



# Transcend Information, Inc. Annual Report 2020

## 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.**

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## 1. Letter to Shareholders

Dear Shareholders,

Last year, the world seemed to come to a complete standstill thanks to COVID-19. End user demand and the industrial supply chain both faced disruptions. However, Transcend deployed its R&D and manufacturing in Taiwan to keep a sense of corporate continuity even in the face of these headwinds. During the first half of last year, strict border control policies implemented by many countries were a fundamental challenge to our efforts at channel marketing. In the latter half of the year, sales recovered globally, but raw material prices continued to fluctuate. Transcend has remained steadfast throughout, trying to mitigate the downsides with its strengths in pricing and service, and its long-term partnership with clients. I want to express my profound gratitude to our shareholders, clients, business partners, and employees, who have shown their commitment to Transcend in this difficult time.

Transcend's consolidated revenue totaled NT\$11.4 billion in 2020. Consolidated gross profit totaled NT\$2.47 billion, with a gross profit rate of 21.6 percent. Operating income totaled NT\$1.21 billion. Income before tax totaled NT\$1.50 billion. Net income totaled NT\$1.20 billion. EPS was NT\$2.79 calculated at the weighted average of outstanding share capital of NT\$4.3 billion.

5G connectivity continues to push forward server demand. Edge computing, meanwhile, has come into the mainstream as a building block for AIoT applications including smart manufacturing, smart monitoring, and smart cities. Transcend's focus on embedded storage solutions and strategic product development motivated us to release high-endurance, high-speed products for industrial applications that operate stably across a wide temperature range (-40°C~85°C). We introduced 96-layer 3D NAND flash in our industrial SSDs and launched DDR4-3200 memory modules to support a wide variety of applications. In the consumer market, Transcend grew its strategic product lines with high added value, including the DrivePro 620 dual camera dashcam, the ESD370C ruggedized portable SSD, the JetFlash 920 and JetFlash 930C high-speed USB flash drives, and the CFexpress 820 Type B memory card tailor-made for professional photographers and videographers. Products like these are meeting the diversified demands of our consumers.

Transcend has long honed its industrial brand image by placing digital advertisements around the world. In the consumer market, we have invested heavily in e-commerce platforms to create a closer connection between consumers and the Transcend brand. Through e-commerce, virtual trade shows, and social media, Transcend has maintained a positive brand image despite interruptions to our traditional campaigns brought on by the pandemic. These efforts proved their merit when Transcend was listed as one of Interbrand's Top 25 Best Taiwan Global Brands in 2020 for the 14<sup>th</sup> year in a row, and its cutting-edge devices earned the 2021 Taiwan Excellence Award for the 17<sup>th</sup> consecutive year. Transcend is also active in social engagement in Taiwan. We support youth athletic activities such as the High School Basketball League and High School Volleyball League, demonstrating our commitment to corporate social responsibility.

In 2021, we will continue to accelerate product development and expand our manufacturing capacity while maintaining a stable product supply. We will continue to pursue greater client value by delivering competitive storage products. Thank you for your investment and continued interest in Transcend. We look forward to growing together into a better tomorrow.

Chairman: Shu, Chung-Won

## 2. Company Profile

### 2.1. Date of Incorporation

Date of Incorporation: August 30, 1989.

### 2.2. Company History

Year	Milestones
1989	<ul style="list-style-type: none"><li>- Transcend Information, Inc. is founded by Peter Shu in Taipei, Taiwan.</li><li>- The first products offered are the “JetMate” laser printer driver and the “KeyPro” software protection system.</li><li>- Authorized and paid-in capital: NT\$ 10,000,000</li></ul>
1990	<ul style="list-style-type: none"><li>- Transcend USA opens in Los Angeles, California.</li><li>- Transcend begins manufacturing Taiwan's earliest laser printer controller for producing Chinese characters.</li></ul>
1991	<ul style="list-style-type: none"><li>- Transcend begins to offer PCRAM expansion cards for desktops.</li><li>- Authorized and paid-in capital: increased to NT\$ 20,000,000</li></ul>
1992	<ul style="list-style-type: none"><li>- Transcend opens its Hamburg, Germany office.</li><li>- Transcend begins manufacturing software security solutions.</li><li>- Authorized and paid-in capital: increased to NT\$ 60,000,000</li></ul>
1993	<ul style="list-style-type: none"><li>- Transcend is recognized as one of Taiwan's remarkable Small and Medium Enterprises (SMEs) for outstanding performance in information application.</li></ul>
1994	<ul style="list-style-type: none"><li>- Transcend begins to offer PCMCIA expansion products for laptop computers.</li><li>- Transcend's annual revenue totaled NT\$1.5 billion, up 135%.</li><li>- Authorized and paid-in capital: increased to NT\$ 102,000,000</li></ul>
1995	<ul style="list-style-type: none"><li>- Transcend begins to offer PCMCIA flash card products.</li><li>- Transcend's annual revenue totaled NT\$2.4 billion, up 62%.</li><li>- Authorized and paid-in capital: increased to NT\$ 162,000,000</li></ul>
1996	<ul style="list-style-type: none"><li>- Transcend expands its European operations by opening an office in Rotterdam, the Netherlands.</li><li>- Transcend launches proprietary memory products for fax machines and video game consoles.</li><li>- Transcend opens distribution centers and bonded factories, facilitating foreign trade.</li></ul>
1997	<ul style="list-style-type: none"><li>- Transcend opens a branch office in Tokyo, Japan.</li><li>- Transcend launches its first digital still camera memory products.</li><li>- Transcend is awarded ISO-9001 Certification.</li><li>- Transcend merged Won Deng Co., Ltd. Authorized and paid-in capital: increased to NT\$ 182,000,000.</li><li>- Executed capital increase through capitalization of retained earnings of NT\$ 182,000,000 and cash capital increase of NT\$ 60,700,000. The authorized and paid-in capital was increased to NT\$ 424,700,000. In addition, the retroactive handling of public offering was performed.</li></ul>
1998	<ul style="list-style-type: none"><li>- Transcend receives the National Award of Outstanding SMEs.</li><li>- Executed capital increase through capitalization of retained earnings of NT\$ 84,940,000 and capital increase through capitalization of capital reserves of</li></ul>

	NT\$ 42,470,000. The authorized and the paid-in capital was increased to NT\$ 552,110,000.
1999	<ul style="list-style-type: none"> <li>- Transcend begins offering PC133 and Rambus memory modules.</li> <li>- Transcend receives Taiwan's 2nd annual Rising Star Award for outstanding performance in foreign trade.</li> <li>- Transcend opens its first two retail stores in Taipei.</li> <li>- Transcend's annual revenue totaled NT\$4.3 billion, up 34%.</li> <li>- Executed capital increase through capitalization of retained earnings of NT\$ 331,266,000 and capital increase through capitalization of capital reserves of NT\$ 55,211,000. The authorized capital was NT\$ 2,000,000,000 and the paid-in capital was increased to NT\$ 938,587,000.</li> </ul>
2000	<ul style="list-style-type: none"> <li>- Transcend opens its retail store in Hong Kong.</li> <li>- Transcend launches its first DDR memory products.</li> <li>- Transcend moves into E-commerce by offering on-line direct B2C sales of Transcend-brand products in Taiwan.</li> <li>- Transcend's annual revenue totaled NT\$5.74 billion, up 42%.</li> <li>- Executed capital increase through capitalization of retained earnings of NT\$ 328,505,450, capital increase through capitalization of capital reserves of NT\$ 46,929,350 and the cash capital increase of NT\$ 10,978,200. The authorized capital remains NT\$ 2,000,000,000, and the paid-in capital was increased to NT\$ 1,325,000,000.</li> </ul>
2001	<ul style="list-style-type: none"> <li>- Transcend holds its Initial Public Offering on the Taiwan Stock Exchange on May 3, 2001.</li> <li>- Executed capital increase through capitalization of retained earnings of NT\$ 331,250,000 and capital increase out of employee bonus of NT\$ 8,870,000. The authorized capital was increased to NT\$ 2,500,000,000 and the paid-in capital was increased to NT\$ 1,665,120,000.</li> </ul>
2002	<ul style="list-style-type: none"> <li>- Transcend expands its product line to include JetFlash USB flash drives and card readers.</li> <li>- Executed capital increase through capitalization of retained earnings of NT\$ 340,880,000. The authorized capital was NT\$ 2,500,000,000 and the paid-in capital was increased to NT\$ 2,006,000,000.</li> </ul>
2003	<ul style="list-style-type: none"> <li>- Transcend company headquarter is relocated to its large new facility in Taipei's Neihu Technology District.</li> <li>- Transcend launches its StoreJet line of flash memory storage products.</li> <li>- Transcend expands product line to include disk storage and display systems.</li> <li>- Issuance of Euro-Convertible Bonds US\$35,000,000.</li> <li>- Transcend's annual revenue totaled NT\$9.52 billion, up 47%.</li> </ul>
2004	<ul style="list-style-type: none"> <li>- Transcend begins offering DDR2 memory modules and introduces a number of multimedia products to the market.</li> <li>- Transcend's annual revenue totaled NT\$14.59 billion, up 53%.</li> </ul>
2005	<ul style="list-style-type: none"> <li>- Transcend opens branch offices in Hertfordshire, England and Maryland, USA.</li> <li>- Transcend diversifies its range of flash products to include MP3 music players.</li> <li>- Transcend receives the 13th National Quality Award.</li> <li>- Transcend wins iF Design Award 2005.</li> </ul>
2006	<ul style="list-style-type: none"> <li>- Transcend unveils its Operation Facility in Shanghai, China.</li> </ul>

	<ul style="list-style-type: none"> <li>- Transcend becomes the first company in the world to receive ISO 9001, ISO 14001 and HSPM (QC 080000) certifications.</li> <li>- Transcend is honored with 2006 Taiwan Superior Brands award from the Bureau of Foreign Trade, commissioned by the Ministry of Economics Affairs (MOEA) of Taiwan.</li> </ul>
2007	<ul style="list-style-type: none"> <li>- Transcend celebrates its 20th anniversary as it opens its Shanghai factory.</li> <li>- Transcend opens office in Osaka, Japan.</li> <li>- Transcend is named by GfK the No.1 brand of Memory Devices (Memory Cards and USB drive) in 2006 in Taiwan's retail market.</li> </ul>
2008	<ul style="list-style-type: none"> <li>- Transcend Korea opens in Seoul, South Korea.</li> <li>- Transcend wins Best Taiwan Global Brands commissioned by the MOEA of Taiwan with a brand value of USD \$244 million.</li> <li>- Transcend wins Taiwan Excellence Award for 5 consecutive years with a total of 19 products being awarded.</li> <li>- Transcend is ranked 62nd place as "Top 100 IT Brands o 2008" by Bloomberg Businessweek.</li> <li>- Transcend wins Germany's Red Dot award for its product design.</li> <li>- Transcend wins Japan's Good Design award.</li> </ul>
2009	<ul style="list-style-type: none"> <li>- Transcend is the first memory module manufacturer in the world to garner five Quality Management System certificates issued by the International Organization for Standardization.</li> <li>- Transcend's patented non-volatile memory technology wins the silver prize of National Invention and Creation Award from the Taiwan Intellectual Property Office (IPO).</li> <li>- Transcend's StoreJet 25M and StoreJet 25C external hard drives wins Germany's Red Dot award for their design.</li> <li>- Transcend's JetFlash T5 USB flash drive wins Japan's Good Design award.</li> <li>- Transcend is the world's third-largest flash drive manufacturer with a global market share of 11.6%, according to a Gartner survey in 2008.</li> </ul>
2010	<ul style="list-style-type: none"> <li>- Transcend launches a complete series of USB 3.0 flash solutions.</li> <li>- Transcend's patented flash memory technology wins the golden prize of National Invention and Creation Award from the Taiwan IPO.</li> </ul>
2011	<ul style="list-style-type: none"> <li>- Transcend completes its Neihu factory in Taipei, Taiwan.</li> <li>- Transcend opens its third US office in Miami, Florida.</li> <li>- Transcend wins for the 5th consecutive year Best Taiwan Global Brands commissioned by the MOEA of Taiwan.</li> <li>- Transcend's patented non-volatile memory technology wins the silver prize of National Invention and Creation Award from the Taiwan IPO.</li> <li>- Transcend extends its corporate social responsibility by sponsoring youth sports activities, such as the HBL.</li> <li>- Transcend organizes its first Working Holiday program, aiming to attract young talents from all over the globe.</li> </ul>
2012	<ul style="list-style-type: none"> <li>- Transcend expands its product line with wireless storage products.</li> <li>- Transcend wins the award for best companies to work for commissioned by Taipei City Government Labor Affairs Bureau.</li> <li>- Transcend is named the third-largest manufacturer of USB flash drives and the fourth-largest manufacturer of memory cards in the world, according to a Gartner survey in 2012.</li> <li>- Transcend continues to expand its sponsorship of all youth sports events,</li> </ul>



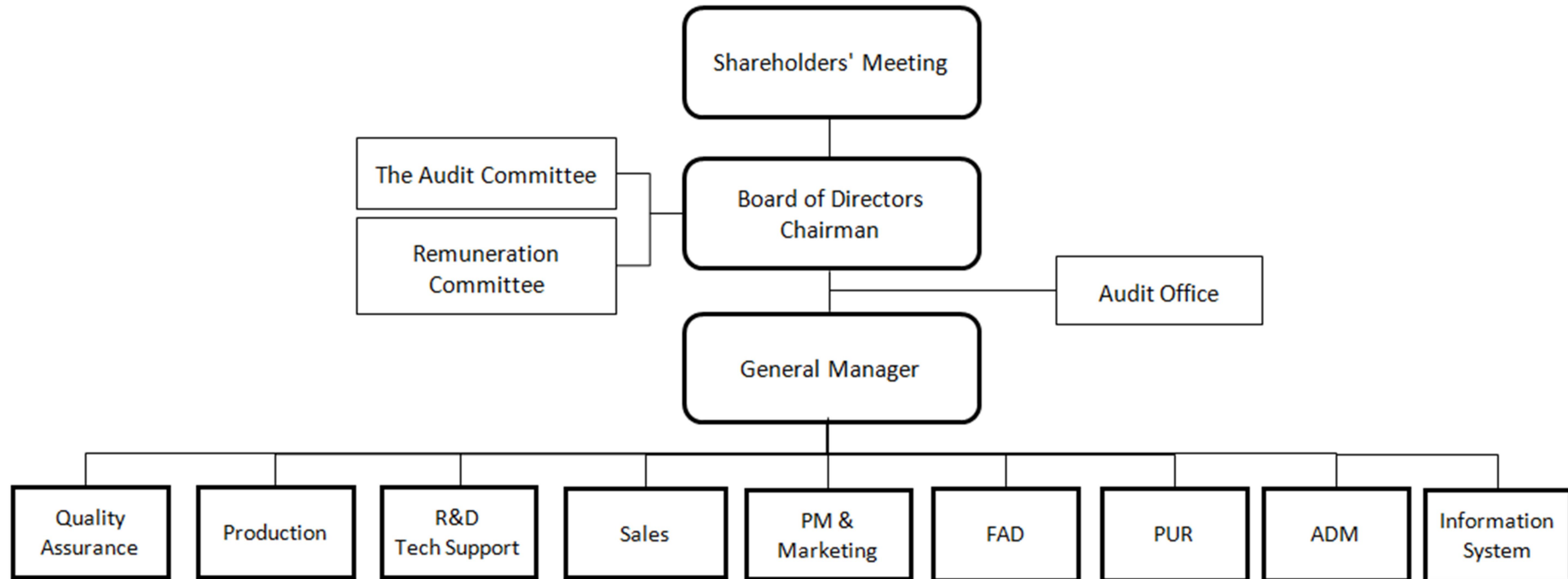
	including basketball, volleyball, cheerleading, soccer, and softball tournaments.
2013	<ul style="list-style-type: none"> <li>- Transcend opens office in Silicone Valley, USA.</li> <li>- Transcend expands its product line to include DrivePro dashcams.</li> <li>- Transcend receives the ISO/TS 16949:2009 Quality Management System Certification by SGS, demonstrating Transcend’s continuous improvement in quality management to meet the needs of the automotive industry.</li> <li>- Transcend wins Taiwan Excellence Award for the 10th consecutive year with a total of 48 products being awarded.</li> <li>- Transcend's patented memory block management technology wins the silver prize of National Invention and Creation Award from the Taiwan IPO.</li> <li>- Transcend wins the award for best companies to work for commissioned by Taipei City Government Labor Affairs Bureau.</li> </ul>
2014	<ul style="list-style-type: none"> <li>- Transcend expands its product line to include Mac-compatible upgrade solutions.</li> <li>- Transcend expands its DrivePro dashcam product line and is honored with ICT Month 100 I.T. Innovative Elite Award.</li> <li>- Transcend begins to sponsor the 2nd Black Panther High School Baseball Tournament.</li> </ul>
2015	<ul style="list-style-type: none"> <li>- Transcend expands its product line to include DrivePro Body wearable cameras.</li> <li>- Transcend wins Good Design Award 2015 for the design of its DrivePro 520 dashcam and JetDrive Lite expansion cards for Mac.</li> <li>- Transcend initiates its long-term Baseball Mentoring Program aimed at underprivileged school baseball teams, aspiring to help young promising athletes fulfill their dreams.</li> </ul>
2016	<ul style="list-style-type: none"> <li>- Transcend expands its product line to include StoreJet Cloud personal cloud storage.</li> <li>- Transcend wins for the 10th consecutive year Best Taiwan Global Brands commissioned by the MOEA of Taiwan.</li> <li>- Transcend's DrivePro 50 dashcam wins Japan's Good Design Award 2016.</li> <li>- Transcend's embedded SSDs are in fourth place in global market share, according to a Gartner survey in 2015.</li> </ul>
2017	<ul style="list-style-type: none"> <li>- Transcend launches its first PCIe M.2 SSD series.</li> <li>- Transcend wins Good Design Award 2017 for its CM42 M.2 SSD enclosure kit.</li> <li>- Transcend is honored by Taiwan's Ministry of Education for the first time in 2017 for actively promoting sports activities.</li> <li>- Transcend continues to sponsor youth sports events, winning the silver prize of Sports Activist Awards and the Long-Term Sponsorship Award in 2017.</li> </ul>
2018	<ul style="list-style-type: none"> <li>- Transcend launches a dual lens dashcam and a body camera with a tethered camera unit, and is honored with ICT Month 100 I.T. Innovative Elite Award.</li> <li>- Transcend wins Taiwan Excellence Award for the 15th consecutive year with a total of 77 products being awarded.</li> <li>- Transcend's JetDrive 855 SSD Upgrade Kits for Mac wins Japan's Good Design award.</li> <li>- Transcend is honored with the golden prize of Sports Activist Awards for its continuous efforts in sponsoring youth sports events.</li> </ul>
2019	<ul style="list-style-type: none"> <li>- Transcend unveils its cutting-edge Portable SSD product series.</li> </ul>

	<ul style="list-style-type: none"> <li>- Transcend is granted 2019 Badge of Accredited Healthy Workplace by Taiwan's Ministry of Health and Welfare for health promotion at the workplace.</li> </ul>
2020	<ul style="list-style-type: none"> <li>- Transcend wins Taiwan Excellence Award for the 17th consecutive year.</li> <li>- Transcend expands its product line to include 3D NAND SSDs with Extended Temperature Tolerance.</li> <li>- Transcend launches its first CFExpress Type B memory card.</li> <li>- Transcend launches its first QLC NAND SSD.</li> </ul>

### 3. Corporate Governance Report

#### 3.1. Organization

##### 3.1.1. Organizational Chart



### 3.1.2. Major Corporate Functions

Department	Functions
Sales	Responsible for the establishment of the sales plan for all markets worldwide, including physical/virtual channels, direct stores and project brands of the Company, industry grade, network communication/POS/medical/military application/automobile application and OEM customers, as well as the development and maintenance of customers, business management and promotion, collection and response to new business opportunities.
R & D Tech Support	Responsible for the research, development and design related matters for memory products, computers and mobile phone peripheral products and vehicle continuous video recording (CVR) and wearable cameras.
Production	Responsible for product production, testing, repair and production schedule control, product shipping operation, production technologies, manufacturing quality improvement and related matters.
PM & Marketing	Responsible for the management of reasonable pricing and fair distribution of the Company's products, summarization and analysis of product information and pros/cons of products of each product line, and also provide assistance to customization demands. Responsible for matters related to the brand marketing activities, strengthening of brand image, product and market information collection, establishment and execution of marketing plans, contact and application of broadcast media, planning of the Company's website and assistance to sales activity arrangement and design, etc.
FAD	Responsible for the Company's financial analysis, accounting affairs, statements preparation, difference analysis, fund management, planning of the Company's taxes, finance, stock affairs and investments as well as monitoring of the cash flow of all subsidiaries.
PUR	Responsible for understanding the quality condition and price trend of raw materials, component parts, machine equipment and office supplies necessary for the products and operation of the Company in order to perform price negotiation and purchase. It is also responsible for maintaining the safety stock of the purchase items and assisting the handling of slow-moving materials.
Information System	Responsible for matters related to the Company's software and hardware constructions for systems, networks and computers.
ADM	Responsible for coordinating the Company's administrative management, human resource, legal, patent and trademark related affairs, in order to ensure that all administrative affairs of the Company comply with the laws and regulations, and also responsible for establishing internal regulations according to laws in order to ensure the compliance of all employees in the organization.
Quality Assurance	Responsible for the establishment of the Company's quality assurance system, promotion of ISO system and QA management system, direct internal audit and external certification, and communication with other departments to achieve objectives of the organization, customer audit and subsequent follow-up management.
Audit Office	Responsible for the monitoring and assessment of the design of internal control systems of the parent company and its subsidiaries and also determine whether their executions are effective, and propose improvement recommendations.

