS)   |                   |            |                   |            |
| Items that will not be reclassified subsequently to profit or loss:                                   |                   |            |                   |            |
| Remeasurement of defined benefit plans  | (3,422)           | -          | 4                 | -          |
| Unrealized gain on investments in equity instruments at fair value through other comprehensive income | (9,967)           | -          | 22,695            | 1          |
| Income tax relating to items that will not be reclassified subsequently to profit or loss             | 684               | -          | (1)               | -          |
| Items that may be reclassified subsequently to profit or loss:  |                   |            |                   |            |
| Exchange differences on translating the financial statements of foreign operations                    | <u>70,555</u>     | <u>2</u>   | <u>(149,283)</u>  | <u>(5)</u> |
| Total other comprehensive income (loss)   | <u>57,850</u>     | <u>2</u>   | <u>(126,585)</u>  | <u>(4)</u> |
| TOTAL COMPREHENSIVE INCOME  | <u>\$ 362,107</u> | <u>12</u>  | <u>\$ 76,422</u>  | <u>3</u>   |
| NET PROFIT ATTRIBUTED TO:   |                   |            |                   |            |
| Owners of the Company   | \$ 281,985        | 9          | \$ 190,275        | 6          |
| Non-controlling interests   | <u>22,272</u>     | <u>1</u>   | <u>12,732</u>     | <u>1</u>   |
|   | <u>\$ 304,257</u> | <u>10</u>  | <u>\$ 203,007</u> | <u>7</u>   |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTED TO:   |                   |            |                   |            |
| Owners of the Company   | \$ 339,313        | 11         | \$ 64,986         | 2          |
| Non-controlling interests   | <u>22,794</u>     | <u>1</u>   | <u>11,436</u>     | <u>1</u>   |
|   | <u>\$ 362,107</u> | <u>12</u>  | <u>\$ 76,422</u>  | <u>3</u>   |
| EARNINGS PER SHARE (IN NEW TAIWAN DOLLAR) (Note 26)   |                   |            |                   |            |
| Basic   | <u>\$1.98</u>     |            | <u>\$1.34</u>     |            |
| Diluted   | <u>\$1.95</u>     |            | <u>\$1.32</u>     |            |

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

(Concluded)

**TOPOINT TECHNOLOGY CO., LTD. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars, Except Cash Dividends Per Share)**

|   | Equity Attributable to Owners of the Company |                              |                                    |                 |                            |  |   |                                 |              |  |              |
|---|--|------------------------------|------------------------------------|-----------------|----------------------------|--|---|---------------------------------|--------------|--|--------------|
|   | Share Capital<br>(Note 22)                   | Capital Surplus<br>(Note 22) | Retained Earnings (Notes 4 and 22) |                 |                            | Other Equity (Note 22)   |   | Treasury<br>Shares<br>(Note 22) | Total        | Non-controlling<br>Interest<br>(Note 22) | Total Equity |
|   |  |                              | Legal Reserve                      | Special Reserve | Unappropriated<br>Earnings | Exchange<br>Differences on<br>Translating the<br>Financial<br>Statements of<br>Foreign<br>Operations | Unrealized Gain<br>(Loss) on<br>Financial Assets<br>at Fair Value<br>Through Other<br>Comprehensive<br>Income |                                 |              |  |              |
| BALANCE AT JANUARY 1, 2019  | \$ 1,435,305                                 | \$ 1,228,597                 | \$ 402,837                         | \$ 210,804      | \$ 1,401,022               | \$ (283,392)   | \$ 4,215  | \$ (30,196)                     | \$ 4,369,192 | \$ 254,435                               | \$ 4,623,627 |
| Appropriation of 2018 earnings  |  |                              |                                    |                 |                            |  |   |                                 |              |  |              |
| Legal reserve   | -  | -                            | 25,364                             | -               | (25,364)                   | -  | -   | -                               | -            | -  | -            |
| Special reserve   | -  | -                            | -                                  | 68,373          | (68,373)                   | -  | -   | -                               | -            | -  | -            |
| Cash dividends distributed by the Company (NT\$1.2 per share)                             | -  | -                            | -                                  | -               | (170,616)                  | -  | -   | -                               | (170,616)    | -  | (170,616)    |
|   | -  | -                            | 25,364                             | 68,373          | (264,353)                  | -  | -   | -                               | (170,616)    | -  | (170,616)    |
| Net profit for the year ended December 31, 2019   | -  | -                            | -                                  | -               | 190,275                    | -  | -   | -                               | 190,275      | 12,732                                   | 203,007      |
| Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax | -  | -                            | -                                  | -               | 3                          | (147,987)  | 22,695  | -                               | (125,289)    | (1,296)                                  | (126,585)    |
| Total comprehensive income (loss) for the year ended December 31, 2019                    | -  | -                            | -                                  | -               | 190,278                    | (147,987)  | 22,695  | -                               | 64,986       | 11,436                                   | 76,422       |
| Retirement of treasury shares   | (13,500)                                     | (11,307)                     | -                                  | -               | (5,389)                    | -  | -   | 30,196                          | -            | -  | -            |
| Changes in percentage of ownership interests in subsidiaries                              | -  | 13,582                       | -                                  | -               | -                          | -  | -   | -                               | 13,582       | (17,275)                                 | (3,693)      |
| BALANCE AT DECEMBER 31, 2019  | 1,421,805                                    | 1,230,872                    | 428,201                            | 279,177         | 1,321,558                  | (431,379)  | 26,910  | -                               | 4,277,144    | 248,596                                  | 4,525,740    |
| Appropriation of 2019 earnings  |  |                              |                                    |                 |                            |  |   |                                 |              |  |              |
| Legal reserve   | -  | -                            | 18,489                             | -               | (18,489)                   | -  | -   | -                               | -            | -  | -            |
| Special reserve   | -  | -                            | -                                  | 125,292         | (125,292)                  | -  | -   | -                               | -            | -  | -            |
| Cash dividends distributed by the Company (NT\$1.2 per share)                             | -  | -                            | -                                  | -               | (170,617)                  | -  | -   | -                               | (170,617)    | -  | (170,617)    |
|   | -  | -                            | 18,489                             | 125,292         | (314,398)                  | -  | -   | -                               | (170,617)    | -  | (170,617)    |
| Net profit for the year ended December 31, 2020   | -  | -                            | -                                  | -               | 281,985                    | -  | -   | -                               | 281,985      | 22,272                                   | 304,257      |
| Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax | -  | -                            | -                                  | -               | (1,822)                    | 69,329   | (10,179)  | -                               | 57,328       | 522                                      | 57,850       |
| Total comprehensive income (loss) for the year ended December 31, 2020                    | -  | -                            | -                                  | -               | 280,163                    | 69,329   | (10,179)  | -                               | 339,313      | 22,794                                   | 362,107      |
| Disposal of subsidiaries  | -  | -                            | -                                  | -               | -                          | -  | -   | -                               | -            | (1,537)                                  | (1,537)      |
| Difference between consideration and carrying amount of subsidiaries acquired (Note 27)   | -  | -                            | -                                  | -               | -                          | -  | -   | -                               | -            | 60,402                                   | 60,402       |
| Changes in percentage of ownership interests in subsidiaries                              | -  | (941)                        | -                                  | -               | -                          | -  | -   | -                               | (941)        | 941                                      | -            |
| BALANCE AT DECEMBER 31, 2020  | \$ 1,421,805                                 | \$ 1,229,931                 | \$ 446,690                         | \$ 404,469      | \$ 1,287,323               | \$ (362,050)   | \$ 16,731   | \$ -                            | \$ 4,444,899 | \$ 331,196                               | \$ 4,776,095 |

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

# TOPOINT TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

|   | 2020       | 2019       |
|---|------------|------------|
| CASH FLOWS FROM OPERATING ACTIVITIES  |            |            |
| Profit before income tax  | \$ 466,449 | \$ 330,961 |
| Adjustments for:  |            |            |
| Depreciation  | 306,777    | 352,544    |
| Amortization  | 3,881      | 8,625      |
| Expected credit loss recognized (reversed)                                      | (4,413)    | 6,500      |
| Gain on valuation of financial instruments                                      | (27,566)   | (11,824)   |
| Interest expense  | 9,673      | 15,105     |
| Interest income   | (18,444)   | (18,467)   |
| Dividend income   | (1,634)    | -          |
| Share of profit of associates   | -          | (357)      |
| (Gain) loss on disposal of property, plant and equipment                        | 4,688      | (27,328)   |
| (Gain) loss on disposal of investment   | (35,369)   | 2,517      |
| Impairment loss   | 95,410     | 13,446     |
| Net changes in operating assets and liabilities                                 |            |            |
| Financial assets mandatorily classified as at fair value through profit or loss | 16,246     | 777        |
| Notes receivable  | 39,665     | (8,075)    |
| Accounts receivable   | 125,096    | 269,260    |
| Accounts receivable - related parties   | (5,975)    | (26,545)   |
| Other receivables   | (4,247)    | 18,639     |
| Other receivables - related parties   | -          | 161        |
| Inventories   | (41,992)   | 85,164     |
| Prepayments   | 21,361     | 45,311     |
| Other current assets  | (444)      | (538)      |
| Contract liabilities  | (1,559)    | 45         |
| Notes payable   | (20,038)   | -          |
| Accounts payable  | 3,284      | (21,176)   |
| Accounts payable - related parties  | 200        | (3,198)    |
| Other payables  | 42,869     | 15,384     |
| Other current liabilities   | 31         | (5,756)    |
| Net defined benefit liability   | 475        | (1,567)    |
| Cash generated from operations  | 974,424    | 1,039,608  |
| Interest received   | 15,291     | 18,477     |
| Interest paid   | (9,928)    | (15,213)   |
| Income tax paid   | (83,747)   | (92,837)   |
| Net cash generated from operating activities                                    | 896,040    | 950,035    |
| CASH FLOWS FROM INVESTING ACTIVITIES  |            |            |
| Payment for financial assets at fair value through profit or loss               | (651,099)  | (600,559)  |
| Proceeds from financial assets at fair value through profit or loss             | 367,332    | 242,323    |
| Disposal of investments accounted for using the equity method                   | 8,239      | -          |
| Net cash outflow on acquisition of subsidiaries (Note 27)                       | (74,116)   | -          |
| Net cash inflow on disposal of subsidiaries (Note 28)                           | 42,183     | -          |

(Continued)

# TOPOINT TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

|   | 2020                | 2019                |
|---|---------------------|---------------------|
| Payments for property, plant and equipment (Note 30)                                  | \$ (215,788)        | \$ (356,128)        |
| Proceeds from disposal of property, plant and equipment (Note 30)                     | 151,769             | 120,274             |
| Decrease (increase) in refundable deposits  | (2,208)             | 4,408               |
| Decrease in other receivables from related parties                                    | -                   | 6,709               |
| Payments for intangible assets  | (8,601)             | (1,203)             |
| Dividends received  | 1,634               | -                   |
| Decrease in other non-current assets  | <u>986</u>          | <u>3,689</u>        |
| Net cash used in investing activities   | <u>(379,669)</u>    | <u>(580,487)</u>    |
| CASH FLOWS FROM FINANCING ACTIVITIES  |                     |                     |
| Net increase (decrease) in short-term borrowings                                      | 13,689              | (11,159)            |
| Repayments of long-term borrowings  | (71,781)            | (79,227)            |
| Net decrease in guarantee deposits received   | (231)               | (442)               |
| Repayment of the principal portion of lease liabilities                               | (7,977)             | (7,064)             |
| Cash dividends paid   | (170,617)           | (170,616)           |
| Acquisition of ownership interests in subsidiaries                                    | -                   | (3,693)             |
| Changes in non-controlling interest   | <u>(706)</u>        | <u>-</u>            |
| Net cash used in financing activities   | <u>(237,623)</u>    | <u>(272,201)</u>    |
| EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE<br>OF CASH HELD IN FOREIGN CURRENCIES | <u>34,465</u>       | <u>(92,687)</u>     |
| NET INCREASE IN CASH AND CASH EQUIVALENTS   | 313,213             | 4,660               |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE<br>YEAR                             | <u>1,762,897</u>    | <u>1,758,237</u>    |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR                                      | <u>\$ 2,076,110</u> | <u>\$ 1,762,897</u> |

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

(Concluded)

# TOPOINT TECHNOLOGY 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

Topoint Technology Co., Ltd. (the “Company”) was incorporated in 1996. On May 10, 2000, the Securities and Futures Commission (SFC) approved the Company’s application to become a public company. Since December 21, 2004, the Company’s shares have been traded on the Taipei Exchange (TPEx). Later, when the Company’s shares ceased to be traded over the counter, the Company’s shares became listed on the Taiwan Stock Exchange (TWSE) in January 2008. The Company mainly manufactures and markets micro-drills for printed circuit boards (PCBs), numerically controlled drilling machines for PCBs and peripheral equipment used in the manufacture of PCB.

The consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) 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 on February 26, 2021.

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

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and 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)

| <b>New IFRSs</b>   | <b>Effective Date<br/>Announced by IASB</b> |
|--|---|
| Amendments to IFRS 3 “Definition of a Business”                          | January 1, 2020                             |
| Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform” | January 1, 2020                             |
| Amendments to IAS 1 and IAS 8 “Definition of Material”                   | January 1, 2020                             |
| Amendments to IFRS 16 “Covid-19-Related Rent Concessions”                | June 1, 2020                                |

The initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies.



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

| <b>New IFRSs</b>  | <b>Effective Date<br/>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                                     |

As of the date the consolidated financial statements were authorized for issue, the Group assessed that the application of the above and other standards and interpretations will not have any material impact on the Group’s financial position and financial performance.

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

| <b>New IFRSs</b>   | <b>Effective Date<br/>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 consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

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

##### **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.

##### **Basis of Preparation**

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

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

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. 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
- c. Level 3 inputs are unobservable inputs for the asset or liability.

##### **Classification of Current and Non-current Assets and Liabilities**

Current assets include:

- a. Assets held primarily for the purpose of trading;
- b. Assets expected to be realized within twelve months after the reporting period; and
- c. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

- a. Liabilities held primarily for the purpose of trading;
- b. Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and

- c. Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

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

### **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).

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-group 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 Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group'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.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and (ii) the assets and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Group directly disposed of the related assets or liabilities.

See Note 12, Tables 6 and 7 for the detailed information of subsidiaries (including the percentages of ownership and main businesses).

### **Business Combinations**

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

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, 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, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held interests in the acquiree, the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. Other types of non-controlling interests are measured at fair value.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurred, the Group reports 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.

### **Foreign Currencies**

In preparing the financial statements of each individual group 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 the end of each reporting period, 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 period.

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 period, 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 case, 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 not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including of the subsidiaries' operations in other countries or currencies used different from the Company) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

### **Inventories**

Inventories consist of raw materials, supplies, work in process, finished goods and merchandise and 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. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are stated at weighted-average cost on the balance sheet date.

### **Investments in Subsidiaries**

A subsidiary is an entity (including a structured entity) that is controlled by the Company.

The Company uses the equity method to account for its investments in subsidiaries.

Under the equity method, an investment in a subsidiary 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 subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries.

When the Company's share of losses of a subsidiary exceeds its interest in that subsidiary (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 subsidiary), the Company continues recognizing its share of further losses.

When the Company loses control of a subsidiary, it stops using equity method. The difference between any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Company directly disposed of the related assets or liabilities.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company's financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

### **Property, Plant and Equipment**

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

Freehold land is not depreciated.

Depreciation on 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 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.

### **Intangible Assets**

Intangible assets with finite useful lives 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 life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Group expects to dispose of the intangible asset before the end of its economic life, with the effect of any changes in estimate accounted for on a prospective basis.

Intangible assets acquired in a business combination 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 that are acquired separately.

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.

### **Impairment of Property, Plant and Equipment, Right-of-use assets and Identifiable Intangible Assets**

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets 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 Group estimates 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.

The 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 is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

## **Financial Instruments**

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from 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.

### **a. Financial assets**

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

#### **1) Measurement category**

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

##### **a) Financial assets at FVTPL**

Financial assets at FVTPL are subsequently measured at fair value, any dividends, interest earned and remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 32.

##### **b) 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.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables at amortized cost and other receivables, are measured at amortized cost, which equals the 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.

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 Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as 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, it will be transferred to retained earnings.

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

## 2) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Group 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 a financial instrument has not increased significantly since initial recognition, the Group 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 default occurring as the weights. Lifetime ECLs represent 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 represent 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 Group considers the following situations as indication that a financial asset is in default (without taking into account any collateral held by the Group):

- a) Internal or external information shows that the debtor is unlikely to pay its creditors.

- b) Financial asset is more than 360 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of such a financial asset.

### 3) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset 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 which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

#### b. Financial liabilities

The Group derecognizes financial liabilities only when, the Group's obligations are discharged or canceled or expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

#### c. Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. 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.

## Revenue Recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

#### a. Revenue from the sale of goods

Revenue from the sale of goods comes from sales of micro-drill bits for PCBs and precision metal products. Sales of these goods are recognized as revenue when the goods are shipped because it is the time when the customer has full the discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Accounts receivable and revenue are recognized concurrently.



The Group does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

b. Revenue from the rendering of services

Revenue from the rendering of services comes from testing of drill bits, mounting plate blot holes, manufacturing of metal products and purchasing equipment on behalf of other customers.

As the Group provides drill bits and mounting plate blot holes, customers simultaneously receive and consume the benefits provided by the Groups performance. Consequently, the related revenue is recognized when services are rendered.

For services in purchasing equipment on behalf of customers, the Group does not control the equipment before it is transferred to the customer. The Group neither is responsible for the customer's acceptance of the equipment nor commits itself to obtain the goods from the suppliers before the equipment is purchased by the customer and thus does not take on any inventory risk. Consequently, the Group is an agent and its performance obligation is to procure the equipment on behalf of the customer. The Group recognizes revenue in the net amount of consideration received or receivable when the equipment is transferred to the customer, and the Group has no further obligations to the customer.

## **Leasing**

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

a. The Group 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.

b. The Group as lessee

The Group 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 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. 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 Group 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, the Group 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 consolidated balance sheets.

## **Employee Benefits**

### **a. 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 service.

### **b. Retirement benefits**

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period 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 period 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 liability (asset) represents the actual deficit (surplus) in the Group's defined benefit plan. 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.

## **Taxation**

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

### **a. 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 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.

### **b. 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 unused tax credits for purchases of machinery, equipment and technology, and research and development expenditures 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, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. 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 the end of each reporting period 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 asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period 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 period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred tax for the year

Current and deferred tax 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 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 Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities 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 estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies, estimates and underlying assumptions adopted by the Group have no critical accounting judgments and estimation uncertainty after evaluation by the management of the Group.

## 6. CASH AND CASH EQUIVALENTS

|                                       | <b>December 31</b>  |                     |
|---------------------------------------|---------------------|---------------------|
|                                       | <b>2020</b>         | <b>2019</b>         |
| Cash on hand                          | \$ 775              | \$ 763              |
| Checking accounts and demand deposits | 700,244             | 646,060             |
| Cash equivalents                      |                     |                     |
| Time deposits                         | <u>1,375,091</u>    | <u>1,116,074</u>    |
|                                       | <u>\$ 2,076,110</u> | <u>\$ 1,762,897</u> |

The market interest rate intervals of demand deposits and time deposits at the end of reporting period were as follows:

|                 | <b>December 31</b> |              |
|-----------------|--------------------|--------------|
|                 | <b>2020</b>        | <b>2019</b>  |
| Demand deposits | 0.001%-0.46%       | 0.001%-1.20% |
| Time deposits   | 0.20%-3.85%        | 0.40%-2.94%  |

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

|  | <b>December 31</b> |                   |
|--|--------------------|-------------------|
|  | <b>2020</b>        | <b>2019</b>       |
| <u>Financial assets mandatorily classified as at FVTPL</u> |                    |                   |
| Non-derivative financial assets                            |                    |                   |
| Mutual funds   | \$ 54,584          | \$ 115,098        |
| Derivative financial assets (not under hedge accounting)   |                    |                   |
| Forward exchange contracts (a)                             | 79                 | 190               |
| Hybrid financial assets                                    |                    |                   |
| Structured deposit (b)                                     | <u>812,436</u>     | <u>442,641</u>    |
|  | <u>\$ 867,099</u>  | <u>\$ 557,929</u> |

### Financial liabilities held for trading

|   |               |               |
|---|---------------|---------------|
| Derivative financial liabilities (not under hedge accounting) |               |               |
| Forward exchange contracts (a)                                | <u>\$ 508</u> | <u>\$ 184</u> |

- a. At the end of the reporting period, outstanding forward exchange contracts not under hedge accounting were as follows:

|                          | <b>Currency</b> | <b>Maturity</b> | <b>Notional Amount<br/>(In Thousands)</b> |
|--------------------------|-----------------|-----------------|---|
| <u>December 31, 2020</u> |                 |                 |   |
| Sell                     | JPY/NTD         | 2021.01.22      | JPY400/NTD110                             |
| Sell                     | JPY/NTD         | 2021.02.25      | JPY120/NTD32                              |
| Sell                     | JPY/NTD         | 2021.03.25      | JPY900/NTD246                             |
| Sell                     | KRW/USD         | 2021.01.08      | KRW290,000/USD256                         |
| Sell                     | KRW/USD         | 2021.02.09      | KRW180,000/USD162                         |
| Sell                     | KRW/USD         | 2021.03.09      | KRW110,000/USD99                          |
| Sell                     | USD/NTD         | 2021.01.08      | USD256/NTD7,315                           |
| Sell                     | USD/NTD         | 2021.02.09      | USD162/NTD4,601                           |
| Sell                     | USD/NTD         | 2021.03.09      | USD99/NTD2,792                            |

(Continued)

|                          | Currency | Maturity   | Notional Amount<br>(In Thousands) |
|--------------------------|----------|------------|-----------------------------------|
| <u>December 31, 2019</u> |          |            |                                   |
| Sell                     | JPY/NTD  | 2020.01.22 | JPY3,600/NTD1,041                 |
| Sell                     | JPY/NTD  | 2020.02.24 | JPY1,600/NTD459                   |
| Sell                     | JPY/NTD  | 2020.03.27 | JPY2,000/NTD584                   |
| Sell                     | KRW/USD  | 2020.01.10 | KRW280,000/USD239                 |
| Sell                     | KRW/USD  | 2020.02.07 | KRW130,000/USD110                 |
| Sell                     | KRW/USD  | 2020.03.10 | KRW170,000/USD146                 |
| Sell                     | USD/NTD  | 2020.01.10 | USD239/NTD7,280                   |
| Sell                     | USD/NTD  | 2020.02.07 | USD110/NTD3,357                   |
| Sell                     | USD/NTD  | 2020.03.10 | USD146/NTD4,391                   |
| (Concluded)              |          |            |                                   |

The Group entered into forward exchange contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. The purpose of its financial hedging strategy is to avoid price volatility of primary markets.

- b. The Group entered into a 90-365 days structured time deposit contract. The structured time deposit contract includes an embedded derivative instrument which is not closely related to the host contract. The entire contract is assessed and mandatorily classified as at FVTPL since it contained a host that is an asset within the scope of IFRS 9.