### 3.2. Background Information on Directors, General Managers, Vice General Managers, Assistant Managers and Heads of Various Department and Branches

#### 3.2.1. Directors

April 19, 2021

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remark (Note)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	R.O.C	SHU, CHUNG-WON	Male	2018.06.14	3	2003.06.03	9,990,453	2.32%	9,990,453	2.33%	-	0.00%	-	0.00%	Department of Electrical Engineering, National Cheng Kung University Project Manager of Hewlett- Packard Development Company, L.P.	CEO of Transcend Information Inc. Chairman of Taiwan IC Packaging Corporation Director of C-Tech Corporation and Transcend Information Trading GmbH Representative Director of WK Technology Fund VI Ltd.; WK Technology Fund VII Ltd.; WK Technology Fund VIII Ltd. Supervisor of Wan An Technology Inc. President of Transcend Information Trading GmbH	Director	SHU, CHUNG- CHENG	Brother	-
																	Director	CHUI, LI-CHU	Spouse	
Director	R.O.C	SHU, CHUNG-CHENG	Male	2018.06.14	3	2004.06.11	6,244,098	1.45%	6,244,098	1.46%	-	0.00%	-	0.00%	Department of Civil Engineering, National Taipei Institute of Technology	Chairman of C-Tech Corporation, Cheng Chuan Technology Development Inc. and Shu Min Investment Inc. Executive Director of Transcend Information (Shanghai), Ltd. and Transtech Trading (Shanghai) Co., Ltd. Director of Wan An Technology Inc., Won Chin Investment Inc., Wan Min Investment Inc., Wan Chuan Investment Inc., Saffire Investment Ltd., Memhiro Pte. Ltd. and Transcend Information (H.K.) Limited. Consultant of Transcend Information Inc. and Taiwan IC Packaging Corporation	Chairman and CEO	SHU, CHUNG- WON	Brother	-
																	Director	CHUI, LI-CHU	Second- degree Relatives	
Director	R.O.C	CHUI, LI-CHU	Female	2018.06.14	3	2015.06.12	-	0.00%	-	0.00%	9,990,453	2.33%	-	0.00%	Department of French, Tamkang University Administrative officer of Ho Cheng Investment Inc.	Supervisor of Won Chin Investment Inc.	Chairman and CEO	SHU, CHUNG- WON	Spouse	-
																	Director	SHU, CHUNG- CHENG	Second- degree Relatives	
Director	R.O.C	HSU, CHIA-HSIAN	Male	2018.06.14	3	2003.06.03 (discharged on 2009.6.13 after expiration of two terms of office)	674,244	0.16%	487,244	0.11%	6,744	0.00%	-	0.00%	Department of Automatic Control Engineering, Feng Chia University President of China area of Transcend Information Inc.	Consultant of Transtech Trading (Shanghai) Co., Ltd.	None	None	None	-
Director	R.O.C	WANG, JEN-MING	Male	2018.06.14	3	2018.06.14	-	0.00%	-	0.00%	-	0.00%	-	0.00%	University of Illinois MBA Sales director of Transcend Information, Inc.	Sales Vice General Manager of Transcend Information, Inc.	None	None	None	-

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remark (Note)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	R.O.C	LI, TSENG-HO	Male	107.06.14	3	2018.06.14	-	0.00%	-	0.00%	4,000	0.00%	-	0.00%	Master of Information Management of National Taiwan University of Science and Technology R&D Director of Transcend Information, Inc. Factory Chief of Transcend Information, Inc.	R&D Vice General Manager of Transcend Information, Inc.	None	None	None	-
Indeocent Director	R.O.C	WANG, YI-HSIN	Female	2018.06.14	3	2012.06.15	-	0.00%	-	0.00%	-	0.00%	-	0.00%	Ph.D, Accounting, University of Kentucky Professor of Department of Accounting, National Chung Hsing University Vice President of National Taipei University, Library Director Independent Director of Bestcom Infotech Corp. Independent Director of United BioPharma Inc. President and Professional Development Committee Chairperson, Institute of Internal Auditors-Chinese Taiwan Director and Member of Professional Ethics Committee and International Relationship Committee, International Internal Audit Association Financial Officer of Asian Alliance, International Internal Audit Association Committee Member of "Park Operation Fund Supervisory Management Committee," National Science Council, Executive Yuan Committee Member of "Committee for Government Accounting Standards," Directorate-General of Budget, Accounting and Statistics, Executive Yuan	Professor of Department of Accounting, National Taipei University Director of First Financial Holding Co., Ltd. Chairman of Accounting Research and Development Foundation Chairman of Taipei Trend Research Foundation Supervisor of Telecom Technology Center Committee Member of "Telecommunications Universal Services Fund Management Committee, " National Communications Commission, Executive Yuan Director of Yu Da University of Science and Technology	None	None	None	-

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remark (Note)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Indeoeent Director	R.O.C	CHEN, YI-LIANG	Male	2018.06.14	3	2012.06.15	-	0.00%	-	0.00%	-	0.00%	-	0.00%	MBA, University of California, Los Angeles President of Symphox Information Co., Ltd. President of China area of Hewlett-Packard Development Company, L.P. CFO of China area of Hewlett-Packard Development Company, L.P. Business Development President of Asia area of Hewlett-Packard Development Company, L.P. Financial Vice President of Taiwan area of Hewlett-Packard Development Company, L.P. Financial Manager of Taiwan area and Sales manager of Southern area of Hewlett-Packard Development Company L.P. Independent Director of Nano-Op Co., Ltd.	Director of Homeyen Networks Co., Ltd. Director of Tai Hwa Oil Industrial Co., Ltd. Independent Director of Lextar Electronics Corp.	None	None	None	-
Indeoeent Director	R.O.C	CHEN, LO-MIN	Male	2018.06.14	3	2012.06.15	-	0.00%	-	0.00%	-	0.00%	-	0.00%	Department of Business Administration of National ChengChi University Global Executive Vice President of Diebold Inc. President of Asia-Pacific area of Diebold Inc. President of Great China Business division of Royal Philips President of NCR China Co., Ltd. Vice President of Taiwan branch of NCR Corp.	Indeoeent Director of Hitron Technologies Inc.	None	None	None	-

3.2.2. Disclose the name of the Institutional Shareholders if the Company's Direcor is a representative of an Institutional Shareholder: None.

3.2.3. Top 10 Shareholders' Names and Shareholding Ratio of the Institutional Shareholders: Not applicable.

### 3.2.4. Professional Qualifications and Independence Analysis of the Directors:

Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	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, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
SHU, CHUNG-WON			v					v				v		v	v	0
SHU, CHUNG-CHENG (Note)			v	v				v	v	v		v		v	v	0
CHUI, LI-CHU			v	v				v	v			v		v	v	0
HSU, CHIA-HSIAN			v	v	v	v	v	v	v	v	v	v	v	v	v	0
WANG, JEN-MING			v		v	v		v	v	v	v	v	v	v	v	0
LI, TSENG-HO			v		v	v		v	v	v	v	v	v	v	v	0
CHEN, YI-LIANG			v	v	v	v	v	v	v	v	v	v	v	v	v	1
CHEN, LO-MIN			v	v	v	v	v	v	v	v	v	v	v	v	v	1
WANG, YI-HSIN	v			v	v	v	v	v	v	v	v	v	v	v	v	0

Note: Dismissal of general manager and retired on March 5, 2020.

#### Independence Criteria-

- Not an employee of the company or any of its affiliates.
- Not a director or supervisor of the company or any of its affiliates. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
- Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
- Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.
- Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
- If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: not a director, supervisor, or employee of that other company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
- If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: not a director (or governor), supervisor, or employee of that other company or institution. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
- Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent, if the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public company.



9. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
10. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
11. Not been a person of any conditions defined in Article 30 of the Company Law.
12. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

### 3.2.5. Management Team

April 19, 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			Remark(s)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman & CEO (Note 1)	R.O.C	Shu, Chun-Won	Male	1991.06.01	9,990,453	2.33%	-	0.00%	-	0.00%	<ul style="list-style-type: none"> <li>• Department of Electrical Engineering, National Cheng Kung University</li> <li>• Project Manager of Hewlett-Packard Development Company, L.P.</li> <li>• Chairman of Transcend Information, Inc.</li> </ul>	(Note 2)	None	None	None	-
General Manager	Korea	Hong, Wan-Hoon	Male	2020.03.05	-	0.00%	-	0.00%	-	0.00%	<ul style="list-style-type: none"> <li>• Department of Electronic Engineering, Inha University</li> <li>• Chairman of Samsung Electronics Taiwan Co., Ltd.</li> <li>• General Manager of Transcend Information, Inc.</li> </ul>	None	None	None	None	-
Director & Vice General Manager	R.O.C	Wang, Jen-Ming	Male	2017.07.01	-	0.00%	-	0.00%	-	0.00%	<ul style="list-style-type: none"> <li>• University of Illinois MBA</li> <li>• Sales Vice General Manager of Transcend Information, Inc.</li> </ul>	None	None	None	None	-
Director & Vice General Manager	R.O.C	LI, TSENG-HO	Male	2020.10.01	-	0.00%	4,000	0.00%	-	0.00%	<ul style="list-style-type: none"> <li>• Master of Information Management, National Taiwan University of Science and Technology</li> <li>• R&amp;D Vice General Manager of Transcend Information, Inc.</li> </ul>	None	None	None	None	-

April 19, 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			Remark(s)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Vice General Manager	R.O.C	Fang, Wen-Jeng	Male	2019.09.01	-	0.00%	25,967	0.01%	-	0.00%	<ul style="list-style-type: none"> <li>University of Southern California Electrical Engineering</li> <li>Administration Vice General Manager of Transcend Information, Inc.</li> </ul>	None	None	None	None	-
Vice General Manager	R.O.C	Chen, Po-Shou	Male	2019.07.01	-	0.00%	-	0.00%	-	0.00%	<ul style="list-style-type: none"> <li>San Jose State University Economics</li> <li>Sales Vice General Manager of Transcend Information, Inc.</li> </ul>	None	None	None	None	-
CFO	R.O.C	Hsiao, Sheng-Yin	Male	2019.08.01	-	0.00%	-	0.00%	-	0.00%	<ul style="list-style-type: none"> <li>Master of Accounting, National Taiwan University</li> <li>Financial and Accounting Manager of Transcend Information, Inc.</li> </ul>	None	None	None	None	-

Note 1: Due to the needs of the Company's operation and business development, presently, the Chairman and CEO refer to the same person. However, a majority of the directors are not concurrently assuming the positions of employees or managerial officers. The supervisory function of the board of directors is still complete. In the future, to cope with the regulatory requirements, the structure of the board of directors is planned to be adjusted (such as the increase of the number of independent directors).

Note 2: Chairman of Taiwan IC Packaging Corporation

Director of C-Tech Corporation and Transcend Information Trading GmbH

Representative Director of WK Technology Fund VI Ltd., WK Technology Fund VII Ltd., and WK Technology Fund VIII Ltd.

Supervisor of Wan An Technology Inc.

General Manager of Transcend Information Trading GmbH

3.2.6. Remuneration of Directors, Independent Directors, General Manager and Vice General Managers  
1. Remuneration of Directors and Independent Directors

Dec.31,2020; Unit:NT\$ thousands

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 (%)		Remuneration from ventures other than subsidiaries or from the parent company
		Base Compensation (A)		Severance Pay (B)		Directors Compensation (C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation (G) (Note)						
		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	
Chairman	Shu, Chung-Won	3,600	3,600	-	-	1,440	1,440	190	190	0.44%	0.44%	13,601	13,601	-	-	451	-	451	-	1.61%	1.61%	4,566
Director	Shu, Chung-Cheng																					
Director	Chui, Li-Chu																					
Director	Hsu, Chia-Hsian																					
Director	Wang, Jen-Ming																					
Director	Li, Tseng-Ho	1,800	1,800	-	-	720	720	280	280	0.23%	0.23%	-	-	-	-	-	-	-	-	0.23%	0.23%	-
Independent Director	Chen, Yi-Liang																					
Independent Director	Chen, Lo-Min																					
Independent Director	Wang, Yi-Hsin																					

1. Please describe the policy, system, standard, and structure of remuneration to independent directors, and the correlation between duties, risk, and time input with the amount of remuneration:  
Transportation allowance is issued according to the attending status of the independent directors of the Company in the board of directors' meetings and functional committees. The determination of the remuneration of directors is made based on the consideration of the overall business performance of the Company, future operational risk and development trend of the industry, along with the consideration of the contribution of each director on the operation of the Company and the annual performance evaluation result by the board of directors (including individual director), in order to issue reasonable remuneration. According to Article 22 of the Articles of Incorporation of the Company, where the Company has a profit for each fiscal year, the Company shall set aside no more than 0.2% of the profit for distribution to directors as remuneration.

2. 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\$2,318 thousands.

Note: The compensation of employees approved by the Board of Directors for the year ended December 31, 2020 is NT\$14,786,482.

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
Less than NT\$ 1,000,000	Shu, Chung-Won, Shu, Chung-Cheng, Chui, Li-Chu, Hsu, Chia-Hsian, Wang, Jen-Ming, Li, Tseng-Ho, Chen, Yi-Liang, Chen, Lo-Min, Wang, Yi-Hsin	Shu, Chung-Won, Shu, Chung-Cheng, Chui, Li-Chu, Hsu, Chia-Hsian, Wang, Jen-Ming, Li, Tseng-Ho, Chen, Yi-Liang, Chen, Lo-Min, Wang, Yi-Hsin	Chui, Li-Chu, Hsu, Chia-Hsian, Chen, Yi-Liang, Chen, Lo-Min, Wang, Yi-Hsin	Chui, Li-Chu, Hsu, Chia-Hsian, Chen, Yi-Liang, Chen, Lo-Min, Wang, Yi-Hsin
NT\$1,000,000 ~ NT\$1,999,999			Shu, Chung-Cheng	
NT\$2,000,000 ~ NT\$3,499,999				
NT\$3,500,000 ~ NT\$4,999,999			Wang, Jen-Ming, Li, Tseng-Ho	Wang, Jen-Ming, Li, Tseng-Ho
NT\$5,000,000 ~ NT\$9,999,999			Shu, Chung-Won	Shu, Chung-Won, Shu, Chung-Cheng
NT\$10,000,000 ~ NT\$14,999,999				
NT\$15,000,000 ~ NT\$29,999,999				
NT\$30,000,000 ~ NT\$49,999,999				
NT\$50,000,000 ~ NT\$99,999,999				
Greater than or equal to NT\$100,000,000				
Total	9	9	9	9

## 2. Remuneration of the General Manager and Vice General Managers

Dec. 31, 2020; Unit: NT\$ thousands

Title	Name	Salary (A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee Compensation (D) (Note 1)				Ratio of total compensation (A+B+C+D) to net income (%)		Remuneration from ventures other than subsidiaries or from the parent company
		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 and CEO	Shu, Chung-Won	25,579	25,579	-	-	5,746	5,746	736	-	736	-	2.68%	2.68%	4,566
Director and General Manager	Shu, Chung-Cheng (Note 2)													
General Manager	Hong, Wan-Hoon (Note 3)													
Director and Vice General Manager	Wang, Jen-Ming													
Director and Vice General Manager	Li, Tseng-Ho (Note 4)													
Vice General Manager	Fang, Wen-Jeng													
Vice General Manager	Chen, Po-Shou													

Note 1: The compensation of employees approved by the Board of Directors for the year ended December 31, 2020 is NT\$14,786,482.

Note 2: Dismissal of General Manager on March 5, 2020.

Note 3: New appointment of General Manager on March 5, 2020.

Note 4: New appointment of Vice General Manager on October 1, 2020.

Range of Remuneration	Name of General Manager and Vice General Managers	
	The company	Companies in the consolidated financial statements
Less than NT\$ 1,000,000		
NT\$1,000,000 ~ NT\$1,999,999	Shu, Chung-Cheng	
NT\$2,000,000 ~ NT\$3,499,999	Fang, Wen-Jeng, Chen, Po-Shou	Fang, Wen-Jeng, Chen, Po-Shou
NT\$3,500,000 ~ NT\$4,999,999	Wang, Jen-Ming, Li, Tseng-Ho	Wang, Jen-Ming, Li, Tseng-Ho
NT\$5,000,000 ~ NT\$9,999,999	Shu, Chung-Won	Shu, Chung-Won, Shu, Chung-Cheng
NT\$10,000,000 ~ NT\$14,999,999	Hong, Wan-Hoon	Hong, Wan-Hoon
NT\$15,000,000 ~ NT\$29,999,999		
NT\$30,000,000 ~ NT\$49,999,999		
NT\$50,000,000 ~ NT\$99,999,999		
Greater than or equal to NT\$100,000,000		
Total	7	7

### 3. Employee Compensation for Managerial Officers

Dec. 31, 2020; Unit: NT\$ thousands

	Title	Name	Employee Compensation		Total	Ratio of Total Amount to Net Income (%)
			in Stock	in Cash		
Managerial Officers	Chairman and CEO	Shu, Chung-Won	-	856	856	0.07
	Director and General Manager (Note 1)	Shu, Chung-Cheng				
	General Manager (Note 2)	Hong, Wan-Hoon				
	Director and Vice General Manager	Wang, Jen-Ming				
	Director and Vice General Manager (Note 3)	Li, Tseng-Ho				
	Vice General Manager	Fang, Wen-Jeng				
	Vice General Manager	Chen, Po-Shou				
	CFO	Hsiao, Sheng-Yin				

Note 1: Dismissal of General Manager on March 5, 2020.

Note 2: New appointment of General Manager on March 5, 2020.

Note 3: New appointment of Vice General Manager on October 1, 2020.

3.2.7. The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to Directors, General Manager and Vice General Managers of the Company, to the net income:

Year Title	Ratio of total remuneration paid to Directors, General Manager and Vice General Manager to net income (%)			
	2020		2019	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Directors	1.84%	1.84%	1.64%	1.64%
General Manager and Vice General Managers	2.68%	2.68%	1.29%	1.29%

3.2.8. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with risks and business performance:

Transportation allowance is issued according to the attending status (listed for attendance) of the directors and independent directors of the Company in the board of directors' meetings and functional committees. The determination of the remuneration of directors is made based on the consideration of the overall business performance of the Company, future operational risk and development trend of the industry, along with the consideration of the contribution of each director on the operation of the Company and the annual performance evaluation result by the board of directors (including individual director), in order to issue reasonable remuneration. Furthermore, according to Article 22 of the Articles of Incorporation of the Company, when the Company has a profit for each fiscal year, an amount no more than 0.2% of the profit shall be appropriated as the remuneration of directors, and after the resolutions of the Remuneration Committee and the Board of Directors, the remuneration is then issued to each director.

The salaries of the CEO, General Manager, Vice General Managers and other managerial officers, etc., are issued based on the consideration of the standard adopted in the same industry, market status, professional competence and job duties. According to Article 22 of the Articles of Incorporation of the Company, when the Company has a profit for each fiscal year, an amount not less than 1% of the profit shall be appropriated as the remuneration of employees, and the personal annual work performance, including the achievement rate of revenue and profit of the



entire company and his/her in-charge department, personal goal achievement rate, operational management capability, and whether there is any special contribution or negative events, etc., such that the amount of distribution is determined after comprehensive evaluation of all aspects. Remuneration performance evaluation and reasonableness for directors and managerial officers are reviewed and approved by the Remuneration Committee and Board of Directors. The remuneration system is also reviewed according to the actual condition of business and relevant laws and regulations appropriately at all times.

### 3.3. Implementation of Corporate Governance

#### 3.3.1. Operations of the Board of Directors

A total of 4 meetings of the Board of Directors were held in the previous period. The attendance of directors were as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Chairman	Shu, Chung-Won	4	0	100	
Director	Shu, Chung-Cheng	4	0	100	
Director	Chui, Li-Chu	2	0	50	
Director	Hsu, Chia-Hsian	1	0	25	
Director	Wang, Jen-Ming	4	0	100	
Director	Li, Tseng-Ho	4	0	100	
Independent Director	Chen, Yi-Liang	3	1	75	
Independent Director	Chen, Lo-Min	4	0	100	
Independent Director	Wang, Yi-Hsin	4	0	100	

Other mentionable items:

1. 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:

(1) Matters referred to in Article 14-3 of the Securities and Exchange Act.

(2) 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.

None. Please refer to "3.3.12 Major resolutions of Shareholders' Meeting, Board of Directors Meetings, Audit Committee meetings and Remuneration Committee meetings in the most recent year and up to the publication date of this Annual Report" for major resolutions of Board of Directors Meetings in the most recent year and up to the publication date of this Annual Report.

2. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified:

None.

3. TWSE/TPEX-listed companies are required to disclose the evaluation cycle and period, scope of evaluation, evaluation method, and evaluation items of the self evaluations conducted by the Board of Directors:

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation items
Once a year	January 1, 2020 to December 31, 2020	Board of Directors, individual directors, and functional	Self-assessment by directors, internal self-evaluation by the Board of Directors and	(1) Board performance evaluation: level of participation in company operations, the quality of Board decisions, Board composition and structure, appointment of directors and their continued development, and internal controls.

			committees	functional committees	<p>(2) Individual director performance evaluation: grasp of company targets and missions, understanding of the director's role and responsibilities, level of participation in company operations, internal relationship management and communication, director's specialty and continued development, and internal controls.</p> <p>(3) Audit committee performance evaluation: Participation in company operations, understanding of the responsibilities of Audit committees, improvement of the decision-making quality of Audit committees, composition of Audit committees, and member selection and internal control.</p> <p>(4) Remuneration committee performance evaluation: Participation in company operations, understanding of the responsibilities of Remuneration committees, improvement of the decision-making quality of Remuneration committees, and composition of Remuneration committees, and member selection.</p>
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The results of the Board performance evaluation for the year ended December 31, 2020 have been disclosed on corporate website at: [https://tw.transcend-info.com/about/board\\_of\\_directors](https://tw.transcend-info.com/about/board_of_directors)

4. Evaluation of targets for strengthening of the functions of the board during the current and immediately preceding fiscal years, and measures taken toward achievement thereof:
- (1) The Company established Remuneration committee in 2011 and Audit Committee in 2012 to assist the Board of Directors in carrying out its various duties. The board of directors also established the "Codes of Ethical Conduct for Directors and Managerial Officers" in 2013 in order to provide guidance to the conducts of directors and managerial officers for compliance with the moral standards, thereby achieving sound corporate governance.
  - (2) To strengthen the independent directors' participation in the operation of the board of directors and to improve the understanding of the company affairs, at least two independent directors are required to attend a board of directors' meeting in person. For those that cannot attend the meeting in person, they may appoint other independent directors to attend the meeting on their behalf. (Note)
  - (3) To implement corporate governance and to improve the function of the board of directors, performance

goals are established in order to enhance the operational efficiency of the board of directors. The Company's board of directors approved the "Rules for Performance Evaluation of Board of Directors" on March 5, 2020, and the first evaluation period was from January 1, 2020 to December 31, 2020, and the evaluation result was reported to the board of directors on March 4, 2021. Please refer to the aforementioned Point 3 for the evaluation content and result.

Note: Attendance of each independent directors during Board of Director meetings held in 2020.

Independent Directors	The First Meeting	The Second Meeting	The Third Meeting	The Forth Meeting
Chen, Yi-Liang	Attendance in Person	By Proxy	Attendance in Person	Attendance in Person
Chen, Lo-Min	Attendance in Person	Attendance in Person	Attendance in Person	Attendance in Person
Wang, Yi-Hsin	Attendance in Person	Attendance in Person	Attendance in Person	Attendance in Person

### 3.3.2. Operations of the Audit Committee

1. The Company established Audit Committee on June 2012. The Committee composed of the entire number of independent directors, which are three persons in total. The Committee operations by the Company's Audit Committee Charter, and the main function of the Audit Committee is to supervise the following matters:
  - (1) Fair presentation of the financial reports of this Corporation.
  - (2) The hiring (and dismissal), independence, and performance of certificated public accountants of this Corporation.
  - (3) The effective implementation of the internal control system of this Corporation.
  - (4) Compliance with relevant laws and regulations by this Corporation.
  - (5) Management of the existing or potential risks of this Corporation.
2. The powers of the Committee are as follows:
  - (1) The adoption of or amendments to the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
  - (2) Assessment of the effectiveness of the internal control system.
  - (3) The adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of the procedures for handling financial or business activities of a material nature, such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, and endorsements or guarantees for others.
  - (4) Matters in which a director is an interested party.
  - (5) Asset transactions or derivatives trading of a material nature.
  - (6) Loans of funds, endorsements, or provision of guarantees of a material nature.
  - (7) The offering, issuance, or private placement of equity-type securities.
  - (8) The hiring or dismissal of a certified public accountant, or their compensation.
  - (9) The appointment or discharge of a financial, accounting, or internal audit officer.
  - (10) Annual financial reports and second quarter financial reports that must be audited and attested by a CPA, which are signed or sealed by the chairman, managerial officer, and accounting officer.
  - (11) Other material matters as may be required by this Corporation or by the competent authority.
3. The key tasks of the Audit Committee of the Company for the year of 2020 includes: Review of all quarterly and annual financial statements, review of annual earning distribution proposal,

examine the effectiveness of the internal control system, establishment and revision of the internal control system, review of material asset transactions, corporate governance related affairs, risk management matters, appointment and compensation of CPAs, etc. Please refer to “3.3.12 Major resolutions of Shareholders’ Meeting, Board of Directors Meetings, Audit Committee meetings and Remuneration Committee meetings in the most recent year and up to the publication date of this Annual Report” for major resolutions of Audit Committee meetings in the most recent year and up to the publication date of this Annual Report.

4. A total of 4 Audit Committee meetings were held in the previous period. The attendance of the independent directors was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Independent Director	Chen, Yi-Liang	3	1	75	
Independent Director	Chen, Lo-Min	4	0	100	
Independent Director	Wang, Yi-Hsin	4	0	100	

Other mentionable items:

1. If any of the following circumstances occur, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company’s response to the Audit Committee’s opinion should be specified:

(1) Matters referred to in Article 14-5 of the Securities and Exchange Act.

(2) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors.

None. Please refer to “3.3.12 Major resolutions of Shareholders’ Meeting, Board of Directors Meetings, Audit Committee meetings and Remuneration Committee meetings in the most recent year and up to the publication date of this Annual Report” for major resolutions of Audit Committee meetings in the most recent year and up to the publication date of this Annual Report.

2. If there are independent directors’ avoidance of motions in conflict of interest, the directors’ names, contents of motion, causes for avoidance and voting should be specified:

None.

3. Communications between the independent directors, the Company's chief internal auditor and CPAs (e.g. the material items, methods and results of audits of corporate finance or operations, etc.):

(1) The internal auditors have communicated the result of the audit reports to the members of the Audit Committee periodically, and have presented the findings of all audit reports in the quarterly meetings of the Audit Committee. The internal auditors report the next Annual Audit Plan and get the approval of the Audit Committee in the last Audit Committee meeting every year. Should the urgency of the matter require it, the Company's chief internal auditor will inform the members of the Audit Committee outside of the regular reporting. There was no such special situation in 2020. The communication channel between the Audit Committee and the internal auditor has been functioning well.

(2) The Company’s CPAs have presented the findings or the comments for the quarterly corporate financial reports, as well as those matters communication of which is required by law, in the regular

quarterly meetings of the Audit Committee. Under applicable laws and regulations, the CPAs are required to communicate to the Audit Committee any material matters that they have discovered. There was no such special situation in 2020. The communication channel between the Audit Committee and the CPAs has been functioning well.

3.3.3. Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

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”?	v		The Company has established the Corporate Governance Best-Practice Principles based on the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”. The information has been disclosed on the Company’s website. <a href="http://tw.transcend-info.com/about/policies">http://tw.transcend-info.com/about/policies</a>	None
2. Shareholding structure & shareholders’ rights				
(1) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?	v		The Company has established spokesperson and investor relationship unit to handle issues of shareholders’ suggestions or disputes.	None
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	v		The Company reports the shareholding change status of insiders (directors, managerial officers and shareholders with shareholding over 10% of the total number of shares) in time, and also discloses the top 10 shareholders’ information in the shareholders’ meeting annual report every year. Furthermore, the financial statements also disclose the information of major shareholders with the shareholding over 5% on a quarterly basis.	None
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	v		The Company has established the related party transaction control operation in order to implement the risk control mechanism thoroughly.	None
(4) Does the company establish internal rules against insiders trading with undisclosed information?	v		The Company has established and disclosed the “Codes of Ethical Conduct for Employees”, “Codes of Ethical Conduct for Directors and Managerial Officers” and “Procedures for Handling Material Inside Information” on the Company’s website, in order to prohibit employees to allow themselves or any third party to gain personal benefits through the	None

Evaluation Item	Implementation Status		Abstract Illustration	Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
			use of the Company’s assets, information of through one’s job duties.	
<p>3. Composition and Responsibilities of the Board of Directors</p> <p>(1) Does the Board develop and implement a diversified policy for the composition of its members?</p>	v		<p>1. The nomination and election of board members of the Company comply with the ”Procedures for Election of Directors” and ”Corporate Governance Best-Practice Principles”, in order to ensure the diversity and independence of board members. According to Article 20 of the”Corporate Governance Best-Practice Principles” of the Company, all directors are preferably required to possess knowledge, skills and literacy necessary for performing duties, and diversity directives have been established.</p> <p>2. All directors are equipped with extensive experience in leadership, operation determination, business management, crisis handling, and are also equipped with industrial knowledge and international market view such that they are equipped with various capabilities necessary to execute the corporate governance. Independent directors, Mr. CHEN, YI-LIANG, Mr. CHEN, LO-MIN and Ms. WANG, YI-HSIN, are equipped with the professional backgrounds in accounting and financial analysis, such they are able to provide professional recommendations to the Company from different viewpoints and aspects.</p> <p>3. The ratio of directors equipped with the identity of employees of the Company accounts for 33% of all directors, the ratio of independent directors accounts for 33% of all directors, and the female director ratio accounts for 22%. Three independent directors have the term of office seniority between 8–9 years, one director at the age above 70 years old, five directors at the age between 61–70 years old, and three directors at the age under 60 years old. The Company emphasizes the diversity of the composition of the board of directors, and the goal for the ratio of directors</p>	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>equipped with financial professional expertise is to be above 40%. It is expected that after the expiration of the current term of office of directors, one additional director equipped with such expertise will join the board of directors in order to achieve the goal.</p> <p>4. The board of directors has disclosed the policy for the formation of diverse board members on the Company’s website and the Market Observation Post System (MOPS). °</p>	
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	v		Presently, the Company has established the Remuneration Committee and Audit Committee, and these two committees are composed of all of the independent directors. Other types of functional committees are continuously being assessed.	None
(3) Does the company establish a standard to measure the performance of the Board and implement it annually, and are performance evaluation results submitted to the Board of Directors and referenced when determining the remuneration of individual directors and nominations for reelection?	v		The Company has established and disclosed the ”Rules for Performance Evaluation of Board of Directors” on the Company’s website, and the evaluation period is from January 1 to December 31 of each year. The result is reported to the board of directors before the end of March of the following year in order to be used as a reference for review and improvement. The evaluation result on the performance of the board of directors of the Company will be used as a reference for election or nomination of directors. The result of 2020 board of directors performance evaluation has been reported to the board of directors’ meeting on March 4, 2021. Please refer to “3.3.1 Operations of the Board of Directors”.	None
(4) Does the company regularly evaluate the independence of CPAs?	v		The Company periodically evaluates the independence of the CPAs on an annual basis, and the result has been approval by the board of directors on March 5, 2020. After examination of the CPAs’ independence evaluation checklist, and the evaluation items include that the CPAs have no direct or material indirect financial benefit relationships with the Company, not assuming the position of director, managerial officer or any job position that has material impact on the audit work of the Company, not engaging in any	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			financing or guarantee activities with the Company or directors of the Company, not acting or representing as an agent of the Company, or involving any defense or coordination for the Company, not providing non-audit services other than certification and financial tax services to the Company that may have direct impact on the audit word, and not relatives to all of the aforementioned personnel, etc. Accordingly, the independence of the CPAs of the Company has been evaluated properly and confirmed to comply with the requirements	
4. Does the company appoint a suitable number of competent personnel and a supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, assisting directors and supervisors with compliance, handling work related to meetings of the board of directors and the shareholders' meetings, and producing minutes of board meetings and shareholders' meetings)?	v		<p>The Company assigns FAD as the main promotional unit for corporate governance. On May 6, 2021, the board of directors appointed the CFO of the Company to act as the Chief Corporate Governance Officer to be in charge of corporate governance related affairs. The officer is equipped with the experience of the supervisor role in the financial, stock affairs and corporate governance related affairs units of publicly listed companies for more than three years. The main responsibilities and authorities of the corporate governance unit are to provide documents and information necessary for directors to perform duties, to assist the Company and directors in the compliance with the laws and regulations, and to handle affairs for board of directors' meetings and shareholders' meetings.</p> <p>The key operational tasks for the current year are as follows:</p> <ol style="list-style-type: none"> <li>1. Organize 2020 board of directors' meetings, functional committees' meetings, and shareholders' meetings, including planning and establishment of agenda, mailing of meeting notice within the statutory time-limit, providing all documents and data necessary for the meetings, and also prepare meeting minutes after such meetings.</li> <li>2. Assist and organize continuing educational courses for directors.</li> <li>3. Perform 2020 board of directors' performance evaluation.</li> <li>4. Summarize amendments of latest laws of the</li> </ol>	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>competent authority, and revise internal regulations of the Company accordingly.</p> <p>5. Make public announcements on all material resolutions reached by the Company and material information of the Company according to the laws.</p> <p>6. Handle registration alternation related affairs.</p> <p>7. Update and disclose all corporate governance information, including the composition of board of directors and functional committees, audit plan of each year, organization and management team of the Company, important internal regulations of the Company and interested party section, etc.</p> <p>8. Other matters related to corporate governance.</p>	
5. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	v		<p>The definition of interested parties of the Company includes employees, suppliers, shareholders and customers. The Company has established various communication and compliant channels, such as the spokesperson system, contact mailbox and website, etc., and feedback information of the aforementioned interested parties are collected, in order to provide the latest information and communication channels of the Company. In addition, international trend and regulations, customer demands and methods adopted in the same industry are also considered, and issues concerned by all interested parties are identified, in order to list out the responsiveness and communication method for each issue.</p> <p>The Company has established the Interested Party section on the Company’s website, please refer to: <a href="https://tw.transcend-info.com/about/stakeholders">https://tw.transcend-info.com/about/stakeholders</a></p>	None
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	v		The Company has appointed Transfer Agency Department of CTBC Bank to handle stock affairs of the Company.	None
7. Information Disclosure (1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	v		<p>1. The Company has established official corporate website to disclose relevant information timely. The website address is: <a href="http://tw.transcend-info.com/">http://tw.transcend-info.com/</a></p> <p>2. Financial information disclosure status:</p>	None

Evaluation Item	Implementation Status		Abstract Illustration	Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
			<p>The Chinese and English versions of the Company’s website are established with the Investor Information section, disclosing financial information, and the information is updated periodically for investors’ reference.  <a href="https://tw.transcend-info.com/about/month_sales">https://tw.transcend-info.com/about/month_sales</a>  <a href="https://us.transcend-info.com/about/month_sales">https://us.transcend-info.com/about/month_sales</a></p> <p>3. Corporate governance information disclosure status:  The Company has disclosed the information on the composition of the committees, including board of directors, annual audit plan, company organization and management team, important internal regulations and interested party section of the Company on the Company’s website.  <a href="http://tw.transcend-info.com/about/board_of_directors">http://tw.transcend-info.com/about/board_of_directors</a></p>	
(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)?	v		<p>1. The Company has assigned dedicated personnel to be responsible for the collection and disclosure of the Company’s information, and spokesperson system is implemented according to the regulations. The procedure and presentation files of institutional investors’ conferences are also published on the Company’s website.  <a href="http://tw.transcend-info.com/about/conference">http://tw.transcend-info.com/about/conference</a></p> <p>2. The Company has set up the English website to provide investors from all countries to make inquiries and to understand relevant information. Please refer to:  <a href="https://us.transcend-info.com/">https://us.transcend-info.com/</a></p>	None
(3) Does the company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?	v	v	<p>The Company convened the board of directors’ meeting on March 4, 2021 to approve the annual financial statements for 2020, and the annual financial statements were publicly announced and reported on the same day. And financial statements for Q1, Q2 and Q3 of the fiscal year were reported to the board of directors’ meetings on May 7, 2020, August 6, 2020 and November 10, 2020 respectively. And they were also publicly announced and reported on the same day.</p>	The Company makes public announcement and reports the annual and quarterly financial statements according to the time limits specified in Article 36 of the Securities and Exchange Act.

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
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)?	v		<ol style="list-style-type: none"> <li>1. Employees’ rights and interests, employee care execution status: Please refer to ”5.5 Labor Relations” of this Annual Report.</li> <li>2. Investor relationship, supplier relationship, interested parties’ rights and customer policy execution status: The Company has set up the Interested Party section on the Company’s website. <a href="https://tw.transcend-info.com/about/stakeholders">https://tw.transcend-info.com/about/stakeholders</a></li> <li>3. Continuing education status of directors and supervisors: Please refer to ”3.3.5.Continuing Education/Training of Directors in 2020” of this Annual Report.</li> <li>4. Risk Management Policies and risk evaluation measures execution status: Please refer to ”7.6 Analysis of Risk Management” of this Annual Report and the Company’s website: <a href="https://tw.transcend-info.com/about/risk_management_policy">https://tw.transcend-info.com/about/risk_management_policy</a></li> <li>5. Customer policy execution status: The Company rigorously complies with the customer confidentiality rules and the Ethical Corporate Management Best-Practice Principles. In addition, the Company maintains excellent supply relationship with customers and has established different internal teams to service customers.</li> <li>6. Status on the Company’s purchase of liability insurance for directors and supervisors: The Company has purchased directors’ and officers liability insurance, which has been approved by the board of directors on November 10, 2020 and has been publicly announced on MOPS.</li> <li>7. The Company emphasizes the cultivation of senior management talents and promotes R&amp;D Vice General Manager, Sales Vice General Manager and Directors of all divisions. The Company also focuses on the management capability and professional competence of senior managers, and through the transfer of different duties, senior managers are able to develop different attributes and capabilities, thereby achieving integration and utilization to enhance decision making and understanding of management principles. Accordingly, candidates for board of directors and CEO can</li> </ol>	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			be appropriately selected from the senior managers.	
<p>9. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures.</p> <p>(1) Status of improvement:</p> <p>A. The Company has revised the intellectual property management plan associated with the operation objectives, and intellectual property related matters will be reported to the board of directors at the fourth quarter of each year. The last report date was November 10, 2020. The execution status of the current year is also disclosed on the Company’s website.  <a href="https://tw.transcend-info.com/about/intellectual_property">https://tw.transcend-info.com/about/intellectual_property</a></p> <p>B. The Company has established the structure of information security risk management, and information security policy and specific management plans have been published on the Company’s website. The information of security governance status is also reported to the board of directors periodically. The last report date was November 10, 2020.  <a href="https://tw.transcend-info.com/about/information_security_management">https://tw.transcend-info.com/about/information_security_management</a></p> <p>(2) For the two items without scores, explanations are provided in the following:</p> <p>A. Protect shareholders’ interests and fair treatment to shareholders: Starting from the second half of 2020, the Company has performed the preparation of the English version of 2020 Annual report of the Annual Regular Shareholders’ Meeting, and the annual report will be uploaded onto MOPS seven days before the convention of the 2021 Annual Regular Shareholders’ Meeting.</p> <p>B. Enhancing information transparency: The Company has started the preparation of the English version of the parent company only financial statements since 2020, and the financial statements will be uploaded onto the MPOS seven days before the convention of the 2021 Annual Regular Shareholders’ Meeting.</p>				

### 3.3.4. Composition, Responsibilities and Operations of the Remuneration Committee

To achieve sound corporate governance and to enhance remuneration management function, the Company has established the Remuneration Committee in accordance with the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange". The number of members of the Remuneration Committee of the Company is three, and the members are to be appointed in accordance with the resolution of the board of directors. The committee is formed by three external experts satisfying the professional qualification and independence requirements. For the Remuneration Committee meetings of the Company, at least two regular meetings are convened annually in order to periodically review the remuneration regulations of the Company and to provide recommendations on amendments, to periodically review the performance evaluation of directors and managerial officers and the policy, system, standard and structure for the salary and remuneration, as well as to periodically evaluate and establish salary and remuneration of directors and managerial officers of the Company. For the content of the performance evaluation standards for directors and managerial officers, please refer to "3.2.7. The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to Directors, General Manager and Vice General Managers of the Company, to the net income" and "3.2.8. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with risks and business performance".

#### 1. Information on the members of the Remuneration Committee

Title	Name	Meets One of the Following Professional Qualification requirements, Together with at Least Five Years' Work Experience			Independence Criteria										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member	
		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, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has 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	Chen, Yi-Liang			v	v	v	v	v	v	v	v	v	v	v	v	1
Independent Director	Chen, Lo-Min			v	v	v	v	v	v	v	v	v	v	v	v	1
Independent Director	Wang, Yi-Hsin	v			v	v	v	v	v	v	v	v	v	v	v	0

Independence Criteria:

1. Not an employee of the company or any of its affiliates.
2. Not a director or supervisor of the company or any of its affiliates. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.

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



2. Operation of Remuneration Committee:

(1) There are three members in the Remuneration Committee.

(2) Term of service: June 14, 2018 to June 13, 2021.

A total of two Remuneration Committee meetings were held in the previous period. The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Convener	Chen, Yi-Liang	2	0	100%	
Member	Wang, Yi-Hsin	2	0	100%	
Member	Chen, Lo-Min	2	0	100%	

Other mentionable items:

1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion:

None. Please refer to "3.3.12 Major resolutions of Shareholders' Meeting, Board of Directors Meetings, Audit Committee meetings and Remuneration Committee meetings in the most recent year and up to the publication date of this Annual Report" for major resolutions of Remuneration Committee meetings in the most recent year and up to the publication date of this Annual Report.

2. Resolutions of the remuneration committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified:

None.

### 3.3.5. Continuing Education/Training of Directors in 2020

Title/Name	Date	Host by	Training/Speech Title	Hours
Director/ Shu, Chung-Won	2020/09/30	Securities and Futures Institute	Insider Trading Prevention and Insider Equity Trading Information Seminar	3
	2020/08/06	Taiwan Corporate Governance Association	The Impact of the Latest Tax Law Changes on Business Operations and Its Response	3
Director/ Shu, Chung-Cheng	2020/09/24	Securities and Futures Institute	Insider Trading Prevention and Insider Equity Trading Information Seminar	3
	2020/08/06	Taiwan Corporate Governance Association	The Impact of the Latest Tax Law Changes on Business Operations and Its Response	3
Director/ Chui, Li-Chu	2020/09/30	Securities and Futures Institute	Insider Trading Prevention and Insider Equity Trading Information Seminar	3
	2020/08/06	Taiwan Corporate Governance Association	The Impact of the Latest Tax Law Changes on Business Operations and Its Response	3
Director/ Hsu, Chia-Hsian	2020/11/24	Accounting Research and Development Foundation	Financial Statements Fraud Case Study and Discussion on How to Discover Financial Statements Critical Information	3
	2020/08/06	Taiwan Corporate Governance Association	The Impact of the Latest Tax Law Changes on Business Operations and Its Response	3
Director/ Wang, Jen-Ming	2020/09/24	Securities and Futures Institute	Insider Trading Prevention and Insider Equity Trading Information Seminar	3
	2020/08/06	Taiwan Corporate Governance Association	The Impact of the Latest Tax Law Changes on Business Operations and Its Response	3
Director/ Li, Tseng-Ho	2020/09/24	Securities and Futures Institute	Insider Trading Prevention and Insider Equity Trading Information Seminar	3
	2020/08/06	Taiwan Corporate Governance Association	The Impact of the Latest Tax Law Changes on Business Operations and Its Response	3
Independent Director/ Chen, Lo-Min	2020/08/21	Taiwan Corporate Governance Association	How Companies Should Perform Fraud Detection Properly and Enforce Whistleblowing for Enhanced Corporate Governance	3
	2020/08/06	Taiwan Corporate Governance Association	The Impact of the Latest Tax Law Changes on Business Operations and Its Response	3
Independent Director/ Wang, Yi-Hsin	2020/11/12	Securities and Futures Institute	Discussion on Anti-Money Laundering and Counter-Terrorism Financing in Practice	3
	2020/10/30	The Institute of Internal Auditors-Chinese	2020 Seminar: Understand Trend and Improve Innovation Energy	8

Title/Name	Date	Host by	Training/Speech Title	Hours
Independent Director/ Chen, Yi-Liang	2020/08/21	Accounting Research and Development Foundation	“Faked Foreign Investment and Illegal Securities Trading” Case Study and Discussion on Legal Liabilities	3
	2020/08/06	Taiwan Corporate Governance Association	The Impact of the Latest Tax Law Changes on Business Operations and Its Response	3

3.3.6. Fulfillment of CSR and Deviations from the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies"

Evaluation Item	Implementation Status		Abstract Explanation	Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No		
1. Does the company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies?	v		<p>1. During the pursuit of sustainable operation and profit, the Company also conducts relevant risk assessment on environment, society and corporate governance related to the company operation in accordance with the materiality principle. The Company actively implements corporate social responsibility in order to comply with the international trend of environment balance, society and corporate governance development and also values the rights and interests of the interested parties, as well as incorporates such matters into the management directives and operating activities of the Company, thereby achieving the goal of sustainable operation.</p> <p>2. To enhance the corporate governance and to establish sound risk management operation, the board of directors has approved the Risk Management Policies on November 10, 2020, in order to provide guidance on effective identification, measurement, supervision and control of all kinds of risks to all units of the Company during the performance of duties, and to also control the possible risks within the acceptable level, thereby achieving the goal of reasonable risk and compensation as well as the objective of sustainable operation of the Company. Please refer to the Company's website: <a href="https://tw.transcend-info.com/about/risk_management_policy">https://tw.transcend-info.com/about/risk_management_policy</a></p>	None
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		Transcend Information appoints the Brand Marketing division to be the main unit for promoting the corporate social responsibility, and the directors of other divisions assume the positions of team leader according to the nature of business. The director of the Brand Marketing division uniformly manages and is dedicated in the social participation and feedback activities in addition to the promotion of corporate social responsibility. The Brand Marketing division also discusses routine business promotion affairs and performs information collection and summarization as well as reviews the execution status of the corporate social responsibility with the Chairman. Furthermore, the division also provides report to the board of directors on important	None

Evaluation Item	Implementation Status		Abstract Explanation	Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
			promotion items once annually. Please refer to the Company’s website for detailed information: <a href="https://tw.transcend-info.com/about/social_responsibility">https://tw.transcend-info.com/about/social_responsibility</a>	
3. Environmental issues				
(1) Does the company establish proper environmental management systems based on the characteristics of their industries?	v		Transcend adopts the product life cycle notion and performs planning based on the characteristics of our industry and also obtains the ISO14001:2015 environmental management system certification. Accordingly, we continue to reduce negative impacts on the environment and improve our environmental performance.	None
(2) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	v		<p>1. Products: During the product manufacturing process, the Company uses parts complying with RoHS EU environmental protection standards, and all of the Company’s products qualify for the QC080000 certification in order to reduce negative impacts on the environment.</p> <p>2. Energy saving:</p> <p>i. The factory replaced the old eco-friendly trucks in 2020, and purchased new eco-friendly diesel trucks. In the future, the Company will continue to replace obsolete trucks, and it is expected that all of the trucks will be replaced to new eco-friendly trucks in 2021, in order to comply with the environmental protection laws and regulations and to reduce emission of air pollution.</p> <p>ii. During 2020–2021 the factory will implement the manufacturing process equipment – reflow oven replacement project, and it is expected to reduce the power consumption by approximately 223,520 degrees per year. In 2021, the Company will also comprehensively review the internal documents and forms and will be dedicated in the promotion of document digitization, in order to achieve the effects of sustainable environment, energy saving and carbon reduction.</p> <p>3. Resource recycling: The wastepaper, waste plastics, waste metals and lighting fixtures generated by the Company daily are recycled by qualified recycling vendor periodically.</p>	None
(3) Does the company evaluate the potential risks and opportunities in	v		1. The mitigation and adaption of climate change are the main issues for sustainable development concerned by the corporates nowadays. The	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
climate change with regard to the present and future of its business, and take appropriate action to counter climate change issues?			<p>climate change generally causes the temperature to rise, which indirectly affects the loading of the air conditioning equipment of companies. To cope with the impact on the company operation, the Company performs machine equipment maintenance and also replaces relatively older equipment in order to prevent relatively higher carbon emission, thereby reducing the generation of greenhouse gas.</p> <p>2. While facing potential impacts on the caused by climate change, the Company also understands the opportunities for operation improvement associated with relevant responsive measure. For example, during the replacement of old machines with new ones, the Company cooperates with the government subsidy policy and applies for relevant energy-saving subsidy and incentives. To create a friendly environment, the Company enhances green manufacturing and develops technologies beneficial to the environment, including semi-high PCB and new packaging materials, etc. The Company also develops relevant manufacturing processes to reduce energy consumption in order to achieve a low-carbon future. Please refer to the Company’s website for details:  <a href="https://tw.transcend-info.com/about/energysaving">https://tw.transcend-info.com/about/energysaving</a>  <a href="https://tw.transcend-info.com/about/green">https://tw.transcend-info.com/about/green</a></p> <p>3. Presently, the Company has passed environment related certifications, including ISO 14001, with valid period: 2018.09.15–2021.11.28; and QC080000, with valid period: 2019.09.04–2021.10.24.</p>	
(4) Does the company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on energy efficiency and carbon dioxide reduction, greenhouse gas reduction, water reduction, or waste management?	v		<p>1. The Company evaluates the risks and opportunities of all units in order to establish environmental objective plans and to execute follow-up appropriately every year. Some of the environmental objective plans are described in the following:  2018: Replacement project of air conditioning cooled water chiller unit at office and factory buildings  2019: Replacement project of factory warehouse lighting fixture  2020: Replacement project of road lamp power consumption reduction at office and factory</p>	None

Evaluation Item	Implementation Status		Abstract Explanation	Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
			<p>buildings</p> <p>2021: Complete eco-friendly vehicle replacements for all existing vehicles</p> <p>The Company establishes environmental objective plans and executes follow-up appropriately every year. For relevant objective plans and specific execution measures, please refer to the Company’s website for details:  <a href="https://tw.transcend-info.com/about/energysaving">https://tw.transcend-info.com/about/energysaving</a></p> <p>2. The carbon dioxide emission quantities of the Company in 2020 and 2019 were 4,261 tons and 4,203 tons respectively; the water consumption was 30,685 degrees and 27,921 degrees respectively. Also, the primary source of waste generated by the Company was living waste, and the total weight of resource recycled in these two years was 157,511 kg and 224,447 kg respectively; for the general waste, the total weights were both 120,000 kg for these two years.</p>	
4. Social issues				
(1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	v		<p>The Company is committed to complying with the national labor laws, “RBA Responsible Business Alliance Code of Conduct” and other applicable industrial standards and international conventions. The Company also continues to improve the working environment and employee welfare for all employees.</p> <p>To achieve such commitment, the Company periodically identifies employee occupational safety and health risks, material environmental concerns, and entrusts a third-party authentication institution to perform audit periodically. Please refer to the Company’s website for detailed information:  <a href="https://tw.transcend-info.com/about/human">https://tw.transcend-info.com/about/human</a></p>	None
(2) Does the company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries?	v		<p>The Company has established management regulations for employee welfare measures and employee bonus system that are linked to the profit status of the Company. Each quarter, the Company shares the business outcome with employees and provides rewards to employees for their efforts in routine works. In addition, to help employees achieve work-life balance, the Company has set up recreation facilities and gym at 1<sup>st</sup> floor and B1 floor of the building in order to allow employees to relax and relieve pressure. Furthermore, the Company</p>	None

Evaluation Item	Implementation Status		Abstract Explanation	Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
(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		<p>implements annual health examinations and arranges physician to provide on-site periodic consultation in order to care for and protect the employees’ health properly.</p> <p>Please refer to ”5.5.1 Employee benefit plans, continuing education, training, retirement systems, the status of their implementation, and the status of labor agreements and measures for preserving employees' rights and interests” and corporate website:  <a href="https://tw.transcend-info.com/about/employee_benefit">https://tw.transcend-info.com/about/employee_benefit</a></p> <ol style="list-style-type: none"> <li>1. The Company implements operating environment monitoring and testing semi-annually in order to confirm the working environment in the factory. (Executed in accordance with the “Regulations for Implementing Labor Working Environment Monitoring and Testing”).</li> <li>2. Plans implemented by the Company in the factory: Human-factor engineering, abnormal workload, illegal infringement, health protection and maternity protection. (Comply with the requirements specified in the “Occupational Safety and Health Act”).</li> <li>3. For the safety and health education, the Company implements one hour of safety and health on-job educational training annually (comply with the requirement of three hours in three years specified in the “Occupational Safety and Health Education and Training Rules”).</li> <li>4. The Company sets up the health management room and also employs full-time nursing personnel according to the provisions of health protection laws in order to handle on-site worker health service affairs. The Company also contracts a specialized physician for labor health service in order to provide the monthly on-site service in the office and factory.</li> <li>5. The Company provides regular physical examination for all newly on-board employees, and the expenses are borne by the Company.</li> </ol> <p>Please refer to the Company’s website for detailed information:  <a href="https://tw.transcend-info.com/about/healthy_safety">https://tw.transcend-info.com/about/healthy_safety</a></p>	None



Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(4) Does the company provide its employees with career development and training sessions?	v		The Company establishes annual education and training plan to provide knowledge necessary for employees to perform works. Supervisors of all units also provide training planning necessary for the career and competence development of their department staff.	None
(5) Do the company's products and services comply with relevant laws and international standards in relation to customer health and safety, customer privacy, and marketing and labeling of products and services, and are relevant consumer protection and grievance procedure policies implemented?	v		Transcend is a global leading manufacturer in consumer electronics and industrial products, and recommendations on products provided by end-users are the most important basis for the Company’s product improvement. The Company has established the Technical-Support Division in charge of the handling of product related issues for customers and has also established the customers’ feedback handling operation procedure, in order to provide timely problem solving and professional service to customers.	None
(6) Does the company implement supplier management policies, requiring suppliers to observe relevant regulations on environmental protection, occupational health and safety, or labor and human rights? If so, describe the results.	v		When adding a new supplier, the Company requests the supplier to sign the environmental protection regulations compliance guarantee, supplier ethics undertaking and supplier social responsibility undertaking, or the supplier is requested to provide relevant responsibility statements. The Company also conducts supplier evaluation procedure on an annual basis. Please refer to the Company’s website for detailed information: <a href="https://tw.transcend-info.com/about/vendor_management">https://tw.transcend-info.com/about/vendor_management</a>	None
5. Does the company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as corporate social responsibility reports? Do the reports above obtain assurance from a third party verification unit?		v	The Company has not yet prepared the Corporate Social Responsibility Report (CSR or ESG Report).	In accordance with relevant laws and regulations, the Company will prepare and publicly announce the 2022 ESG Report in 2023.