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

|  | <u>December 31</u> |                  |
|--|--------------------|------------------|
|  | 2020               | 2019             |
| <u>Non-current</u>                                     |                    |                  |
| Domestic investments                                   |                    |                  |
| Listed shares  |                    |                  |
| Ordinary shares - Zhen Ding Technology Holding Limited | \$ 41,199          | \$ 51,679        |
| Unlisted shares  |                    |                  |
| Ordinary shares - Chipboard Technology Corporation     | <u>8,864</u>       | <u>-</u>         |
|  | <u>\$ 50,063</u>   | <u>\$ 51,679</u> |

## 9. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

|  | December 31  |              |
|--|--------------|--------------|
|  | 2020         | 2019         |
| <u>Notes receivable</u>                      |              |              |
| At amortized cost                            | \$ 162,793   | \$ 163,883   |
| <u>Trade receivables</u>                     |              |              |
| At amortized cost                            |              |              |
| Gross carrying amount                        | \$ 811,208   | \$ 872,119   |
| Less: Allowance for impairment loss          | <u>5,069</u> | <u>9,510</u> |
|  | \$ 806,139   | \$ 862,609   |
| <u>Other receivables</u>                     |              |              |
| Equipment receivable                         | \$ 102,311   | \$ 33,529    |
| Purchase of equipment on other's behalf      | 11,942       | 6,380        |
| Bank retention accounts                      | 2,232        | 2,703        |
| Export tax rebate                            | 745          | 1,880        |
| Disposal of investments receivable (Note 13) | -            | 8,239        |
| Others                                       | <u>8,652</u> | <u>5,561</u> |
|  | \$ 125,882   | \$ 58,292    |

### a. Notes receivable

The average credit period of sales of goods was 90 to 120 days. In determining the recoverability of a note receivable, the Group considered any change in the credit quality of the note receivable since the date credit was initially granted to the end of the reporting period. The notes receivable that are past due recognized 100% allowance for bad debt.

As of the reporting date, the Group had no notes receivables that were past due or impaired.

### b. Accounts receivable

#### 1) At amortized cost

The average credit period of sales of goods was from 90 to 150 days. No interest was charged on trade receivables. The Group adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from default. The Group uses other publicly available financial information or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread among approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved annually.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade 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 Group's historical credit loss experience does 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 Group's different customer base. The Group evaluates the prospect of recovery based on the past due days of accounts receivable and determine the credit losses with the respective risks of default occurring as the weights.

The Group writes 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. For trade receivables that have been written off, the Group continues 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 accounts receivable based on the Group's provision matrix.

#### December 31, 2020

|                               | Not Past Due      | Less than 60 Days | 61 to 90 Days | 91 to 120 Days | 120 to 180 Days | 180 to 360 Days | Over 361 Days | Total             |
|-------------------------------|-------------------|-------------------|---------------|----------------|-----------------|-----------------|---------------|-------------------|
| Expected credit loss rate     | 0%                | 0%-0.1%           | -             | -              | -               | -               | 100%          |                   |
| Gross carrying amount         | \$ 793,903        | \$ 12,246         | \$ -          | \$ -           | \$ -            | \$ -            | \$ 5,059      | \$ 811,208        |
| Loss allowance (Lifetime ECL) | -                 | (10)              | -             | -              | -               | -               | (5,059)       | (5,069)           |
| Amortized cost                | <u>\$ 793,903</u> | <u>\$ 12,236</u>  | <u>\$ -</u>   | <u>\$ -</u>    | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>   | <u>\$ 806,139</u> |

#### December 31, 2019

|                               | Not Past Due      | Less than 60 Days | 61 to 90 Days | 91 to 120 Days | 120 to 180 Days | 180 to 360 Days | Over 361 Days | Total             |
|-------------------------------|-------------------|-------------------|---------------|----------------|-----------------|-----------------|---------------|-------------------|
| Expected credit loss rate     | 0%-0.21%          | 3.67%-4.64%       | -             | -              | 9.80%           | 50%             | 100%          |                   |
| Gross carrying amount         | \$ 855,913        | \$ 1,135          | \$ -          | \$ -           | \$ 376          | \$ 12,368       | \$ 2,327      | \$ 872,119        |
| Loss allowance (Lifetime ECL) | (910)             | (52)              | -             | -              | (37)            | (6,184)         | (2,327)       | (9,510)           |
| Amortized cost                | <u>\$ 855,003</u> | <u>\$ 1,083</u>   | <u>\$ -</u>   | <u>\$ -</u>    | <u>\$ 339</u>   | <u>\$ 6,184</u> | <u>\$ -</u>   | <u>\$ 862,609</u> |

The movements of the loss allowance of trade receivables were as follows:

|                                 | 2020            | 2019            |
|---------------------------------|-----------------|-----------------|
| Balance at January 1            | \$ 9,510        | \$ 10,889       |
| Add: Impairment loss recognized | -               | 6,500           |
| Less: Amounts written off       | (90)            | (7,487)         |
| Less: Impairment loss reversed  | (4,413)         | -               |
| Foreign exchange gain (loss)    | <u>62</u>       | <u>(392)</u>    |
| Balance at December 31          | <u>\$ 5,069</u> | <u>\$ 9,510</u> |

## 2) At FVTPL

For accounts receivable from related parties, the Group will sell them to banks without recourse. The sale will result in derecognizing these trade receivables because the Group will transfer the significant risks and rewards relating to them. These trade receivables are classified as at FVTPL because the objective of the Group's business model is neither to collect contractual cash flows nor achieved by collecting contractual cash flows and selling financial assets.

Factored trade receivables for the years ended December 31, 2020 and 2019 were as follows:

### December 31, 2020

| Counterparties                     | Receivables Sold | Receivables Sold at Year-end | Advances Received at Year-end | Not Yet Received as of Year-end | Retention       | Interest Rates for Advances Received (%) | Credit Line         |
|------------------------------------|------------------|------------------------------|-------------------------------|---------------------------------|-----------------|--|---------------------|
| Mega International Commercial Bank | <u>\$ 96,992</u> | <u>\$ 17,703</u>             | <u>\$ 15,471</u>              | <u>\$ 513</u>                   | <u>\$ 1,719</u> | 0.85                                     | US\$ 3,000 thousand |

### December 31, 2019

| Counterparties                     | Receivables Sold | Receivables Sold at Year-end | Advances Received at Year-end | Not Yet Received as of Year-end | Retention       | Interest Rates for Advances Received (%) | Credit Line         |
|------------------------------------|------------------|------------------------------|-------------------------------|---------------------------------|-----------------|--|---------------------|
| Mega International Commercial Bank | <u>\$ 81,792</u> | <u>\$ 20,122</u>             | <u>\$ 17,419</u>              | <u>\$ 768</u>                   | <u>\$ 1,935</u> | 2.54-4.87                                | US\$ 3,000 thousand |

The above credit line may be used on a revolving basis.

The above factored accounts receivable had not been received and the retention amounts were reclassified to other receivables - bank retention accounts.

## 10. INVENTORIES

|                 | <u>December 31</u> |                   |
|-----------------|--------------------|-------------------|
|                 | <b>2020</b>        | <b>2019</b>       |
| Raw materials   | \$ 164,691         | \$ 132,272        |
| Supplies        | 89,320             | 76,314            |
| Work in process | 37,654             | 32,045            |
| Finished goods  | 145,978            | 188,218           |
| Merchandise     | <u>44,709</u>      | <u>5,437</u>      |
|                 | <u>\$ 482,352</u>  | <u>\$ 434,286</u> |

The nature of cost of goods sold is as follows:

|                          | <u>December 31</u>  |                     |
|--------------------------|---------------------|---------------------|
|                          | <b>2020</b>         | <b>2019</b>         |
| Cost of inventories sold | \$ 1,997,966        | \$ 2,111,165        |
| Inventory write-downs    | <u>5,307</u>        | <u>35,893</u>       |
|                          | <u>\$ 2,003,273</u> | <u>\$ 2,147,058</u> |



## 11. PREPAYMENTS

|                         | December 31      |                  |
|-------------------------|------------------|------------------|
|                         | 2020             | 2019             |
| Prepayment for expense  | \$ 10,863        | \$ 13,774        |
| Prepaid purchases       | 3,266            | 14,822           |
| Prepaid value-added tax | 722              | 6,608            |
| Other prepayments       | -                | 1,307            |
|                         | <u>\$ 14,851</u> | <u>\$ 36,511</u> |

## 12. SUBSIDIARIES INCLUDED IN CONSOLIDATED FINANCIAL STATEMENTS

| Investor  | Investee  | Nature of Activities   | Proportion of Ownership (%)                               |        | Note   |  |
|---|---|--|---|--------|--------|--|
|   |   |  | December 31   |        |        |  |
|   |   |  | 2020  | 2019   |        |  |
| Topoint Technology Co., Ltd.                    | Topoint Technology Co., Ltd. (B.V.I.)           | International investment   | 100.00  | 100.00 |        |  |
|   | Unipoint Technology Co., Ltd.                   | Processing print circuit board   | 61.76   | 61.76  |        |  |
|   | Warpspeed Corporation (B.V.I.)                  | International trade  | 100.00  | 100.00 |        |  |
|   | Topoint Japan Co., Ltd.                         | Selling electronic components  | 100.00  | 100.00 |        |  |
|   | Unipoint Technology Holdings Co., Ltd. (B.V.I.) | International investment   | 100.00  | 100.00 |        |  |
|   | E-point Precision Tools Co., Ltd.               | Selling cutting tools  | -   | 70.00  | Note a |  |
|   | Raypoint Precision Tools Co., Ltd.              | International trade  | 100.00  | 100.00 | Note b |  |
| Topoint Technology Co., Ltd. (B.V.I.)           | Drilltek Corporation                            | Processing print circuit board   | 58.77   | -      | Note g |  |
|   | Shanghai Topoint Precision Technology Co., Ltd. | Manufacturing and selling precision equipment and measurement facilities | 100.00  | 100.00 |        |  |
|   | Sharpoint Technology (Qinhuangdao) Co., Ltd.    | Testing of drill bits and mounting plate blot holes                      | 100.00  | 100.00 |        |  |
|   | Sharpoint Technology (Shenzhen) Co., Ltd.       | Testing of drill bits and mounting plate blot holes                      | 100.00  | 100.00 |        |  |
|   | Sharpoint Technology (Suzhou) Co., Ltd.         | Testing of drill bits and mounting plate blot holes                      | 100.00  | 100.00 |        |  |
|   | Sharpoint Electronics (Huaian) Co., Ltd.        | Testing of drill bits and mounting plate blot holes                      | 84.00   | 84.00  |        |  |
|   | Chengdu Raypoint Precision Tools Co., Ltd.      | Cutting tools  | 10.00   | 10.00  | Note c |  |
|   | Shanghai Topoint Precision Technology Co., Ltd. | Kunshan Restek Technology Co., Ltd.                                      | Manufacturing, processing and selling print circuit board | 75.00  | 75.00  |  |
|   |   | Kunshan Topoint Technology Co., Ltd.                                     | Drilling bits   | 100.00 | 100.00 |  |
|   |   | Sharpoint Electronics (Huaian) Co., Ltd.                                 | Testing of drill bits and mounting plate blot holes       | 16.00  | 16.00  |  |
| Chengdu Raypoint Precision Tools Co., Ltd.      |   | Cutting tools  | 90.00   | 90.00  | Note c |  |
| Shanghai Hejin Roller Technology Co., Ltd.      |   | Manufacturing and selling machinery parts                                | -   | 86.27  | Note d |  |
| Shanghai Topoint Precision Technology Co., Ltd. | Shanghai Ringpoint Nano Material Co., Ltd.      | Processing metal products  | 81.83   | 81.83  |        |  |
|   | Winpoint Electronics (Huaian) Co., Ltd.         | Testing of drill bits and mounting plate blot holes                      | 100.00  | 100.00 |        |  |
|   | Chengdu Raypoint Precision Tools Co., Ltd.      | Cutting tools  | -   | 100.00 | Note e |  |
|   | Unipoint Technology Holdings Co., Ltd. (B.V.I.) | Testing of drill bits and mounting plate blot holes                      | 100.00  | 100.00 |        |  |
|   | Unipoint Technology Co., Ltd.                   | Topmicron Investment Ltd.  | International investment                                  | 100.00 | 100.00 |  |
| Topmicron Investment Ltd.                       | Sharpoint Electronics (Suzhou) Co., Ltd.        | Processing print circuit board   | -   | 100.00 | Note f |  |
| Drilltek Corporation                            | Yifeng Co., Ltd.                                | Manufacturing electronic components                                      | -   | -      | Note h |  |

- Note a: E-point Precision Tools Co., Ltd. decided to dissolve in July 2020, and the liquidation procedures are in progress, and E-point Precision Tools Co., Ltd. refunded the shares to the Company in August 2020.
- Note b: The Company invested in Raypoint Precision Tools Co., Ltd. in December 2019.
- Note c: Topoint Technology Co., Ltd. (B.V.I.) acquired 5.26% equity of Chengdu Raypoint Precision Tools Co., Ltd. for \$3,693 thousand on July 10, 2019, refer to Note 29. Topoint Technology Co., Ltd. (B.V.I.) subscribed for additional new shares of Chengdu Raypoint Precision Tools Co., Ltd. in December 2019. Therefore, the ownership interest in Chengdu Raypoint Precision Tools Co., Ltd. increased from 5.26% to 10%, and the ownership interest of Shanghai Topoint Precision Technology Co., Ltd. decreased from 94.74% to 90%.
- Note d: Shanghai Topoint Co., Ltd. subscribed for additional new share of Shanghai Hejin Roller Technology Co., Ltd. in October 2020. Therefore, the ownership interest in Shanghai Hejin Roller Technology Co., Ltd. increased from 86.27% to 86.75%. Shanghai Topoint Co., Ltd. disposed all equity in September 2020, refer to Note 28.
- Note e: Kunshan Raypoint Precision Tools Co., Ltd. completed its liquidation in February 2020.
- Note f: Topmicron Investment Ltd. completed its liquidation in December 2020.
- Note g: Topoint Technology Co., Ltd. (B.V.I.) acquired 58.77% equity of Drilltek Corporation; refer to Note 27.
- Note h: Yifeng Co., Ltd. decided to dissolve in November 2020, and the liquidation procedures are still in progress, and Yifeng Co., Ltd. refunded the shares to Drilltek Corporation in December 2020.

### 13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The Group held a 50% interest in W.S.G. International Co., Ltd. On September 2, 2019, the Group sold all of its interests in W.S.G. International Co., Ltd. to a third party for proceeds of \$8,239 thousand, and were recorded in other receivables, received in January 2020. This transaction resulted in the recognition of a loss in profit or loss, which was calculated as follows:

|  |                   |
|--|-------------------|
| Proceeds of disposal   | \$ 8,239          |
| Less: Carrying amount of investment on the date of loss of significant influence | (10,978)          |
| Effect of foreign currency exchange differences                                  | <u>222</u>        |
| Loss recognized  | <u>\$ (2,517)</u> |

Refer to aggregate information of associates that are not individually material below:

|                                   |   |
|-----------------------------------|---|
|                                   | <b>For the Year<br/>Ended<br/>December 31,<br/>2019</b> |
| The Group's share of:             |   |
| Profit from continuing operations | <u>\$ 357</u>   |
| Other comprehensive income        | <u>\$ 357</u>   |

For the year ended December 31, 2019, management believes there is no material impact on the equity method accounting or the calculation of the share of profit or loss and other comprehensive income from the financial statements of W.S.G. International Co., Ltd. which has not been audited.

#### 14. PROPERTY, PLANT AND EQUIPMENT

|  | December 31  |            |                         |                          |                  |                         |   |              |
|--|--------------|------------|-------------------------|--------------------------|------------------|-------------------------|---|--------------|
|  | 2020         |            |                         |                          | 2019             |                         |   |              |
| Assets used by the Group                             | \$ 1,452,804 |            |                         |                          | \$ 1,751,469     |                         |   |              |
| a. Assets used by the Group                          |              |            |                         |                          |                  |                         |   |              |
|  | Land         | Buildings  | Machinery and Equipment | Transportation Equipment | Office Equipment | Miscellaneous Equipment | Equipment to Be Inspected or under Construction | Total        |
| Cost   |              |            |                         |                          |                  |                         |   |              |
| Balance at January 1, 2020                           | \$ 75,652    | \$ 573,554 | \$ 5,964,659            | \$ 22,876                | \$ 13,285        | \$ 215,242              | \$ 173,366                                      | \$ 7,038,634 |
| Additions  | -            | 7,853      | 153,703                 | 1,942                    | 225              | 6,568                   | 53,426  | 223,717      |
| Disposals  | -            | (6,592)    | (573,864)               | (3,845)                  | (1,339)          | (28,249)                | -   | (613,889)    |
| Acquisitions through business combinations (Note 27) | -            | -          | 440,218                 | 440                      | -                | 66,857                  | -   | 507,515      |
| Reclassification                                     | -            | -          | 1,446                   | 1,022                    | -                | 1,924                   | (4,392)   | -            |
| Disposal of subsidiaries (Note 28)                   | -            | (120)      | (45,294)                | (369)                    | (45)             | (7,466)                 | (1,031)   | (54,325)     |
| Effect of foreign currency exchange differences      | -            | 4,620      | 21,344                  | 137                      | 56               | 98                      | 3,642   | 29,897       |
| Balance at December 31, 2020                         | 75,652       | 579,315    | 5,962,212               | 22,203                   | 12,182           | 254,974                 | 225,011   | 7,131,549    |
| Accumulated depreciation and impairment              |              |            |                         |                          |                  |                         |   |              |
| Balance at January 1, 2020                           | -            | 321,026    | 4,773,282               | 10,577                   | 10,474           | 171,806                 | -   | 5,287,165    |
| Acquisitions through business combinations (Note 27) | -            | -          | 400,082                 | 382                      | -                | 32,835                  | -   | 433,299      |
| Depreciation expense                                 | -            | 18,754     | 259,230                 | 3,336                    | 1,059            | 15,202                  | -   | 297,581      |
| Impairment losses recognized                         | -            | 44         | 83,672                  | 18                       | 29               | 1,840                   | 1,033   | 86,636       |
| Disposals  | -            | (1,721)    | (359,381)               | (3,479)                  | (1,084)          | (23,390)                | -   | (389,055)    |
| Disposal of subsidiaries (Note 28)                   | -            | (120)      | (45,294)                | (369)                    | (45)             | (6,016)                 | (1,031)   | (52,875)     |
| Effect of foreign currency exchange differences      | -            | 2,310      | 13,525                  | 60                       | 45               | 56                      | (2)   | 15,994       |
| Balance at December 31, 2020                         | -            | 340,293    | 5,125,116               | 10,525                   | 10,478           | 192,333                 | -   | 5,678,745    |
| Carrying amount at December 31, 2020                 | \$ 75,652    | \$ 239,022 | \$ 837,096              | \$ 11,678                | \$ 1,704         | \$ 62,641               | \$ 225,011                                      | \$ 1,452,804 |
| Cost   |              |            |                         |                          |                  |                         |   |              |
| Balance at January 1, 2019                           | \$ 75,652    | \$ 582,318 | \$ 6,327,604            | \$ 24,003                | \$ 13,694        | \$ 212,779              | \$ 80,639                                       | \$ 7,316,689 |
| Additions  | -            | 3,784      | 99,455                  | 5,950                    | 276              | 6,944                   | 103,798   | 220,207      |
| Disposals  | -            | -          | (306,172)               | (6,616)                  | (530)            | (2,609)                 | -   | (315,927)    |
| Transfers to assets leased under operating leases    | -            | -          | (17,324)                | -                        | -                | -                       | -   | (17,324)     |
| Reclassification                                     | -            | -          | 3,067                   | 12                       | 51               | 760                     | (3,890)   | -            |
| Effect of foreign currency exchange differences      | -            | (12,548)   | (141,971)               | (473)                    | (206)            | (2,632)                 | (7,181)   | (165,011)    |
| Balance at December 31, 2019                         | 75,652       | 573,554    | 5,964,659               | 22,876                   | 13,285           | 215,242                 | 173,366   | 7,038,634    |
| Accumulated depreciation and impairment              |              |            |                         |                          |                  |                         |   |              |
| Balance at January 1, 2019                           | -            | 307,490    | 4,753,705               | 12,797                   | 9,711            | 161,672                 | -   | 5,245,375    |
| Transfers to assets leased under operating leases    | -            | -          | (1,143)                 | -                        | -                | -                       | -   | (1,143)      |
| Depreciation expense                                 | -            | 19,051     | 302,467                 | 3,000                    | 1,356            | 14,152                  | -   | 340,026      |
| Impairment losses recognized                         | -            | -          | 13,446                  | -                        | -                | -                       | -   | 13,446       |
| Disposals  | -            | -          | (193,909)               | (4,981)                  | (437)            | (2,048)                 | -   | (201,375)    |
| Effect of foreign currency exchange differences      | -            | (5,515)    | (101,284)               | (239)                    | (156)            | (1,970)                 | -   | (109,164)    |
| Balance at December 31, 2019                         | -            | 321,026    | 4,773,282               | 10,577                   | 10,474           | 171,806                 | -   | 5,287,165    |
| Carrying amount at December 31, 2019                 | \$ 75,652    | \$ 252,528 | \$ 1,191,377            | \$ 12,299                | \$ 2,811         | \$ 43,436               | \$ 173,366                                      | \$ 1,751,469 |

As a result of the decline in market sales of the products of Shanghai Hejin Roller Technology Co., Ltd., the estimated future cash flows expected to arise from the related equipment decreased. The review led to the recognition of an impairment loss of \$16,456 thousand and \$13,466 thousand, the discount rate is 5.18% and 5.19%, which was recognized in non-operating expenses for the years ended December 31, 2020 and 2019.

As a result of the decline in market sales of the products in the Chengdu Raypoint Precision Tools Co., Ltd. the estimated future cash flows expected to arise from the related equipment decreased. The review led to the recognition of an impairment loss of \$70,180 thousand, the discount rate is 4.98%, which was recognized in non-operating expenses for the years ended December 31, 2020.