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
6. Describe the difference, if any, between actual practice and the corporate social responsibility principles, if the company has implemented such principles based on the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies: The Company has established the “Corporate Social Responsibility Best-Practice Principles” in 2014, having no major difference from the “Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”, and there have been no major abnormalities in the actual operation.				
7. Other useful information for explaining the status of corporate social responsibility practices: (1) Environmental protection: Please refer to “5.4. Environmental Protection Expenditures”. (2) Consumers’ rights and interests: The Company has established the dedicated Customer Service Center to handle customer complaint issues. The direct-sale stores of the Company also provide the service of product return and exchange to consumers. (3) Employees’ rights and interests: Please refer to “5.5.1 Employee benefit plans, continuing education, training, retirement systems, the status of their implementation, and the status of labor agreements and measures for preserving employees' rights and interests”. (4) Safety and health: The Company has obtained the OHSAS18001:2007/TOSHMS occupational safety and health management system certification for the workplace, and has also qualified the TOSHMS certification standard (CNS 15506). (5) Products: In terms of the quality management, the Company has obtained the ISO 9001 quality management system certification. With outstanding product design and research and development strength, the Company has received the honor of Taiwan Excellence Award for consecutive years, thereby establishing a quality brand image. (6) Specific promotion plan and implementation outcome for corporate social responsibility: The Company upholds the value of creating a better future for the society and actively engages in social participation. Through long-term support in sports related sponsorship and numerous domestic and overseas youth cultivation events, the Company is active in promoting the development of youth and sports in Taiwan. The Company collaborates with the Chinese Taipei School Sport Federation and provides schematic supports in sports events, such as HTV and HBL contests, etc., through monetary sponsorship and product sponsorship. In addition, to further promote the junior league baseball in Taiwan, the Company launches the remote baseball seed project and sponsors remote elementary schools with hardware equipment and materials, in order to fulfill the corporates responsibility and to return to the society. The youth sports development outcome achieved by the Company has been well recognized, and the Company has received the honor of Sports Promoter Award for seven consecutive years. The Company has further received the “Bronze Medal in Sponsorship Category” for the Sports Promoter Award in 2020.				

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

Evaluation Item	Implementation Status		Abstract Illustration	Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No		
1. Establishment of ethical corporate management policies and programs				
(1) Does the company have a Board-approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the Board of Directors and management towards enforcement of such policy?	v		The "Ethical Corporate Management Best-Practice Principles" of the Company has been approved in the board of directors' meeting in 2014, and the regulations of the "Codes of Ethical Conduct for Directors and Managerial Officers" and "Codes of Ethical Conduct for Employees", etc. have also been approved in the board of directors' meeting in 2013. The Company requests directors and all employees to comply with such provisions accordingly. Please refer to the Company's website: <a href="https://tw.transcend-info.com/about/policies">https://tw.transcend-info.com/about/policies</a>	None
(2) Does the company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?	v		The Company has established the "Ethical Corporate Management Best-Practice Principles", "Codes of Ethical Conduct for Directors and Managerial Officers" and "Codes of Ethical Conduct for Employees", and all of these provisions have covered the operating activities of relatively higher risk of unethical conduct described in the content of all subparagraphs of Paragraph 2 of Article 7 of the "Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies" and other operating scope. Ethical corporate management and ethical code of conduct are the core guidelines for the Company. The contents of these provisions are published on the Company's website for relevant personnel's review at any time. The Company provides internal and external reporting channels. In case where a violation is found to be true, different level of disciplinary action is imposed depending upon the severity of the violation.	None

Evaluation Item	Implementation Status			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(3) Does the company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the company enforce the programs above effectively and perform regular reviews and amendments?	v		The Company has established the “Ethical Corporate Management Best-Practice Principles”, “Codes of Ethical Conduct for Directors and Managerial Officers” and ”Codes of Ethical Conduct for Employees” . All of these provisions are published on the Company’s website for relevant personnel’s review. The Company also requests all employees and directors to comply with these provisions accordingly.	None
2. Fulfill operations integrity policy				
(1) Does the company evaluate business partners’ ethical records and include ethics-related clauses in business contracts?	v		Prior to engaging in business dealings with suppliers, the Company conducts evaluation and review process on all aspects of the suppliers, and requests the suppliers to provide the “Supplier Ethics Undertaking.” Prior to engaging in business dealings with customers, the Company evaluates the financial and credit status according to the credit investigation policy of the Company. In case where transaction counterparty involves in unethical conducts, the Company may terminate or rescind contracts at any time.	None
(2) Does the company have a unit responsible for ethical corporate management on a full-time basis under the Board of Directors which reports the ethical corporate management policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?	v		The Company assigns the Financial and Accounting Department and the Administration Department to be the concurrent units responsible for the establishment of ethical corporate management policies and execution of supervision, and according to the job duties and scope of each unit, including the establishment and revision of the “Ethical Corporate Management Best-Practice Principles,” organizing ethical corporate management related propaganda and educational training, etc., in order to ensure the thorough implementation of ethical corporate management principles. Important items and relevant affairs promotion status are reported to the board of directors once annually.	None
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate	v		The Company has established the “Codes of Ethical Conduct for Directors and Managerial Officers”, “Codes of Ethical Conduct for Employees”, “Employee Code of Conduct and Reward and Discipline Management Regulations”, “Regulations	None

Evaluation Item	Implementation Status			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
communication channels, and implement it?			Governing Procedure for Board of Directors Meetings” and “Audit Committee Charter.” All of these provisions have clearly specified matters requiring recusal in case of encountering the situation of conflict of interest. The Company provides complaint channel, such that in case where any director, managerial officer or employee is verified to have violated the code of ethical conduct, then such violator shall be punished in accordance with the disciplinary measures specified in the code of ethical conduct.	
(4) Does the company have effective accounting and internal control systems in place to implement ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or hire outside accountants to perform the audits?	v		The Company prepares the financial statements in accordance with the International Financial Reporting Standards (IFRSs), International Accounting Standards (IAS) and interpretations. For the 2020 consolidated financial statements, the PwC Taiwan has issued the audit report with unqualified opinion. The Company establishes an internal control system for all operating activities. The internal audit unit performs audit work according to the audit plan and also reports to the Audit Committee and board of directors periodically.	None
(5) Does the company regularly hold internal and external educational trainings on operational integrity?	v		To establish the corporate culture of ethical management and sound development, the Company has constructed a proper business operation structure and has established the “Ethical Corporate Management Best-Practice Principles,” and these principles are implemented in the daily operation. The new employees’ orientation training includes ethical management related education courses, and the content mainly covers the courses employee ethical conduct, employee code of conduct, ethics and fair trade and duty of confidentiality, etc. In 2020, four orientation training sessions were held, and a total of 69 people participated in these sessions. The period of each training session is five hours. The course materials are provided to employees after the orientation training. The Company also places the course contents related to internal material information handling operation and insider trading related courses in the Company’s system and website as references for directors, managerial officers and	None

Evaluation Item	Implementation Status			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			employees.	
3. Operation of the integrity channel				
(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?	v		The Company has established the “Regulations for Company’s Whistleblowing Reports on Illegal and Unethical Conducts” and has also set up specific whistleblowing mailbox and employee suggestion box in order to allow internal and external personnel to file complaint or whistleblowing reports to the Company. After the receiving unit clarifies relevant facts and evidence, it is reported to the management level for handling.	None
(2) Does the company have in place standard operating procedures for investigating accusation cases, as well as follow-up actions and relevant post-investigation confidentiality measures?	v		The content of the “Regulations for Company’s Whistleblowing Reports on Illegal and Unethical Conducts” established by the Company specifies the handling procedures related to the filing of complaints, investigation and post-investigation measures, and the whistleblower’s identity is kept strictly confidential.	None
(3) Does the company provide proper whistleblower protection?	v		The “Regulations for Company’s Whistleblowing Reports on Illegal and Unethical Conducts” of the Company also specifies that the whistleblower shall not be subject to unfavorable disposal due to the whistleblowing report, and the Company shall provide sufficient protection to all whistleblowers.	None
4. Strengthening information disclosure				
(1) Does the company disclose its ethical corporate management policies and the results of its implementation on the company’s website and MOPS?	v		The Company has disclosed relevant ethical management principles on the Company’s website and MOPS. The Company has also set up the Ethical Management section on the Company’s website and has disclosed ethical management related information in the annual report. <a href="https://tw.transcend-info.com/about/integrity">https://tw.transcend-info.com/about/integrity</a>	None
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: The Company has established the “Ethical Corporate Management Best-Practice Principles” in 2014, having no major difference from the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies,” and there have been no major abnormalities in the actual operation.				

Evaluation Item	Implementation Status			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>6. Other important information to facilitate a better understanding of the company’s ethical corporate management policies (e.g., review and amend its policies)</p> <p>(1) The Company periodically reviews the update status of the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and timely reviews and conducts evaluation to determine necessary amendments.</p> <p>(2) In the provisions of the “Codes of Ethical Conduct for Directors and Managerial Officers”, “Codes of Ethical Conduct for Employees” and the “Employee Code of Conduct and Reward and Discipline Management Regulations,” the Company has specified that unethical conducts are prohibited, conflict of interests shall be avoided and obtaining of improper personal benefits and interests shall be prevented.</p> <p>(3) In the “Audit Committee Charter” and “Regulations Governing Procedure for Board of Directors Meetings,” the Company has specified the directors’ recusal system for conflict of interest.</p> <p>(4) To implement the education on ethical management, the Company includes the ethical management in the course content of new employees’ orientation training, thereby allowing new employees to understand the Company’s policy and direction on ethical management.</p> <p>(5) The Company has established the “Patent Management Regulations” and “Intellectual Property Right Management Control Operation” in order to serve as the basis for the obtaining, protection and management of intangible assets.</p>				

### 3.3.8. Corporate Governance Guidelines and Regulations

Please refer to the Company's website at <http://tw.transcend-info.com/about/policies>

### 3.3.9. Other Important Information Regarding Corporate Governance

The Company has established the "Procedures for Handling Material Inside Information". The Company informs all employees via e-mail when newly establishment of the procedures and subsequent amendments, and also makes public announcement through the intranet of the Company for employees' review and use. All departments and employees handling possible material information and disclosure of such information are required to comply with these procedures as well as laws and regulations. "Procedures for Handling Material Inside Information" has been disclosed on the Company's website.

Please refer to: <http://tw.transcend-info.com/about/policies>

To improve the information security management system, the Company establishes the information security policy according to the ISMS information security management system, and the objective is to reduce information risk to the acceptable level through control methods. In 2018, the Company has established the Information Security Task Force and also stipulated the "Information Security Management System Work Instructions." The Company continues to enhance the internal personnel training. In case of discovery or observation of any abnormal events, the discovering personnel are required to report to the information system unit immediately, and important details shall be recorded. The information system unit personnel shall determine whether the case is classified as a core business incident depending upon the actual condition and shall complete the repair within 24 hours. In case where the case involves civil or criminal liabilities, it is also reported to prosecution unit for handling.

The information system unit also integrates the current information system abnormality recovery drill and periodically summarizes information security information in a monthly report or publishes on the intranet for announcement and education purposes. The reporting record for the current year is summarized annually and submitted to the audit management review committee for review, such that the information security management system is reviewed and continuously improved. The Company will continue to improve the information security system management and will also conduct information security evaluation in order to achieve a sound information security protection capability and to establish awareness for the Company. Information security management related information has been disclosed on the Company's website.

Please refer to: [https://tw.transcend-info.com/about/information\\_security\\_management](https://tw.transcend-info.com/about/information_security_management)



### 3.3.10. Implementation of Internal Control Systems

#### 1. Statement of Internal Control Systems

Transcend Information, Inc.  
Statement of Internal Control Systems

March 4, 2021

Based on the findings of a self-assessment, Transcend Information, Inc. (Transcend) states the following with regard to its internal control system during the year 2020:

1. Transcend's Board of Directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and Transcend takes immediate remedial actions in response to any identified deficiencies.
3. Transcend evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities.
4. Transcend has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, Transcend believes that, on December 31, 2020, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
6. This Statement is an integral part of Transcend's annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement was passed by the Board of Directors in their meeting held on March 4, 2021, with none of the eight attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Transcend Information, Inc.

Chairman: Shu, Chung-Won

General Manager: Hong, Wan-Hoon

2. If CPA was Engaged to Conduct a Special Audit of Internal Control System, Provide Its Audit Report: None.

3.3.11. If there has been any legal penalty against the company and its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholder interests or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement:  
None.

3.3.12. Major resolutions of Shareholders' Meeting, Board of Directors Meetings, Audit Committee meetings and Remuneration Committee meetings in the most recent year and up to the publication date of this Annual Report:

1. Major resolutions of Shareholders' Meeting

Date	Material Decisions	Resolutions and Implementation Status
2020.06.19	(1) Adoption of 2019 Business Report and Financial Statements.	Approved after voting.
	(2) Adoption of the proposal for distribution of 2019 earnings.	Approved after voting. To appropriate legal reserve NT\$172,896,689 and special reserve NT\$69,329,826 from 2019 earnings in accordance with the regulations.
	(3) Amendments to "Articles of Incorporation".	Approved after voting.
	(4) Amendments to "Procedures for Acquisition and Disposal of Assets".	Approved after voting.
	(5) Amendments to "Procedures for Lending Funds to other Parties".	Approved after voting.
	(6) Amendments to "Procedures for Endorsements and Guarantees".	Approved after voting.
	(7) Issuance of New Restricted Employee Shares.	Approved after voting.

2. Material resolutions of Board of Directors Meetings

Date	Material Decisions	Resolutions and Implementation Status
2020.03.05 (The First Time in 2020)	(1) 2019 Business Report and Financial Statements.	Approved by all presented directors and proposed to Shareholders' meeting for ratification.
	(2) Proposal for distribution of 2019 earnings.	Approved by all presented directors.
	(3) Cash distribution from 2019 retained earnings.	Approved by all presented directors. To appropriate cash dividend NT\$1,544,622,030 (NT\$3.60 per share) from 2019 earnings and submit a report to Shareholders' meeting.
	(4) Cash distribution from capital surplus.	Approved by all presented directors. The capital surplus derived from the issuance of new shares at a premium totaling NT\$386,155,508 will be distributed in cash of NT\$0.90 per share. And submit a report to Shareholders' meeting.

	(5) Change of CPA	Approved by all presented directors. The original CPA in charge of the audit of the Company has serviced the Company for seven years, therefore starting from the 2020 Q1 financial statements, CPA for auditing the Company have been changed.
	(6) CPA Independence Assessment	Approved by all presented directors.
	(7) Amendments to “Articles of Incorporation”.	Approved by all presented directors and proposed to Shareholders’ meeting for discussion.
	(8) Amendments to “Procedures for Acquisition and Disposal of Assets”.	Approved by all presented directors and proposed to Shareholders’ meeting for discussion.
	(9) Amendments to “Procedures for Lending Funds to other Parties”.	Approved by all presented directors and proposed to Shareholders’ meeting for discussion.
	(10) Amendments to “Procedures for Endorsements and Guarantees”.	Approved by all presented directors and proposed to Shareholders’ meeting for discussion.
	(11) Adoption to “Rules for Performance Evaluation of Board of Directors”	Approved by all presented directors.
	(12) Extension of the period of endorsement and guarantee to subsidiary Transcend Japan Inc.	Approved by all presented directors. The handling department has executed such matter according to the regulations.
	(13) Treasury Stock Cancellation and Capital Reduction	Approved by all presented directors.
	(14) Issuance of New Restricted Employee Shares.	Approved by all presented directors and proposed to Shareholders’ meeting for discussion.
	(15) Subscription for Yuanta Taiwan High-yield Leading Company Fund.	Approved by all presented directors.
	(16) Dismissal and New Appointment of General Manager	Approved by all presented directors. Former General Manager, Mr. Shu, Chung-Cheng has retired on March 5, 2020, and has been dismissed from the role of General Manager of the Company. Mr. Hong, Wan-Hoon is appointed to be the new General Manager at the same day.
2020.05.07 (The Second Time in 2020)	Proposal for distribution of 2019 earnings	Approved by all presented directors and proposed to Shareholders’ meeting for ratification.
2020.08.06 (The Third Time in 2020)	(1) Extension of the period of endorsement and guarantee to subsidiary Transcend Japan Inc.	Approved by all presented directors. The handling department has executed such matter according to the regulations.
	(2) Amendments to “Rules and Procedures of Shareholders’ Meeting”	Approved by all presented directors and proposed to Shareholders’ meeting for discussion.
	(3) Amendments to “Procedures for Election of Directors”	Approved by all presented directors and proposed to Shareholders’ meeting for discussion.
	(4) Amendments to “Regulations Governing Procedure for Board of Directors Meetings”	Approved by all presented directors.

	(5) Amendments to “Audit Committee Charter”	Approved by all presented directors.
	(6) Amendments to “Remuneration Committee Charter”	Approved by all presented directors.
2020.11.10 (The Fourth Time in 2020)	(1) 2021 Annual Internal Audit Plan	Approved by all presented directors. The Audit Office is requested to execute such matter according to the regulations.
	(2) Renewal of Directors and Officers’ Liability Insurance.	Approved by all presented directors. The handling department has executed such matter according to the regulations.
	(3) Adoption to “Risk Management Policies”	Approved by all presented directors.
	(4) Ratification of the Appointment of the Managerial Officer	Approved by all presented directors.
2021.03.04 (The First Time in 2021)	(1) 2020 Business Report and Financial Statements.	Approved by all presented directors and proposed to Shareholders’ meeting for ratification.
	(2) Proposal for distribution of 2020 earnings.	Approved by all presented directors and proposed to Shareholders’ meeting for ratification.
	(3) Cash distribution from 2020 retained earnings.	Approved by all presented directors. To appropriate cash dividend NT\$1,094,107,271 (NT\$2.55 per share) from 2020 earnings and submit a report to Shareholders’ meeting.
	(4) Cash distribution from capital surplus.	Approved by all presented directors. The capital surplus derived from the issuance of new shares at a premium totaling NT\$214,530,838 will be distributed in cash of NT\$0.50 per share. And submit a report to Shareholders’ meeting.
	(5) CPA Independence Assessment	Approved by all presented directors.
	(6) Extension of the period of endorsement and guarantee to subsidiary Transcend Japan Inc.	Approved by all presented directors. The handling department has executed such matter according to the regulations.
	(7) Election of directors.	Approved by all presented directors and proposed to Shareholders’ meeting for election.
2021.05.06 (The Second Time in 2021)	(1) Amendments to “Rules and Procedures of Shareholders’ Meeting”.	Approved by all presented directors and proposed to Shareholders’ meeting for ratification.
	(2) Appointment of Chief Corporate Governance Officer.	Approved by all presented directors.
	(3) The Qualification Review of the Elected Directors and Independent Directors Candidate for the 2021 Annual Regular Shareholders’ Meeting.	Approved by all presented directors and proposed to Shareholders’ meeting for election.
	(4) To release the prohibition on directors from participation in competing business.	Approved by all presented directors and proposed to Shareholders’ meeting for ratification.

### 3. Material resolutions of Audit Committee Meetings

Date	Material Decisions	Resolutions and Implementation Status
2020.03.05 (The First Time in	(1) 2019 Business Report and Financial Statements.	Approved by all presented committee members and proposed to Board of directors’ meeting for discussion.

2020)	(2) Proposal for distribution of 2019 earnings.	Approved by all presented committee members and proposed to Board of directors' meeting for discussion.
	(3) Cash distribution from 2019 retained earnings.	Approved by all presented committee members and proposed to Board of directors' meeting for discussion. To appropriate cash dividend NT\$1,544,622,030 (NT\$3.60 per share) from 2019 earning.
	(4) Cash distribution from capital surplus.	Approved by all presented committee members and proposed to Board of directors' meeting for discussion. The capital surplus derived from the issuance of new shares at a premium totaling NT\$386,155,508 will be distributed in cash of NT\$0.90 per share.
	(5) Change of CPA	Approved by all presented committee members and proposed to Board of directors' meeting for discussion.
	(6) Amendments to "Procedures for Acquisition and Disposal of Assets"	Approved by all presented committee members and proposed to Board of directors' meeting for discussion.
	(7) Amendments to "Procedures for Lending Funds to other Parties".	Approved by all presented committee members and proposed to Board of directors' meeting for discussion.
	(8) Amendments to "Procedures for Endorsements and Guarantees".	Approved by all presented committee members and proposed to Board of directors' meeting for discussion.
	(9) Extension of the period of endorsement and guarantee to subsidiary Transcend Japan Inc.	Approved by all presented committee members and proposed to Board of directors' meeting for discussion.
	(10) Issuance of New Restricted Employee Shares.	Approved by all presented committee members and proposed to Board of directors' meeting for discussion.
	(11) Subscription for Yuanta Taiwan High-yield Leading Company Fund.	Approved by all presented committee members and proposed to Board of directors' meeting for discussion.
	2020.05.07 (The Second Time in 2020)	Report Items only
2020.08.06 (The Third Time in 2020)	Extension of the period of endorsement and guarantee to subsidiary Transcend Japan Inc.	Approved by all presented committee members and proposed to Board of directors' meeting for discussion.
2020.11.10 (The Fourth Time in 2020)	2021 Annual Internal Audit Plan	Approved by all presented committee members and proposed to Board of directors' meeting for discussion.
2021.03.04 (The First Time in 2021)	(1) 2020 Business Report and Financial Statements.	Approved by all presented committee members and proposed to Board of directors' meeting for discussion.
	(2) Proposal for distribution of 2020 earnings.	Approved by all presented committee members and proposed to Board of directors' meeting for discussion.

	(3) Cash distribution from 2020 retained earnings.	Approved by all presented committee members and proposed to Board of directors' meeting for discussion. To appropriate cash dividend NT\$1,094,107,271 (NT\$2.55 per share) from 2020 earnings.
	(4) Cash distribution from capital surplus.	Approved by all presented committee members and proposed to Board of directors' meeting for discussion. The capital surplus derived from the issuance of new shares at a premium totaling NT\$214,530,838 will be distributed in cash of NT\$0.50 per share.
	(5) Extension of the period of endorsement and guarantee to subsidiary Transcend Japan Inc.	Approved by all presented committee members and proposed to Board of directors' meeting for discussion.
2021.05.06 (The Second Time in 2021)	To release the prohibition on directors from participation in competing business.	Approved by all presented committee members and proposed to Board of directors' meeting for discussion.

#### 4. Material resolutions of Remuneration Committee Meetings

Date	Material Decisions	Resolutions and Implementation Status
2020.03.05 (The First Time in 2020)	(1) Distribution of 2019 employees' profit sharing bonus and directors' compensation.	Approved by all presented committee members and proposed to Board of directors' meeting for discussion.
	(2) Remuneration of managerial officers in 2020.	
	(3) Remuneration of directors in 2020.	
	(4) Adoption to "Rules for Performance Evaluation of Board of Directors"	
2020.11.10 (The Second Time in 2020)	(1) Remuneration of managerial officers in 2020.	Approved by all presented committee members and proposed to Board of directors' meeting for discussion.
	(2) Remuneration of directors in 2020.	
2021.03.04 (The First Time in 2021)	(1) Distribution of 2020 employees' profit sharing bonus and directors' compensation.	Approved by all presented committee members and proposed to Board of directors' meeting for discussion.
	(2) Remuneration of managerial officers in 2021.	
	(3) Remuneration of directors in 2021.	

3.3.13. Major Issues of Record or Written Statements Made by Any Director Dissenting to Important Resolutions Passed by the Board of Directors in the Most Recent Year up to the Publication Date of this Annual Report:  
None.

3.3.14. Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit, Corporate Governance and R&D in the Most Recent Year and up to the Publication Date of this Annual Report:

May 14, 2021

Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
General Manager	Shu, Chung-Cheng	1991.06.01	2020.03.05	Retirement

### 3.4. Information on CPA fees

Accounting Firm	Name of CPA		Audit Period	Note
Pricewaterhouse Coopers	Lin, Chun-Yao	Chen, Chin-Chang	2020.01.01-2020.12.31	-

Unit: NT\$ thousands

Fee Range		Fee Items	Audit Fee	Non-audit Fee	Total
1	Under NT\$ 1,999,999				
2	NT\$2,000,000 ~ NT\$3,999,999			2,547	2,547
3	NT\$4,000,000 ~ NT\$5,999,999		4,500		4,500
4	NT\$6,000,000 ~ NT\$7,999,999				
5	NT\$8,000,000 ~ NT\$9,999,999				
6	Over NT\$10,000,000				

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit
			System of Design	Company Registration	Human Resource	Others	Subtotal	
Pricewaterhouse Coopers	Lin, Chun-Yao	4,500	-	-	-	2,547	2,547	2020.01.01-2020.12.31
	Chen, Chin-Chang							

3.4.1. 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.

Please refer to the above table. The non-audit services are for Transfer Pricing Report and other Tax Consulting services.

3.4.2. 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.

Not applicable.

3.4.3. When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed.

None.

3.5. Replacement of CPA

Not applicable.

3.6. Where the company's chairman, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm, the name and position of the person, and the period during which the position was held, shall be disclosed.

None.

3.7. Any transfer of equity interests and/or pledge of or change in equity interests by a director, managerial officer, or shareholder with a stake of more than 10 percent during the most recent fiscal year and during the current fiscal year up to the date of publication of this Annual Report.

3.7.1. Changes in shares held by Directors, Managerial Officers and Major Shareholders

Title	Name	2020		As of April 19, 2021	
		Increase (decrease) of shares held	Increase (decrease) of shares pledged	Increase (decrease) of shares held	Increase (decrease) of shares pledged
Chairman and CEO	Shu, Chung-Won	-	-	-	-
Director	Shu, Chung-Cheng (Note 2)	-	-	-	-
Director	Chui, Li-Chu	-	-	-	-
Director	Hsu, Chia-Hsian	(52,000)	-	-	-
Director & Sales Vice General Manager	Wang, Jen-Ming	-	-	-	-
Director & R&D Vice General Manager	Li, Tseng-Ho (Note 3)	-	-	-	-
Independent Director	Chen, Yi-Liang	-	-	-	-
Independent Director	Chen, Lo-Min	-	-	-	-
Independent Director	Wang, Yi-Hsin	-	-	-	-
General Manager	Hong, Wan-Hoon (Note 4)	-	-	-	-
Administration Vice General Manager	Fang, Wen-Jeng	-	-	-	-
Sales Vice General Manager	Chen, Po-Shou	-	-	-	-
Financial and Accounting Officer	Hsiao, Sheng-Yin	-	-	-	-
Shareholder holding 10% or more of shares	Won Chin Investment Inc.	-	-	-	-

Note 1: The status of the increase/decrease of shares held and pledged shall be based on the period of the directors and managerial officers' term of office.

Note 2: Dismissal of General Manager on March 5, 2020.

Note 3: New appointment of Vice General Manager on October 1, 2020.

Note 4: New appointment of General Manager on March 5, 2020.

3.7.2. Shares Trading with Related Parties

Not applicable.

3.7.3. Shares Pledge with Related Parties

Not applicable.



3.8. Relationship information, if among the company's Top 10 shareholders any one is a related party, spouse or a relative within the second degree of kinship of another

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees	
	Shares	%	Shares	%	Shares	%	Name	Relationship
Won Chin Investment Inc. Representative: Shu, Chung-Yu	74,783,600	17.43%	-	-	-	-	Wan An Technology Inc.	Same person as the Chairman
							Wan Min Investment Inc.	Same person as the Chairman
							Wan Chuan Investment Inc.	Same person as the Chairman
							Cheng Chuan Technology Development Inc.	The Chairman of the company listed here is a relative within two degrees of kinship of the Chairman of Won Chin
							Ho Cheng Investment Inc.	The Chairman of the company listed here is a relative within two degrees of kinship of the Chairman of Won Chin
							Shin Chuang Investment Inc.	The Chairman of the company listed here is a relative within two degrees of kinship of the Chairman of Won Chin
							Shu, Chung-Won	This shareholder is a relative within two degrees of kinship of the Chairman of Won Chin
							Shu Min Investment Inc.	The Chairman of the company listed here is a relative within two degrees of kinship of the Chairman of Won Chin
							Shu, Chung-Cheng	This shareholder is a relative within two degrees of kinship of the Chairman of Won Chin
Wan An Technology Inc. Representative: Shu, Chung-Yu	34,142,854	7.96%	-	-	-	-	Won Chin Investment Inc.	Same person as the Chairman
							Wan Min Investment Inc.	Same person as the Chairman; Investment of Wan An on Wan Min is evaluated under equity method

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees	
	Shares	%	Shares	%	Shares	%	Name	Relationship
							Wan Chuan Investment Inc.	Same person as the Chairman; Investment of Wan An on Wan Chuan is evaluated under equity method
							Cheng Chuan Technology Development Inc.	The Chairman of the company listed here is a relative within two degrees of kinship of the Chairman of Wan An
							Ho Cheng Investment Inc.	The Chairman of the company listed here is a relative within two degrees of kinship of the Chairman of Wan An; Investment of Wan An on He Cheng is evaluated under equity method
							Shin Chuang Investment Inc.	The Chairman of the company listed here is a relative within two degrees of kinship of the Chairman of Wan An
							Shu, Chung-Won	This shareholder is a relative within two degrees of kinship of the Chairman of Wan An
							Shu Min Investment Inc.	The Chairman of the company listed here is a relative within two degrees of kinship of the Chairman of Wan An
							Shu, Chung-Cheng	This shareholder is a relative within two degrees of kinship of the Chairman of Wan An
Cheng Chuan Technology Development Inc. Representative: Shu, Chung-Cheng	32,971,701	7.68%	-	-	-	-	Won Chin Investment Inc.	The Chairman of the company listed here is a relative within two degrees of kinship of the Chairman of Cheng Chuan
							Wan An Technology Inc.	The Chairman of the company listed here is a relative within two degrees of kinship of the Chairman of Cheng Chuan

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees	
	Shares	%	Shares	%	Shares	%	Name	Relationship
							Wan Min Investment Inc.	The Chairman of the company listed here is a relative within two degrees of kinship of the Chairman of Cheng Chuan
							Wan Chuan Investment Inc.	The Chairman of the company listed here is a relative within two degrees of kinship of the Chairman of Cheng Chuan
							Ho Cheng Investment Inc.	The Chairman of the company listed here is a relative within two degrees of kinship of the Chairman of Cheng Chuan
							Shin Chuang Investment Inc.	The Chairman of the company listed here is a relative within two degrees of kinship of the Chairman of Cheng Chuan
							Shu, Chung-Won	This shareholder is a relative within two degrees of kinship of the Chairman of Cheng Chuan
							Shu Min Investment Inc.	Same person as the Chairman; Investment of Cheng Chuan on Shu Min is evaluated under equity method
							Shu, Chung-Cheng	Chairman of Cheng Chuan
Wan Min Investment Inc. Representative: Shu, Chung-Yu	29,726,397	6.93%	-	-	-	-	Won Chin Investment Inc.	Same person as the Chairman
							Wan An Technology Inc.	Same person as the Chairman; Wan Min is an investee of Wan An under equity method
							Wan Chuan Investment Inc.	Same person as the Chairman
							Cheng Chuan Technology Development Inc.	The Chairman of the company listed here is a relative within two degrees of kinship of the Chairman of Wan Min

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees	
	Shares	%	Shares	%	Shares	%	Name	Relationship
							Ho Cheng Investment Inc.	The Chairman of the company listed here is a relative within two degrees of kinship of the Chairman of Wan Min
							Shin Chuang Investment Inc.	The Chairman of the company listed here is a relative within two degrees of kinship of the Chairman of Wan Min
							Shu, Chung-Won	This shareholder is a relative within two degrees of kinship of the Chairman of Wan Min
							Shu Min Investment Inc.	The Chairman of the company listed here is a relative within two degrees of kinship of the Chairman of Wan Min
							Shu, Chung-Cheng	This shareholder is a relative within two degrees of kinship of the Chairman of Wan Min
Wan Chuan Investment Inc. Representative: Shu, Chung-Yu	29,505,896	6.88%	-	-	-	-	Won Chin Investment Inc.	Same person as the Chairman
							Wan An Technology Inc.	Same person as the Chairman; Wan Chuan is an investee of Wan An under equity method
							Wan Min Investment Inc.	Same person as the Chairman
							Ho Cheng Investment Inc.	The Chairman of the company listed here is a relative within two degrees of kinship of the Chairman of Wan Chuan
							Shin Chuang Investment Inc.	The Chairman of the company listed here is a relative within two degrees of kinship of the Chairman of Wan Chuan
							Cheng Chuan Technology Development Inc.	The Chairman of the company listed here is a relative within two degrees of kinship of the Chairman of Wan Chuan

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees	
	Shares	%	Shares	%	Shares	%	Name	Relationship
							Shu, Chung-Won	This shareholder is a relative within two degrees of kinship of the Chairman of Wan Chuan
							Shu Min Investment Inc.	The Chairman of the company listed here is a relative within two degrees of kinship of the Chairman of Wan Chuan
							Shu, Chung-Cheng	This shareholder is a relative within two degrees of kinship of the Chairman of Wan Chuan
Shin Chuang Investment Inc. Representative: Shu, Chung-Mei	14,008,294	3.26%	-	-	-	-	Ho Cheng Investment Inc.	Same person as the Chairman
							Won Chin Investment Inc.	The Chairman of the company listed here is a relative within two degrees of kinship of the Chairman of Shin Chuang
							Cheng Chuan Technology Development Inc.	The Chairman of the company listed here is a relative within two degrees of kinship of the Chairman of Shin Chuang
							Wan An Technology Inc.	The Chairman of the company listed here is a relative within two degrees of kinship of the Chairman of Shin Chuang
							Wan Min Investment Inc.	The Chairman of the company listed here is a relative within two degrees of kinship of the Chairman of Shin Chuang
							Wan Chuan Investment Inc.	The Chairman of the company listed here is a relative within two degrees of kinship of the Chairman of Shin Chuang
							Shu, Chung-Won	This shareholder is a relative within two degrees of kinship of the Chairman of Shin Chuang

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees	
	Shares	%	Shares	%	Shares	%	Name	Relationship
							Shu Min Investment Inc.	The Chairman of the company listed here is a relative within two degrees of kinship of the Chairman of Shin Chuang
							Shu, Chung-Cheng	This shareholder is a relative within two degrees of kinship of the Chairman of Shin Chuang
							Shin Chuang Investment Inc.	Same person as the Chairman
							Won Chin Investment Inc.	The Chairman of the company listed here is a relative within two degrees of kinship of the Chairman of Ho Cheng
							Wan An Technology Inc.	The Chairman of the company listed here is a relative within two degrees of kinship of the Chairman of Ho Cheng; He Cheng is an investee of Wan An under equity method
							Wan Min Investment Inc.	The Chairman of the company listed here is a relative within two degrees of kinship of the Chairman of Ho Cheng
							Wan Chuan Investment Inc.	The Chairman of the company listed here is a relative within two degrees of kinship of the Chairman of Ho Cheng
							Cheng Chuan Technology Development Inc.	The Chairman of the company listed here is a relative within two degrees of kinship of the Chairman of Ho Cheng
							Shu, Chung-Won	This shareholder is a relative within two degrees of kinship of the Chairman of Ho Cheng
							Shu Min Investment Inc.	The Chairman of the company listed here is a relative within two degrees of kinship of the Chairman of Ho Cheng
Ho Cheng Investment Inc. Representative: Shu, Chung-Mei	13,899,462	3.24%	-	-	-	-		

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees	
	Shares	%	Shares	%	Shares	%	Name	Relationship
							Shu, Chung-Cheng	This shareholder is a relative within two degrees of kinship of the Chairman of Ho Cheng
Shu, Chung-Won	9,990,453	2.33%	-	-	-	-	Wan An Technology Inc.	This shareholder is a relative within two degrees of kinship of the Chairman of the company listed here
							Wan Min Investment Inc.	This shareholder is a relative within two degrees of kinship of the Chairman of the company listed here
							Wan Chuan Investment Inc.	This shareholder is a relative within two degrees of kinship of the Chairman of the company listed here
							Cheng Chuan Technology Development Inc.	This shareholder is a relative within two degrees of kinship of the Chairman of the company listed here
							Ho Cheng Investment Inc.	This shareholder is a relative within two degrees of kinship of the Chairman of the company listed here
							Shin Chuang Investment Inc.	This shareholder is a relative within two degrees of kinship of the Chairman of the company listed here
							Won Chin Investment Inc.	This shareholder is a relative within two degrees of kinship of the Chairman of the company listed here
							Shu Min Investment Inc.	This shareholder is a relative within two degrees of kinship of the Chairman of the company listed here
						Shu, Chung-Cheng	The two shareholders are relatives within two degrees of kinship	
Shu Min Investment Inc. Representative: Shu, Chung-Cheng	6,437,842	1.50%	-	-	-	-	Wan An Technology Inc.	The Chairman of the company listed here is a relative within two degrees of kinship of the Chairman of Shu Min

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees	
	Shares	%	Shares	%	Shares	%	Name	Relationship
							Wan Min Investment Inc.	The Chairman of the company listed here is a relative within two degrees of kinship of the Chairman of Shu Min
							Wan Chuan Investment Inc.	The Chairman of the company listed here is a relative within two degrees of kinship of the Chairman of Shu Min
							Cheng Chuan Technology Development Inc.	Same person as the Chairman; Shu Min is an investee of Cheng Chuan under equity method
							Ho Cheng Investment Inc.	The Chairman of the company listed here is a relative within two degrees of kinship of the Chairman of Shu Min
							Shin Chuang Investment Inc.	The Chairman of the company listed here is a relative within two degrees of kinship of the Chairman of Shu Min
							Won Chin Investment Inc.	The Chairman of the company listed here is a relative within two degrees of kinship of the Chairman of Shu Min
							Shu, Chung-Won	This shareholder is a relative within two degrees of kinship of the Chairman of Shu Min
							Shu, Chung-Cheng	Chairman of Shu Min
Shu, Chung-Cheng	6,244,098	1.46%	-	-	-	-	Wan An Technology Inc.	This shareholder is a relative within two degrees of kinship of the Chairman of the company listed here
							Wan Min Investment Inc.	This shareholder is a relative within two degrees of kinship of the Chairman of the company listed here



Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees	
	Shares	%	Shares	%	Shares	%	Name	Relationship
							Wan Chuan Investment Inc.	This shareholder is a relative within two degrees of kinship of the Chairman of the company listed here
							Cheng Chuan Technology Development Inc.	This shareholder is the Chairman of the Company listed here
							Ho Cheng Investment Inc.	This shareholder is a relative within two degrees of kinship of the Chairman of the company listed here
							Shin Chuang Investment Inc.	This shareholder is a relative within two degrees of kinship of the Chairman of the company listed here
							Won Chin Investment Inc.	This shareholder is a relative within two degrees of kinship of the Chairman of the company listed here
							Shu, Chung-Won	The two shareholders are relatives within two degrees of kinship
							Shu Min Investment Inc.	This shareholder is the Chairman of the Company listed here

3.9. The total number of shares and total equity stake held in any single enterprise by the company, its directors, managerial officers, and any companies controlled either directly or indirectly by the company.

April 19, 2021; Unit: Shares

Affiliated Enterprises (Note)	Ownership by the Company		Direct or Indirect Ownership by Directors/ Managerial officers		Total Ownership	
	Shares	%	Shares	%	Shares	%
Taiwan IC Packaging Corporation	21,928,036	12.74%	4,894,611	2.84%	26,822,647	15.59%
Saffire Investment Ltd.	36,600,000	100%	-	-	36,600,000	100%
Transcend Information Inc. (USA)	625,000	100%	-	-	625,000	100%
Transcend Japan Inc.	6,400	100%	-	-	6,400	100%
Transcend Korea Inc.	40,000	100%	-	-	40,000	100%

Note: Invested by the consolidated company using the equity method.

4. Capital Overview  
4.1. Capital and Shares  
4.1.1. Source of Capital

As of April 19, 2021

Month/ Year	Per Value (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT\$ thousands)	Shares	Amount (NT\$ thousands)	Sources of Capital	Capital Increase by Assets Other than Cash	Others
04/2020	10	500,000,000	5,000,000	429,061,675	4,290,617	Retiring treasury shares NT\$ 17,000 thousands		

Type of Stock	Authorized Capital			Remark
	Shares Outstanding (Note)	Un-issued Shares	Total Shares	
Common Stock	429,061,675	70,938,325	500,000,000	25,000,000 shares are reserved for employee stock options.

Note: Listed Shares.

Information for Shelf Registration: None.

4.1.2. Shareholder Structure

As of April 19, 2021

Shareholders Structure Quantity	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions and Natural Persons	Total
Number of Shareholders	-	11	109	26,485	206	26,811
Shareholding (Shares)	-	5,784,000	247,445,011	134,253,378	41,579,286	429,061,675
Holding Percentage	0.00%	1.35%	57.67%	31.29%	9.69%	100.00%

4.1.3. Shareholding Distribution Status

As of April 19, 2021 (Note 1)

Class of shareholding (Shares)	Number of shareholders	Shareholding (Shares)	Shareholding percentage (%)
1~999	4,058	653,279	0.15%
1,000~5,000	18,435	36,624,463	8.54%
5,001~10,000	2,377	18,811,941	4.38%
10,001~15,000	625	8,023,292	1.87%
15,001~20,000	366	6,733,916	1.57%
20,001~30,000	326	8,419,336	1.96%
30,001~40,000	171	6,136,388	1.43%
40,001~50,000	92	4,276,265	1.00%
50,001~100,000	181	13,078,996	3.05%
100,001~200,000	83	11,687,346	2.72%
200,001~400,000	41	12,119,948	2.82%

400,001~600,000	17	8,651,237	2.02%
600,001~800,000	6	4,164,933	0.97%
800,001~1,000,000	6	5,574,813	1.30%
1,000,001 or over	27	284,105,522	66.22%
Total	26,811	429,061,675	100.00%

Note 1: It refers to the most recent shareholding dispersal base date provided by the stock affairs agent.

Note 2: The Company does not issue preferred shares.

#### 4.1.4. List of Major Shareholders

Name of major shareholders	Shares	Shareholding (Shares)	Percentage (%)
Won Chin Investment Inc.		74,783,600	17.43%
Wan An Technology Inc.		34,142,854	7.96%
Cheng Chuan Technology Development Inc.		32,971,701	7.68%
Wan Min Investment Inc.		29,726,397	6.93%
Wan Chuan Investment Inc.		29,505,896	6.88%
Shin Chuang Investment Inc.		14,008,294	3.26%
Ho Cheng Investment Inc.		13,899,462	3.24%
Shu, Chung-Won		9,990,453	2.33%
Shu Min Investment Inc.		6,437,842	1.50%
Shu, Chung-Cheng		6,244,098	1.46%
Total		251,710,597	58.67%

#### 4.1.5. Market Price, Net Worth, Earnings, and Dividends per Share in the Past Two Years

Unit: NT\$; Thousand shares

Item	Year	As of March 31,		
		2019	2020	2021 (Note 1)
Market Price per Share	Highest	79.70	84.00	67.40
	Lowest	64.00	61.80	61.40
	Average	68.94	69.40	64.08
Net Worth per Share	Before distribution	45.06	43.52	41.68
	After distribution	40.57	40.47	41.68
Earnings per Share (EPS)	Weighted Average Shares	430,718	429,064	429,062
	Earnings per Share (EPS)	4.01	2.79	5.21 (Note 2)
Dividend per Share	Cash dividend	4.50	3.05	Not applicable
	Cumulative unpaid dividends	-	-	-
Return on Investment (ROI) Analysis	Price-to-earning ratio	17.19	24.87	12.30 (Note 2)
	Price-dividend ratio	15.32	22.75	Not applicable
	Cash dividend yield rate	6.53	4.39	Not applicable

Note 1: The consolidated financial statements of 2021 Q1 have been prepared in accordance to the IFRS and have been reviewed by the CPAs.

Note 2: The calculation of Earnings per Share (EPS) and Price-to-Earnings Ratio for 2021 Q1 have been annualized.

#### 4.1.6. Dividend Policy and Implementation Status

##### 1. Dividend Policy

According to Article 22-1 of the Company's Articles of Incorporation, if the Company has earnings after the annual final accounting, it shall be allocated in the following order:

- (1) To pay taxes.
- (2) To cover accumulated losses, if any.
- (3) To appropriate 10% legal reserve unless the total legal reserve accumulated has already reached the amount of the Company's authorized capital.
- (4) To appropriate or reverse special reserve in accordance with the regulations.
- (5) To reserve certain amount, on the premise that there is no effect on the Company's normal operations and no violation of regulations, for maintaining stability of dividends.
- (6) For any remainder, adding on accumulated unappropriated retained earnings, the board of directors shall propose the earnings distribution proposal and shall handle in accordance with the following provision: the board of directors is authorized to distribute dividends and bonuses or legal reserve and capital reserve in whole or in part which be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting in accordance with Section 5 of Article 240 and Section 1 of Article 241 of the Company Act. In case of the dividends and bonuses or legal reserve and capital reserve in whole or in part be distributed in the form of new shares to be issued by the company, shall be proposed to the shareholders' meeting for review and approval by a resolution in accordance with Article 240 of the Company Act.

The Company distributes dividends taking into consideration the Company's economic environment and growth phases, future demands of funds, long-term financial planning, and the cash flows that the stockholders desire. Under the circumstances of no material investment plans and other special situation, the proportion of dividend distributed shall not be less than 80% of after-tax profit, and cash dividends shall account for at least 5% of the total dividend distributed. The Company currently distributes dividend all in cash, and there is no consideration for the distribution of stock dividends.

##### 2. Proposed Distribution of Dividend:

The appropriation for cash dividends from 2020 earnings and cash payment from capital surplus have been approved by the Board of Directors during its meeting on March 4, 2021.

Unit: NT\$

Dividends per Share		year
		2020
Cash Dividend	Retained Earnings	2.55
	Capital surplus	0.50
Free Share Assignment	Retained Earnings	0.00
	Capital surplus	0.00
Total		3.05

##### 3. Major Change Expected in the Dividend Policy:

None.