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

|                          |             |
|--------------------------|-------------|
| Buildings                |             |
| Main buildings           | 10-50 years |
| Elevators                | 8-15 years  |
| Decorating constructions | 3-10 years  |
| Machinery and equipment  | 3-10 years  |
| Transportation equipment | 3-5 years   |
| Office equipment         | 3-5 years   |
| Miscellaneous equipment  | 3-10 years  |

Refer to Note 34 for the carrying amount of property, plant and equipment pledged by the Group to secure borrowings.

b. Assets leased under operating leases

|   | <b>Machinery and Equipment</b> |
|---|--------------------------------|
| <u>Cost</u>                                     |                                |
| Balance at January 1, 2019                      | \$ -                           |
| Transfers from assets used by the Group         | 17,324                         |
| Decrease  | (17,687)                       |
| Effect of foreign currency exchange differences | <u>363</u>                     |
| Balance at December 31, 2019                    | <u>-</u>                       |
| <u>Accumulated depreciation</u>                 |                                |
| Balance at January 1, 2019                      | -                              |
| Transfers from assets used by the Group         | 1,143                          |
| Depreciation expense                            | 4,191                          |
| Decrease  | (5,359)                        |
| Effect of foreign currency exchange differences | <u>25</u>                      |
| Balance at December 31, 2019                    | <u>-</u>                       |
| Carrying amount at December 31, 2019            | <u>\$ -</u>                    |

Operating leases relate to leases of machinery and equipment with lease terms up to June 2019. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

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

|                         |         |
|-------------------------|---------|
| Machinery and equipment | 5 years |
|-------------------------|---------|

## 15. LEASE ARRANGEMENTS

### a. Right-of-use assets

|  | <b>December 31</b>                    |                  |
|--|---------------------------------------|------------------|
|  | <b>2020</b>                           | <b>2019</b>      |
| <u>Carrying amounts</u>                              |                                       |                  |
| Land use right                                       | \$ 50,077                             | \$ 50,513        |
| Buildings  | 21,777                                | 12,137           |
| Transportation equipment                             | <u>2,714</u>                          | <u>146</u>       |
|  | <u>\$ 74,568</u>                      | <u>\$ 62,796</u> |
|  | <b>For the Year Ended December 31</b> |                  |
|  | <b>2020</b>                           | <b>2019</b>      |
| Acquisitions through business combinations (Note 27) | <u>\$ 18,065</u>                      | <u>\$ -</u>      |
| Additions to right-of-use assets                     | <u>\$ 2,116</u>                       | <u>\$ -</u>      |
| Depreciation charge for right-of-use assets          |                                       |                  |
| Land use right                                       | \$ 1,205                              | \$ 1,261         |
| Buildings  | 7,298                                 | 6,609            |
| Transportation equipment                             | <u>693</u>                            | <u>457</u>       |
|  | <u>\$ 9,196</u>                       | <u>\$ 8,327</u>  |

### b. Lease liabilities

|                         | <b>December 31</b> |                 |
|-------------------------|--------------------|-----------------|
|                         | <b>2020</b>        | <b>2019</b>     |
| <u>Carrying amounts</u> |                    |                 |
| Current                 | <u>\$ 8,793</u>    | <u>\$ 6,947</u> |
| Non-current             | <u>\$ 15,714</u>   | <u>\$ 5,337</u> |

Range of discount rate for lease liabilities was as follows:

|                          | <b>December 31</b> |             |
|--------------------------|--------------------|-------------|
|                          | <b>2020</b>        | <b>2019</b> |
| Buildings                | 1.50%-4.75%        | 1.50%-4.75% |
| Transportation equipment | 1.14%-4.75%        | 4.75%       |

### c. Material lease-in activities and terms

The Group leases certain transportation equipment with lease terms of 2 years. The Group does not have bargain purchase options to acquire transportation equipment at the end of the lease terms.

The Group also leases certain buildings for the use of plants, office spaces and dormitories with lease terms of 2 to 8 years. The Group does not have bargain purchase options to acquire transportation equipment at the end of the lease terms.

The land use right is amortized by the straight-line method over 49-50 years.

d. Other lease information

Lease arrangements under operating leases for the leasing out of freehold machinery are set out in Note 14.

|   | <b>For the Year Ended December 31</b> |             |
|---|---------------------------------------|-------------|
|   | <b>2020</b>                           | <b>2019</b> |
| Expenses relating to short-term leases      | \$ 2,328                              | \$ 4,327    |
| Expenses relating to low-value asset leases | \$ 416                                | \$ 454      |
| Total cash outflow for leases               | \$ (11,111)                           | \$ (12,320) |

The Group's leases of certain transportation equipment, buildings for the use of plants, office spaces and dormitories qualify as short-term leases and leases of certain office equipment qualify as low-value asset leases. The Group has elected to apply the recognition exemption and thus did not recognize right-of-use assets and lease liabilities for these leases.

## 16. INTANGIBLE ASSETS

|   | <b>December 31</b> |                  |
|---|--------------------|------------------|
|   | <b>2020</b>        | <b>2019</b>      |
| <u>Carrying value for each classification</u> |                    |                  |
| Computer software                             | \$ 5,769           | \$ 1,487         |
| Patents                                       | -                  | 11,471           |
| Goodwill                                      | <u>19,845</u>      | <u>-</u>         |
|   | <u>\$ 25,614</u>   | <u>\$ 12,958</u> |

The Company acquired 58.77% equity of Drilltek Corporation; the initial accounting for a business combination was incomplete by the end of the reporting period; thus, the Group reported provisional amounts of goodwill of \$19,845 thousand on the balance sheet date; refer to Note 27.

Movements in computer software and patents were as follows:

|   | <b>Computer Software</b> | <b>Patents</b> | <b>Total</b> |
|---|--------------------------|----------------|--------------|
| <u>Cost</u>                                     |                          |                |              |
| Balance at January 1, 2020                      | \$ 4,714                 | \$ 27,411      | \$ 32,125    |
| Additions                                       | 6,579                    | 2,022          | 8,601        |
| Disposals                                       | (2,776)                  | (368)          | (3,144)      |
| Disposal of subsidiaries (Note 28)              | -                        | (28,906)       | (28,906)     |
| Effect of foreign currency exchange differences | <u>71</u>                | <u>(159)</u>   | <u>(88)</u>  |
| Balance at December 31, 2020                    | <u>8,588</u>             | <u>-</u>       | <u>8,588</u> |

(Continued)

|   | <b>Computer<br/>Software</b> | <b>Patents</b>   | <b>Total</b>     |
|---|------------------------------|------------------|------------------|
| <u>Accumulated amortization and impairment</u>  |                              |                  |                  |
| Balance at January 1, 2020                      | \$ 3,227                     | \$ 15,940        | \$ 19,167        |
| Amortization expense                            | 2,340                        | 1,541            | 3,881            |
| Impairment losses recognized                    | -                            | 8,774            | 8,774            |
| Disposals                                       | (2,776)                      | (368)            | (3,144)          |
| Disposal of subsidiaries (Note 28)              | -                            | (25,775)         | (25,775)         |
| Effect of foreign currency exchange differences | <u>28</u>                    | <u>(112)</u>     | <u>(84)</u>      |
| Balance at December 31, 2020                    | <u>2,819</u>                 | <u>-</u>         | <u>2,819</u>     |
| Carrying amount at December 31, 2020            | <u>\$ 5,769</u>              | <u>\$ -</u>      | <u>\$ 5,769</u>  |
| <u>Cost</u>                                     |                              |                  |                  |
| Balance at January 1, 2019                      | \$ 17,354                    | \$ 28,545        | \$ 45,899        |
| Additions                                       | 1,203                        | -                | 1,203            |
| Disposals                                       | (13,750)                     | -                | (13,750)         |
| Effect of foreign currency exchange differences | <u>(93)</u>                  | <u>(1,134)</u>   | <u>(1,227)</u>   |
| Balance at December 31, 2019                    | <u>4,714</u>                 | <u>27,411</u>    | <u>32,125</u>    |
| <u>Accumulated amortization</u>                 |                              |                  |                  |
| Balance at January 1, 2019                      | \$ 12,174                    | \$ 12,861        | \$ 25,035        |
| Amortization expense                            | 4,880                        | 3,745            | 8,625            |
| Disposals                                       | (13,750)                     | -                | (13,750)         |
| Effect of foreign currency exchange differences | <u>(77)</u>                  | <u>(666)</u>     | <u>(743)</u>     |
| Balance at December 31, 2019                    | <u>3,227</u>                 | <u>15,940</u>    | <u>19,167</u>    |
| Carrying amount at December 31, 2019            | <u>\$ 1,487</u>              | <u>\$ 11,471</u> | <u>\$ 12,958</u> |

(Concluded)

As a result of the decline in market sales of the products of Shanghai Hejin Roller Technology Co., Ltd., the estimated future cash flows expected to arise from the related patents decreased. The review led to the recognition of an impairment loss of \$8,774 thousand, the discount rate is 5.18%, which was recognized in non-operating expenses for the year ended December 31, 2020.

There was no indication of impairment of the intangible assets for the year ended December 31, 2019.

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

|                   |            |
|-------------------|------------|
| Computer software | 1-5 years  |
| Patents           | 5-13 years |

## 17. OTHER NON-CURRENT ASSETS

|                                     | December 31      |                  |
|-------------------------------------|------------------|------------------|
|                                     | 2020             | 2019             |
| Refundable deposits                 | \$ 13,595        | \$ 9,558         |
| Long-term prepaid expenses          | 10,414           | 11,399           |
| Prepayments for equipment           | 7,172            | 16,075           |
| Net defined benefit asset (Note 21) | <u>3,010</u>     | <u>3,628</u>     |
|                                     | <u>\$ 34,191</u> | <u>\$ 40,660</u> |

## 18. BORROWINGS

### a. Short-term borrowings

|                      | December 31       |                  |
|----------------------|-------------------|------------------|
|                      | 2020              | 2019             |
| Unsecured borrowings | <u>\$ 102,840</u> | <u>\$ 68,112</u> |
| Interest rate        | 1.03%-1.40%       | 1.95%-2.76%      |

### b. Long-term borrowings

|   | December 31       |                   |
|---|-------------------|-------------------|
|   | 2020              | 2019              |
| <u>Unsecured borrowings</u>                                       |                   |                   |
| Syndicated borrowing - Mega International Commercial Bank, et al. | \$ 310,000        | \$ 360,000        |
| CTBC Bank   | <u>29,740</u>     | <u>53,101</u>     |
|   | <u>339,740</u>    | <u>413,101</u>    |
| Less: Current portion   | <u>15,500</u>     | <u>14,113</u>     |
| Long-term borrowings  | <u>\$ 324,240</u> | <u>\$ 398,988</u> |

- 1) Syndicated loan from Mega International Commercial Bank, et al.: In October 2016, the Company obtained an unsecured borrowing of \$1,000,000 thousand from a banking syndicate comprising Mega International Commercial Bank, Taiwan Cooperative Bank, Taipei Fubon Commercial Bank, Bank of Taiwan, Hua Nan Commercial Bank, E.SUN Bank, The Bank of East Asia, and CTBC Bank. The maximum term of loans shall not exceed 180 days, and the loan shall be repaid by the maturity date. By contract, the loan can be used on a revolving basis and does not need to go through a capital transfer process if the amount remains the same.



Related information as of December 31, 2020 and 2019 is as follow:

|                          | <b>Credit Line</b> | <b>Amount to<br/>Be Paid</b> | <b>Interest<br/>Rate</b> | <b>Repayment</b>  |
|--------------------------|--------------------|------------------------------|--------------------------|---|
| <u>December 31, 2020</u> |                    |                              |                          |   |
| Unsecured borrowing      | \$ 752,000         | \$ 310,000                   | 1.797%                   | Principal repayable on maturity is expanded to December 2022 from December 2020. The credit line balance begins to diminish 24 months after the date loan is obtained, and will keep diminishing every 12 months for three times. If the principal exceeds the diminishing credit line balance on certain dates, the Company should pay the lending banks the excess. |
| <u>December 31, 2019</u> |                    |                              |                          |   |
| Unsecured borrowing      | 800,000            | 360,000                      | 1.797%                   | Principal repayable on maturity is expanded to December 2022 from December 2020. The credit line balance begins to diminish 24 months after the date loan is obtained, and will keep diminishing every 12 months for three times. If the principal exceeds the diminishing credit line balance on certain dates, the Company should pay the lending banks the excess. |

Under the borrowing agreement, certain financial ratios (current ratio, debt to asset ratio, interest coverage and net tangible assets) based on audited annual and semiannual consolidated financial statements of the Company must be in accordance with the criteria stated in the agreements. As of December 31, 2020 and 2019, the Company had all met such criteria.

- 2) Unsecured loan from CTBC Bank: Chengdu Raypoint Precision Tools Co., Ltd. signed a loan agreement in October 2016. The loan is repayable semiannually from April 2017 to August 2023. The loan has repaid \$9,647 thousand early on June 2020. As of December 31, 2020 and 2019, the loan balance were \$29,740 thousand and \$53,101 thousand, respectively, at annual interest rate of 4.75%.

The Group's assets mortgaged or pledged as collaterals for the above long-term borrowings are disclosed in Note 34.

## 19. ACCOUNTS PAYABLE

|                              | <b>December 31</b> |                   |
|------------------------------|--------------------|-------------------|
|                              | <b>2020</b>        | <b>2019</b>       |
| Accounts payable - operating | <u>\$ 185,602</u>  | <u>\$ 174,594</u> |

The average credit period for purchases was 90 to 150 days. The Group has established financial risk management policies to ensure that all payables are repaid within pre-agreed credit periods.

## 20. OTHER PAYABLES

|   | December 31       |                   |
|---|-------------------|-------------------|
|   | 2020              | 2019              |
| Accrued payroll and employee benefits                                 | \$ 381,407        | \$ 342,316        |
| Employees' compensation and remuneration of directors and supervisors | 99,662            | 84,309            |
| Payable for purchase equipment  | 16,743            | 18,456            |
| Payable for annual leave  | 10,425            | 6,575             |
| Others  | <u>135,956</u>    | <u>128,726</u>    |
|   | <u>\$ 644,193</u> | <u>\$ 580,382</u> |

## 21. RETIREMENT BENEFIT PLANS

### a. Defined contribution plan

The Company, Unipoint Technology Co., Ltd. and Drillteck Corporation adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group's subsidiaries in mainland China are members of a state-managed retirement benefit plan operated by the government of mainland China. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits.

The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

There were no regular employees for Topoint Technology Co., Ltd. (B.V.I.), Warspeed Corporation (B.V.I.), Unipoint Technology Holdings Co., Ltd. (B.V.I.), Raypoint Precision Tools Co., Ltd. and Topmicron Investment Ltd.

Pension expenses for these defined contribution plans are classified under the following accounts:

|                    | For the Year Ended December 31 |                  |
|--------------------|--------------------------------|------------------|
|                    | 2020                           | 2019             |
| Operating costs    | <u>\$ 13,675</u>               | <u>\$ 30,545</u> |
| Operating expenses | <u>\$ 9,545</u>                | <u>\$ 16,158</u> |

### b. Defined benefit plan

The defined benefit plan adopted by the Company and Drillteck Corporation in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. The pension fund of the Company raised in accordance with the Labor Standards Law was sufficient. With the approval of the competent authority in May 2019, the contribution was suspended from May 2019 to April 2021. With the approval of the competent authority in May 2020, the contribution was suspended from May 2020 to April 2021. Before the end of each year, the Group 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 Group 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 Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group’s defined benefit plans were as follows:

|   | <b>December 31</b> |                   |
|---|--------------------|-------------------|
|   | <b>2020</b>        | <b>2019</b>       |
| <u>The Company</u>                          |                    |                   |
| Present value of defined benefit obligation | \$ 30,790          | \$ 29,035         |
| Fair value of plan assets                   | <u>(33,800)</u>    | <u>(32,663)</u>   |
| Surplus                                     | <u>\$ (3,010)</u>  | <u>\$ (3,628)</u> |
| Net defined benefit asset                   | <u>\$ (3,010)</u>  | <u>\$ (3,628)</u> |
| <u>Drilltek Corporation</u>                 |                    |                   |
| Present value of defined benefit obligation | \$ 24,655          | \$ -              |
| Fair value of plan assets                   | <u>(14,376)</u>    | <u>-</u>          |
| Deficit                                     | <u>\$ 10,279</u>   | <u>\$ -</u>       |
| Net defined benefit liability               | <u>\$ 10,279</u>   | <u>\$ -</u>       |

Movements in net defined benefit liability (asset) were as follows:

|   | <b>Present Value<br/>of the Defined<br/>Benefit<br/>Obligation</b> | <b>Fair Value of<br/>the Plan Assets</b> | <b>Net Defined<br/>Benefit<br/>Liability (Asset)</b> |
|---|--|--|--|
| Balance at January 1, 2019  | <u>\$ 27,772</u>   | <u>\$ (29,829)</u>                       | <u>\$ (2,057)</u>                                    |
| Net interest expenses (income)  | <u>276</u>   | <u>(301)</u>                             | <u>(25)</u>  |
| Recognized in profit or loss  | <u>276</u>   | <u>(301)</u>                             | <u>(25)</u>  |
| Remeasurement   |  |  |  |
| Return on plan assets (excluding amounts<br>included in net interest) | -  | (991)                                    | (991)  |
| Actuarial gain - changes in demographic<br>assumptions                | (15)   | -  | (15)   |
| Actuarial loss - changes in financial<br>assumptions                  | 948  | -  | 948  |
| Actuarial loss - experience adjustments                               | <u>54</u>  | <u>-</u>                                 | <u>54</u>  |
| Recognized in other comprehensive income                              | <u>987</u>   | <u>(991)</u>                             | <u>(4)</u>   |
| Contributions from employer   | <u>-</u>   | <u>(1,542)</u>                           | <u>(1,542)</u>                                       |
| Balance at December 31, 2019  | <u>29,035</u>  | <u>(32,663)</u>                          | <u>(3,628)</u>                                       |
| Net interest expenses (income)  | <u>217</u>   | <u>(244)</u>                             | <u>(27)</u>  |
| Recognized in profit or loss  | <u>217</u>   | <u>(244)</u>                             | <u>(27)</u>  |

(Continued)

|  | <b>Present Value<br/>of the Defined<br/>Benefit<br/>Obligation</b> | <b>Fair Value of<br/>the Plan Assets</b> | <b>Net Defined<br/>Benefit<br/>Liability (Asset)</b> |
|--|--|--|--|
| Remeasurement  |  |  |  |
| Return on plan assets (excluding amounts included in net interest) | \$ -   | \$ (1,067)                               | \$ (1,067)   |
| Actuarial loss - experience adjustments                            | <u>1,712</u>   | <u>-</u>                                 | <u>1,712</u>   |
| Recognized in other comprehensive income                           | <u>1,712</u>   | <u>(1,067)</u>                           | <u>645</u>   |
| Benefits paid  | <u>(174)</u>   | <u>174</u>                               | <u>-</u>   |
| Balance at December 31, 2020                                       | <u>\$ 30,790</u>   | <u>\$ (33,800)</u>                       | <u>\$ (3,010)</u><br>(Concluded)                     |

Drilltek Corporation

|  | <b>Present Value<br/>of the Defined<br/>Benefit<br/>Obligation</b> | <b>Fair Value of<br/>the Plan Assets</b> | <b>Net Defined<br/>Benefit<br/>Liability (Asset)</b> |
|--|--|--|--|
| Balance at January 1, 2020   | <u>\$ -</u>  | <u>\$ -</u>                              | <u>\$ -</u>  |
| Acquisitions of subsidiaries                                       | <u>21,410</u>  | <u>(14,410)</u>                          | <u>7,000</u>   |
| Service cost   |  |  |  |
| Current service cost   | 717  | -  | 717  |
| Net interest expenses (income)                                     | <u>180</u>   | <u>(108)</u>                             | <u>72</u>  |
| Recognized in profit or loss                                       | <u>897</u>   | <u>(108)</u>                             | <u>789</u>   |
| Remeasurement  |  |  |  |
| Return on plan assets (excluding amounts included in net interest) | -  | (218)                                    | (218)  |
| Actuarial loss - changes in financial assumptions                  | 794  | -  | 794  |
| Actuarial loss - experience adjustments                            | <u>2,201</u>   | <u>-</u>                                 | <u>2,201</u>   |
| Recognized in other comprehensive income                           | <u>2,995</u>   | <u>(218)</u>                             | <u>2,777</u>   |
| Contributions from employer  | <u>-</u>   | <u>(287)</u>                             | <u>(287)</u>   |
| Benefits paid  | <u>(647)</u>   | <u>647</u>                               | <u>-</u>   |
| Balance at December 31, 2020                                       | <u>\$ 24,655</u>   | <u>\$ (14,376)</u>                       | <u>\$ 10,279</u>                                     |

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau 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 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> |
| <u>The Company</u>                  |                    |             |
| Discount rate(s)                    | 0.75%              | 0.75%       |
| Expected rate(s) of salary increase | 1.00%              | 1.00%       |
| <u>Drilltek Corporation</u>         |                    |             |
| Discount rate(s)                    | 0.80%              | -           |
| Expected rate(s) of salary increase | 2.50%              | -           |

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> |
| <u>The Company</u>                  |                    |             |
| Discount rate(s)                    |                    |             |
| 0.25% increase                      | \$ (757)           | \$ (948)    |
| 0.25% decrease                      | \$ 788             | \$ 991      |
| Expected rate(s) of salary increase |                    |             |
| 0.25% increase                      | \$ 3,322           | \$ 986      |
| 0.25% decrease                      | \$ (2,866)         | \$ (948)    |
| <u>Drilltek Corporation</u>         |                    |             |
| Discount rate(s)                    |                    |             |
| 0.25% increase                      | \$ (405)           | \$ -        |
| 0.25% decrease                      | \$ 421             | \$ -        |
| Expected rate(s) of salary increase |                    |             |
| 0.25% increase                      | \$ 1,740           | \$ -        |
| 0.25% decrease                      | \$ (1,520)         | \$ -        |

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>           |
| <u>The Company</u>                                       |                       |                       |
| The expected contributions to the plan for the next year | \$ <u>          -</u> | \$ <u>          -</u> |
| The average duration of the defined benefit obligation   | 14 years              | 13 years              |
| <u>Drilltek Corporation</u>                              |                       |                       |
| The expected contributions to the plan for the next year | \$ <u>6,664</u>       | \$ <u>          -</u> |
| The average duration of the defined benefit obligation   | 14 years              | -                     |

## 22. EQUITY

### a. Share capital - ordinary shares

|                               | <b>December 31</b>  |                     |
|-------------------------------|---------------------|---------------------|
|                               | <b>2020</b>         | <b>2019</b>         |
| Registered shares (thousands) | <u>300,000</u>      | <u>300,000</u>      |
| Registered capital            | \$ <u>3,000,000</u> | \$ <u>3,000,000</u> |
| Issued shares (thousands)     | <u>142,181</u>      | <u>142,181</u>      |
| Issued capital                | \$ <u>1,421,805</u> | \$ <u>1,421,805</u> |

The par value of the issued ordinary shares is NT\$10. Each share entitles its holder to a right to vote and to receive dividends.

Of the authorized capital, a total of 30,000 thousand shares should be reserved for on employee share option plan, preference shares with warrant and bonds with warrant attached.

### b. Capital surplus

|  | <b>December 31</b>  |                     |
|--|---------------------|---------------------|
|  | <b>2020</b>         | <b>2019</b>         |
| <u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital</u> |                     |                     |
| Issuance of ordinary shares  | \$ 1,190,843        | \$ 1,190,843        |
| <u>May be used to offset a deficit only</u>  |                     |                     |
| Exercise of employee share options   | 8,992               | 8,992               |
| Changes in percentage of ownership interest in subsidiaries  | 21,688              | 22,629              |
| Expiry of employee share options   | <u>8,408</u>        | <u>8,408</u>        |
|  | \$ <u>1,229,931</u> | \$ <u>1,230,872</u> |

The Group acquired equity of Chengdu Raypoint Precision Tools Co., Ltd from non-controlling equity interest on July 10, 2019, and the ownership interest increased from 94.74% to 100%, and increased capital surplus - changes in percentage of ownership interest in subsidiaries by \$13,582 thousand.

The Group subscribed for additional new shares of Shanghai Hejin Roller Technology Co., Ltd. in October 2020. Therefore, the ownership interest increased from 86.27% to 86.75%, and decreased capital surplus - changes in percentage of ownership interest in subsidiaries by \$941 thousand.

The capital surplus from shares issued in excess of par and donations could be used to offset deficits; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital (limited to a certain percentage of the Company's paid-in capital and once a year).

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the Articles, where the Company made 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 distribution of dividends and bonus to shareholders. For the conditions on distribution of employees' compensation and remuneration of directors and supervisors after amendment, refer to employee's compensation and remuneration of directors and supervisors in Note 24, d.

To meet the requirements for present and future operational expansion and to satisfy the shareholders' need for cash inflow, the Company's dividend policy states that total dividends should be at least 20% of net income and cash dividends should be at least 10% of total dividends.

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. 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.

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2019 and 2018 approved in the shareholders' meetings on June 10, 2020 and June 12, 2019, respectively, were as follows:

|                 | <b>Appropriation of Earnings</b>          |             | <b>Dividends Per Share (NT\$)</b>         |             |
|-----------------|---|-------------|---|-------------|
|                 | <b>For the Year Ended<br/>December 31</b> |             | <b>For the Year Ended<br/>December 31</b> |             |
|                 | <b>2019</b>                               | <b>2018</b> | <b>2019</b>                               | <b>2018</b> |
| Legal reserve   | \$ 18,489                                 | \$ 25,364   |   |             |
| Special reserve | 125,292                                   | 68,373      |   |             |
| Cash dividends  | 170,617                                   | 170,616     | \$1.2                                     | \$1.2       |

The appropriation of earnings for 2020 had been proposed by the Company's board of directors on February 26, 2021. The appropriation and dividends per share were as follows:

|                 | <b>Appropriation<br/>of Earnings</b> | <b>Dividends Per<br/>Share (NT\$)</b> |
|-----------------|--------------------------------------|---------------------------------------|
| Legal reserve   | \$ 28,016                            |                                       |
| Special reserve | 59,150                               |                                       |
| Cash dividends  | 224,645                              | \$1.58                                |

The appropriations of earnings for 2020 are subject to the resolution of the shareholders' meeting to be held on June 9, 2021.

d. Other equity items

Exchange differences on translating the financial statements of foreign operations

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e., New Taiwan dollars) were recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve (in respect of translating both the net assets of foreign operations and hedges of foreign operations) were reclassified to profit or loss on the disposal of the foreign operation.

Unrealized gain/(loss) on financial assets at FVTOCI

|                         | <b><u>For the Year Ended December 31</u></b> |                  |
|-------------------------|--|------------------|
|                         | <b>2020</b>                                  | <b>2019</b>      |
| Balance at January 1    | \$ 26,910                                    | \$ 4,215         |
| Recognized for the year |  |                  |
| Unrealized gain         | <u>(10,179)</u>                              | <u>22,695</u>    |
| Balance at December 31  | <u>\$ 16,731</u>                             | <u>\$ 26,910</u> |

e. Non-controlling interests

|   | <b><u>For the Year Ended December 31</u></b> |                   |
|---|--|-------------------|
|   | <b>2020</b>                                  | <b>2019</b>       |
| Balance at January 1  | \$ 248,596                                   | \$ 254,435        |
| Attributable to non-controlling interests:  |  |                   |
| Share of profit (loss) for the year   | 22,272                                       | 12,732            |
| Exchange difference arising on translation of foreign entities  | 1,226  | (1,296)           |
| Unrealized gain/(loss) of financial assets at PVTOCI  | 212  | -                 |
| Remeasurement of defined benefit plans  | (1,145)                                      | -                 |
| Income taxes of defined benefit plans   | 229  | -                 |
| Acquisition of Chengdu Raypoint Precision Tools Co., Ltd.<br>non-controlling interests                    | -  | (17,275)          |
| Subscribed for additional new shares at a percentage difference<br>from its existing ownership percentage | 941  | -                 |
| Acquisition of non-controlling interests in Drilltek Corporation<br>(Note 27)                             | 60,402                                       | -                 |
| Disposal of subsidiaries  | <u>(1,537)</u>                               | <u>-</u>          |
| Balance at December 31  | <u>\$ 331,196</u>                            | <u>\$ 248,596</u> |

f. Treasury shares

On May 9, 2019, the Company's board of directors resolved to retire the treasury shares that have not been transferred to employees within three years from date of repurchase, in accordance with the law. The share capital of \$13,500 thousand was retired at par value, and the capital surplus and retained earnings were reduced to \$11,307 thousand and \$5,389 thousand, respectively. The Company completed the registration formalities on June 6, 2019.



Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to dividends and to vote.

## 23. REVENUE

### a. Contract balances

|  | December 31,<br>2020 | December 31,<br>2019 | January 1, 2019     |
|--|----------------------|----------------------|---------------------|
| Trade receivables (Note 9)                         | <u>\$ 162,793</u>    | <u>\$ 163,883</u>    | <u>\$ 155,808</u>   |
| Accounts receivable (Note 9)                       | <u>\$ 806,139</u>    | <u>\$ 862,609</u>    | <u>\$ 1,138,761</u> |
| Accounts receivable - related parties<br>(Note 33) | <u>\$ 125,566</u>    | <u>\$ 119,591</u>    | <u>\$ 93,046</u>    |
| Contract liabilities                               |                      |                      |                     |
| Sale of goods                                      | <u>\$ 1,286</u>      | <u>\$ 2,311</u>      | <u>\$ 2,266</u>     |

The changes in the balance of contract assets and contract liabilities primarily result from the timing difference between the Group's performance and the respective customer's payment.

Revenue of the reporting period recognized from the beginning contract liabilities and from the performance obligations which were satisfied in the previous periods are as follows:

|   | <u>For the Year Ended December 31</u> |                 |
|---|---------------------------------------|-----------------|
|   | 2020                                  | 2019            |
| From the beginning contract liabilities |                                       |                 |
| Sale of goods                           | <u>\$ 2,311</u>                       | <u>\$ 2,266</u> |

### b. Disaggregation of revenue

Refer to Note 37 for information about disaggregation of revenue.

### c. Partially completed contracts

|               | <u>For the Year Ended December 31</u> |                 |
|---------------|---------------------------------------|-----------------|
|               | 2020                                  | 2019            |
| Sale of goods |                                       |                 |
| - in 2020     | \$ -                                  | \$ 2,311        |
| - in 2021     | <u>1,286</u>                          | <u>-</u>        |
|               | <u>\$ 1,286</u>                       | <u>\$ 2,311</u> |

## 24. NET PROFIT

### a. Depreciation, and amortization expenses

|   | <b>For the Year Ended December 31</b> |                   |
|---|---------------------------------------|-------------------|
|   | <b>2020</b>                           | <b>2019</b>       |
| An analysis of depreciation by function |                                       |                   |
| Operating costs                         | \$ 277,116                            | \$ 325,156        |
| Operating expenses                      | <u>29,661</u>                         | <u>27,388</u>     |
|   | <u>\$ 306,777</u>                     | <u>\$ 352,544</u> |
| An analysis of amortization by function |                                       |                   |
| Operating costs                         | \$ 2,261                              | \$ 3,798          |
| General and administrative expenses     | 1,601                                 | 4,793             |
| Research and development expenses       | <u>19</u>                             | <u>34</u>         |
|   | <u>\$ 3,881</u>                       | <u>\$ 8,625</u>   |

### b. Other operating income and expenses

|  | <b>For the Year Ended December 31</b> |                  |
|--|---------------------------------------|------------------|
|  | <b>2020</b>                           | <b>2019</b>      |
| Gain (loss) on disposal of property, plant and equipment | <u>\$ (4,688)</u>                     | <u>\$ 27,328</u> |

### c. Employee benefit expenses

|   | <b>For the Year Ended December 31</b> |                   |
|---|---------------------------------------|-------------------|
|   | <b>2020</b>                           | <b>2019</b>       |
| Post-employment benefit (Note 21)                   |                                       |                   |
| Defined contribution plans                          | \$ 23,220                             | \$ 46,703         |
| Defined benefit plans                               | <u>762</u>                            | <u>(25)</u>       |
|   | 23,982                                | 46,678            |
| Payroll expenses                                    | 779,454                               | 722,348           |
| Labor and health insurance expenses                 | 26,508                                | 24,166            |
| Other employee benefits                             | <u>10,246</u>                         | <u>10,950</u>     |
| Total employee benefit expenses                     | <u>\$ 840,190</u>                     | <u>\$ 804,142</u> |
| An analysis of employee benefit expense by function |                                       |                   |
| Operating costs                                     | \$ 581,807                            | \$ 506,814        |
| Operating expenses                                  | <u>258,383</u>                        | <u>297,328</u>    |
|   | <u>\$ 840,190</u>                     | <u>\$ 804,142</u> |

d. Employees' compensation and remuneration of directors and supervisors

The Company accrued employees' compensation and remuneration of directors and supervisors at the rates between 1% to 25% and no higher than 3%, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. The employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2020 and 2019 which have been approved by the Company's board of directors on February 26, 2021 and February 21, 2020, respectively, were as follows:

Accrual rate

|   | <b>For the Year Ended December 31</b> |             |
|---|---------------------------------------|-------------|
|   | <b>2020</b>                           | <b>2019</b> |
| Employees' compensation                   | 15%                                   | 15%         |
| Remuneration of directors and supervisors | 2.5%                                  | 2.5%        |

Amount

|   | <b>For the Year Ended December 31</b> |             |
|---|---------------------------------------|-------------|
|   | <b>2020</b>                           | <b>2019</b> |
|   | <b>Cash</b>                           | <b>Cash</b> |
| Employees' compensation                   | \$ 58,642                             | \$ 39,951   |
| Remuneration of directors and supervisors | 9,774                                 | 6,658       |

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

There was no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2019 and 2018.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

e. Gain or loss on foreign currency exchange

|                                  | <b>For the Year Ended December 31</b> |                   |
|----------------------------------|---------------------------------------|-------------------|
|                                  | <b>2020</b>                           | <b>2019</b>       |
| Foreign currency exchange gains  | \$ 32,084                             | \$ 34,548         |
| Foreign currency exchange losses | <u>(31,981)</u>                       | <u>(38,757)</u>   |
| Net gain (loss)                  | <u>\$ 103</u>                         | <u>\$ (4,209)</u> |

## 25. INCOME TAXES

- a. Major components of tax expense recognized in profit or loss

|   | <b>For the Year Ended December 31</b> |                   |
|---|---------------------------------------|-------------------|
|   | <b>2020</b>                           | <b>2019</b>       |
| <u>Current tax</u>  |                                       |                   |
| In respect of the current year  | \$ 102,513                            | \$ 76,177         |
| Income tax on unappropriated earnings                                     | 3,024                                 | 644               |
| Adjustments for prior year  | <u>(854)</u>                          | <u>(3,640)</u>    |
|   | <u>104,683</u>                        | <u>73,181</u>     |
| <u>Deferred tax</u>   |                                       |                   |
| In respect of the current year  | 57,509                                | 53,363            |
| Adjustments to deferred tax attributable to changes in tax rates and laws | <u>-</u>                              | <u>1,410</u>      |
|   | <u>57,509</u>                         | <u>54,773</u>     |
| Income tax expense recognized in profit or loss                           | <u>\$ 162,192</u>                     | <u>\$ 127,954</u> |

A reconciliation of accounting profit and income tax expenses is as follows:

|   | <b>For the Year Ended December 31</b> |                   |
|---|---------------------------------------|-------------------|
|   | <b>2020</b>                           | <b>2019</b>       |
| Profit before tax   | <u>\$ 304,257</u>                     | <u>\$ 330,961</u> |
| Income tax expense calculated at the statutory rate (20%)                       | \$ 60,851                             | \$ 66,192         |
| Nondeductible expenses in determining taxable income                            | 41,136                                | 40,436            |
| Deferred tax effect of earnings of subsidiaries                                 | 25,459                                | 10,135            |
| Non-taxable income  | (45,974)                              | (21,669)          |
| Tax preference  | (5,158)                               | (5,338)           |
| Income tax on unappropriated earnings   | 3,024                                 | 644               |
| Unrealized loss carryforwards   | 36,719                                | 45,501            |
| Effect of tax rate changes  | -                                     | 1,410             |
| Effect of different tax rate of group entities operating in other jurisdictions | 43,463                                | (13,003)          |
| Adjustments for prior years' tax  | (854)                                 | (3,640)           |
| Others  | <u>3,526</u>                          | <u>7,286</u>      |
| Income tax expense recognized in profit or loss                                 | <u>\$ 162,192</u>                     | <u>\$ 127,954</u> |

The Income Tax Act in the ROC 20%. In addition, the rate of the corporate surtax applicable to unappropriated earnings was 5%. The applicable tax rate used by subsidiaries in China was 25%, except for the lower corporate tax rate of 15% enjoyed by Shanghai Topoint Precision Technology Co., Ltd. and Chengdu Raypoint Precision Tools Co., Ltd. as a high-technology enterprise.

Raypoint Precision Tools Co., Ltd., Warpspeed Corporation (B.V.I.), Topoint Technology Co., Ltd. (B.V.I.), Unipoint Technology Holdings Co., Ltd. (B.V.I.) and Topmicron Investment Ltd. are tax-exempt under the tax laws.

b. Income tax recognized in other comprehensive income

|   | <b>For the Year Ended December 31</b> |             |
|---|---------------------------------------|-------------|
|   | <b>2020</b>                           | <b>2019</b> |
| <u>Deferred tax</u>                                       |                                       |             |
| In respect of the current year                            |                                       |             |
| Remeasurement on defined benefit plan                     | \$ (684)                              | \$ 1        |
| Total income tax recognized in other comprehensive income | <u>\$ (684)</u>                       | <u>\$ 1</u> |

c. Current tax assets and liabilities

|                         | <b>December 31</b> |                  |
|-------------------------|--------------------|------------------|
|                         | <b>2020</b>        | <b>2019</b>      |
| Current tax assets      |                    |                  |
| Tax refund receivable   | <u>\$ 938</u>      | <u>\$ 1,080</u>  |
| Current tax liabilities |                    |                  |
| Income tax payable      | <u>\$ 52,072</u>   | <u>\$ 31,278</u> |

The balances of current tax liabilities on December 31, 2020 and 2019 are net amounts after deducting related prepaid tax.

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2020

|   | <b>Opening<br/>Balance</b> | <b>Acquisitions<br/>through<br/>Business<br/>Combina-<br/>tions</b> | <b>Disposal of<br/>Subsidiaries</b> | <b>Recognized<br/>in Profit or<br/>Loss</b> | <b>Recognized<br/>in Other<br/>Compre-<br/>hensive<br/>Income</b> | <b>Exchange<br/>Difference</b> | <b>Closing<br/>Balance</b> |
|---|----------------------------|---|-------------------------------------|---|---|--------------------------------|----------------------------|
| <u>Deferred tax assets</u>  |                            |   |                                     |   |   |                                |                            |
| Temporary differences   |                            |   |                                     |   |   |                                |                            |
| Deferred revenue  | \$ 11,954                  | \$ -  | \$ -                                | \$ 609                                      | \$ -  | \$ -                           | \$ 12,563                  |
| Investment loss recognized<br>under the equity method                   | 7,272                      | -   | -                                   | 498   | -   | -                              | 7,770                      |
| Depreciation difference<br>between financial<br>accounting and taxation | 990                        | -   | -                                   | 119   | -   | 18                             | 1,127                      |
| Unpaid expense  | 3,620                      | -   | -                                   | (1,194)                                     | -   | 33                             | 2,459                      |
| Write-down of inventories   | 11,025                     | 208   | (165)                               | (3,343)                                     | -   | 18                             | 7,743                      |
| Others  | <u>4,951</u>               | <u>2,369</u>  | <u>-</u>                            | <u>(2,046)</u>                              | <u>684</u>  | <u>12</u>                      | <u>5,970</u>               |
|   | 39,812                     | 2,577   | (165)                               | (5,357)                                     | 684   | 81                             | 37,632                     |
| Tax losses  | <u>38,223</u>              | <u>-</u>  | <u>-</u>                            | <u>(26,689)</u>                             | <u>-</u>  | <u>89</u>                      | <u>11,623</u>              |
|   | <u>\$ 78,035</u>           | <u>\$ 2,577</u>   | <u>\$ (165)</u>                     | <u>\$ (32,046)</u>                          | <u>\$ 684</u>   | <u>\$ 170</u>                  | <u>\$ 49,255</u>           |

(Continued)

|   | Opening<br>Balance | Acquisitions<br>through<br>Business<br>Combina-<br>tions | Disposal of<br>Subsidiaries | Recognized<br>in Profit or<br>Loss | Recognized<br>in Other<br>Compre-<br>hensive<br>Income | Exchange<br>Difference | Closing<br>Balance |
|---|--------------------|--|-----------------------------|------------------------------------|--|------------------------|--------------------|
| <u>Deferred tax liabilities</u>   |                    |  |                             |                                    |  |                        |                    |
| Temporary differences   |                    |  |                             |                                    |  |                        |                    |
| Investment gain recognized<br>under the equity method                       | \$ 169,140         | \$ -   | \$ -                        | \$ 25,458                          | \$ -   | \$ (9,382)             | \$ 185,216         |
| Pension expenses difference<br>between financial<br>accounting and taxation | <u>1,281</u>       | <u>-</u>   | <u>-</u>                    | <u>5</u>                           | <u>-</u>   | <u>-</u>               | <u>1,286</u>       |
|   | <u>\$ 170,421</u>  | <u>\$ -</u>  | <u>\$ -</u>                 | <u>\$ 25,463</u>                   | <u>\$ -</u>  | <u>\$ (9,382)</u>      | <u>\$ 186,502</u>  |
|   |                    |  |                             |                                    |  |                        | (Concluded)        |

For the year ended December 31, 2019

|   | Opening<br>Balance | Recognized<br>in Profit or<br>Loss | Recognized<br>in Other<br>Compre-<br>hensive<br>Income | Exchange<br>Difference | Closing<br>Balance |
|---|--------------------|------------------------------------|--|------------------------|--------------------|
| <u>Deferred tax assets</u>  |                    |                                    |  |                        |                    |
| Temporary differences   |                    |                                    |  |                        |                    |
| Deferred revenue  | \$ 17,730          | \$ (5,776)                         | \$ -   | \$ -                   | \$ 11,954          |
| Investment loss recognized<br>under the equity method                   | 14,060             | (6,801)                            | -  | 13                     | 7,272              |
| Depreciation difference<br>between financial<br>accounting and taxation | 1,355              | (324)                              | -  | (41)                   | 990                |
| Unpaid expense  | 1,418              | 2,355                              | -  | (153)                  | 3,620              |
| Write-down of inventories   | 9,613              | 1,631                              | -  | (219)                  | 11,025             |
| Others  | <u>5,555</u>       | <u>(529)</u>                       | <u>(1)</u>   | <u>(74)</u>            | <u>4,951</u>       |
|   | 49,731             | (9,444)                            | (1)  | (474)                  | 39,812             |
| Tax losses  | <u>76,043</u>      | <u>(36,302)</u>                    | <u>-</u>   | <u>(1,518)</u>         | <u>38,223</u>      |
|   | <u>\$ 125,774</u>  | <u>\$ (45,746)</u>                 | <u>\$ (1)</u>  | <u>\$ (1,992)</u>      | <u>\$ 78,035</u>   |

Deferred tax liabilities

|  |                   |                 |             |                   |                   |
|--|-------------------|-----------------|-------------|-------------------|-------------------|
| Temporary differences  |                   |                 |             |                   |                   |
| Investment gain<br>recognized under the<br>equity method                       | \$ 164,012        | \$ 9,338        | \$ -        | \$ (4,210)        | \$ 169,140        |
| Pension expenses<br>difference between<br>financial accounting and<br>taxation | 967               | 314             | -           | -                 | 1,281             |
| Others   | <u>626</u>        | <u>(625)</u>    | <u>-</u>    | <u>(1)</u>        | <u>-</u>          |
|  | <u>\$ 165,605</u> | <u>\$ 9,027</u> | <u>\$ -</u> | <u>\$ (4,211)</u> | <u>\$ 170,421</u> |

- e. Unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

|                    | <b>December 31,<br/>2020</b> |
|--------------------|------------------------------|
| Loss carryforwards |                              |
| Expiry in 2021     | \$ 16,513                    |
| Expiry in 2022     | 37,394                       |
| Expiry in 2023     | 9,278                        |
| Expiry in 2024     | 80,248                       |
| Expiry in 2025     | <u>141,747</u>               |
|                    | <u><u>\$ 285,180</u></u>     |

- f. Loss carryforwards as of December 31, 2020

| <b>Company Name</b>                        | <b>Unused<br/>Amount</b> | <b>Expiry Year</b> |
|--|--------------------------|--------------------|
| Unipoint Technology Shenzhen Co., Ltd.     | \$ 476                   | 2021               |
|  | 2,211                    | 2022               |
|  | <u>1,177</u>             | 2023               |
|  | <u>3,864</u>             |                    |
| Kunshan Restek Technology Co., Ltd.        | 84                       | 2022               |
|  | 137                      | 2023               |
|  | <u>6</u>                 | 2024               |
|  | <u>227</u>               |                    |
| Chengdu Raypoint Precision Tools Co., Ltd. | 12,033                   | 2024               |
|  | <u>20,648</u>            | 2025               |
|  | <u>32,681</u>            |                    |
| Sharpoint Technology (Shenzhen) Co., Ltd.  | 4,128                    | 2021               |
|  | 9,265                    | 2022               |
|  | <u>9,717</u>             | 2023               |
|  | <u>23,110</u>            |                    |
| Winpoint Electronics (Huaian) Co., Ltd.    | <u>1,023</u>             | 2025               |
| Sharpoint Electronics (Huaian) Co., Ltd.   | <u>225</u>               | 2024               |
|  | <u><u>\$ 61,130</u></u>  |                    |

- g. Income tax assessments

Income tax returns of the Company through 2018 have been examined and cleared by the tax authorities.

Income tax returns of Unipoint Technology Co., Ltd. through 2018 have been examined and cleared by the tax authorities.

Income tax returns of Drilltek Corporation through 2018 have been examined and cleared by the tax authorities.

## 26. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding that were used in the computation of earnings per share were as follows:

### Net Profit for the Year

|   | <b>For the Year Ended December 31</b> |                   |
|---|---------------------------------------|-------------------|
|   | <b>2020</b>                           | <b>2019</b>       |
| Profit for the year attributable to owners of the Company | <u>\$ 281,985</u>                     | <u>\$ 190,275</u> |

Weighted average number of ordinary shares outstanding (in thousand shares):

|  | <b>For the Year Ended December 31</b> |                |
|--|---------------------------------------|----------------|
|  | <b>2020</b>                           | <b>2019</b>    |
| Weighted average number of ordinary shares in computation of basic earnings per share            | 142,181                               | 142,181        |
| Effect of potentially dilutive ordinary shares:  |                                       |                |
| Employee s' compensation issue to employees  | <u>2,392</u>                          | <u>2,228</u>   |
| Weighted average number of ordinary shares used in the computation of diluted earnings per share | <u>144,573</u>                        | <u>144,409</u> |

If the Group offered to settle compensation paid to employees in cash or shares, the Group assumed the entire amount of the compensation would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 27. BUSINESS COMBINATIONS

### a. Subsidiaries acquired

| <b>Subsidiary</b>    | <b>Principal Activity</b>      | <b>Date of Acquisition</b> | <b>Proportion of Voting Equity Interests Acquired (%)</b> | <b>Consideration Transferred</b> |
|----------------------|--------------------------------|----------------------------|---|----------------------------------|
| Drilltek Corporation | Processing print circuit board | September 30, 2020         | 58.77   | <u>\$ 105,945</u>                |

Drilltek Corporation was acquired by cash in order to meet capacity requirements and for the expansion of the Group's operating activities in print circuit board products.



b. Assets acquired and liabilities assumed at the date of acquisition

|                               | <b>Drilltek<br/>Corporation</b> |
|-------------------------------|---------------------------------|
| Current assets                |                                 |
| Cash and cash equivalents     | \$ 31,829                       |
| Receivables                   | 105,870                         |
| Other                         | 8,910                           |
| Non-current assets            |                                 |
| Financial assets at FVTOCI    | 8,351                           |
| Property, plant and equipment | 74,216                          |
| Right-of-use assets           | 18,065                          |
| Deferred tax assets           | 2,577                           |
| Other                         | 3,729                           |
| Current liabilities           |                                 |
| Short-term borrowings         | (20,000)                        |
| Payables                      | (35,725)                        |
| Other payables                | (23,133)                        |
| Lease liabilities             | (2,387)                         |
| Other                         | (3,122)                         |
| Non-current liabilities       |                                 |
| Lease liabilities             | (15,678)                        |
| Deferred tax liabilities      | <u>(7,000)</u>                  |
|                               | <u>\$ 146,502</u>               |

The initial accounting for the acquisition of Drilltek Corporation was only provisionally determined at the end of the year. At the date of issuance of these consolidated financial statements, the necessary market valuations and other calculations have not been finalized.

c. Goodwill recognized on acquisitions

|   | <b>Drilltek<br/>Corporation</b> |
|---|---------------------------------|
| Consideration transferred   | \$ 105,945                      |
| Plus: Non-controlling interests (41.23% in Fair value of identifiable net assets of Drilltek Corporation) | 60,402                          |
| Less: Fair value of identifiable net assets acquired  | <u>(146,502)</u>                |
| Goodwill recognized on acquisitions   | <u>\$ 19,845</u>                |

The initial accounting for a business combination was incomplete by the end of the reporting period in which the combination occurred; thus, the Group reported provisional amounts for the items for which the accounting was incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, or additional goodwill 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.

d. Net cash outflow on the acquisition of subsidiaries

|  | <b>Drilltek Corporation</b> |
|--|-----------------------------|
| Consideration paid in cash                       | \$ 105,945                  |
| Less: Cash and cash equivalent balances acquired | <u>(31,829)</u>             |
|  | <u>\$ 74,116</u>            |

e. Impact of acquisitions on the results of the Group

The financial results of the acquirees since the acquisition dates, which are included in the consolidated statements of comprehensive income, were as follows:

|         | <b>Drilltek Corporation</b> |
|---------|-----------------------------|
| Revenue | <u>\$ 82,191</u>            |
| Profit  | <u>\$ 12,882</u>            |

Had these business combinations been in effect at the beginning of the financial year, the Group's revenue would have been \$3,188,120 thousand, and the profit would have been \$312,008 thousand for the year ended December 31, 2020. This pro-forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2020, nor is it intended to be a projection of future results.