#### 4.1.7. Impacts of free share assignment intended through the current shareholders meeting on the Company's operational performance and earnings per share:

Not applicable.

#### 4.1.8. Compensation for Employees and Directors

1. The percentage or range of compensation for employees and directors based on the Article of Incorporation:

Bases on Article 22 of the Article of Incorporation, where the Company has a profit before tax for each fiscal year, the Company shall first reserve certain amount of the profit to recover losses for preceding years, and then set aside no less than 1% of the remaining profit for distribution to employees as compensation and no more than 0.2% of the remaining profit for distribution to directors as compensation.

The compensation may be paid in stock or cash. For remuneration in the form of shares, the employees of subsidiaries meeting specific condition are also entitled to the payment. The Board is authorized to decide such qualifications and allocation.

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

If the actual amounts approved by board of directors differ from the estimated amount, the difference will be recorded in the year when board of directors makes the resolution as a change in accounting estimate.

3. Distribution of Compensation of Employees and Directors for 2020 Approved in the Board of Directors Meeting:

The compensation of employees and directors for the year ended December 31, 2020 has been approved by the Board of Directors during its meeting on March 4, 2021.

Unit: NT\$

Compensation of Employees and Directors for 2020	Approved in the Board of Directors Meeting	Estimated Amount
Employee Compensation – in Cash	14,786,482	15,224,586
Directors' Compensation – in Cash	2,160,000	2,131,442

Note 1: The difference between the actual amounts approved by board of directors and the estimated amount will be taken as a change in accounting estimate and adjusted in profit or loss for 2021.

Note 2: The Company did not distribute the compensation of employees and directors in stocks.

4. The actual distribution of employee and director compensation for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee and director compensation, additionally the discrepancy, cause, and how it is treated:

Unit: NT\$

Compensation of Employees and Directors for 2019	Approved in the Board of Directors Meeting (Actual distribution Amount)	Estimated Amount
Employee Compensation – in Cash	20,684,330	21,398,216
Directors' Compensation – in Cash	2,790,000	2,995,750

Note: The above-mentioned actual distribution of compensation of employees and directors was in line with the resolution of the Board of Directors. The difference between the actual distribution amounts and the estimated amount was taken as a change in accounting estimate and adjusted in profit or loss for 2020.

#### 4.1.9. Buy-back of Treasury Stock

May 14, 2021

Batch Order of Repurchase	The First Time (batch)
Purpose of Repurchase	Maintain the Company's good will and stockholders' rights.
Repurchase for Period	November 8, 2019 – January 7, 2020
Repurchase Price Range	NT\$ 49-NT \$97
Share Types and Quantities of Repurchased	1,700,000 common shares
Amount of the Share Repurchased	NT\$130,621,100
Ratio of Bought-back Quantity to Planned Repurchased Quantity (%)	56.67%
Number of Cancelled and Transferred Shares	1,700,000 shares
Accumulated Quantity of the Company's Share Held	0 share
Percentage of accumulated Quantity of the Company's Share Held (%)	0%

#### 4.2. Status of Corporate Bonds

None.

#### 4.3. Status of Preferred Shares

None.

#### 4.4. Status of Overseas Depositary Receipts

None.

#### 4.5. Status of Employee Stock Option

None.

#### 4.6. Status of New Restricted Employee Shares

The shares have not been issued after reporting to the FSC (Financial Supervisory Commission) and obtaining the approval letter thereof on July 17, 2020; therefore, this is not applicable.

#### 4.7. Status of New Shares Issuance in Connection with Mergers or Acquisitions

None.

#### 4.8. Implementation of the Capital Allocation Plans

Any uncompleted public issue or private placement of securities, or issues and placements that were completed but have not yet fully yielded the planned benefits: None.

## 5. Operational Highlights

### 5.1. Business Activities

#### 5.1.1. Business Scope

##### 1. Main areas of business operations

The main areas of business operations of the Company registered on the registration alternation form issued by the Ministry of Economic Affairs are as follows:

- (1) Computers and Peripheral Equipment Manufacturing.
- (2) Data Storage Media Manufacturing and Duplicating.
- (3) Wholesale of Computers and Clerical Machinery Equipment.
- (4) Wholesale of Computer Software.
- (5) Wholesale of Electronic Materials.
- (6) International Trade.
- (7) Information Software Services.
- (8) Electronics Components Manufacturing.
- (9) Restrained Telecom Radio Frequency Equipment and Materials Import.
- (10) Restrained Telecom Radio Frequency Equipment and Materials Manufacturing.
- (11) All business items that are not prohibited or restricted by law, except those that are subject to special approval.

##### 2. Revenue distribution in the Most Recent Two Fiscal Years

Unit: NT\$ thousands

Item	2020		2019	
	Amount	%	Amount	%
FLASH+DRAM products	9,041,918	78.99	10,533,282	78.05
Others	2,404,778	21.01	2,962,904	21.95
Total	11,446,696	100.00	13,496,186	100.00

##### (1) Main Products

###### A. DRAM Modules

UDIMM, SODIMM, ECC UDIMM, ECC SODIMM, RDIMM, and the application scope includes memory modules for desktop/notebook computers, memory modules for servers/workstations, memory modules for routers, and memory modules for laser printers and fax machines, etc.

###### B. Flash Products

SSD with the interface of PATA/SATA/PCIe, form factor including 2.5", M.2, mSATA, mSATA mini. Type of memory cards includes CF Card, CFast Card, SD Card and microSD Card, flash memory modules with the interface of PATA/SATA/USB for special industrial application platform, and portable disks complying with the standards of USB 2.0, USB3.0 & USB3.1 specifications.

###### C. Multimedia Products

Dash Cam, body camera, and external DVD burners, etc.

###### D. Hard Disk Products

Various types of portable hard disk storage devices, and NAS cloud hard disks, etc.

###### E. Card Readers and Accessories

Various types of card readers, hubs and adapter cards, etc.

##### (2) New products development

###### A. DRAM Modules



DRAM modules of higher frequency, DRAM modules of higher capacity, DRAM modules for gaming sports, wide temperature DRAM modules for industrial purposes, and memory modules for servers / workstations / desktop computers / notebook, etc.

B. Flash Products

- i. SSD: Capacity expansion, higher transmission speed, various form factors, high speed USB portable disks, SSD with high Read/Write numbers, wide temperature SSD for embedded products, and SSD for special purposes such as power failure protector and encryption function.
- ii. Memory cards: Memory cards for surveillance cameras, high speed memory cards, memory cards with high Read/Write numbers, wide temperature memory cards for embedded products.
- iii. USB portable disks: Type-C series of portable disks, flash memory portable disks built-in with multiple functions, flash memory portable disks with stylish appearance, and flash memory portable disks with ultra-high capacity. Compact and lightweight flash memory portable disks, and flash portable disks equipped with encryption specification, etc.

C. Multimedia Products

Multi-lens Dash Cam, body camera, and NAS cloud storage products, etc.

D. Hard Disk Products

2.5,” various types of high capacity SSD (Solid State Disk), various 2.5”/3.5” large capacity portable hard disks of stylish appearance and different functions, Network Attached Storages (NAS) and external DVD, BD burners, etc.

E. Card Readers and Accessories

Type-C interface related peripheral products, such as Hub, card reader, and Docking Station, etc. Card readers equipped with stylish appearance and support the latest memory card specification, and card readers equipped with encryption function. Card readers which are applicable to OTG portable disks, etc.

5.1.2. Industry Overview

1. The Current Status and Development of the Industry

(1) DRAM Memory Industry Overview

In the field of industrial application, with the broad applications of Internet of Things (IoT) and the increasing quantity of industrial computers, cloud computers and servers, in conjunction with increase of the applications in the fields of the edge computing, media streaming and auto electronics, etc. derived from the AI technologies, DDR4 has certainly become the main stream specification in the market, and the capacity of memory modules continues to increase. Transcend will continue to develop modules of higher frequency and larger capacity, and the business development of the memory modules is expected to continue to expand in the industrial market.

(2) Flash Memory Industry Overview

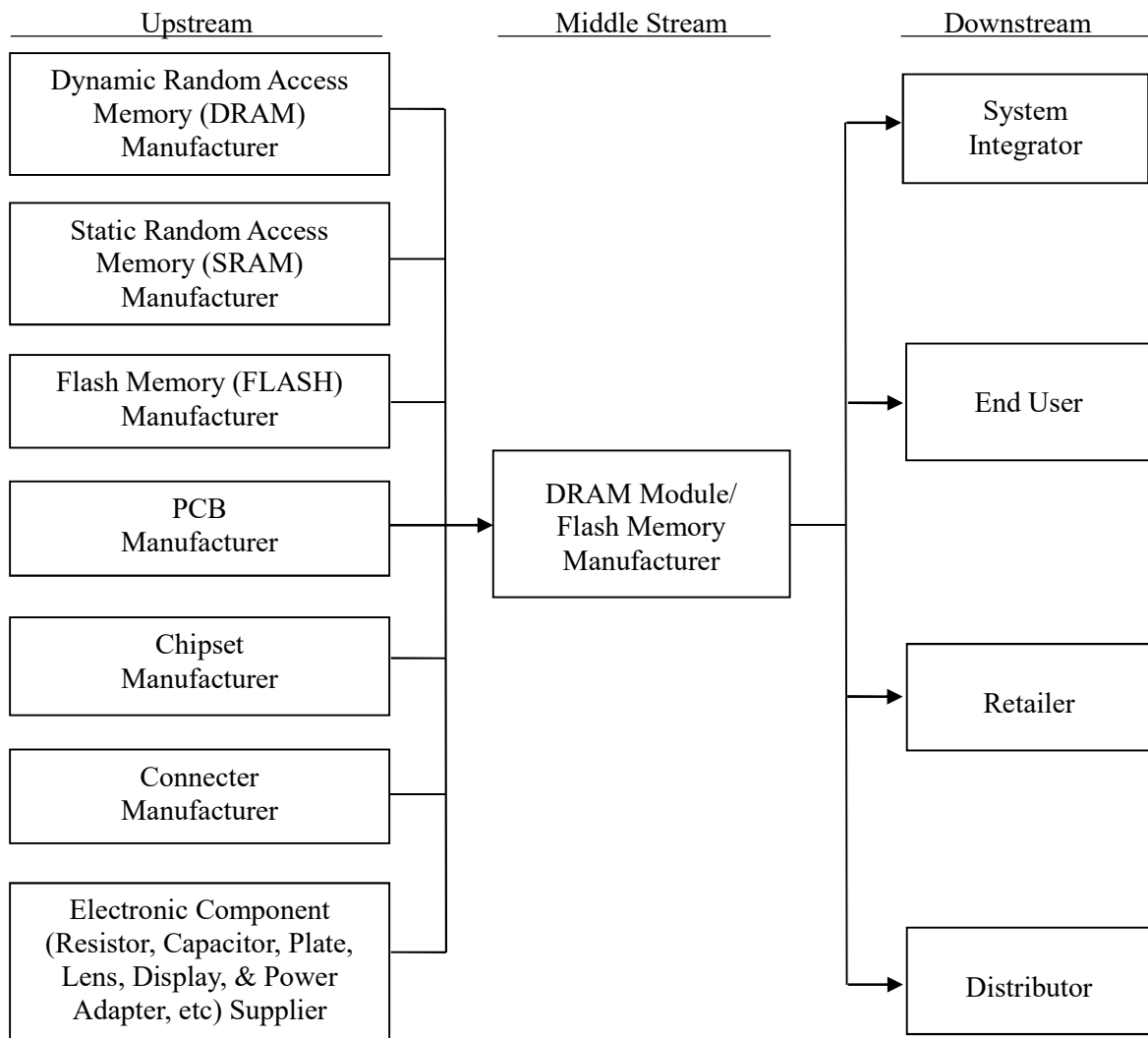
Consumer memory cards are typically used in the applications of smart phones and digital cameras. The growth of digital camera products is slowing down in recent years. Nevertheless, the popularity of surveillance cameras, network cameras, home care cameras and game applications have increased in recent years such that memory cards are maintained with a certain sales volume; however, the demand for USB portable disks has also slowed down due to the development of cloud storage.

Consumer SSDs have greater Read/Write speed than traditional hard disks, and they

are also equipped with the advantages of compact, lightweight, energy saving and shock resistant, etc., such that the number of users is increasing gradually. Consumers are also starting to accept the replacement of traditional hard disks with SSDs in the after-market, and presently most of the new Ultrabook/Notebooks launched in the markets also start to be equipped with SSD. Accordingly, the demand for SSDs is expected to continue to grow significantly. Such growth will also drive the demand for NAND Flash.

Generally, in terms of the supply of the flash memories in recent years, under the continuous transformation of manufacturing process of the main suppliers and the rapid development of TLC and 3D Nand, the production costs of suppliers have decreased gradually, which is beneficial to the continuous growth of the demand for Nand flash. In 2020, the applications that mainly consumed the Nand Flash were the two products of mobile phone built-in Nand flash and SSD products. After 2021, with various emerging applications associated with the industries of 5G and AI, etc., along with all kinds of business opportunities in the future, it is expected that the Nand flash growth in 2021 will surpass the performance in 2020. Accordingly, for flash products, Transcend will focus on the development of two fields of SSD and industrial applications as the main targets.

## 2. The Links Between Upstream, Midstream and Downstream of the Industry Supply Chain



### 3. Development Trends and Competition status of Products

The main application of DRAM is for general personal computers and enterprise applications. The growth of personal computer market has been slow in recent years; however, under the development of the enterprise application in two major trends of cloud and automation, a lot of DRAM chip suppliers adopt the countermeasure of transportation and reduction of production to cope with the trends. The module industry adjusts the strategy according to the upstream industry and has also shifted the main product development focus to niche products, such as AI edge computing, 5G products, data center, servers or industrial applications.

Flash demand also faces similar problem. The greatest consumption of memory cards is from the smart phone market, however, the market competition is severe, and growth of the market clearly indicates a slowing down trend. For other sources with use of large quantity of memory cards, such as digital camera market, such sources have been suppressed due to the rapid development of smart phones. As for USB portable disks, due to the development of new tools of cloud storage, etc., the market is facing the challenge of decreasing demand.

Nevertheless, for the upcoming era of 5G, 5G network will be widely applied to AI technology and other new technologies of IoT platform, etc., data quantity will be driven to expand rapidly, and to meet such rapid expansion, the market demand for real-time computation and massive storage is expected to grow significantly, and such plentiful use scenarios will certainly be associated with massive amount of use of data. Consequently, the application aspects of DRAM and Flash will continue to increase. For example, the market of industrial computer or enterprise application is expanding, and it will continue to drive the demand for DRAM and Flash, such that the down time of the flash market in 2020 will be improved.

In general, consumer products are affected by the decrease of ASP and the reduction of market scale, and since products are of low differentiation and the entry barrier is relatively lower, the competition becomes more severe. Nevertheless, for the industrial application market, with the rapid development of industrial computers, relevant component markets are also driven to grow. Industrial applications are equipped with the characteristics of stable quality, large investment in research and development, capability for customization and flexibility in operation as well as stable supply, etc., the entry barrier is relatively higher. Transcend has deep-rooted in the management of the market in this field; therefore, the company has certain competitive advantages.

Under the industrial environment of extremely severe competition, the Company has been able to achieve continuous growth. In addition to the original consumer market, the Company also actively expands the embedded market and strategy products. The Company has not only been ranked 62<sup>nd</sup> by the U.S. Bloomberg Businessweek among Top 100 Technology Company Worldwide but also been ranked by Ministry of Economic Affairs as Top 20 International Brand in Taiwan for the 14<sup>th</sup> consecutive year, indicating that under such severe international market, the Company has been able to demonstrate its management strength in stable brand development.

The competitive advantages of the Company are well demonstrated in the following four aspects:

#### (1) Supply and Logistics

- A. Rigorous supply chain management
- B. Global timely logistics: virtual warehouse
- C. Excellent inventory management

- (2) Innovation and Production
  - A. Professional internal research, development and design teams
  - B. Own factory manufacturing and rigorous quality control
- (3) Product and Inventory
  - A. Diverse product lines offering a wide range of products
  - B. Complete after-sale service
  - C. Global inventory real-time management
- (4) Comprehensive Backend Support
  - A. Rigorous financial and accounting management
  - B. Brand reputation and global marketing support
  - C. Product return and exchange management and repair technical service

As a leading manufacturing well-known for its professional storage media, all employees of the Company continue to pursuit greater achievements. To active development of channel service, we also establish a broader vision: with our technology advantages in the products of memory cards, flash memory products, storage equipment products, multimedia products and industrial products, along with the global logistics and marketing network providing quality and professional services, we have been able to successfully establish a sound brand image and has become the leading manufacturer in global consumer electronics and embedded products.

5.1.3. Technologies, Research and Development Overview

1. A Listing of Research and Development Expenditures as well as Technologies and/or Products Successfully Developed in 2020 and as of the date of this Annual Report

Unit: NT\$ thousands

Year	R&D Expenses	R&D Achievements
2020	133,355	[Memory Card] TS256GUSD330S aims at mobile phone games and palm gaming devices. Transcend's high performance memory cards satisfy the latest generation of A2 speed grade and have excellent random R/W performance.
		[SSD] SSD452K2 2.5" SSD is equipped with SATA3 transmission interface and is also equipped with the durability level of 3K program/erase cycles as well as the Corner Bond technique. SSD452K2 is equipped with the characteristic of quasi-wide temperature (-20°C-75°C), such that it is able to satisfy demands of task intense applications completely.
		[SSD] MTS952T2/552T2 M.2 SSD is equipped with the SATA3 transmission interface. It is equipped with 30μ" gold finger coating layer PCB and the reinforcement technology of Corner Bond of in order to provide excellent durability, and it is also built-in with DRAM flash memory. Furthermore, MTS952T2 SSD is equipped with the characteristic of quasi-wide temperature (-20°C – 75°C), and it is also equipped with the durability level of 3K program/erase cycles.
		[SSD] MTE452/T2652T2/662T2 PCIe Gen 3 x4 interface, complying with the specification of NVMe 1.3. It is equipped with 30μ" gold finger coating layer PCB and the reinforcement technology of Corner Bond of in order to provide excellent durability, and it is also built-in with DRAM flash memory. Furthermore, MTE652T2 SSD is equipped with the characteristic of wide temperature (-20°C – 75°C), and it is also equipped with the durability level of 3K program/erase cycles.
		[SSD] MSA452T2 mSATA SSD uses Serial ATA interface and is built-in with powerful controller, such that it is able to provide fast transmission speed. It is equipped with 30μ" gold finger coating layer PCB and the edge reinforcement technology of Corner Bond of in order to provide excellent durability, and it is also built-in with DRAM flash memory. Furthermore, MSA452T2 is equipped with the characteristic of quasi-wide temperature (-20°C – 75°C) and the durability level of 3K program/erase cycles. Its size is only 1/8 of conventional 2.5" SSD, and it is most suitable to Ultrabook, tablet computers and thin servers with confined space.
		[SSD] 220Q SSD uses the latest QLC NAND flash memory technology, and also increases the unit storage density to expand the capacity. The memory chip is selected and the firmware algorithm is enhanced to improve its reliability.
		[SSD] MTE240S uses the latest PCIe Gen4 x4 high speed interface, and is equipped with graphene heat sink, thereby providing nonstop user experience for consumers.
		[Memory Card] For TS256/512GCFE820, to cope with various newly developed high-end digital camera equipment, Transcend launches the CFexpress 820 Type B memory card, and it is able to provide the outstanding transmission performance of 1700MB/s and it also reaches the high storage capacity of 512GB. Transcend CFexpress memory card is downward compatible with specific XQD® camera equipment.
		[Card Reader] TS-RDC3 is used for Android handheld device and iPad Pro models equipped with Type-C port. With Type-C transmission cable, USB 3.2 Gen 1 transmission interface, and equipped with SD card slot and microSD card slot, it is able to access memory card content on Type-C

Year	R&D Expenses	R&D Achievements
		device swiftly, making data transmission and file sharing simpler. By downloading the exclusive mobile APP of Transcend Elite, users are able to browse, store, duplicate and share any digital files on mobile phones and tablets freely and conveniently.
		[Card Reader] TS-RDE2 is exclusively designed for CFexpress memory card used by camera professionals, and it is equipped with the USB 3.2 Gen 2x2 transmission interface with a transmission rate reaching as high as 20 Gbps, thereby satisfying the high speed transmission demand of professionals. RDE2 card reader is able to support devices equipped with USB Type-A and Type-C ports at the same time, thereby sufficiently demonstrating the convenience and flexibility of the device.
		[Dash Cam] TS-DP10A-32G adopts a simple and compact design, and it is equipped with the top grade of STARVIS™ photosensing element, thereby enhancing nighttime shooting effect, and it is also able to precisely present rich color and high resolution video quality. It also includes an ultra-wide lens of 140° in order to provide an omni-directional view without blind spots; it records 1080P high quality video at 60 frames per second, and is equipped with WI-FI function to achieve mobile streaming; it is also equipped with the emergency recording function in order to prevent abrupt interruption of recording, thereby achieving secured protection for safety.
		[USB Portable Disk] JF280T portable disk uses the latest generation of 3D NAND technology, and it is able to stack as many as 96 layers of 3D flash memories, thereby significantly breaking through the upper limit of unit density, and achieving higher storage performance. It is equipped with high speed USB 3.1 Gen 1 transmission interface, and it provides a large capacity storage solution with a compact size.
		[Memory Card] The uSD230I series of memory card uses the SLC mode technology and is equipped with excellent durability and stability, and the specification of 8GB-64GB are further provided, thereby providing a solution more competitive than SLC memory card.
		[Memory Card] The uSD430Ts series of memory card is equipped with high quality 3D stacked flash memories, achieving outstanding continuous program speed, and it is also equipped with 3K program/erase cycles, thereby providing durability equivalent to MLC chip, and it also supports the SMART function.
		[Memory Card] The uSD340S series of product aims at mobile phone games and palm gaming devices. Through advanced technology, it is able to achieve a transmission speed exceeding UHS-I 104MB/s. Transcend's high performance memory cards satisfy the latest generation of A2 speed grade and have excellent random R/W performance.
		[Memory Module] DDR4 3200 U-DIMM / SO-DIMM / ECC-DRMM/ R-DIMM memory modules are suitable to industrial desktop computers and notebook computers.
		[SSD] SSD530K is equipped with the SATA III 6Gb/s transmission interface, and it is built-in with DRAM flash memory. With the use of the 3D NAND flash memory in conjunction with Transcend's SLC mode technology, the durability is able to achieve 100K program/erase cycles (P/E cycles) such that its performance is competitive to SLC. It complies with the quasi-wide temperature specification, and it is able to operate under the working environment of -20°C to 75°C. It is suitable to industrial equipment of embedded system, automated machinery and fanless system, etc.