## 28. DISPOSAL OF SUBSIDIARIES

The Group entered into a sale agreement to dispose of Shanghai Hejin Co., Ltd. The disposal was completed on September 30, 2020, on which date control of Shanghai Hejin Co., Ltd. passed to the acquirer.

a. Consideration received from disposals

|                           | <b>Shanghai Hejin Co., Ltd.</b> |
|---------------------------|---------------------------------|
| Cash and cash equivalents | <u>\$ 42,731</u>                |

b. Analysis of assets and liabilities on the date control was lost

|                           | <b>Shanghai Hejin Co., Ltd.</b> |
|---------------------------|---------------------------------|
| Current assets            |                                 |
| Cash and cash equivalents | \$ 548                          |
| Note receivables          | 855                             |
| Account receivables       | 2,165                           |
| Other                     | 811                             |
|                           | (Continued)                     |

|                               | <b>Shanghai Hejin<br/>Co., Ltd.</b> |
|-------------------------------|-------------------------------------|
| Non-current assets            |                                     |
| Property, plant and equipment | \$ 1,450                            |
| Intangible assets             | 3,131                               |
| Deferred tax assets           | 165                                 |
| Other                         | 173                                 |
| Current liabilities           |                                     |
| Payables                      | (643)                               |
| Other                         | <u>(2,383)</u>                      |
| Net assets disposed of        | <u>\$ 6,272</u><br>(Concluded)      |

c. Gain on disposal of subsidiaries

|                                      | <b>Shanghai Hejin<br/>Co., Ltd.</b> |
|--------------------------------------|-------------------------------------|
| Consideration received               | \$ 42,731                           |
| Net assets disposed of               | (6,272)                             |
| Non-controlling interests            | 831                                 |
| Exchange rate translation adjustment | <u>84</u>                           |
| Gain on disposals                    | <u>\$ 37,374</u>                    |

d. Net cash inflow on disposals of subsidiaries

|   | <b>Shanghai Hejin<br/>Co., Ltd.</b> |
|---|-------------------------------------|
| Consideration received in cash and cash equivalents | \$ 42,731                           |
| Less: Cash and cash equivalent balances disposed of | <u>548</u>                          |
|   | <u>\$ 42,183</u>                    |

## 29. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On July 10, 2019, Shanghai Topoint participated in a share subscription of Chengdu Raypoint Precision Tools Co., Ltd. resulting in an ownership percentage different from its original ownership interest. Therefore, the ownership interest in Chengdu Raypoint Precision Tools Co., Ltd. increased from 94.74% to 100%.

On August 30, 2020, Shanghai Topoint participated in share subscriptions of Shanghai Hejin resulting in an ownership percentage different from its original ownership interest. Therefore, the ownership interest in Shanghai Hejin increased from 86.27% to 86.75%.

The above transactions were accounted for as equity transactions, since the Group did not cease to have control over these subsidiaries.

### 30. PARTIAL CASH TRANSACTIONS

#### a. Non-cash transaction

For the years ended December 31, 2020 and 2019, the Group entered into the following partial cash investing activities, which were not reflected in the consolidated statements of cash flows:

|  | <b>For the Year Ended December 31</b> |                   |
|--|---------------------------------------|-------------------|
|  | <b>2020</b>                           | <b>2019</b>       |
| Cash paid for property, plant and equipment acquisition      |                                       |                   |
| Increase in property, plant and equipment                    | \$ 223,717                            | \$ 220,207        |
| Net change in prepayments for equipment                      | (9,642)                               | (7,718)           |
| Net change in payable for purchase of equipment              | <u>1,713</u>                          | <u>143,639</u>    |
| Cash paid  | <u>\$ 215,788</u>                     | <u>\$ 356,128</u> |
| Cash received from property, plant and equipment acquisition |                                       |                   |
| Disposal of property, plant and equipment                    | \$ 224,834                            | \$ 126,880        |
| Net gain (loss) on disposal of property, plant and equipment | (4,688)                               | 27,328            |
| Net change in other payables                                 | (68,782)                              | (33,529)          |
| Net change in other payables - related parties               | <u>405</u>                            | <u>(405)</u>      |
| Cash paid  | <u>\$ 151,769</u>                     | <u>\$ 120,274</u> |

#### b. Changes in liabilities arising from financing activities

For the year ended December 31, 2020

|   | <b>Non-cash Changes</b> |                    |                                    |                   |                         |
|---|-------------------------|--------------------|------------------------------------|-------------------|-------------------------|
|   | <b>Opening Balance</b>  | <b>Cash Flows</b>  | <b>Acquisition of Subsidiaries</b> | <b>New Leases</b> | <b>Foreign Exchange</b> |
| Short-term borrowings   | \$ 68,112               | \$ 13,689          | \$ 20,000                          | \$ -              | \$ 1,039                |
| Long-term borrowings and long-term borrowings - current portion | 413,101                 | (71,781)           | -                                  | -                 | (1,580)                 |
| Guarantee deposits received                                     | 12,751                  | (231)              | -                                  | -                 | -                       |
| Lease liabilities   | <u>12,284</u>           | <u>(7,977)</u>     | <u>18,065</u>                      | <u>2,116</u>      | <u>19</u>               |
|   | <u>\$ 506,248</u>       | <u>\$ (66,300)</u> | <u>\$ 38,065</u>                   | <u>\$ 2,116</u>   | <u>\$ (522)</u>         |

For the year ended December 31, 2019

|   | <b>Opening Balance</b> | <b>Cash Flows</b>  | <b>Non-cash Changes Foreign Exchange</b> | <b>Closing Balance</b> |
|---|------------------------|--------------------|--|------------------------|
| Short-term borrowings   | \$ 80,074              | \$ (11,159)        | \$ (803)                                 | \$ 68,112              |
| Long-term borrowings and long-term borrowings - current portion | 493,877                | (79,227)           | (1,549)                                  | 413,101                |
| Guarantee deposits received                                     | 13,193                 | (442)              | -  | 12,751                 |
| Lease liabilities   | <u>19,354</u>          | <u>(7,064)</u>     | <u>(6)</u>                               | <u>12,284</u>          |
|   | <u>\$ 606,498</u>      | <u>\$ (97,892)</u> | <u>\$ (2,358)</u>                        | <u>\$ 506,248</u>      |

### 31. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance.

### 32. FINANCIAL INSTRUMENTS

#### a. Fair value of financial instruments that are not measured at fair value

The management believes the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values (or their fair values cannot be reliably measured).

#### b. Fair value of financial instruments that are measured at fair value on a recurring basis

##### 1) Fair value hierarchy

December 31, 2020

|                                       | Level 1          | Level 2           | Level 3         | Total             |
|---------------------------------------|------------------|-------------------|-----------------|-------------------|
| <u>Financial assets at FVTPL</u>      |                  |                   |                 |                   |
| Derivative financial assets           | \$ -             | \$ 79             | \$ -            | \$ 79             |
| Mutual funds                          | 54,584           | -                 | -               | 54,584            |
| Structured deposit                    | -                | 812,436           | -               | 812,436           |
| Accounts receivable - related parties | -                | -                 | 7,143           | 7,143             |
| Other receivables                     | -                | -                 | 2,232           | 2,232             |
|                                       | <u>\$ 54,584</u> | <u>\$ 812,515</u> | <u>\$ 9,375</u> | <u>\$ 876,474</u> |
| <u>Financial assets at FVTOCI</u>     |                  |                   |                 |                   |
| Listed shares                         | \$ 41,199        | \$ -              | \$ -            | \$ 41,199         |
| Unlisted shares                       | -                | -                 | 8,864           | 8,864             |
|                                       | <u>\$ 41,199</u> | <u>\$ -</u>       | <u>\$ 8,864</u> | <u>\$ 50,063</u>  |
| <u>Financial liabilities at FVTPL</u> |                  |                   |                 |                   |
| Derivative financial instrument       | \$ -             | \$ 508            | \$ -            | \$ 508            |

December 31, 2019

|                                       | Level 1           | Level 2           | Level 3          | Total             |
|---------------------------------------|-------------------|-------------------|------------------|-------------------|
| <u>Financial assets at FVTPL</u>      |                   |                   |                  |                   |
| Derivative financial assets           | \$ -              | \$ 190            | \$ -             | \$ 190            |
| Mutual funds                          | 115,098           | -                 | -                | 115,098           |
| Structured deposit                    | -                 | 442,641           | -                | 442,641           |
| Accounts receivable - related parties | -                 | -                 | 7,952            | 7,952             |
| Other receivables                     | -                 | -                 | 2,703            | 2,703             |
|                                       | <u>\$ 115,098</u> | <u>\$ 442,831</u> | <u>\$ 10,655</u> | <u>\$ 568,584</u> |

Financial assets at FVTOCI

|               |                  |             |             |                  |
|---------------|------------------|-------------|-------------|------------------|
| Listed shares | <u>\$ 51,679</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 51,679</u> |
|---------------|------------------|-------------|-------------|------------------|

Financial liabilities at FVTPL

|                                 |             |               |             |               |
|---------------------------------|-------------|---------------|-------------|---------------|
| Derivative financial instrument | <u>\$ -</u> | <u>\$ 184</u> | <u>\$ -</u> | <u>\$ 184</u> |
|---------------------------------|-------------|---------------|-------------|---------------|

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2020

| Financial Assets   | Financial Assets<br>at FVTPL<br>Debt<br>Instruments | Financial Assets<br>at FVTOCI<br>Equity<br>Instruments | Total            |
|--|---|--|------------------|
| Balance at January 1, 2020   | \$ 10,655   | \$ -   | \$ 10,655        |
| Acquisitions of subsidiaries                                       | -   | 8,351  | 8,351            |
| Recognized in unrealized gain/(loss) on financial assets at FVTOCI | -   | 513  | 513              |
| Purchases  | 104,135   | -  | 104,135          |
| Settlements  | <u>(105,415)</u>                                    | <u>-</u>   | <u>(105,415)</u> |
| Balance at December 31, 2020                                       | <u>\$ 9,375</u>                                     | <u>\$ 8,864</u>  | <u>\$ 18,239</u> |

For the year ended December 31, 2019

| Financial Assets             | Financial Assets<br>at FVTPL<br>Debt<br>Instruments |
|------------------------------|---|
| Balance at January 1, 2019   | \$ 8,714  |
| Purchases                    | 89,744  |
| settlements                  | <u>(87,803)</u>                                     |
| Balance at December 31, 2019 | <u>\$ 10,655</u>                                    |

### 3) Valuation techniques and assumption applied for the purpose of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows:

- a) The fair values of mutual funds and listed shares are determined at their net asset value and closing price at the end of the reporting period.
- b) Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. The use of estimates and hypotheses of valuation method group entity adopt is in consistent with the market participants, when pricing such financial instruments.
- c) For accounts receivable - related parties and other receivables that are measured at FVTPL, the fair value is measured according to the original invoice amount and the effect of discounting is immaterial.
- d) Structured deposits are measured using discounted cash flows. Future cash flows are estimated based on contract forward rates, discounted at a rate that reflects the credit risk.
- e) The unlisted equity investment is evaluated using asset-based approach and discounted cash flow method to calculate the present value of expected gain on investment.

Under the asset-based approach, the total value of an investment is based on the fair value of its assets and liabilities. The significant unobservable inputs used are listed in the table below.

|  | <b>December 31</b> |             |
|--|--------------------|-------------|
|  | <b>2020</b>        | <b>2019</b> |
| Discount for lack of marketability and non-controlling interests | 10%                | -           |

If the inputs to the valuation model were changed to reflect reasonably possible alternative assumptions while all the other variables were held constant, the fair value of the shares would increase (decrease) as follows:

|  | <b>December 31</b> |             |
|--|--------------------|-------------|
|  | <b>2020</b>        | <b>2019</b> |
| Discount for lack of marketability and non-controlling interests |                    |             |
| 5% increase  | \$ (6,571)         | \$ -        |
| 5% decrease  | \$ 6,571           | \$ -        |

c. Categories of financial instruments

|   | December 31 |            |
|---|-------------|------------|
|   | 2020        | 2019       |
| <u>Financial assets</u>                     |             |            |
| Fair value through profit or loss (FVTPL)   |             |            |
| Mandatorily classified as at FVTPL          | \$ 876,474  | \$ 568,584 |
| Financial assets at amortized cost (Note 1) | 3,287,115   | 2,957,022  |
| Financial assets at FVTOCI                  | 50,063      | 51,679     |
| <u>Financial liabilities</u>                |             |            |
| Fair value through profit or loss (FVTPL)   |             |            |
| Held for trading                            | 508         | 184        |
| Amortized cost (Note 2)                     | 652,842     | 674,915    |

Note 1: The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, notes receivable, accounts receivable, part of accounts receivable - related parties, part of other receivables and other receivable - related parties.

Note 2: The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, notes payable, accounts payables, accounts payable - related parties, part of other payables, long-term borrowings and long-term borrowings - current portion.

d. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, accounts receivable, accounts payables, borrowings and lease liabilities. The Group's Corporate Treasury function monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and other price risk.

There had been no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

Several subsidiaries of the Company had foreign currency sales and purchases, which exposed the Group to foreign currency risk. Approximately 7% of the Group's sales were denominated in currencies other than the functional currency of the Group entity making the sale, while almost 12% of costs were denominated in the Group entity's functional currency.

The carrying amounts of the Group's foreign currency denominated monetary assets, monetary liabilities (including those eliminated on consolidation) and of the derivatives exposing to foreign currency risk at the end of the reporting period are set out in Notes 7 and 35.



### Sensitivity analysis

The Group was mainly exposed to U.S. dollars, Korea won, Japanese yen, Euros and Swiss franc.

The following table details the Group's sensitivity to a 1% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign currency forward contracts designated as cash flow hedges, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity associated with New Taiwan dollars strengthen 1% against the relevant currency. For a 1% weakening of New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity and the balances below would be negative.

|               | U.S. Dollars                      |          |                                   |        | Korea Won                         |         |
|---------------|-----------------------------------|----------|-----------------------------------|--------|-----------------------------------|---------|
|               | USD:NTD                           |          | USD:RMB                           |        | KRW:NTD                           |         |
|               | For the Year Ended<br>December 31 |          | For the Year Ended<br>December 31 |        | For the Year Ended<br>December 31 |         |
|               | 2020                              | 2019     | 2020                              | 2019   | 2020                              | 2019    |
| Profit (loss) | \$ (767)                          | \$ (249) | \$ 349                            | \$ 315 | \$ (69)                           | \$ (62) |

|               | Japanese Yen                      |         | Euros                             |          | Swiss Franc                       |       |
|---------------|-----------------------------------|---------|-----------------------------------|----------|-----------------------------------|-------|
|               | JPY:NTD                           |         | EUR:RMB                           |          | CHF:RMB                           |       |
|               | For the Year Ended<br>December 31 |         | For the Year Ended<br>December 31 |          | For the Year Ended<br>December 31 |       |
|               | 2020                              | 2019    | 2020                              | 2019     | 2020                              | 2019  |
| Profit (loss) | \$ (32)                           | \$ (53) | \$ (76)                           | \$ (116) | \$ -                              | \$ 16 |

This was mainly attributable to the exposure outstanding on U.S. dollars, Korea won, Japanese yen, Euros and Swiss franc cash in the bank, bank loans, receivables and payables.

#### b) Interest rate risk

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rate risks at the end of the reporting period were as follows:

|                               | December 31  |              |
|-------------------------------|--------------|--------------|
|                               | 2020         | 2019         |
| Fair value interest rate risk |              |              |
| Financial assets              | \$ 1,375,669 | \$ 1,116,652 |
| Financial liabilities         | 24,507       | 12,284       |
| Cash flows interest rate risk |              |              |
| Financial assets              | 699,666      | 645,482      |
| Financial liabilities         | 442,580      | 481,213      |

### Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis was prepared assuming the amount of the asset and liability outstanding at the end of the reporting period was outstanding for the whole year. A 25 basis point 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.

Had interest rates been 25 basis points higher/lower and all other variables been held constant, the Group's pretax profits for the year ended December 31, 2020 would have increased/decreased by \$643 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its demand deposits and variable-rate borrowings.

Had interest rates been 25 basis points higher/lower and all other variables been held constant, the Group's pretax profits for the year ended December 31, 2019 would have increased/decreased by \$411 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its demand deposits and variable-rate borrowings.

#### c) Other price risk

The Group was exposed to equity price risk through its investments in equity securities. Equity investments are held for strategic rather than trading purposes, the Group does not actively trade these investments.

### Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 5% higher/lower, pre-tax other comprehensive income for the years ended December 31, 2020 and 2019 would have increased/decreased by \$2,503 thousand and \$2,584 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

#### 2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As of the end of the reporting period, the Group's maximum exposure to credit risk, which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation, is primary from the book value of its financial assets.

The Group 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 Group's concentration of credit risk of 32.42% and 30.13% in total trade receivables as of December 31, 2020 and 2019, respectively, were related to the Group's five largest customers.

#### 3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group'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. As of December 31, 2020 and 2019, the available borrowing facilities were \$1,296,752 thousand and \$1,377,976 thousand, respectively.

The Group manages liquidity risk by maintaining adequate bank balance and banking facilities, and continuously monitoring forecast and actual cash flows as well as the maturity profiles of financial assets and liabilities.

a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The Group's noninterest-bearing liabilities pertaining on non-derivative financial liabilities are paid in succession within one year.

The following table details the Group's remaining maturity for its borrowings with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay.

December 31, 2020

|   | <b>On<br/>Demand or<br/>Less than<br/>1 Month</b> | <b>1-3 Months</b> | <b>3 Months to<br/>1 Year</b> | <b>1-5 Years</b>  | <b>More than<br/>5 Years</b> |
|---|---|-------------------|-------------------------------|-------------------|------------------------------|
| <u>Non-derivative financial liabilities</u> |   |                   |                               |                   |                              |
| Variable interest rate liabilities          | \$ 32,246   | \$ 74,154         | \$ 11,940                     | \$ 324,240        | \$ -                         |
| Lease liabilities                           | <u>920</u>  | <u>2,760</u>      | <u>5,543</u>                  | <u>14,105</u>     | <u>2,575</u>                 |
|   | <u>\$ 33,166</u>                                  | <u>\$ 76,914</u>  | <u>\$ 17,483</u>              | <u>\$ 338,345</u> | <u>\$ 2,575</u>              |

December 31, 2019

|   | <b>On Demand<br/>or Less than<br/>1 Month</b> | <b>1-3 Months</b> | <b>3 Months to<br/>1 Year</b> | <b>1-5 Years</b>  |
|---|---|-------------------|-------------------------------|-------------------|
| <u>Non-derivative financial liabilities</u> |   |                   |                               |                   |
| Variable interest rate liabilities          | \$ 24,390                                     | \$ 47,470         | \$ 10,365                     | \$ 398,988        |
| Lease liabilities                           | <u>627</u>                                    | <u>1,880</u>      | <u>4,703</u>                  | <u>5,404</u>      |
|   | <u>\$ 25,017</u>                              | <u>\$ 49,350</u>  | <u>\$ 15,068</u>              | <u>\$ 404,392</u> |

b) Liquidity and interest rate risk table for derivative financial liabilities

The following table details the Group's liquidity analysis of its derivative financial instruments. The table is based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement.

December 31, 2020

|                                    | <b>On Demand<br/>or Less than<br/>1 Month</b> | <b>1-3 Months</b> | <b>3 Months to<br/>1 Year</b> | <b>1-5 Years</b> |
|------------------------------------|---|-------------------|-------------------------------|------------------|
| <u>Gross settled</u>               |   |                   |                               |                  |
| Foreign exchange forward contracts |   |                   |                               |                  |
| Inflows                            | \$ 14,824                                     | \$ 15,146         | \$ -                          | \$ -             |
| Outflows                           | <u>(15,078)</u>                               | <u>(15,321)</u>   | <u>-</u>                      | <u>-</u>         |
|                                    | <u>\$ (254)</u>                               | <u>\$ (175)</u>   | <u>\$ -</u>                   | <u>\$ -</u>      |

December 31, 2019

|                                    | <b>On Demand<br/>or Less than<br/>1 Month</b> | <b>1-3 Months</b> | <b>3 Months to<br/>1 Year</b> | <b>1-5 Years</b> |
|------------------------------------|---|-------------------|-------------------------------|------------------|
| <u>Gross settled</u>               |   |                   |                               |                  |
| Foreign exchange forward contracts |   |                   |                               |                  |
| Inflows                            | \$ 15,607                                     | \$ 16,572         | \$ -                          | \$ -             |
| Outflows                           | <u>(15,569)</u>                               | <u>(16,604)</u>   | <u>-</u>                      | <u>-</u>         |
|                                    | <u>\$ 38</u>                                  | <u>\$ (32)</u>    | <u>\$ -</u>                   | <u>\$ -</u>      |

e. Transfers of financial assets

Factored trade receivables for the years ended December 31, 2020 and 2019. Refer to Note 9.

### 33. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, transactions between the Group and other related parties do not have significant difference between the Group and non-related parties. Details of transactions are disclosed below.

#### a. The Group's related parties

| Related Party                                | Relationship with the Group   |
|--|---|
| Other related parties                        |   |
| Unimicron Technology Corporation             | The parent company of the equity-method investor of Unipoint Technology Co., Ltd.               |
| Unimicron Technology (Shenzhen) Corp.        | Investee of Unimicron Technology Corporation  |
| Unimicron Technology (Kunshan) Corp.         | Investee of Unimicron Technology Corporation  |
| Unimicron Technology (FPC) Corp.             | Investee of Unimicron Technology Corporation  |
| Unimicron Technology (Suzhou) Corp.          | Investee of Unimicron Technology Corporation  |
| Qun Hong Technology Inc.                     | Subsidiary of Unimicron Technology Corporation  |
| Associate                                    |   |
| W.S.G. International Co., Ltd.               | Investee of Shanghai Topoint Precision Technology Co., Ltd., for the year ended August 31, 2019 |
| Key management personnel                     |   |
| Macking International Investment Corporation | Director of the Company   |

#### b. Operating revenue

| Related Party Category/Name | For the Year Ended December 31 |            |
|-----------------------------|--------------------------------|------------|
|                             | 2020                           | 2019       |
| Other related parties       | \$ 403,822                     | \$ 329,473 |

#### c. Purchases of goods

| Related Party Category/Name | For the Year Ended December 31 |        |
|-----------------------------|--------------------------------|--------|
|                             | 2020                           | 2019   |
| Other related parties       | \$ 3,945                       | \$ 165 |

#### d. Manufacturing

| Related Party Category/Name | For the Year Ended December 31 |          |
|-----------------------------|--------------------------------|----------|
|                             | 2020                           | 2019     |
| Other related parties       | \$ -                           | \$ 1,354 |

#### e. General and administrative - service fees

| Related Party Category/Name                  | For the Year Ended December 31 |          |
|--|--------------------------------|----------|
|  | 2020                           | 2019     |
| Key management personnel                     |                                |          |
| Macking International Investment Corporation | \$ 2,400                       | \$ 1,800 |

The Group paid for the consulting fee to Macking International Investment Corporation.

f. Receivables from related parties

| Related Party Category/Name | December 31       |                   |
|-----------------------------|-------------------|-------------------|
|                             | 2020              | 2019              |
| <u>Accounts receivable</u>  |                   |                   |
| Other related parties       | <u>\$ 125,566</u> | <u>\$ 119,591</u> |
| <u>Other receivables</u>    |                   |                   |
| Other related parties       | <u>\$ -</u>       | <u>\$ 405</u>     |

The accounts receivable from related parties are unsecured. For the years ended December 31, 2020 and 2019, no impairment loss was recognized for accounts receivables from related parties.

g. Payables to related parties

| Related Party Category/Name | December 31   |               |
|-----------------------------|---------------|---------------|
|                             | 2020          | 2019          |
| Other related parties       | <u>\$ 374</u> | <u>\$ 174</u> |

The accounts payable to related parties are unsecured.

h. Disposal of property, plant and equipment

In 2019, the Group sold machineries to Unimicron Technology (Suzhou) at the price of \$30,109 thousand. The loss on disposal was \$6,625 thousand. The machineries were sold from Unipoint Technology Co., Ltd. to Sharpoint Electronics (Suzhou) Co., Ltd. in 2018. The deferred gain on disposal was \$24,143 thousand and was realized in 2019. The total gain on disposal is \$17,518 thousand.

i. Lease arrangements

The Group leases out its right-of-use assets for machinery equipment to other related parties which are Unimicron Technology (Kunshan) and Unimicron Technology (Suzhou) Corp. with lease term up to June 2019. The rents was based on mutual agreement and paid monthly.

The balance of operating lease income was as follows:

| Related Party Category/Name          | For the Year Ended December 31 |                 |
|--------------------------------------|--------------------------------|-----------------|
|                                      | 2020                           | 2019            |
| Other related parties                |                                |                 |
| Unimicron Technology (Suzhou) Corp.  | \$ -                           | \$ 2,972        |
| Unimicron Technology (Kunshan) Corp. | <u>-</u>                       | <u>4,386</u>    |
|                                      | <u>\$ -</u>                    | <u>\$ 7,358</u> |

j. Compensation of key management personnel

|                              | <b>For the Year Ended December 31</b> |                  |
|------------------------------|---------------------------------------|------------------|
|                              | <b>2020</b>                           | <b>2019</b>      |
| Short-term employee benefits | \$ 34,914                             | \$ 44,973        |
| Post-employment benefits     | <u>84</u>                             | <u>108</u>       |
|                              | <u>\$ 34,998</u>                      | <u>\$ 45,081</u> |

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

### 34. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

|                               | <b>December 31</b> |                   |
|-------------------------------|--------------------|-------------------|
|                               | <b>2020</b>        | <b>2019</b>       |
| Property, plant and equipment | <u>\$ 160,789</u>  | <u>\$ 305,932</u> |

### 35. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group entities' significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2020

|                              | <b>Foreign Currencies</b> | <b>Exchange Rate</b> | <b>Carrying Amount</b> |
|------------------------------|---------------------------|----------------------|------------------------|
| <u>Financial assets</u>      |                           |                      |                        |
| Monetary items               |                           |                      |                        |
| USD                          | \$ 8,713                  | 28.480 (USD:NTD)     | \$ 248,140             |
| USD                          | 739                       | 6.5249 (USD:RMB)     | 21,034                 |
| KRW                          | 840,847                   | 0.0264 (KRW:NTD)     | 22,198                 |
| JPY                          | 13,440                    | 0.2763 (JPY:NTD)     | 3,713                  |
| EUR                          | 216                       | 8.0250 (EUR:RMB)     | 7,571                  |
| <u>Financial liabilities</u> |                           |                      |                        |
| Monetary items               |                           |                      |                        |
| USD                          | 6,019                     | 28.480 (USD:NTD)     | 171,421                |
| USD                          | 1,964                     | 6.5249 (USD:RMB)     | 55,939                 |
| JPY                          | 295                       | 0.2763 (JPY:NTD)     | 82                     |
| CHF                          | 1                         | 7.4006 (CHF:RMB)     | 34                     |

December 31, 2019

|                         | Foreign<br>Currencies | Exchange Rate    | Carrying<br>Amount |
|-------------------------|-----------------------|------------------|--------------------|
| <u>Financial assets</u> |                       |                  |                    |
| Monetary items          |                       |                  |                    |
| USD                     | \$ 7,467              | 29.98 (USD:NTD)  | \$ 223,852         |
| USD                     | 1,681                 | 6.9762 (USD:RMB) | 50,384             |
| KRW                     | 816,935               | 0.0262 (KRW:NTD) | 21,379             |
| JPY                     | 26,678                | 0.2760 (JPY:NTD) | 7,363              |
| EUR                     | 345                   | 7.8155 (EUR:RMB) | 11,598             |

Financial liabilities

|                |       |                  |         |
|----------------|-------|------------------|---------|
| Monetary items |       |                  |         |
| USD            | 6,637 | 29.98 (USD:NTD)  | 198,963 |
| USD            | 2,732 | 6.9762 (USD:RMB) | 81,920  |
| JPY            | 316   | 0.2760 (JPY:NTD) | 87      |
| CHF            | 52    | 7.2028 (CHF:RMB) | 1,617   |

For the years ended December 31, 2020 and 2019, (realized and unrealized) net foreign exchange gains (losses) were \$103 thousand and \$(4,209) thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign functional currency transactions and currencies of the Group entities.

### 36. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others: Table 1 (attached)
- 2) Endorsements/guarantees provided: Table 2 (attached)
- 3) Marketable securities held (excluding investment in subsidiaries): Table 3 (attached)
- 4) Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital: None
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4 (attached)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5 (attached)



- 9) Trading in derivative instruments: Notes 7 and 32
  - 10) Intercompany relationships and significant intercompany transactions: Table 9 (attached)
  - 11) Information on investees (excluding investees in mainland China): Table 6 (attached)
- b. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: 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: Table 8 (attached)
    - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Table 8 (attached)
    - c) The amount of property transactions and the amount of the resultant gains or losses: Table 8 (attached)
    - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Table 2 (attached)
    - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: 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 receipt of services: None
  - 3) Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: None

### 37. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on regional operating performance. Specifically, the Group's reportable segments under IFRS 8 "Operating Segments" were as follows: Taiwan area, mainland China area and other areas. These segments mainly process PCBs and design, manufacture and sell related cutting equipment.

a. Segment revenues and results

The following was an analysis of the Group's revenue and results from operations by reportable segment.

|  | <b>Taiwan</b>     | <b>Mainland<br/>China</b> | <b>Others</b>     | <b>Eliminations</b> | <b>Total</b>        |
|--|-------------------|---------------------------|-------------------|---------------------|---------------------|
| For the year ended<br><u>December 31, 2020</u> |                   |                           |                   |                     |                     |
| Revenues from external customers               | <u>\$ 976,695</u> | <u>\$ 1,967,169</u>       | <u>\$ 29,562</u>  | <u>\$ -</u>         | <u>\$ 2,973,426</u> |
| Intersegment revenues                          | <u>\$ 484,088</u> | <u>\$ 70,360</u>          | <u>\$ -</u>       | <u>\$ (554,448)</u> | <u>\$ -</u>         |
| Segment income (loss)                          | <u>\$ 273,875</u> | <u>\$ 209,186</u>         | <u>\$ 397</u>     | <u>\$ (17,009)</u>  | <u>\$ 466,449</u>   |
| For the year ended<br><u>December 31, 2019</u> |                   |                           |                   |                     |                     |
| Revenues from external customers               | <u>\$ 841,150</u> | <u>\$ 2,131,713</u>       | <u>\$ 33,390</u>  | <u>\$ -</u>         | <u>\$ 3,006,253</u> |
| Intersegment revenues                          | <u>\$ 422,736</u> | <u>\$ 46,557</u>          | <u>\$ -</u>       | <u>\$ (469,293)</u> | <u>\$ -</u>         |
| Segment income (loss)                          | <u>\$ 230,927</u> | <u>\$ 88,303</u>          | <u>\$ (5,167)</u> | <u>\$ 16,898</u>    | <u>\$ 330,961</u>   |

b. Segment total assets

|                           | <b>December 31</b>  |                     |
|---------------------------|---------------------|---------------------|
|                           | <b>2020</b>         | <b>2019</b>         |
| Taiwan                    | \$ 2,108,381        | \$ 1,860,610        |
| Mainland China            | 4,226,536           | 4,124,380           |
| Others                    | <u>13,938</u>       | <u>10,944</u>       |
| Consolidated total assets | <u>\$ 6,348,855</u> | <u>\$ 5,995,934</u> |

c. Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services.

|  | <b>For the Year Ended December 31</b> |                     |
|--|---------------------------------------|---------------------|
|  | <b>2020</b>                           | <b>2019</b>         |
| Precision metal products and processing services | \$ 2,911,564                          | \$ 2,919,721        |
| Others   | <u>61,862</u>                         | <u>86,532</u>       |
|  | <u>\$ 2,973,426</u>                   | <u>\$ 3,006,253</u> |

d. Geographical information

The Group operates in two principal geographical areas - Taiwan and mainland China.

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

|                | <b>Revenue from External<br/>Customers</b> |                     | <b>Non-current 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         | \$ 826,834                                 | \$ 661,737          | \$ 586,303                | \$ 497,990          |
| Mainland China | 1,909,642                                  | 2,073,718           | 1,049,750                 | 1,420,076           |
| Others         | <u>236,950</u>                             | <u>270,798</u>      | <u>1,187</u>              | <u>1,496</u>        |
|                | <u>\$ 2,973,426</u>                        | <u>\$ 3,006,253</u> | <u>\$ 1,637,240</u>       | <u>\$ 1,919,562</u> |

Non-current assets exclude deferred tax assets.

e. Information about major customers

From the single customer contributed 10% or more to the Group's revenue for the years ended December 31, 2020 and 2019.

|                                | <b>For the Year Ended December 31</b> |                   |
|--------------------------------|---------------------------------------|-------------------|
|                                | <b>2020</b>                           | <b>2019</b>       |
| Customer A from mainland China | <u>\$ 343,584</u>                     | <u>\$ 261,044</u> |

TABLE 1

## TOPOINT TECHNOLOGY 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. | Lender  | Borrower                                   | Financial Statement Account | Related Parties | Highest Balance for the Period (Note 3) | Ending Balance (Note 3)            | Actual Borrowing Amount            | Interest Rate (%) | Nature of Financing  | Business Transaction Amount | Reason for Short-term Financing | Allowance for Impairment Loss | Collateral |       | Financing Limit for Each Borrowing Company | Financing Company's Financing Amount Limits | Note           |
|-----|---|--|-----------------------------|-----------------|---|------------------------------------|------------------------------------|-------------------|----------------------|-----------------------------|---------------------------------|-------------------------------|------------|-------|--|---|----------------|
|     |   |  |                             |                 |   |                                    |                                    |                   |                      |                             |                                 |                               | Item       | Value |  |   |                |
| 1   | Topoint Technology Co., Ltd. (B.V.I.)           | Topoint Japan Co., Ltd.                    | Other receivables           | Yes             | \$ 15,749<br>(JPY 57,000 thousand)      | \$ 15,749<br>(JPY 57,000 thousand) | \$ 15,749<br>(JPY 57,000 thousand) | 0.60              | Short-term financing | \$ -                        | Operating turnover              | \$ -                          | -          | \$ -  | \$ 4,444,899<br>(Note 1)                   | \$ 4,444,899<br>(Note 1)                    | Notes 4 and 10 |
| 3   | Shanghai Topoint Precision Technology Co., Ltd. | Kunshan Restek Technology Co., Ltd.        | Other receivables           | Yes             | 10,476<br>(RMB 2,400 thousand)          | -                                  | -                                  | 4.75              | Short-term financing | -                           | Operating turnover              | -                             | -          | -     | 1,172,555<br>(Note 2)                      | 1,172,555<br>(Note 2)                       | Note 10        |
|     |   | Kunshan Topoint Technology Co., Ltd.       | Other receivables           | Yes             | 104,756<br>(RMB 24,000 thousand)        | 34,919<br>(RMB 8,000 thousand)     | 34,919<br>(RMB 8,000 thousand)     | 4.75              | Short-term financing | -                           | Operating turnover              | -                             | -          | -     | 4,444,899<br>(Note 1)                      | 4,444,899<br>(Note 1)                       | Notes 5 and 10 |
|     |   | Chengdu Raypoint Precision Tools Co., Ltd. | Other receivables           | Yes             | 344,820<br>(RMB 79,000 thousand)        | 322,996<br>(RMB 74,000 thousand)   | 322,996<br>(RMB 74,000 thousand)   | 4.35-4.75         | Short-term financing | -                           | Operating turnover              | -                             | -          | -     | 4,444,899<br>(Note 1)                      | 4,444,899<br>(Note 1)                       | Notes 6 and 10 |
|     |   | Unipoint Technology Shenzhen Co., Ltd.     | Other receivables           | Yes             | 43,648<br>(RMB 10,000 thousand)         | -                                  | -                                  | 4.35              | Short-term financing | -                           | Operating turnover              | -                             | -          | -     | 4,444,899<br>(Note 1)                      | 4,444,899<br>(Note 1)                       | Notes 7 and 10 |
|     |   | Shanghai Hejin Roller Technology Co., Ltd. | Other receivables           | Yes             | 21,824<br>(RMB 5,000 thousand)          | -                                  | -                                  | 4.75              | Short-term financing | -                           | Operating turnover              | -                             | -          | -     | -  | -   | Note 8         |
| 9   | Sharpoint Technology (Suzhou) Co., Ltd.         | Unipoint Technology Shenzhen Co., Ltd.     | Other receivables           | Yes             | 21,824<br>(RMB 5,000 thousand)          | -                                  | -                                  | 4.35              | Short-term financing | -                           | Operating turnover              | -                             | -          | -     | 4,444,899<br>(Note 1)                      | 4,444,899<br>(Note 1)                       | Notes 9 and 10 |

Note 1: The maximum financing allowed for a foreign company in which the lender directly and indirectly held 100% voting shares of is limited to the net value of the lender as of December 31, 2020.

Note 2: The maximum financing allowed for a single party or the total financing provided is limited to 40% of the net value of Shanghai Topoint Precision Technology Co., Ltd. as of December 31, 2020.

Note 3: The maximum balance for the period and ending balances were approved by the board of directors.

Note 4: Total current period interest amounted to \$95 thousand.

Note 5: Total current period interest amounted to \$1,714 thousand.

Note 6: Total current period interest amounted to \$5,037 thousand.

Note 7: Total current period interest amounted to \$704 thousand.

Note 8: Shanghai Hejin Roller Technology Co., Ltd. was disposed of in September 2020.

Note 9: Total current period interest amounted to \$514 thousand.

Note 10: Eliminated from the consolidated financial statements.

TABLE 2

## TOPOINT TECHNOLOGY CO., LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| No. | Endorser/Guarantor           | Endorsee/Guarantee                            |              | Limit on<br>Endorsement/<br>Guarantee Given<br>on Behalf of<br>Each Party | Maximum<br>Amount<br>Endorsed/<br>Guaranteed<br>During the<br>Period | Outstanding<br>Endorsement/<br>Guarantee at the<br>End of the Period | Actual<br>Borrowing<br>Amount                                    | Amount<br>Endorsed/<br>Guaranteed by<br>Collateral | Ratio of<br>Accumulated<br>Endorsement/<br>Guarantee to Net<br>Equity in Latest<br>Financial<br>Statements<br>(%) | Aggregate<br>Endorsement/<br>Guarantee Limit | Endorsement/<br>Guarantee Given<br>by Parent on<br>Behalf of<br>Subsidiaries | Endorsement/<br>Guarantee Given<br>by Subsidiaries<br>on Behalf of<br>Parent | Endorsement/<br>Guarantee Given<br>on Behalf of<br>Companies in<br>Mainland China | Note   |
|-----|------------------------------|---|--------------|---|--|--|--|--|---|--|--|--|---|--------|
|     |                              | Name  | Relationship |   |  |  |  |  |   |  |  |  |   |        |
| 0   | Topoint Technology Co., Ltd. | Topoint Technology Co., Ltd.<br>(B.V.I.)      | b.           | \$ 2,666,939<br>(Note 2)  | \$ 85,440<br>(US\$ 3,000<br>thousand)                                | \$ 85,440<br>(US\$ 3,000<br>thousand)                                | \$ -   | \$ -   | 2   | \$ 4,444,899<br>(Note 2)                     | Y  | -  | -   | Note 6 |
|     |                              | Chengdu Raypoint Precision<br>Tools Co., Ltd. | b.           | 2,666,939<br>(Note 2)   | 117,435<br>(US\$ 1,000<br>thousand<br>and<br>RMB 20,380<br>thousand) | 95,213<br>(US\$ 750<br>thousand<br>and<br>RMB 16,920<br>thousand)    | 29,740<br>(US\$ 750<br>thousand<br>and<br>RMB 1,920<br>thousand) | -  | 2   | 4,444,899<br>(Note 2)                        | Y  | -  | Y   | Note 6 |

Note 1: Relationships between the endorsement/guarantee provider and the guaranteed party:

- The Company in relation to business.
- A company in which endorsement/guarantee provider holds directly and indirectly over 50% of voting shares.
- A company holds directly and indirectly over 50% voting shares of endorsement/guarantee provider.
- A company directly and indirectly holds more than 90% voting shares of endorsement/guarantee provider.
- Based on contract projects among their peers in accordance with contract provisions which need mutual insurance company.
- Owing to the joint venture funded by the shareholders on its endorsement of its holding company.
- Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 2: The maximum of total endorsement/guarantee provided is limited to the net value of the Company as of December 31, 2020. The maximum endorsement/guarantee provided for a single party is limited to 60% of the net value of the Company as of December 31, 2020.

Note 3: The rate is calculated in accordance with the financial statements of the endorsement/guarantee provider.

Note 4: The maximum balance for the period and ending balance were approved by the board of directors.

Note 5: Indicate "Y" if the endorsement/guarantee is given by parent on behalf of subsidiaries, gain by subsidiaries on behalf of parent or given on behalf of companies in mainland China.

Note 6: Topoint Technology Co., Ltd. provides endorsement guarantee to Topoint Technology Co., Ltd. (B.V.I.) and Chengdu Raypoint Precision Tools Co., Ltd. for short-term operating turnover purpose.

## TOPOINT TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Holding Company Name                            | Type and Name of Marketable Securities   | Relationship with the Holding Company | Financial Statement Account  | December 31, 2020 |                 |                             |            |        |
|---|--|---------------------------------------|--|-------------------|-----------------|-----------------------------|------------|--------|
|   |  |                                       |  | Number of Shares  | Carrying Amount | Percentage of Ownership (%) | Fair Value | Note   |
| Topoint Technology Co., Ltd.<br>(the "Company") | <u>Shares</u><br>Zhen Ding Technology Holding Limited  | -                                     | Financial assets at fair value through other comprehensive income (FVTOCI) | 363,000           | \$ 41,199       | 0.04                        | \$ 41,199  | Note 2 |
| Unipoint Technology Co., Ltd.                   | <u>Share certificates</u><br>Allianz Global Investors All Seasons Harvest Fund of Bond Funds | -                                     | Financial assets at fair value through profit or loss (FVTPL)              | 2,038,470         | 27,505          | -                           | 27,505     | Note 1 |
|   | Allianz Global Investors All Seasons Return Fund of Bond Funds                               | -                                     | Financial assets at fair value through profit or loss (FVTPL)              | 1,645,614         | 27,079          | -                           | 27,079     | Note 1 |
| Drilltek Corporation                            | <u>Shares</u><br>Chipboard Technology Co., Ltd.  | -                                     | Financial assets at fair value through other comprehensive income (FVTOCI) | 663,000           | 8,864           | 7.73                        | 8,864      | Note 2 |

Note 1: The fair value of the financial assets at FVTPL was calculated at the net assets value of the mutual fund on December 31, 2020.

Note 2: The fair value of listed shares of the financial assets at FVTOCI was calculated on the closing price of the shares as of December 31, 2020. If there is no market for unlisted shares, the estimated market value is assessed based on the fair value evaluation method.

Note 3: For the information of the investment in subsidiaries, refer to Tables 6 and 7.