Year	R&D Expenses	R&D Achievements
		<p>[SSD] SSD452P 2.5" SSD is equipped with SATA3 transmission interface and is also equipped with the durability level of 3K program/erase cycles as well as the Corner Bond technique. SSD452P is equipped with the characteristic of quasi-wide temperature (-20°C–75°C), and it also supports the intelligent power protection (IPS) function in order to ensure the integrity of data and to satisfy demands of task intense applications completely.</p> <p>[SSD] MTE662P PCIe Gen 3 x4 interface, complying with the latest specification of NVMe 1.3. It is equipped with DRAM flash memory in order to provide excellent random access speed and to achieve the durability level of 3K program/erase cycles It is equipped with 30μ" gold finger coating layer PCB and the edge reinforcement technology of Corner Bond. MTE662T2 is equipped with the characteristic of quasi-wide temperature (-20°C–75°C), and it also supports the intelligent power protection (IPS) function in order to ensure the integrity of data and to satisfy demands of task intense applications completely.</p> <p>[SSD] MTS952P M.2 SSD is equipped with the SATA3 transmission interface. It is equipped with 30μ" gold finger coating layer PCB and the reinforcement technology of Corner Bond of in order to provide excellent durability, and it is also built-in with DRAM flash memory. Furthermore, it is equipped with the characteristic of quasi-wide temperature (-20°C–75°C) and supports the intelligent power protection (IPS) function in order to ensure the data integrity. It is also equipped with the durability level of 3K program/erase cycles.</p> <p>[SSD] MSA452P mSATA SSD uses Serial ATA interface and is built-in with powerful controller, such that it is able to provide fast transmission speed. It is equipped with 30μ" gold finger coating layer PCB and the edge reinforcement technology of Corner Bond of in order to provide excellent durability, and it is also built-in with DRAM flash memory. Furthermore, MSA452T2 is equipped with the characteristic of quasi-wide temperature (-20°C–75°C) and supports the intelligent power protection (IPS) function in order to ensure the data integrity. It is also equipped with the durability level of 3K program/erase cycles. Its size is only 1/8 of conventional 2.5" SSD, and it is most suitable to Ultrabook, tablet computers and thin servers with confined space.</p>
2021 Q1	42,059	<p>[SSD] SSD432K 2.5" industrial SSD is equipped with the SATA III 6Gb/s transmission interface, and it has also qualified rigorous factory test while being able to achieve the durability level of 3K program/erase cycles. It's outstanding and reliable performance is able to satisfy the demands of task intense applications completely.</p> <p>[SSD] MTE632T M.2 industrial SSD is equipped with the PCIe Gen 3 x4 interface, and complies with the latest specifications of NVMe 1.3 and M.2. Its size is more compact and is suitable to thin and lightweight portable devices. It is equipped with outstanding and reliable performance while reaching the durability level of 3K program/erase cycles.</p> <p>[SSD] MTS532T/932T M.2 industrial SSD is equipped with the SATA III 6Gb/s transmission interface, and complies with the M.2 specification. Its size is more compact and is suitable to thin and lightweight portable devices. It is equipped with outstanding and reliable performance while reaching the durability level of 3K program/erase cycles.</p>
<p>The above information for the year 2020 has been summarized for the period from January 1 to December 31, 2020. The information for year 2021 has been summarized for the period from January 1 to March 31, 2021.</p>		

## 2. Ongoing R&D Projects

Product Line	Ongoing Projects	Current Progress	Expected Mass Production Time	Key Success Factors
DRAM Products	DRAM modules of higher frequency, DRAM modules of higher capacity, DRAM modules for gaming sports, and wide temperature DRAM modules for embedded products, etc.	Development in progress	Some products have entered the mass production stage, and others under development progress are expected to enter the mass production stage starting from Q2, 2021.	<ol style="list-style-type: none"> <li>(1) Specialized specification for different fields</li> <li>(2) Increase of data transmission speed</li> <li>(3) Increase of product reliability and compatibility, increase of operating temperature</li> </ol>
Flash Products	Capacity expansion, higher transmission speed, various form factors, high speed USB portable disks, SSD with high R/W numbers, wide temperature SSD for embedded products, SSD for special purposes such as power failure protector and encryption function.	Development in progress	Some products have entered the mass production stage, and others under development progress are expected to enter the mass production stage starting from Q2, 2021.	<ol style="list-style-type: none"> <li>(1) Increase of access capacity and R/W speed</li> <li>(2) Increase of data security and encryption level</li> <li>(3) Compact and light with great portability</li> <li>(4) Implementation of new memory manufacturing process</li> </ol>
Strategy Products	Storage devices with various new specifications/interfaces, dual lens Dash Cam, body camera equipment and accessories, personal cloud storage equipment and other peripheral application products.	Development in progress	Some products have entered the mass production stage, and others under development progress are expected to enter the mass production stage starting from Q2, 2021.	<ol style="list-style-type: none"> <li>(1) Product specifications and functions with unique characteristics in comparison to other products in the market</li> <li>(2) Proper control of product mass production and market launch schedule</li> <li>(3) Completeness of accessories</li> <li>(4) Exclusive functions for regional market and special groups</li> <li>(5) Increase of data security and encryption level</li> <li>(6) Simplify product complexity</li> </ol>
<p>The R&amp;D budget for the ongoing projects accounts for approximately 80% of the total R&amp;D budget in 2021. And the R&amp;D budget is estimated to account for 1.0%–1.5% of the whole-year revenue in 2021.</p>				



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

##### 1. Short-term Business Development Plan

###### (1) Embedded Business Management

The Company has invested a great amount of resources in the management of embedded products for a long period of time, and the Company has always adopted the business philosophy of excellent quality and customer-oriented approach; consequently, the Company has been able to successfully gain customers' trust and support and became the leading brand in the embedded field. Transcend further actively invests in the embedded products business and copes with the development trend of industrial computer and automation, etc., thereby expanding the business performance in the embedded field.

###### (2) Expansion of R&D Department

The Company is equipped with a complete R&D team, and in the future, the Company will continue to actively recruit outstanding R&D talents in order to continuously develop and launch comprehensive and multi-function product series based on the attitude of pursuit for excellence and perfection, in order to provide quality products to consumers and to establish brand loyalty, to satisfy the market consumer trend and to meet consumer demands, as well as to effectively reduce cost and improve production efficiency at the same time.

##### 2. Long-term Business Development Plan

###### (1) Brand Management and Channel Planning

###### A. Global Comprehensive Planning

Transcend establishes its headquarters in Taipei, and subsidiaries or service centers are also established in Germany, the Netherlands, United Kingdom, United States, Japan, Hong Kong, Beijing, Shanghai, Shenzhen and South Korea. The Company's products are sold in more than 130 countries, and more than 80% of the Company's customers are from markets outside Taiwan. To continue to enhance the planning and establishment of sales channel, the Company collaborates with global channel distributors/retailers closely, and will continue to establish sales points at all major areas worldwide, thereby allowing the brand image and visibility of the Company to be deep-rooted in the global market.

###### B. Investment in Marketing Activities

The Company mainly develops the market with the own brand of "Transcend." Accordingly, the Company has always been active in the development of marketing activities. Through collaboration with local channel distributors/retailers in different regions, the Company provides the marketing budget and organizes various marketing activities, such as advertisement, new product launch, new product media testing, distributor training and contest and road show, etc., while matching with the local customs and culture, thereby achieving effective market development and establish the brand of Transcend swiftly. Consequently, maximum marketing effect through effective resources can be achieved.

###### C. Deep-rooted in Local Market

To develop marketing channels and engage in close collaboration with global channel distributors/retailers, the Company recruits outstanding talents at overseas subsidiaries and implements the strategy of recruiting local sales specialists and management personnel in order to develop the market in depth and to enhance management performance through the local talent's language advantages and cultural understanding.

## (2) Continue to Optimize Operational System

### A. Completeness and Diversity of Product Lines

The greatest advantage of the Company lies in the diversity of products capable of satisfying the one-stop shopping demand of customers. The product lines of the Company include special and standard memories, various types of small flash memory cards, portable disks, portable hard disks, Dash Cam, body cameras, personal cloud storage devices and SSDs, with the number of product types reaching more than 1,000.

### B. Product Customization Service and Comprehensive Embedded Solution

The Company provides complete product customization service to satisfy demands of different customer groups. Plentiful embedded product lines demonstrating diverse solutions for embedded purposes. In addition, the Company upholds the principle of excellence and perfection to continuously optimize the quality control system. The Company will continue to collaborate with outsourcing wafer packaging vendors equipped with ISO/TS16949 certification, in order to ensure the maximum protection for customers and to push the Company's products to the global automotive market.

For diverse and comprehensive product functions, the Company aims to satisfy the purchase characteristics of different consumer groups through various sales channels in order to further expand the depth and breadth of the sales level, thereby achieving the benefit of economics of scale and increasing the global market share.

## (3) Complete After-Sale service

Since customers emphasize the after-sale service and product quality, rather than mere price difference, brand value becomes apparent when products are of excellent quality. The function and performance differences among memory products are reducing; therefore, the Company aims to demonstrate the strength and to differentiate from the competitors through complete product consultation and after-sale service while continuously improving the product quality, thereby establishing the brand recognition and trust among distributors and users.

## 5.2. Markets and Overview of Production and Sales

### 5.2.1. Market Analysis

#### 1. Main Products and Sales Region

The product lines of the Company cover channel memory products and embedded products, including special and standard memories, various types of small flash memory cards, portable disks, portable hard disks, SSDs, Dash Cam, body camera and personal cloud storage devices, etc. Under the complete global planning, the Company has 13 business locations worldwide and Taiwan as the main production base, and the region of sales further includes all global markets. Through comprehensive sales strategy and excellent quality, the brand of Transcend is promoted worldwide.

Sales region in the last two years:

Unit: NT\$ thousands

Area	2020		2019	
	Amount	%	Amount	%
Taiwan	2,521,695	22.03	2,794,634	20.71
Asia	4,075,807	35.61	4,724,037	35.00
Americas	1,163,131	10.16	1,200,675	8.90
Europe	2,822,582	24.66	3,799,177	28.15
Others	863,481	7.54	977,663	7.24
Total	11,446,696	100.00	13,496,186	100.00

## 2. Market Share

Regarding the DRAM memory industry and the flash memory industry, due to the fine product categories (SDRAM, DDR, DDR2, DDR3, DDR4, flash memory card, portable disk, Dash Cam, body camera, personal cloud storage device, and SSD, etc.), and due to the difference between the contract market and spot market, the market share cannot be estimated precisely. According to the results of various market survey institutions, the global market share of Transcend continues to increase. Looking into the future, the Company will continue to increase the market share and achieve the goal of reasonable profit through continuous effort.

## 3. Future Market Demand/Supply Conditions and Growth Potential

### (1) DRAM Module

DRAM module carrying rate continues to increase, the shipping ratio for the mainstream 4GB/8GB/16GB modules continue to reach new highs. As the quantity of cloud computers, servers and data centers increases, the shipping volume of 16GB/32GB module is expected to grow rapidly this year.

### (2) Flash Products

As the application of SSD becomes more popular, including broad applications in portable hard disks and built-in storage devices of handheld video recorders, the consumption volume of SSD will continue to increase. Regarding the field of embedded products, applications related to 5G, AI and data center in 2021 are expected to continue to grow, and the demand for workstation and server will increase. All of these applications require massive data storage; therefore, the data storage demand will continue to increase, which will further drive the shipping volume of SSD significantly.

For memory cards, the applications will continue to be widely used as storage medium for channel products, such as 3C consumer electronics of smart phones, digital video recorders, tablet computers, Notebook, Ultrabook, multimedia players, gaming devices, surveillance cameras, home care cameras and automobile navigators, etc. In addition, with the continuous emerging of new applications, memory card demand is expected to maintain the same level or show certain level of growth.

## 4. The Company's Competitive Niche

### (1) Internationalization of sales network, distribution of market channels

Since the establishment, the Company has been committed to the own brand management and channel planning and continuously exerts efforts in differentiating

the Company from traditional domestic professional OEM manufacturer. In terms of the sales and marketing strategies, the Company aims to establish the brand image of high quality for the brand of “Transcend,” and in the professional memory card field, the Company targets the “End Customers,” supply distributors, system operators and retail market, thereby reducing the channel gap and allowing both the Company and customers to obtain greater profits. In addition, with the continuous improvement of the Company’s position in the industry and through providing comprehensive product lines and complete after-sale service system, the Company is able to increase customer sales continuously, including strategic collaboration with international front line channel operators. Presently, the Company has over 5,000 loyal customers worldwide and has established a solid and stable sales network with cooperation of subsidiaries in various countries.

(2) Establish brand image, deep-rooted in local market

“Transcend” is one of the few successful domestic brands that have received high praise internationally. For both domestic and international memory product markets, Transcend is the brand representing stability and high quality, and such brand image has been deep-rooted in the mind of consumers. Through media advertisements of magazines, newspapers, outdoor large signboards and internet network, as well as marketing activities of news release, etc., the Company expands the brand image of Transcend, which is beneficial to the improvement of the brand awareness; nevertheless, the Company still values excellent product and quality service as the most essential factors to achieve high brand value. Furthermore, the Company also establishes the Transcend online shopping website in order to further expand and develop the channel structure of the Company while strengthening the brand image of Transcend. Moreover, the Company is able to obtain the comments and feedback from the end consumers directly, thereby using such comments and feedback as the reference for product and service improvement.

(3) Utilize purchase advantage effectively, expand product competitiveness

The Company has been established for more than thirty years, and the type and quantity of purchase items are enormous and continue to increase. Through excellent partnership with upstream vendors of DRAM and NAND Flash established for a long period of time over the past years, the Company is able to achieve the best cost structure, thereby increasing the product price competitiveness. In addition, through the in-depth collaboration with the upstream vendors, the Company is able to introduce new products in the market faster than competitors, in order to seize the business opportunities in the market effectively and to become the leading brand in the market.

(4) Continue to develop strategy products, strengthen brand value

The Company started the business based on the niche memory modules, following which the Company then entered the standard memory module and flash memory market. As the Company’s planning in the global traditional sales channel becomes more complete, the Company actively engages in the development of strategic products of Dash Cam, body camera, external portable hard disks, card readers, personal cloud storage device and SSDs, etc., such that through diverse product series along with the addition of other sales channels, the Company is able to satisfy the purchase characteristics of different consumer groups and to further expand the depth and breadth of sales level.

5. Favorable and Unfavorable Factors for Future Development and Response to Such Factors

## Favorable Factors

### (1) Complete product lines, diverse product types

With more than thirty years of development, the Company invests great research and development budget and human resource for the establishment of complete product lines, and the main products include various memories, digital memory cards, USB portable disks, external hard disks, card readers, personal cloud storage devices, Dash Cam, body camera and SSDs, etc. There are more than 1000 types of products available for all kinds of electronic product applications, thereby satisfying the customers' demand of "one-stop shopping." The R&D team of the Company also synchronizes with the market trend, and will continue to develop and launch innovative products satisfying the market demands.

### (2) Establish brand image, deep-rooted in local market

Over the past years, the Company has invested important resources in both product appearance design and product packaging continuously, in order to design and provide products meeting the global trend. In addition, the Company has received great recognition with numerous international industrial design awards, and also provides multi-language instruction manuals and product catalogues for various countries in order to be deep-rooted in the local market. Accordingly, the Company has successfully obtained great support from consumers on the Company's products.

### (3) Internationalization of sales network, distribution of market channels

The Company is devoted to the own brand management and marketing, and customers around the globe are considered to be the market for the Company. Through the establishment of international market channels and after extensive years of market development and deep-rooted in new emerging markets and countries, the Company has accumulated more than 5,000 loyal customers worldwide, and through the cooperation of branch offices in various countries, the Company has established a solid and stable sales network. The export sales of the Company accounts for nearly 80% of the total sales, demonstrating the solid international sales network of the Company.

### (4) Equipped with comprehensive global logistics management capability

The memory expansion cards of the Company are the key products with diverse models and limited quantity. The Company has also established subsidiaries or sales offices at Germany, the Netherlands, the United Kingdom, the United States, Japan, Hong Kong, Beijing, Shanghai, Shenzhen and South Korea. Due to the great number of product types, customers are widely distributed worldwide. To effectively control inventory and to manage the sales targets, the Company and all overseas sales offices are established with computer information system with complete functions. Accordingly, the headquarters is able to sufficiently and promptly understand the order receipt and inventory status of all overseas sales offices through network, in order to reduce the cost associated with overstock and to successful delivery, thereby improving product image and competitiveness.

### (5) Increase product value with outstanding industrial design

The functions of electronic products have shown minor variations all manufacturers and operators. Since several years ago, Transcend has already realized the importance of industrial design, and the Company is staffed with a professional industrial design team in pursuit of outstanding industrial design in order to improve product value. In recent years, the Company has received numerous important industrial grant awards of Germany iF design award, reddot design award, and Japan Good Design award, etc. In

2020, Transcend received the honor of “Taiwan Excellence Award” for the seventeenth consecutive year, a remarkable record achieved by the Company.

(6) Professional and dedicated R&D team

The Company has established a professional and dedicated R&D team for each product, and the Company’s own R&D team is able to promptly solve issues and satisfy demands of customers in terms of the product compatibility, reliability and yield rate, etc., thereby establishing a high barrier that cannot be overcome or surpassed by operators in the same industry.

Unfavorable Factors and Actions

(1) Violent price fluctuation of critical raw materials, affecting operational stability

The prices of the critical raw materials of DRAM, NAND Flash chips of the Company fluctuate violently, and if a downstream operator cannot effectively manage the chip supply sources and control the inventory, then under the situation where the demand for chips is higher than supply and the market price surges, such operator would not be able to handle customers’ strong demand and to provide sufficient products. Furthermore, when the chips are under the condition of supply over demand and the market price plunges, then the production cost and overstock cost would become overly high due to the high purchase price of the original raw materials. Consequently, market price fluctuation often results in the control difficulty of the sales price and cost, such that the stability of the operation is affected in certain extent.

→ Action

The Company has constructed a complete information system, and the inventory level can be reasonably controlled and enhanced through the assistance of such system. Furthermore, the Company focuses on the operation and long-term collaboration relationship with the suppliers and customers, and the Company also appropriately controls risks and adjusts strategies according to the market condition periodically, thereby ensuring reasonable price and maintaining a health inventory level.

(2) Low entrance barrier for standard memory card products and flash memory card products, leading to price war

Most of the operators in the same industry expand production capacity to seek high revenue; however, the market demand is not as optimistic as expected. To fill up the production capacity gap newly created, a lot of the operators are lowering their prices for competition, or even selling products for minimum profit or no profit, leading to the situation of chaotic market prices that is unfavorable to the product development and promotion. Unless a company is able to manage niche products and channels, or is equipped with brand value, it would be difficult to achieve stable development. Transcend is equipped with both of these characteristics and values them as the long-term goal.

→ Action

In addition to standard products, for DRAM and NAND Flash related products, the Company also offers special products at a certain ratio. The Company also develops numerous industrial control products and strategic products in order to increase the difference from the competitors and to improve profitability while providing the one-stop shop service to customers.

## 5.2.2. Main Usage and Manufacturing Processes of Main Products

### 1. Main Products and Their Main Usage

#### (1) Digital memory card/USB portable disk products

For flash memory card/USB portable disk, the main application is to increase the data storage memory capacity of various digital equipment, such as multimedia mobile phones, digital cameras, tablets, PC/NB, surveillance cameras, gaming devices and smart phones.

#### (2) Solid State Drive (SSD)

SSD is equipped with the characteristics that are absent in traditional hard disks, and such characteristics include shock resistant, high Read/Write speed, quiet and low power consumption, etc. Presently, for both notebook computers and desktop computers, the ratio of SSD has increased significantly, and the individual upgrades with SSD made by consumers on computer equipment also indicate great popularity. As the price of SSD becomes widely accepted by consumers, flash memories are expected to have the greatest popularity and application in the future.

#### (3) Memory products

The function of memory modules is to expand the computer data processing capacity and to increase the processing speed, and the main applications include personal computer system, network system, industrial computers, as well as equipment, such as desktop computers, notebook computers, laser printers, servers, workstations, routers and fax machines.

#### (4) Dash Cam

As the global automotive market continues to grow, consumers focus more on the personal driving safety. In the years of 2020/2021, Transcend continues to launch Dash Cam of greater performance, demonstrating Transcend's determination in the development of the global Dash Cam.

#### (5) Body Camera

In addition to the automotive market, in 2015, Transcend has also launched Body Camera, and its main purpose is for military and police security. For the years of 2020/2021, the Company continuously launches new models and achieves further growth in the security and surveillance market.

#### (6) Storage equipment

To satisfy the demand for information and personnel mobility, portable hard disks are equipped with the characteristics of compact size, high capacity and portability. The personal data portability and the design of confidentiality and security are increased in order to provide a comprehensive portable data solution for professionals in various sectors. As the industrial control application demand increases, Transcend launches numerous storage products satisfying different industrial applications, such as SSD, flash memory modules and industrial grade CF/SD memory cards.

#### (7) Accessories and card readers

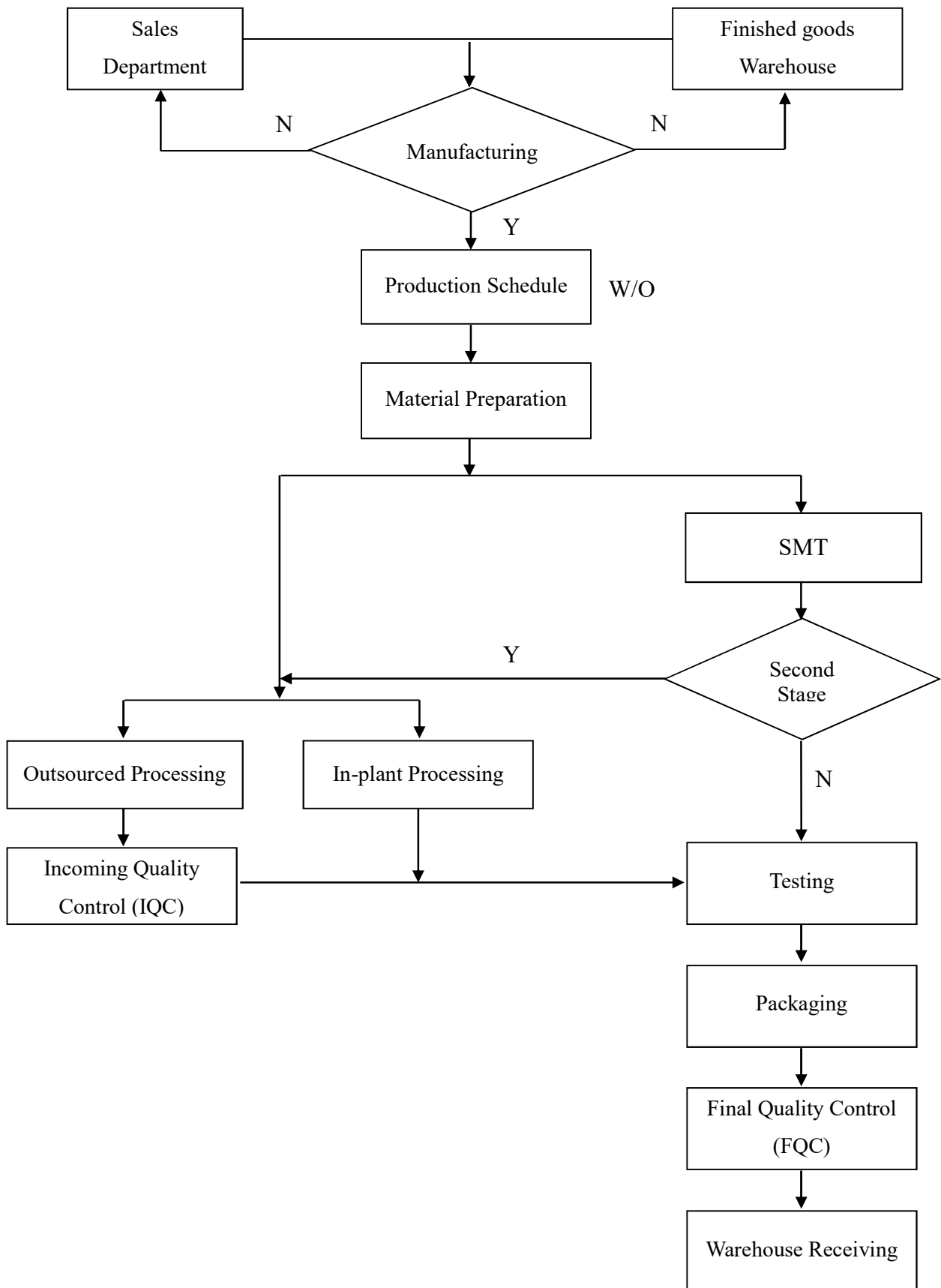
As the popularity of digital camera, camera phones and multimedia devices increase, the demand for transmitting and exchanging videos, music and various multimedia data effectively and swiftly among personal computers and other portable devices are increasing. Transcend launches various types of portable card readers and adapters, providing direct and convenient access interfaces, such that they offer the best choices to users having the preference of using high speed memory cards for transmission of digital data, music and photos. In addition, in view of the great popularity of

smartphones and tablets nowadays, for the upcoming USB 3.2 era, Transcend further launches high speed products and OTG/Type-C flash drives products, allowing users to enjoy faster transmission speed and achieving greater convenience in cross-platform data transmission.



## 2. Main Products and Their Manufacturing Processes

Flow Chart of Manufacturing Processes



### 5.2.3. Supply Status of Major Raw Materials

Major Raw Materials	Purchasing Strategy and Supply Situation
DRAM	The Company maintains excellent and long-term relationship with all main suppliers in the industry. Accordingly, even under the condition of tight supply, the Company is still able to obtain stable supply with an advantageous price, thereby ensuring sufficient supply of products to downstream customers.
Nand Flash	The Company maintains excellent relationship with leading operators in the industry. In addition to obtaining stable supply source and cost advantages through purchase strategy, the Company has established long-term technical collaboration relationship with suppliers in order to maintain strong competitiveness for, NAND FLASH related products of the Company.
Hard Drive	As the hard disk market supply is considered stable, after the strategic adjustment, the prices of suppliers are maintained at a decreasing trend. The Company will continue to control inventory in order to prevent the risk of price dropping. The Company will also maintain close relationship with the key suppliers in order to achieve clear advantages in terms of material supply, quality and cost.
Controller	The Company selects cooperating partners carefully, and all of the cooperating partners are well-known operators with excellent company structure, thereby ensuring the product quality and cost advantages.
PCB	All of the cooperating partners of the Company are global top hundred PCB suppliers, and the Company also places orders according to the capacity and expertise of suppliers, such that the effects of quality and cost can be achieved at the same time while maintaining stable product supply.
Optical Disk Device	The overall market for optical drive indicates continuous decline, and the price of optical drives continues to drop. The suppliers of the Company are top two suppliers in the industry and their corporate structures are sound. In addition, the Company adopts the strategic collaboration method to ensure the quality, stable supply and price competitiveness.
Mechanical Part	Most of the designs of mechanical parts are customized. The Company is able to select limited long-term cooperating partners through detailed cost structure analysis and comparison in order to maintain stable quality and to continue to contact new suppliers for cost comparison, thereby ensuring price competitiveness.