**TABLE 4****TOPOINT TECHNOLOGY CO., LTD. AND SUBSIDIARIES****TOTAL PURCHASES FROM OR SALE 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)**

| Company Name                                    | Related Party                                   | Relationship  | Transaction Details |            |                        |                           | Abnormal Transaction      |                           | Notes/Accounts Payable or Receivable |                        | Note   |
|---|---|---|---------------------|------------|------------------------|---------------------------|---------------------------|---------------------------|--------------------------------------|------------------------|--------|
|   |   |   | Purchase/<br>Sale   | Amount     | % to Total<br>(Note 1) | Payment Terms             | Unit Price                | Payment Terms             | Ending<br>Balance                    | % to Total<br>(Note 1) |        |
| Unipoint Technology Co., Ltd.                   | Topmicron Investment Ltd.                       | Parent company with investments accounted for using the equity method | Sales               | \$ 170,813 | 64                     | 120 days                  | -                         | -                         | \$ 54,939                            | 84                     | -      |
| Topoint Technology Co., Ltd.                    | Shanghai Topoint Precision Technology Co., Ltd. | Subsidiary  | Sales               | 277,424    | 24                     | Based on mutual agreement | Based on mutual agreement | Based on mutual agreement | 33,517                               | 12                     | Note 2 |
| Shanghai Topoint Precision Technology Co., Ltd. | Topoint Technology Co., Ltd.                    | Parent company  | Purchase            | 277,424    | 34                     | Based on mutual agreement | Based on mutual agreement | Based on mutual agreement | (33,517)                             | 23                     | Note 2 |
| Topoint Technology Co., Ltd.                    | Raypoint Precision Tools Co., Ltd.              | Subsidiary  | Sales               | 189,464    | 16                     | Based on mutual agreement | Based on mutual agreement | Based on mutual agreement | 16,606                               | 6                      | Note 2 |
| Raypoint Precision Tools Co., Ltd.              | Topoint Technology Co., Ltd.                    | Parent company  | Purchase            | 189,464    | 100                    | Based on mutual agreement | Based on mutual agreement | Based on mutual agreement | (16,606)                             | 100                    | Note 2 |
|   | Shanghai Topoint Precision Technology Co., Ltd. | Subsidiary of Topoint Technology Co., Ltd.                            | Sales               | 227,528    | 100                    | Based on mutual agreement | Based on mutual agreement | Based on mutual agreement | 19,891                               | 100                    | Note 2 |
| Shanghai Topoint Precision Technology Co., Ltd. | Raypoint Precision Tools Co., Ltd.              | Subsidiary of Topoint Technology Co., Ltd.                            | Purchase            | 227,528    | 27                     | Based on mutual agreement | Based on mutual agreement | Based on mutual agreement | (19,891)                             | 14                     | Note 2 |
|   | Sharpoint Electronics (Huaian) Co., Ltd.        | Subsidiary of Topoint Technology Co., Ltd.                            | Sales               | 120,274    | 9                      | Based on mutual agreement | Based on mutual agreement | Based on mutual agreement | 43,521                               | 4                      | Note 2 |
| Sharpoint Electronics (Huaian) Co., Ltd.        | Shanghai Topoint Precision Technology Co., Ltd. | Subsidiary of Topoint Technology Co., Ltd.                            | Purchase            | 120,274    | 58                     | Based on mutual agreement | Based on mutual agreement | Based on mutual agreement | (43,521)                             | 59                     | Note 2 |

Note 1: The rate is calculated in accordance with individual financial statements of the companies.

Note 2: Eliminated from the consolidated financial statements.

## TOPOINT TECHNOLOGY 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 | Accounts Receivable - Related Parties |                         | Turnover Rate | Overdue |               | Amounts Received in Subsequent Period | Allowance for Impairment Loss |
|---|--|--------------|---------------------------------------|-------------------------|---------------|---------|---------------|---------------------------------------|-------------------------------|
|   |  |              | Account                               | Ending Balance (Note 2) |               | Amount  | Actions Taken |                                       |                               |
| Shanghai Topoint Precision Technology Co., Ltd. | Chengdu Raypoint Precision Tools Co., Ltd. | Subsidiary   | Other receivable                      | \$ 322,996              | Note 1        | \$ -    | -             | \$ -                                  | \$ -                          |

Note 1: Other receivables refer to financing provided and interest receivable.

Note 2: Eliminated from the consolidated financial statements.



TABLE 6

## TOPOINT TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE  
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        | Investment Amount             |                               | December 31, 2020 |        |                                 | Net Income (Loss) of the Investee | Share of Profit (Notes 2 and 3) |
|-------------------------------|---|----------------------------|-------------------------------------|-------------------------------|-------------------------------|-------------------|--------|---------------------------------|-----------------------------------|---------------------------------|
|                               |   |                            |                                     | December 31, 2020             | December 31, 2019             | Number of Shares  | %      | Carrying Amount (Notes 2 and 3) |                                   |                                 |
| Topoint Technology Co., Ltd.  | Topoint Technology Co., Ltd. (B.V.I.)           | British Virgin Islands     | International investment            | \$ 1,772,629                  | \$ 1,772,629                  | 7,194             | 100.00 | \$ 3,553,786                    | \$ 78,591                         | \$ 78,339 (Note 1)              |
|                               | Unipoint Technology Co., Ltd.                   | Republic of China          | Processing print circuit board      | 305,299                       | 305,299                       | 30,696,297        | 61.76  | 402,280                         | 35,281                            | 21,789                          |
|                               | Warspeed Corporation (B.V.I.)                   | British Virgin Islands     | International trade                 | 1,569                         | 1,569                         | 50,000            | 100.00 | (890)                           | 14                                | 14                              |
|                               | Topoint Japan Co., Ltd.                         | Japan                      | Selling electronic components       | 7,667                         | 7,667                         | 600               | 100.00 | (7,741)                         | 348                               | 348                             |
|                               | Unipoint Technology Holdings Co., Ltd. (B.V.I.) | British Virgin Islands     | International investment            | 178,814 (US\$ 5,600 thousand) | 178,814 (US\$ 5,600 thousand) | 11,200            | 100.00 | 41,750                          | 11,718                            | 11,718                          |
|                               | E-point Precision Tools Co., Ltd.               | Republic of China          | Selling cutting tools               | - (Note 4)                    | 3,500                         | -                 | -      | -                               | (639)                             | (447)                           |
|                               | Raypoint Precision Tools Co., Ltd.              | Republic of Seychelles     | International trade                 | 1,511                         | 1,511                         | 50,000            | 100.00 | 1,523                           | 14                                | 14                              |
| Unipoint Technology Co., Ltd. | Drilltek Corporation                            | Republic of China          | Processing print circuit board      | 105,945                       | -                             | 6,523,668         | 58.77  | 112,511                         | 20,634                            | 7,571                           |
|                               | Topmicron Investment Ltd.                       | Independent state of Samoa | International investment            | -                             | 59,944 (US\$ 2,000 thousand)  | 2,000,000         | 100.00 | -                               | (2,864)                           | (2,864)                         |
| Drilltek Corporation          | Yifeng Co., Ltd.                                | Republic of China          | Electronic components manufacturing | - (Note 5)                    | -                             | -                 | -      | -                               | -                                 | -                               |

Note 1: Investment gain is the investee's net gain of \$78,591 thousand minus unrealized profits of \$252 thousand from upstream and side stream intercompany transactions.

Note 2: The investees' financial statements used as basis for calculating investment gains (losses) recognized had all been audited.

Note 3: For information on investee companies in mainland China, refer to Table 7.

Note 4: E-point Precision Tools Co., Ltd. decided to dissolve in July 2020 and the liquidation procedures are in progress, and E-point Precision Tools Co., Ltd. refunded the shares to the Company in August 2020.

Note 5: Yifeng Co., Ltd. decided to dissolve in November 2020, and the liquidation procedures are in progress, and Yifeng Co., Ltd. refunded the shares to Drilltek Corporation in December 2020.

Note 6: Eliminated from the consolidated financial statements.

TABLE 7

## TOPOINT TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Investee Company                                | Investor Company                                | Main Businesses and Products   | Paid-in Capital                                    | Method of Investment  | Accumulated<br>Outward<br>Remittance for<br>Investment from<br>Taiwan as of<br>January 1, 2020 | Remittance of Funds |        | Accumulated<br>Outward<br>Remittance for<br>Investment from<br>Taiwan as of<br>December 31,<br>2020 | Net Income<br>(Loss) of the<br>Investee<br>(Note 7) | % Ownership<br>of Direct or<br>Indirect<br>Investment | Investment Gain<br>(Loss)<br>(Notes 7 and 13) | Carrying<br>Amount as of<br>December 31,<br>2020<br>(Notes 7 and 13) | Accumulated<br>Repatriation of<br>Investment<br>Income as of<br>December 31,<br>2020 | Note    |
|---|---|--|--|---|--|---------------------|--------|---|---|---|---|--|--|---------|
|   |   |  |  |   |  | Outflow             | Inflow |   |   |   |   |  |  |         |
| Topoint Technology Co., Ltd.<br>(the "Company") | Shanghai Topoint Precision Technology Co., Ltd. | Manufacturing and selling precision equipment and measurement facilities | \$ 1,443,066<br>(US\$ 44,200 thousand)<br>(Note 1) | Indirect: Through an investment company registered in a third region (Note 2) | \$ 914,337<br>(US\$ 27,300 thousand)   | \$ -                | \$ -   | \$ 914,337<br>(US\$ 27,300 thousand)  | \$ 87,833   | 100.00  | \$ 87,833                                     | \$ 2,931,388   | \$ -   |         |
|   | Sharpoint Technology (Qinhuangdao) Co., Ltd.    | Testing of drill bits and mounting plate bolt holes                      | 250,222<br>(US\$ 7,800 thousand)                   | Indirect: Through an investment company registered in a third region (Note 2) | 250,222<br>(US\$ 7,800 thousand)   | -                   | -      | 250,222<br>(US\$ 7,800 thousand)  | 26,519  | 100.00  | 26,159  | 311,089  | -  |         |
|   | Sharpoint Technology (Shenzhen) Co., Ltd.       | Testing of drill bits and mounting plate bolt holes                      | 147,583<br>(US\$ 5,000 thousand)                   | Indirect: Through an investment company registered in a third region (Note 2) | 147,583<br>(US\$ 5,000 thousand)   | -                   | -      | 147,583<br>(US\$ 5,000 thousand)  | (7,862)   | 100.00  | (7,862)                                       | 74,163   | -  |         |
|   | Sharpoint Technology (Suzhou) Co., Ltd.         | Testing of drill bits and mounting plate bolt holes                      | 177,872<br>(US\$ 6,000 thousand)                   | Indirect: Through an investment company registered in a third region (Note 2) | 177,872<br>(US\$ 6,000 thousand)   | -                   | -      | 177,872<br>(US\$ 6,000 thousand)  | 15,721  | 100.00  | 15,721  | 211,814  | -  |         |
|   | Sharpoint Electronics (Huaian) Co., Ltd.        | Testing of drill bits and mounting plate bolt holes                      | 308,875<br>(US\$ 10,000 thousand)<br>(Note 9)      | Indirect: Through an investment company registered in a third region (Note 2) | 259,808<br>(US\$ 8,400 thousand)   | -                   | -      | 259,808<br>(US\$ 8,400 thousand)  | (4,909)   | 100.00<br>(Note 9)                                    | (4,909)                                       | 285,633<br>(Note 9)  | -  |         |
|   | Chengdu Raypoint Precision Tools Co., Ltd.      | Cutting equipment  | 292,145<br>(RMB 60,000 thousand)<br>(Note 10)      | Indirect: Through an investment company registered in a third region (Note 2) | 16,934<br>(US\$ 555 thousand)  | -                   | -      | 16,934<br>(US\$ 555 thousand)   | (144,334)   | 100.00<br>(Note 10)                                   | (144,334)                                     | 100,672<br>(Note 10)   | -  |         |
|   | Unipoint Technology Shenzhen Co., Ltd.          | Testing of drill bits and mounting plate bolt holes                      | 178,814<br>(US\$ 5,600 thousand)                   | Indirect: Through an investment company registered in a third region (Note 3) | 178,814<br>(US\$ 5,600 thousand)<br>(Note 11)  | -                   | -      | 178,814<br>(US\$ 5,600 thousand)<br>(Note 11)   | 11,717  | 100.00  | 11,717  | 41,166   | -  |         |
| Shanghai Topoint Precision Technology Co., Ltd. | Kunshan Restek Technology Co., Ltd.             | Manufacturing, processing and selling print circuit board                | 30,480<br>(US\$ 1,000 thousand)                    | Other (Note 4)  | -<br>(Note 4)  | -                   | -      | -<br>(Note 4)   | 8,521   | 75.00   | 6,391   | 6  | -  |         |
|   | Kunshan Topoint Technology Co., Ltd.            | Drilling bits  | 97,228<br>(RMB 20,800 thousand)                    | Other (Note 4)  | -<br>(Note 4)  | -                   | -      | -<br>(Note 4)   | 2,990   | 100.00  | 2,990   | 114,998  | -  |         |
|   | Sharpoint Electronics (Huaian) Co., Ltd.        | Testing of drill bits and mounting plate bolt holes                      | 308,875<br>(US\$ 10,000 thousand)<br>(Note 9)      | Other (Note 4)  | -<br>(Note 9)  | -                   | -      | -<br>(Note 9)   | -<br>(Note 9)                                       | -<br>(Note 9)   | -<br>(Note 9)                                 | -<br>(Note 9)  | -  |         |
|   | Chengdu Raypoint Precision Tools Co., Ltd.      | Cutting equipment  | 292,145<br>(RMB 60,000 thousand)<br>(Note 10)      | Other (Note 4)  | -<br>(Note 10)   | -                   | -      | -<br>(Note 10)  | -<br>(Note 10)                                      | -<br>(Note 10)  | -<br>(Note 10)                                | -<br>(Note 10)   | -  |         |
|   | Shanghai Hejin Roller Technology Co., Ltd.      | Manufacturing and selling machinery parts                                | 191,127<br>(RMB 40,000 thousand)                   | Other (Note 4)  | -<br>(Note 4)  | -                   | -      | -<br>(Note 4)   | 10,858  | -   | 900   | -  | -  | Note 14 |
|   | Shanghai Ringpoint Nano Material Co., Ltd.      | Processing metal products  | 54,302<br>(RMB 10,998 thousand)                    | Other (Note 4)  | -<br>(Note 4)  | -                   | -      | -<br>(Note 4)   | 21,013  | 81.83   | 17,195  | 79,847   | -  |         |
| Sharpoint Electronics (Huaian) Co., Ltd.        | Winpoint Electronics (Huaian) Co., Ltd.         | Testing of drill bits and mounting plate bolt holes                      | 25,341<br>(RMB 5,000 thousand)                     | Other (Note 5)  | -<br>(Note 5)  | -                   | -      | -<br>(Note 5)   | (4,757)   | 100.00  | (4,757)                                       | 15,380   | -  |         |
| Unipoint Technology Co., Ltd.                   | Sharpoint Electronics (Suzhou) Co., Ltd.        | Manufacturing, processing and selling print circuit board                | 59,944<br>(US\$ 2,000 thousand)                    | Indirect: Through an investment company registered in a third region (Note 6) | 59,944<br>(US\$ 2,000 thousand)<br>(Note 6)  | -                   | -      | 59,944<br>(US\$ 2,000 thousand)<br>(Note 6)   | (1,073)   | -   | (1,073)                                       | -  | -  |         |

(Continued)

| Investor Company Name                        | Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 12) |
|--|---|--|---|
| Topoint Technology Co., Ltd. (the "Company") | \$ 1,772,629<br>(US\$ 55,244 thousand)  | \$ 2,392,834<br>(US\$ 72,915 thousand)<br>(Note 8)           | \$ 2,666,939  |
| Unipoint Technology Co., Ltd.                | 59,944<br>(US\$ 2,000 thousand)   | 236,480<br>(US\$ 8,000 thousand)                             | 394,903   |

Note 1: The amount includes the capitalization of retained earnings of US\$16,700 of Shanghai Topoint Precision Technology Co., Ltd. and US\$200 thousand invested by Topoint Technology Co., Ltd. (B.V.I.).

Note 2: The investment company required in third region is Topping Technology Co., Ltd. (B.V.I.).

Note 3: The investment company required in third region is Unipoint Technology Holdings Co., Ltd. (B.V.I.).

Note 4: Invested and established by the owned fund of Shanghai Topoint Precision Technology Co., Ltd.

Note 5: Invested and established by the owned fund of Sharpoint Electronics (Huaian) Co., Ltd.

Note 6: The investment company required in third region is Topmicron Investment., Ltd.

Note 7: Investment gains (losses) and carrying values were recognized on the basis of the investee's financial statements audited by the independent CPA of the Company.

Note 8: Investment amounts authorized by Investment Commission under the Ministry of Economic Affairs (MOEA) included the capitalization of retained earnings of US\$16,700 thousand of Shanghai Topoint Precision Technology Co., Ltd., US\$200 thousand invested by Topoint Technology Co., Ltd. (B.V.I.) and US\$771 thousand for purchasing Unipoint Technology Holdings Co., Ltd. (B.V.I.) from Unipoint Technology Co., Ltd.

Note 9: The investment from Topoint Technology Co., Ltd. (B.V.I.) and Shanghai Topoint Precision Technology Co. was US\$8,400 thousand (84%) and US\$1,600 thousand (16%), respectively. The recognition of loss on investment was \$4,124 thousand and \$785 thousand, respectively, which led to the ending balance of investment account which was \$239,932 thousand and \$45,701 thousand, respectively.

Note 10: The investment from Topoint Technology Co., Ltd. (B.V.I.) and Shanghai Topoint Precision Technology Co. was RMB6,000 thousand (10%) and RMB54,000 thousand (90%), respectively. The recognition of loss on investment was \$14,433 thousand and \$129,901 thousand, respectively, which led to the ending balance of investment account which was \$10,067 thousand and \$90,605 thousand, respectively.

Note 11: Unipoint Technology Shenzhen Co., Ltd. was established through Unipoint Technology Holding Co., Ltd. (B.V.I.) by Unipoint Technology Co., Ltd. for a total investment of US\$5,600 thousand. As a result of the reorganization of the Group, the Company holds a 100% interest in Unipoint Technology Holdings Co., Ltd. (B.V.I.).

Note 12: According to the Investment Commission under the MOEA, the Company's issued capital is between \$80,000 thousand and \$5,000,000 thousand, and the upper limit on the Company's investment is at the highest of 60% of the capital or \$80,000 thousand.

Note 13: Eliminated from the consolidated financial statements.

Note 14: The Group disposed of Shanghai Hejin Roller Technology Co., Ltd. in September 2020, refer to Note 28.

(Concluded)

TABLE 8

## TOPOINT TECHNOLOGY CO., LTD. AND SUBSIDIARIES

**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 FOR THE YEAR ENDED DECEMBER 31, 2020**  
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| No. | Investor Company             | Investee Company                                | Transaction Details | Amount     | % to Total Sales or Purchase | Transaction Details       |                                     | Notes/Accounts Receivable (Payable) |            | Deferred Gain (Loss) | Note          |
|-----|------------------------------|---|---------------------|------------|------------------------------|---------------------------|-------------------------------------|-------------------------------------|------------|----------------------|---------------|
|     |                              |   |                     |            |                              | Payment Terms             | Comparison with Normal Transactions | Ending Balance                      | % to Total |                      |               |
| 0   | Topoint Technology Co., Ltd. | Shanghai Topoint Precision Technology Co., Ltd. | Sales               | \$ 466,888 | 41                           | Based on mutual agreement | Based on mutual agreement           | \$ 50,123                           | 19         | \$ 16,227            | Notes 1 and 2 |
|     |                              |   | Purchase            | 59,811     | 13                           | Based on mutual agreement | Based on mutual agreement           | (7,193)                             | 10         | 1,601                | Notes 1 and 2 |
|     |                              | Sharpont Technology (Qinhuangdao) Co., Ltd.     | Sales               | 6,967      | 1                            | Based on mutual agreement | Based on mutual agreement           | 1,693                               | 1          | (658)                | Notes 1 and 2 |
|     |                              | Sharpont Technology (Suzhou) Co., Ltd.          | Sales               | 2,702      | -                            | Based on mutual agreement | Based on mutual agreement           | 603                                 | -          | (24)                 | Notes 1 and 2 |
|     |                              | Chengdu Raypoint Precision Tools Co., Ltd.      | Sales               | 424        | -                            | Based on mutual agreement | Based on mutual agreement           | 187                                 | -          | (446)                | Notes 1 and 2 |
|     |                              |   | Purchase            | 10,549     | 2                            | Based on mutual agreement | Based on mutual agreement           | (2,077)                             | 3          | (33)                 | Notes 1 and 2 |
|     |                              | Shanghai Rinpoint Nano Material Co., Ltd.       | Sales               | 121        | -                            | Based on mutual agreement | Based on mutual agreement           | -                                   | -          | -                    | Notes 1 and 2 |

Note 1: Except for the Company's direct transaction with Shanghai Topoint Precision Technology Co., Ltd., Sharpont Technology (Qinhuangdao) Co., Ltd., Sharpont Technology (Suzhou) Co., Ltd., Chengdu Raypoint Precision Tools Co., Ltd. and Shanghai Rinpoint Nano Material Co., Ltd., other transactions were made indirectly through Raypoint Precision Tools Co., Ltd. and Shanghai Topoint Precision Technology Co., Ltd. The prices and payment terms were based on mutual agreement.

Note 2: Eliminated from the consolidated financial statements.

TABLE 9

## TOPOINT TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS

FOR THE YEAR ENDED DECEMBER 31, 2020

(Amounts in Thousands of New Taiwan Dollars)

| No.<br>(Note 1) | Company                      | Counterparty                                    | Flow of<br>Transactions<br>(Note 2) | Transaction Details                               |                    |                           |   |
|-----------------|------------------------------|---|-------------------------------------|---|--------------------|---------------------------|---|
|                 |                              |   |                                     | Financial Statement Account                       | Amount<br>(Note 5) | Payment Terms<br>(Note 3) | % to<br>Total Sales or<br>Assets (Note 4) |
| 0               | Topoint Technology Co., Ltd. | Raypoint Precision Tools Co., Ltd.              | a                                   | Accounts receivable - related parties             | \$ 16,606          | -                         | -   |
|                 |                              |   |                                     | Sales   | 189,464            | -                         | 6   |
|                 |                              | Shanghai Topoint Precision Technology Co., Ltd. | a                                   | Accounts receivable - related parties             | 33,517             | -                         | 1   |
|                 |                              |   |                                     | Inventories                                       | 2,044              | -                         | -   |
|                 |                              |   |                                     | Accounts payable - related parties                | 7,193              | -                         | -   |
|                 |                              |   |                                     | Deferred credits                                  | 47,103             | -                         | 1   |
|                 |                              |   |                                     | Sales   | 277,424            | -                         | 9   |
|                 |                              |   |                                     | Unrealized profit                                 | 16,227             | -                         | 1   |
|                 |                              |   |                                     | Cost of goods sold                                | 17,931             | -                         | 1   |
|                 |                              | Topoint Japan Co., Ltd.                         | a                                   | Gain on disposal of property, plant and equipment | 1,425              | -                         | -   |
|                 |                              |   |                                     | Accounts receivable - related parties             | 2,305              | -                         | -   |
|                 |                              |   |                                     | Deferred credits                                  | 1,672              | -                         | -   |
|                 |                              |   |                                     | Sales   | 6,986              | -                         | -   |
|                 |                              |   |                                     | Unrealized profit                                 | 121                | -                         | -   |
|                 |                              |   |                                     | Cost of goods sold                                | 1,672              | -                         | -   |
|                 |                              | Unipoint Technology Co., Ltd.                   | a                                   | Rental revenue                                    | 6,079              | -                         | -   |
|                 |                              |   |                                     | Other income                                      | 3,331              | -                         | -   |
|                 |                              |   |                                     | Accounts receivable - related parties             | 21,926             | -                         | -   |
|                 |                              |   |                                     | Refundable deposits                               | 300                | -                         | -   |
|                 |                              |   |                                     | Guarantee deposits received                       | 3                  | -                         | -   |
|                 |                              |   |                                     | Deferred credits                                  | 869                | -                         | -   |
|                 |                              |   |                                     | Sales   | 31,637             | -                         | 1   |
|                 |                              | Sharpoint Technology (Qinhuangdao) Co., Ltd.    | a                                   | Unrealized profit                                 | 538                | -                         | -   |
|                 |                              |   |                                     | Cost of goods sold                                | 331                | -                         | -   |
|                 |                              |   |                                     | Rental revenue                                    | 36                 | -                         | -   |
|                 |                              |   |                                     | Other income                                      | 7,200              | -                         | -   |
|                 |                              |   |                                     | Accounts receivable - related parties             | 1,693              | -                         | -   |
|                 |                              |   |                                     | Deferred credits                                  | 2,947              | -                         | -   |
|                 |                              | Sharpoint Technology (Suzhou) Co., Ltd.         | a                                   | Sales   | 6,967              | -                         | -   |
|                 |                              |   |                                     | Unrealized profit                                 | 658                | -                         | -   |
|                 |                              |   |                                     | Cost of goods sold                                | 306                | -                         | -   |
|                 |                              |   |                                     | Other income                                      | 382                | -                         | -   |
|                 |                              |   |                                     | Accounts receivable - related parties             | 603                | -                         | -   |
|                 |                              |   |                                     | Deferred credits                                  | 1,445              | -                         | -   |
|                 |                              |   |                                     | Sales   | 2,702              | -                         | -   |
|                 |                              |   |                                     | Unrealized profit                                 | 24                 | -                         | -   |
|                 |                              |   |                                     | Cost of goods sold                                | 117                | -                         | -   |
|                 |                              |   |                                     | Other income                                      | 190                | -                         | -   |

(Continued)

| No.<br>(Note 1) | Company   | Counterparty                                    | Flow of<br>Transactions<br>(Note 2) | Transaction Details                               |                    |                           |   |
|-----------------|---|---|-------------------------------------|---|--------------------|---------------------------|---|
|                 |   |   |                                     | Financial Statement Account                       | Amount<br>(Note 5) | Payment Terms<br>(Note 3) | % to<br>Total Sales or<br>Assets (Note 4) |
|                 |   | Kunshan Topoint Technology Co., Ltd.            | a                                   | Deferred credits                                  | \$ 14,626          | -                         | -   |
|                 |   |   |                                     | Gain on disposal of property, plant and equipment | 735                | -                         | -   |
|                 |   |   |                                     | Other income                                      | 4,549              | -                         | -   |
|                 |   | Chengdu Raypoint Precision Tools Co., Ltd.      | a                                   | Accounts payable - related parties                | 2,077              | -                         | -   |
|                 |   |   |                                     | Accounts receivable - related parties             | 187                | -                         | -   |
|                 |   |   |                                     | Unrealized profit                                 | 446                | -                         | -   |
|                 |   |   |                                     | Cost of goods sold                                | 10,549             | -                         | -   |
|                 |   |   |                                     | Sales   | 424                | -                         | -   |
|                 |   | Shanghai Ringpoint Nano Material Co., Ltd.      | a                                   | Sales   | 121                | -                         | -   |
|                 |   |   |                                     | Cost of goods sold                                | 318                | -                         | -   |
|                 |   | E-point Precision Tools Co., Ltd.               | a                                   | Sales   | 36                 | -                         | -   |
|                 |   |   |                                     | Rental revenue                                    | 15                 | -                         | -   |
|                 |   | Drilltek Corporation                            | a                                   | Accounts receivable - related parties             | 6,193              | -                         | -   |
|                 |   |   |                                     | Sales   | 4,975              | -                         | -   |
| 1               | Topoint Technology Co., Ltd. (B.V.I.)           | Topoint Japan Co., Ltd.                         | c                                   | Accounts receivable - related parties             | 15,749             | -                         | -   |
|                 |   |   |                                     | Interest revenue                                  | 95                 | -                         | -   |
| 2               | Raypoint Precision Tools Co., Ltd.              | Topoint Technology Co., Ltd.                    | b                                   | Accounts payable - related parties                | 16,606             | -                         | -   |
|                 |   |   |                                     | Cost of goods sold                                | 189,464            | -                         | 6   |
|                 |   | Shanghai Topoint Precision Technology Co., Ltd. | c                                   | Accounts receivable - related parties             | 19,891             | -                         | -   |
|                 |   |   |                                     | Sales   | 227,528            | -                         | 8   |
| 3               | Shanghai Topoint Precision Technology Co., Ltd. | Topoint Technology Co., Ltd.                    | b                                   | Accounts receivable - related parties             | 7,193              | -                         | -   |
|                 |   |   |                                     | Inventories                                       | 41,880             | -                         | -   |
|                 |   |   |                                     | Machinery and equipment                           | 246,990            | -                         | 4   |
|                 |   |   |                                     | Accumulated depreciation                          | 252,213            | -                         | 4   |
|                 |   |   |                                     | Accounts payable - related parties                | 33,517             | -                         | 1   |
|                 |   |   |                                     | Sales   | 59,811             | -                         | 2   |
|                 |   |   |                                     | Cost of goods sold                                | 302,458            | -                         | 10  |
|                 |   | Raypoint Precision Tools Co., Ltd.              | c                                   | Accounts payable - related parties                | 19,891             | -                         | -   |
|                 |   |   |                                     | Cost of goods sold                                | 227,528            | -                         | 8   |
|                 |   | Sharpoint Technology (Qinhuangdao) Co., Ltd.    | c                                   | Accounts receivable - related parties             | 28,739             | -                         | -   |
|                 |   |   |                                     | Accounts payable - related parties                | 6                  | -                         | -   |
|                 |   |   |                                     | Sales   | 38,455             | -                         | 1   |
|                 |   |   |                                     | Rental revenue                                    | 440                | -                         | -   |
|                 |   |   |                                     | Cost of goods sold                                | 298                | -                         | -   |
|                 |   | Unipoint Technology Shenzhen Co., Ltd.          | c                                   | Accounts payable - related parties                | 142                | -                         | -   |
|                 |   |   |                                     | Sales   | 9,460              | -                         | -   |
|                 |   |   |                                     | Cost of goods sold                                | 374                | -                         | -   |
|                 |   |   |                                     | Interest revenue                                  | 704                | -                         | -   |
|                 |   |   |                                     | Rental revenue                                    | 380                | -                         | -   |
|                 |   | Sharpoint Technology (Shenzhen) Co., Ltd.       | c                                   | Accounts payable - related parties                | 1,856              | -                         | -   |
|                 |   |   |                                     | Cost of goods sold                                | 5,144              | -                         | -   |

(Continued)

| No.<br>(Note 1) | Company                       | Counterparty                               | Flow of<br>Transactions<br>(Note 2) | Transaction Details                   |                    |                           |   |
|-----------------|-------------------------------|--|-------------------------------------|---------------------------------------|--------------------|---------------------------|---|
|                 |                               |  |                                     | Financial Statement Account           | Amount<br>(Note 5) | Payment Terms<br>(Note 3) | % to<br>Total Sales or<br>Assets (Note 4) |
|                 |                               | Sharpoint Technology (Suzhou) Co., Ltd.    | c                                   | Accounts receivable - related parties | \$ 1,617           | -                         | -   |
|                 |                               |  |                                     | Accounts payable - related parties    | 106                | -                         | -   |
|                 |                               |  |                                     | Sales                                 | 5,306              | -                         | -   |
|                 |                               |  |                                     | Cost of goods sold                    | 61                 | -                         | -   |
|                 |                               | Kunshan Restek Technology Co., Ltd.        | c                                   | Other expenses                        | 9,957              | -                         | -   |
|                 |                               | Kunshan Topoint Technology Co., Ltd.       | c                                   | Accounts receivable - related parties | 35,019             | -                         | 1   |
|                 |                               |  |                                     | Accounts payable - related parties    | 12,769             | -                         | -   |
|                 |                               |  |                                     | Interest revenue                      | 1,714              | -                         | -   |
|                 |                               |  |                                     | Cost of goods sold                    | 89,676             | -                         | 3   |
|                 |                               |  |                                     | Rental revenue                        | 684                | -                         | -   |
|                 |                               | Chengdu Raypoint Precision Tools Co., Ltd. | c                                   | Accounts receivable - related parties | 322,996            | -                         | 5   |
|                 |                               |  |                                     | Interest revenue                      | 5,037              | -                         | -   |
|                 |                               |  |                                     | Accounts payable - related parties    | 682                | -                         | -   |
|                 |                               |  |                                     | Cost of goods sold                    | 5,592              | -                         | -   |
|                 |                               | Sharpoint Electronics (Huaian) Co., Ltd.   | c                                   | Accounts receivable - related parties | 43,521             | -                         | 1   |
|                 |                               |  |                                     | Sales                                 | 120,274            | -                         | 4   |
|                 |                               |  |                                     | Cost of goods sold                    | 1,659              | -                         | -   |
|                 |                               | Winpoint Electronics (Huaian) Co., Ltd.    | c                                   | Sales                                 | 6,731              | -                         | -   |
|                 |                               |  |                                     | Accounts receivable - related parties | 3,155              | -                         | -   |
|                 |                               |  |                                     | Rental revenue                        | 78                 | -                         | -   |
|                 |                               |  |                                     | Cost of goods sold                    | 75                 | -                         | -   |
|                 |                               | Shanghai Ringpoint Nano Material Co., Ltd. | c                                   | Accounts payable - related parties    | 17,048             | -                         | -   |
|                 |                               |  |                                     | Rental revenue                        | 254                | -                         | -   |
|                 |                               |  |                                     | Sales                                 | 2,244              | -                         | -   |
|                 |                               |  |                                     | Cost of goods sold                    | 55,504             | -                         | 2   |
|                 |                               | Shanghai Hejin Roller Technology Co., Ltd. | c                                   | Other expenses                        | 29,735             | -                         | 1   |
|                 |                               |  |                                     | Sales                                 | 284                | -                         | -   |
| 4               | Topoint Japan Co., Ltd.       | Topoint Technology Co., Ltd.               | b                                   | Inventories                           | 1,672              | -                         | -   |
|                 |                               |  |                                     | Accounts payable - related parties    | 2,305              | -                         | -   |
|                 |                               |  |                                     | Cost of goods sold                    | 17,947             | -                         | 1   |
|                 |                               | Topoint Technology Co., Ltd. (B.V.I.)      | c                                   | Accounts payable - related parties    | 15,749             | -                         | -   |
|                 |                               |  |                                     | Interest expenses                     | 95                 | -                         | -   |
| 5               | Unipoint Technology Co., Ltd. | Topoint Technology Co., Ltd.               | b                                   | Refundable deposits                   | 3                  | -                         | -   |
|                 |                               |  |                                     | Inventories                           | 869                | -                         | -   |
|                 |                               |  |                                     | Accounts payable - related parties    | 21,926             | -                         | -   |
|                 |                               |  |                                     | Guarantee deposits received           | 300                | -                         | -   |
|                 |                               |  |                                     | Cost of goods sold                    | 39,168             | -                         | 1   |
|                 |                               |  |                                     | Rental revenue                        | 1,200              | -                         | -   |
|                 |                               |  |                                     | Rental expenses                       | 36                 | -                         | -   |

(Continued)

| No.<br>(Note 1) | Company                                      | Counterparty                                    | Flow of<br>Transactions<br>(Note 2) | Transaction Details                   |                    |                           |   |
|-----------------|--|---|-------------------------------------|---------------------------------------|--------------------|---------------------------|---|
|                 |  |   |                                     | Financial Statement Account           | Amount<br>(Note 5) | Payment Terms<br>(Note 3) | % to<br>Total Sales or<br>Assets (Note 4) |
| 6               | Unipoint Technology Shenzhen Co., Ltd.       | Shanghai Topoint Precision Technology Co., Ltd. | c                                   | Accounts receivable - related parties | \$ 142             | -                         | -   |
|                 |  |   |                                     | Sales                                 | 123                | -                         | -   |
|                 |  |   |                                     | Cost of goods sold                    | 9,840              | -                         | -   |
|                 |  |   |                                     | Interest expenses                     | 704                | -                         | -   |
|                 |  |   |                                     | Rental revenue                        | 251                | -                         | -   |
|                 |  | Sharpoint Technology (Suzhou) Co., Ltd.         | c                                   | Accounts receivable - related parties | 49                 | -                         | -   |
|                 |  |   |                                     | Rental revenue                        | 513                | -                         | -   |
|                 |  |   |                                     | Interest expenses                     | 514                | -                         | -   |
|                 |  | Kunshan Topoint Technology Co., Ltd.            | c                                   | Cost of goods sold                    | 16,593             | -                         | 1   |
|                 |  | Sharpoint Technology (Qinhuangdao) Co., Ltd.    | c                                   | Rental revenue                        | 2,904              | -                         | -   |
|                 |  |   |                                     | Accounts receivable - related parties | 1,083              | -                         | -   |
| 7               | Sharpoint Technology (Qinhuangdao) Co., Ltd. | Topoint Technology Co., Ltd.                    | b                                   | Inventories                           | 306                | -                         | -   |
|                 |  |   |                                     | Cost of goods sold                    | 8,313              | -                         | -   |
|                 |  |   |                                     | Machinery and equipment               | 3,818              | -                         | -   |
|                 |  |   |                                     | Accumulated depreciation              | 1,177              | -                         | -   |
|                 |  |   |                                     | Accounts payable - related parties    | 1,693              | -                         | -   |
|                 |  | Sharpoint Electronics (Huaian) Co., Ltd.        | c                                   | Sales                                 | 297                | -                         | -   |
|                 |  |   |                                     | Inventories                           | 840                | -                         | -   |
|                 |  | Shanghai Topoint Precision Technology Co., Ltd. | c                                   | Accounts receivable - related parties | 6                  | -                         | -   |
|                 |  |   |                                     | Accounts payable - related parties    | 28,739             | -                         | -   |
|                 |  |   |                                     | Cost of goods sold                    | 38,895             | -                         | 1   |
|                 |  |   |                                     | Rental revenue                        | 542                | -                         | -   |
|                 |  | Winpoint Electronics (Huaian) Co., Ltd.         | c                                   | Accounts receivable - related parties | 324                | -                         | -   |
|                 |  |   |                                     | Rental revenue                        | 1,455              | -                         | -   |
|                 |  | Unipoint Technology Shenzhen Co., Ltd.          | c                                   | Accounts payable - related parties    | 1,083              | -                         | -   |
|                 |  |   |                                     | Cost of goods sold                    | 2,904              | -                         | -   |
| 8               | Sharpoint Technology (Shenzhen) Co., Ltd.    | Shanghai Topoint Precision Technology Co., Ltd. | c                                   | Accounts receivable - related parties | 1,856              | -                         | -   |
|                 |  |   |                                     | Sales                                 | 5,144              | -                         | -   |
| 9               | Sharpoint Technology (Suzhou) Co., Ltd.      | Topoint Technology Co., Ltd.                    | b                                   | Inventories                           | 117                | -                         | -   |
|                 |  |   |                                     | Machinery and equipment               | 3,356              | -                         | -   |
|                 |  |   |                                     | Accumulated depreciation              | 2,028              | -                         | -   |
|                 |  |   |                                     | Accounts payable - related parties    | 603                | -                         | -   |
|                 |  |   |                                     | Cost of goods sold                    | 3,033              | -                         | -   |
|                 |  | Shanghai Topoint Precision Technology Co., Ltd. | c                                   | Inventories                           | 61                 | -                         | -   |
|                 |  |   |                                     | Accounts receivable - related parties | 106                | -                         | -   |
|                 |  |   |                                     | Accounts payable - related parties    | 1,617              | -                         | -   |
|                 |  |   |                                     | Cost of goods sold                    | 5,306              | -                         | -   |
|                 |  | Kunshan Topoint Technology Co., Ltd.            | c                                   | Cost of goods sold                    | 389                | -                         | -   |
|                 |  |   |                                     | Accounts payable - related parties    | 149                | -                         | -   |
|                 |  | Unipoint Technology Shenzhen Co., Ltd.          | c                                   | Accounts payable - related parties    | 49                 | -                         | -   |
|                 |  |   |                                     | Cost of goods sold                    | 513                | -                         | -   |
|                 |  |   |                                     | Interest revenue                      | 514                | -                         | -   |
|                 |  |   |                                     |                                       |                    |                           |   |

(Continued)



| No.<br>(Note 1) | Company                                      | Counterparty                                    | Flow of<br>Transactions<br>(Note 2) | Transaction Details                   |                    |                           |   |
|-----------------|--|---|-------------------------------------|---------------------------------------|--------------------|---------------------------|---|
|                 |  |   |                                     | Financial Statement Account           | Amount<br>(Note 5) | Payment Terms<br>(Note 3) | % to<br>Total Sales or<br>Assets (Note 4) |
| 10              | Kunshan Restek Technology Co., Ltd.          | Shanghai Topoint Precision Technology Co., Ltd. | c                                   | Other income                          | \$ 9,957           | -                         | -   |
| 11              | Kunshan Topoint Technology Co., Ltd.         | Topoint Technology Co., Ltd.                    | b                                   | Machinery and equipment               | 52,210             | -                         | 1   |
|                 |  |   |                                     | Accumulated depreciation              | 37,584             | -                         | 1   |
|                 |  | Shanghai Topoint Precision Technology Co., Ltd. | c                                   | Cost of goods sold                    | 5,284              | -                         | -   |
|                 |  |   |                                     | Accounts receivable - related parties | 12,769             | -                         | -   |
|                 |  |   |                                     | Accounts payable - related parties    | 35,019             | -                         | 1   |
|                 |  |   |                                     | Sales                                 | 89,676             | -                         | 3   |
|                 |  |   |                                     | Cost of goods sold                    | 684                | -                         | -   |
|                 |  |   |                                     | Interest expenses                     | 1,714              | -                         | -   |
|                 | Unipoint Technology Shenzhen Co., Ltd.       |   | c                                   | Sales                                 | 16,593             | -                         | 1   |
|                 | Sharpoint Electronics (Huaian) Co., Ltd.     |   | c                                   | Accounts receivable - related parties | 981                | -                         | -   |
|                 |  |   |                                     | Sales                                 | 1,538              | -                         | -   |
|                 | Sharpoint Technology (Suzhou) Co., Ltd.      |   | c                                   | Accounts receivable - related parties | 149                | -                         | -   |
|                 |  |   |                                     | Rental revenue                        | 389                | -                         | -   |
|                 | Chengdu Raypoint Precision Tools Co., Ltd.   |   | c                                   | Rental revenue                        | 46                 | -                         | -   |
| 12              | Sharpoint Electronics (Huaian) Co., Ltd.     | Shanghai Topoint Precision Technology Co., Ltd. | c                                   | Inventories                           | 1,659              | -                         | -   |
|                 |  |   |                                     | Accounts payable - related parties    | 43,521             | -                         | 1   |
|                 |  | Kunshan Topoint Technology Co., Ltd.            | c                                   | Cost of goods sold                    | 120,274            | -                         | 4   |
|                 |  |   |                                     | Accounts payable - related parties    | 981                | -                         | -   |
|                 |  |   |                                     | Cost of goods sold                    | 1,538              | -                         | -   |
|                 | Sharpoint Technology (Qinhuangdao) Co., Ltd. |   | c                                   | Cost of goods sold                    | 297                | -                         | -   |
|                 | Winpoint Electronics (Huaian) Co., Ltd.      |   | c                                   | Accounts payable - related parties    | 3,525              | -                         | -   |
|                 |  |   |                                     | Cost of goods sold                    | 4,713              | -                         | -   |
| 13              | Chengdu Raypoint Precision Tools Co., Ltd.   | Topoint Technology Co., Ltd.                    | b                                   | Sales                                 | 10,549             | -                         | -   |
|                 |  |   |                                     | Cost of goods sold                    | 870                | -                         | -   |
|                 |  |   |                                     | Accounts receivable - related parties | 2,077              | -                         | -   |
|                 |  | Shanghai Topoint Precision Technology Co., Ltd. | c                                   | Accounts payable - related parties    | 187                | -                         | -   |
|                 |  |   |                                     | Accounts payable - related parties    | 322,996            | -                         | 5   |
|                 |  |   |                                     | Interest expenses                     | 5,037              | -                         | -   |
|                 |  |   |                                     | Accounts receivable - related parties | 682                | -                         | -   |
|                 |  | Shanghai Ringpoint Nano Material Co., Ltd.      | c                                   | Sales                                 | 5,592              | -                         | -   |
|                 |  |   |                                     | Sales                                 | 1,006              | -                         | -   |
|                 |  |   |                                     | Accounts receivable - related parties | 75                 | -                         | -   |
|                 | Kunshan Topoint Technology Co., Ltd.         |   | c                                   | Rental expenses                       | 46                 | -                         | -   |
| 14              | Winpoint Electronics (Huaian) Co., Ltd.      | Shanghai Topoint Precision Technology Co., Ltd. | c                                   | Inventories                           | 1,082              | -                         | -   |
|                 |  |   |                                     | Sales                                 | 1,007              | -                         | -   |
|                 |  |   |                                     | Accounts payable - related parties    | 3,155              | -                         | -   |
|                 |  |   |                                     | Cost of goods sold                    | 6,809              | -                         | -   |
|                 | Sharpoint Technology (Qinhuangdao) Co., Ltd. |   | c                                   | Accounts payable - related parties    | 324                | -                         | -   |
|                 |  |   |                                     | Cost of goods sold                    | 1,455              | -                         | -   |
|                 | Sharpoint Electronics (Huaian) Co., Ltd.     |   | c                                   | Accounts receivable - related parties | 3,525              | -                         | -   |
|                 |  |   |                                     | Sales                                 | 4,713              | -                         | -   |

(Continued)

| No.<br>(Note 1) | Company                                    | Counterparty                                    | Flow of<br>Transactions<br>(Note 2) | Transaction Details                   |                    |                           |   |
|-----------------|--|---|-------------------------------------|---------------------------------------|--------------------|---------------------------|---|
|                 |  |   |                                     | Financial Statement Account           | Amount<br>(Note 5) | Payment Terms<br>(Note 3) | % to<br>Total Sales or<br>Assets (Note 4) |
| 15              | Shanghai Ringpoint Nano Material Co., Ltd. | Topoint Technology Co., Ltd.                    | b                                   | Cost of goods sold                    | \$ 121             | -                         | -   |
|                 |  | Shanghai Topoint Precision Technology Co., Ltd. | c                                   | Accumulated depreciation              | 318                | -                         | -   |
|                 |  |   |                                     | Accounts receivable - related parties | 17,048             | -                         | -   |
|                 |  |   |                                     | Cost of goods sold                    | 2,498              | -                         | -   |
|                 |  | Chengdu Raypoint Precision Tools Co., Ltd.      | c                                   | Sales                                 | 55,504             | -                         | 2   |
|                 |  |   |                                     | Cost of goods sold                    | 1,006              | -                         | -   |
|                 |  |   |                                     | Accounts payable - related parties    | 75                 | -                         | -   |
| 16              | Shanghai Hejin Roller Technology Co., Ltd. | Shanghai Topoint Precision Technology Co., Ltd. | c                                   | Other income                          | 29,735             | -                         | 1   |
|                 |  |   |                                     | Cost of goods sold                    | 284                | -                         | -   |
| 17              | E-point Precision Tools Co., Ltd.          | Topoint Technology Co., Ltd.                    | b                                   | Cost of goods sold                    | 36                 | -                         | -   |
|                 |  |   |                                     | Rental expenses                       | 15                 | -                         | -   |
| 18              | Drilltek Corporation                       | Topoint Technology Co., Ltd.                    | b                                   | Accounts payable - related parties    | 6,193              | -                         | -   |
|                 |  |   |                                     | Cost of goods sold                    | 4,975              | -                         | -   |

Note 1: Companies are numbered as follows:

- The number of Topoint Technology Co., Ltd. ("Topoint") is "0."
- Subsidiaries are numbered from "1" onward.

Note 2: The flow of transactions is as follows:

- From Topoint to the subsidiary.
- From the subsidiary to Topoint.
- Between subsidiaries.

Note 3: The prices and payment terms for related-party transactions were based on agreements.

Note 4: If the transaction amounts are related to the balance sheet accounts, the percentages are those of the year-end balances to the consolidated total assets. If the transaction amounts are related to the income statement accounts, the percentages are the total amounts of the year to the consolidated total sales.

Note 5: Eliminated from the consolidated financial statements.

(Concluded)

TOPOINT TECHNOLOGY CO., LTD.

Chairman: David Lin