5.2.4. Company Names, Amount and Percentage of Major Suppliers and Customers which were commanding 10%-plus Share of annual order volume in the Last Two Years

1. Major Suppliers

Unit: NT\$ thousands

Item	2019				2020				2021 (as of March 31, 2021) (Note 3)			
	Company Name	Amount	Ratio to Annual Net Supplies (%)	Relation with Transcend	Company Name	Amount	Ratio to Annual Net Supplies (%)	Relation with Transcend	Company Name	Amount	Ratio to Quarterly Net Supplies (%)	Relation with Transcend
1	A	2,616,590	30.47	None	A	2,950,652	31.45	None	B	588,305	22.68	None
2	C	1,949,855	22.71	None	C	2,631,361	28.04	None	C	586,513	22.62	None
3									A	464,438	17.91	None
4									D	331,052	12.76	None
	Others	4,020,715	46.82		Others	3,800,943	40.51		Others	623,094	24.03	
	Net Total Supplies	8,587,160	100.00		Net Total Supplies	9,382,956	100.00		Net Total Supplies	2,593,402	100.00	

Note 1: Due to the restrictions of commercial confidentiality and non-disclosure of contracts, the names of suppliers are shown by codes.

Note 2: Changes of increase/decrease were due to the business needs.

Note 3: The financial statements of 2021Q1 have already been reviewed by the CPAs.

2. Major Customers

Unit: NT\$ thousands

Item	2019				2020				2021 (as of March 31, 2021) (Note 3)			
	Company Name	Amount	Ratio to Annual Net Sales (%)	Relation with Transcend	Company Name	Amount	Ratio to Annual Net Sales (%)	Relation with Transcend	Company Name	Amount	Ratio to Quarterly Net Sales (%)	Relation with Transcend
1	D	1,088,967	8.07	None	D	701,149	6.13	None	D	285,452	8.16	None
	Others	12,407,219	91.93		Others	10,745,547	93.87		Others	3,213,168	91.84	
	Net Sales	13,496,186	100.00		Net Sales	11,446,696	100.00		Net Sales	3,498,620	100.00	

Note 1: Due to the restrictions of commercial confidentiality and non-disclosure of contracts, the names of customers are shown by codes.

Note 2: Changes of increase/decrease were due to the business needs.

Note 3: The financial statements of 2021Q1 have already been reviewed by the CPAs.

### 5.2.5. Production in the Last Two Years

Unit: 1,000 pieces; NT\$ thousands

Major Products	2020			2019		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
FLASH+DRAM Products	22,479	18,682	6,951,685	25,939	23,616	7,742,083
Others	2,563	2,048	1,911,124	2,545	2,267	2,143,116
Total	25,042	20,730	8,862,809	28,484	25,883	9,885,199

### 5.2.6. Sales in the Last Two Years

Unit: 1,000 pieces; NT\$ thousands

Major Products	2020				2019			
	Local		Export		Local		Export	
	Qty	Amount	Qty	Amount	Qty	Amount	Qty	Amount
FLASH+DRAM Products	12,586	2,197,359	15,553	6,844,559	10,574	2,456,218	19,159	8,077,064
Others	250	324,336	1,827	2,080,442	285	338,416	2,197	2,624,488
Total	12,836	2,521,695	17,380	8,925,001	10,859	2,794,634	21,356	10,701,552

### 5.3. The Number of Employees, Average Service Year, Average Age and Educational Level Distribution Ratio in Last Two Years and up to the Publication Date of this Annual Report

Year		2019	2020	As of April 19, 2021
Number of Employee	Direct	688	670	653
	Indirect	654	640	628
	Total	1,342	1,310	1,281
Average Age		36.8	37.6	38.0
Average Years of		7.9	8.7	9.0
Education	Ph.D.	0.0%	0.0%	0.0%
	Masters	16.5%	15.2%	14.8%
	Bachelor's Degree	58.2%	59.6%	59.7%
	Senior High	21.9%	22.0%	22.3%
	Below Senior	3.4%	3.2%	3.2%

#### 5.4. Environmental Protection Expenditures

During the product design process of the Company, for the selection of raw materials, auxiliary materials and packaging materials, internal professional personnel has performed product compliance inspection according to the international environmental protection laws and regulations reviewed and identified in order to ensure that the products sold comply with the international environmental protection laws and regulations.

The main manufacturing processes of the Company's products include component mounting, board cutting, assembly, testing, packaging and sales to the customer end. During the manufacturing process, no waste gas or wastewater is discharged, and only industrial wastes are generated from the process. The industrial wastes are collected and classified according to their properties, and qualified supplier approved by the Environmental Protection Administration is entrusted to handle the cleaning and disposal of the wastes. The qualification certificate of the supplier entrusted is reviewed rigorously, and testing and reporting are performed in accordance with the laws and regulations in order to ensure that the industrial wastes are properly handled.

1. Any losses and disposition suffered by the company in the most recent fiscal year and up to this Annual Report publication date due to environmental pollution incidents: None.
2. Material Environmental Protection Expenditures: None.

#### 5.5. Labor Relations

5.5.1. Employee benefit plans, continuing education, training, retirement systems, the status of their implementation, and the status of labor agreements and measures for preserving employees' rights and interests:

1. Employee benefit plans:

- (1) Insurance: To provide greater living protection to employees, in addition to the enrollment of labor and health insurances for employees according to the laws, the Company plans the group insurance for employees, and it covers term life insurance, accident insurance, hospitalization and medical insurance, and cancer health insurance, etc. For employees traveling on business trips, additional business travel safety insurance is applied in order to provide greater protection to employees.
- (2) Entertainment activities: The Company has established the Employees' Welfare Committee according to the laws, and the activities of year-end party, family day and sports contest, etc., are organized annually in order to achieve physical and mental relaxation and to achieve coherence. Furthermore, the activity center is also installed with various fitness and recreation facilities, such as, table football, table tennis, snooker, fitness room and other equipment for employees' use during their free time. Employees are also encouraged to participate in club activities and to establish friendship and communication through club activities.
- (3) Other benefits: Employees' health is considered a fundamental aspect for the Company's development. In addition to providing annual health examination to employees, the Company also sets up basketball courts and fitness room to provide diverse sports and recreation facilities. Employees are offered with the employee discount prices for the purchase of the Company's products for own use. The employee cafeteria and café also offer meals at discount prices to employees. The Company irregularly provides gifts and issues marriage and maternity cash gift and funeral consolation money. Furthermore, through cross-industry alliance with other vendors, the Company provides greater benefits to the living of employees.

2. Employee continuing education and training:

As the Company is in the highly competitive technology industry, talents are the key factors determining the success of a corporate. Transcend has also valued talents as the most powerful and significant backup to the company. Through various learning methods of professional competence improvement courses, work transfer, overseas business trips and trade shows, etc., arranged by the Company, Transcend is able to cultivate employees equipped with functions of greater diversity and depth, thereby achieving the goals of the organization.

In terms of the training courses, each year, the Company organizes orientation training for new employees and also organizes competence improvement courses for sales, purchase and R&D personnel, as well as organizes or assigns personnel to participate in relevant external trainings according to laws and regulations.

3. Retirement systems:

To meet the requirements specified by the laws and regulations, the Company contributes 6% of the insured monthly salary and deposits into the pension personal account at the Bureau of Labor Insurance monthly for new employees on-board since 2005 and existing employees who chose the new retirement pension system. For existing employees who chose the old retirement pension system and maintained their service years under the old system, the Company appropriates an appropriate pension reserve and deposits in the dedicated account at Bank of Taiwan, and the Supervisory Committee members are responsible for the supervision of the reserve fund.

4. Other labor agreements:

The agreements between the labor and management of the Company are handled in accordance with the Labor Standards Act, and are explained in conjunction with the personnel management regulations upon the time when employees joining the Company for service. Relevant regulations are added or revised depending upon the operational needs of the Company.

5.5.2. Any Losses due to Labor Disputes and Any Estimated Losses and Countermeasures

1. Any losses and disposition suffered by the company in the most recent fiscal year and up to this Annual Report publication date due to labor disputes: None.
2. Any estimated losses and countermeasures: None.

5.6. Important Contracts

Agreement	Counterparty	Contract Period	Major Contents	Restrictions
Lease	Won Chin Investment Inc.	2019.6.12-2022.6.11	Land Lease Contract	None
Lease	Cheng Chuan Technology Development Inc.	2019.6.12-2022.6.11	Land Lease Contract	None
License	Intel Corporation	2014.4.18-	Thunderbolt Technology License Agreement	None
License	Memory Technologies LLC	2019.12.26-2024.12.31	MEMORY PATENT LICENSE AGREEMENT	None

## 6. Financial Information

### 6.1. Condensed Balance Sheet and Statement of Comprehensive Income for the Most Recent Five Years – Based on IFRS

#### 6.1.1. Consolidated Condensed Balance Sheet

Unit: NT\$ thousands

Item	Year	Financial Summary for The Last Five Years (Note 1)					As of March 31, 2021 (Note 2)
		2016	2017	2018	2019	2020 (Note 3)	
Current assets		19,129,329	19,189,793	16,115,783	15,411,700	14,615,264	15,067,150
Property, Plant and Equipment		2,740,210	2,706,923	2,599,493	2,438,154	2,282,324	2,224,339
Intangible assets		-	-	-	-	-	-
Other assets		1,021,515	873,765	3,149,236	3,350,936	3,840,034	4,155,927
Total assets		22,891,054	22,770,481	21,864,512	21,200,790	20,737,622	21,447,416
Current liabilities	Before distribution	2,319,570	2,066,617	1,649,287	1,501,579	1,837,754	3,344,239
	After distribution	4,904,140	4,651,187	3,803,096	3,432,357	3,146,392	3,344,239
Non-current liabilities		244,550	205,569	234,923	292,363	227,842	220,924
Total liabilities	Before distribution	2,564,120	2,272,186	1,884,210	1,793,942	2,065,596	3,565,163
	After distribution	5,148,690	4,856,756	4,038,019	3,724,720	3,374,234	3,565,163
Equity attributable to shareholders of the parent		20,326,934	20,498,295	19,980,302	19,406,848	18,672,026	17,882,253
Capital stock		4,307,617	4,307,617	4,307,617	4,307,617	4,290,617	4,290,617
Capital surplus	Before distribution	4,799,075	4,691,385	4,605,233	4,346,854	3,945,369	3,730,838
	After distribution	4,691,385	4,605,233	4,346,775	3,960,698	3,730,838	3,730,838
Retained earnings	Before distribution	11,365,931	11,546,540	11,129,024	10,999,853	10,553,284	10,022,906
	After distribution	8,889,051	9,048,122	9,233,673	9,455,231	9,459,177	10,022,906
Other equity interest		(145,689)	(47,247)	(61,572)	(130,902)	(117,244)	(162,108)
Treasury stock		-	-	-	(116,574)	-	-
Non-controlling interest		-	-	-	-	-	-
Total equity	Before distribution	20,326,934	20,498,295	19,980,302	19,406,848	18,672,026	17,882,253
	After distribution	17,742,364	17,913,725	17,826,493	17,476,070	17,363,388	17,882,253

Note 1: 2016–2020 financial statements have been audited and certified by CPAs.

Note 2: The financial statements of 2021 Q1 have been reviewed by the CPAs.

Note 3: For the proposal for distribution of 2020 earnings, in accordance with the provisions of the Articles of Incorporation, the proposal on the distribution of earnings in cash and the proposal on the cash distribution from capital surplus have been approved by the board of directors' meeting through special resolution. The remaining distribution items have not been approved through the resolution of the shareholders' meeting; therefore, no adjustment has been made.

## 6.1.2. Condensed Consolidated Balance Sheet - Parent Company Only

Unit: NT\$ thousands

Item \ Year	Financial Summary for The Last Five Years (Note 1)					As of March 31, 2021 (Note 2)	
	2016	2017	2018	2019	2020 (Note 3)		
Current assets	18,543,822	18,502,683	15,269,713	14,532,387	13,722,813	Not Applicable	
Property, Plant and Equipment	1,653,180	1,724,494	1,712,699	1,644,401	1,540,175		
Intangible assets	-	-	-	-	-		
Other assets	3,021,883	2,927,401	5,229,958	5,256,311	5,686,690		
Total assets	23,218,885	23,154,578	22,212,370	21,433,099	20,949,678		
Current liabilities	Before distribution	2,702,978	2,480,264	2,027,568	1,810,735		2,114,521
	After distribution	5,287,548	5,064,834	4,181,377	3,741,513		3,423,159
Non-current liabilities	188,973	176,019	204,500	215,516	163,131		
Total liabilities	Before distribution	2,891,951	2,656,283	2,232,068	2,026,251		2,277,652
	After distribution	5,476,521	5,240,853	4,385,877	3,957,029		3,586,290
Equity attributable to shareholders of the parent	20,326,934	20,498,295	19,980,302	19,406,848	18,672,026		
Capital stock	4,307,617	4,307,617	4,307,617	4,307,617	4,290,617		
Capital surplus	Before distribution	4,799,075	4,691,385	4,605,233	4,346,854		3,945,369
	After distribution	4,691,385	4,605,233	4,346,775	3,960,698		3,730,838
Retained earnings	Before distribution	11,365,931	11,546,540	11,129,024	10,999,853		10,553,284
	After distribution	8,889,051	9,048,122	9,233,673	9,455,231		9,459,177
Other equity interest	(145,689)	(47,247)	(61,572)	(130,902)	(117,244)		
Treasury stock	-	-	-	(116,574)	-		
Non-controlling interest	-	-	-	-	-		
Total equity	Before distribution	20,326,934	20,498,295	19,980,302	19,406,848		18,672,026
	After distribution	17,742,364	17,913,725	17,826,493	17,476,070		17,363,388

Note 1: 2016–2020 financial statements have been audited and certified by CPAs.

Note 2: Pursuant to Article 7 of the Regulations Governing the Preparation of Financial Reports by Securities Issuers (adopting the International Financial Reporting Standards), the Company is not required to prepare the parent company only financial statements of 2021 Q1; therefore, the Company provides no financial information for 2021 Q1.

Note 3: For the proposal for distribution of 2020 earnings, in accordance with the provisions of the Articles of Incorporation, the proposal on the distribution of earnings in cash and the proposal on the cash distribution from capital surplus have been approved by the board of directors' meeting through special resolution. The remaining distribution items have not been approved through the resolution of the shareholders' meeting; therefore, no adjustment has been made.



### 6.1.3. Consolidated Condensed Statement of Comprehensive Income

Unit: NT\$ thousands

Item \ Year	Financial Summary for The Last Five Years (Note 1)					As of March 31, 2021 (Note 2)
	2016	2017	2018	2019	2020	
Operating revenue	22,104,915	20,964,853	17,615,965	13,496,186	11,446,696	3,498,620
Gross profit	4,951,693	5,526,844	3,530,250	3,087,531	2,470,096	852,848
Profit from operations	3,307,745	3,997,648	2,139,754	1,781,010	1,211,936	518,455
Non-operating income (expenses)	(64,378)	(685,066)	513,793	308,733	290,445	143,348
Profit before income tax	3,243,367	3,312,582	2,653,547	2,089,743	1,502,381	661,803
Profit from continuing operations	2,882,637	2,655,717	2,081,995	1,728,967	1,197,735	559,386
Loss from discontinued	-	-	-	-	-	-
Profit for the year	2,882,637	2,655,717	2,081,995	1,728,967	1,197,735	559,386
Other comprehensive income (loss), net of taxes	(128,605)	100,214	(15,418)	(32,117)	12,175	(40,521)
Total comprehensive income for the year	2,754,032	2,755,931	2,066,577	1,696,850	1,209,910	518,865
Profit attributable to shareholders of the parent	2,882,637	2,655,717	2,081,995	1,728,967	1,197,735	559,386
Profit attributable to non-controlling interest	-	-	-	-	-	-
Total Comprehensive income attributable to Shareholders of the parent	2,754,032	2,755,931	2,066,577	1,696,850	1,209,910	518,865
Total Comprehensive income attributable to non-controlling interest	-	-	-	-	-	-
Earnings per share (Note 3)	6.69	6.17	4.83	4.01	2.79	1.30
Earnings per share (Note 4)	6.68	6.16	4.83	4.01	2.79	1.30

Note 1: 2016–2020 financial statements have been audited and certified by CPAs.

Note 2: The financial statements of 2021Q1 have been reviewed by the CPAs.

Note 3: It is calculated based on the outstanding weighted average number of shares.

Note 4: It is calculated based on number of shares after retroactive adjustment.

#### 6.1.4. Condensed Statement of Comprehensive Income - Parent Company Only

Unit: NT\$ thousands

Item \ Year	Financial Summary for The Last Five Years (Note 1)					As of March 31, 2021 (Note 2)
	2016	2017	2018	2019	2020	
Operating revenue	21,324,583	20,007,792	16,809,530	12,860,887	10,937,519	Not Applicable
Gross profit	4,044,442	4,752,426	2,862,617	2,521,479	1,982,871	
Profit from operations	3,179,234	3,958,066	2,140,740	1,871,034	1,315,135	
Non-operating income (expenses)	(13,119)	(669,836)	490,139	173,005	146,157	
Profit before income tax	3,166,115	3,288,230	2,630,879	2,044,039	1,461,292	
Profit from continuing operations	2,882,637	2,655,717	2,081,995	1,728,967	1,197,735	
Loss from discontinued operations	-	-	-	-	-	
Profit for the year	2,882,637	2,655,717	2,081,995	1,728,967	1,197,735	
Other comprehensive income (loss), net of taxes	(128,605)	100,214	(15,418)	(32,117)	12,175	
Total comprehensive income for the year	2,754,032	2,755,931	2,066,577	1,696,850	1,209,910	
Profit attributable to shareholders of the parent	2,882,637	2,655,717	2,081,995	1,728,967	1,197,735	
Profit attributable to non-controlling interest	-	-	-	-	-	
Total Comprehensive income attributable to Shareholders of the parent	2,754,032	2,755,931	2,066,577	1,696,850	1,209,910	
Total Comprehensive income attributable to non-controlling interest	-	-	-	-	-	
Earnings per share (Note 3)	6.69	6.17	4.83	4.01	2.79	
Earnings per share (Note 4)	6.68	6.16	4.83	4.01	2.79	

Note 1: 2016–2020 financial statements have been audited and certified by CPAs.

Note 2: Pursuant to Article 7 of the Regulations Governing the Preparation of Financial Reports by Securities Issuers (adopting the International Financial Reporting Standards), the Company is not required to prepare the parent company only financial statements of 2021 Q1; therefore, the Company provides no financial information for 2021 Q1.

Note 3: It is calculated based on the outstanding weighted average number of shares.

Note 4: It is calculated based on number of shares after retroactive adjustment.

#### 6.1.5. Auditors' Opinions from 2016 to 2020

Year	CPA Firm	CPA	Audit Opinion
2016	Pricewaterhouse Coopers	Lin Chun-Yao, Chou Chien-Hung	Unqualified Opinion
2017	Pricewaterhouse Coopers	Lin Chun-Yao, Chou Chien-Hung	Unqualified Opinion
2018	Pricewaterhouse Coopers	Lin Chun-Yao, Chou Chien-Hung	Unqualified Opinion
2019	Pricewaterhouse Coopers	Lin Chun-Yao, Chou Chien-Hung	Unqualified Opinion
2020	Pricewaterhouse Coopers	Lin Chun-Yao, Chen Chin-Chang	Unqualified Opinion

## 6.2. Financial Analysis for the Most Recent Five Years – Based on IFRS

### 6.2.1. Consolidated Financial Analysis

Item		Year	Financial Analysis for the Last Five Years (Note 2)					As of March 31, 2021 (Note 3)	
			2016	2017	2018	2019	2020		
Financial structure	Debt Ratio (%)		11.20	9.98	8.62	8.46	9.96	16.62	
	Ratio of long-term capital to property, plant and equipment (%)		750.73	764.85	777.66	807.96	828.10	813.87	
Solvency	Current ratio (%)		824.69	928.56	977.14	1026.37	795.28	450.54	
	Quick ratio (%)		225.19	338.95	261.44	432.06	313.12	195.05	
	Interest earned ratio (times)		1,297.31	11,154.47	-	1,121.51	738.18	1,780.04	
Operating performance	Accounts receivable turnover (times)		7.27	7.80	7.57	7.44	7.85	8.87	
	Average collection period		50	47	48	49	47	41	
	Inventory turnover (times)		3.54	2.96	3.34	3.96	3.41	3.23	
	Accounts payable turnover (times)		9.98	10.08	11.26	9.11	8.05	8.36	
	Average days in sales		103	123	109	92	107	113	
	Property, plant and equipment turnover (times)		7.71	7.70	6.64	5.36	4.85	6.21	
	Total assets turnover (times)		0.94	0.92	0.79	0.63	0.55	0.66	
Profitability	Return on total assets (%)		12.29	11.63	9.33	8.04	5.72	10.61	
	Return on stockholders' equity (%)		14.12	13.01	10.29	8.78	6.29	12.24	
	Pre-tax income to paid-in capital (%)	Profit from operations		76.79	92.80	49.67	41.35	28.25	48.33
		Profit before income tax		75.29	76.90	61.60	48.51	35.02	61.70
	Profit ratio (%)		13.04	12.67	11.82	12.81	10.46	15.99	
	Earnings per share (NT\$) (Note 1)		6.69	6.17	4.83	4.01	2.79	5.21	
Cash flow	Cash flow ratio (%)		119.99	147.10	265.71	69.36	(13.52)	2.06	
	Cash flow adequacy ratio (%)		85.75	93.80	86.36	84.50	65.18	61.77	
	Cash reinvestment ratio (%)		(0.68)	2.11	9.62	(6.19)	(12.99)	0.44	
Leverage	Operating leverage		1.46	1.36	1.61	1.69	1.98	1.60	
	Financial leverage		1.00	1.00	1.00	1.00	1.00	1.00	

Analysis of financial ratio differences for the last two years: (Not required if the difference does not exceed 20%)

1. Current ratio and quick ratio: Since the exemption from provisional income tax payment was applied in 2020, the accrual income tax liabilities increased at the end of the period. Accordingly, the current ratio and quick ratio decreased from last year.
2. Interest earned ratio: Since the gross profit decreased in 2020, the income before tax decreased correspondingly such that the interest earned ratio was reduced.
3. Profitability: Since the revenue and gross profit decreased in 2020, operating profit, profit before tax and net income after tax also decreased correspondingly. Accordingly, the profitability related financial ratios dropped from last year.
4. Cash flow: It was mainly due to the adjustment of the inventory to cope with the market condition in 2020, and the inventory level increased significantly, leading to net cash outflow from operating activities. Consequently, the cash flow related financial ratios dropped from last year.

Note 1: It was calculated based on the outstanding weighted average number of shares.

Note 2: 2016–2020 financial statements have been audited and certified by CPAs.

Note 3: The financial statements of 2021Q1 have been reviewed by the CPAs.

1. Financial Structure

- (1)  $\text{DebtRatio} = \frac{\text{total liabilities}}{\text{total assets}}$
- (2) Ratio of long-term capital to property, plant and equipment =  $\frac{(\text{total shareholders' equity} + \text{non-current liabilities})}{\text{net value of property, plant and equipment}}$

2. Liquidity

- (1) Current ratio =  $\frac{\text{current assets}}{\text{current liabilities}}$
- (2) Quick ratio =  $\frac{(\text{current assets} - \text{inventory} - \text{pre-paid expense})}{\text{current liabilities}}$
- (3) Interest earned ratio =  $\frac{\text{earning before income tax and interest expense}}{\text{interest expense of the term}}$

3. Operating Performance

- (1) Accounts receivables (including accounts receivables and notes receivables due to business) turnover =  $\frac{\text{Net sales}}{\text{average balance of accounts receivables (including accounts receivables and notes receivables due to business)}}$
- (2) Average collection period =  $\frac{365}{\text{accounts receivables turnover}}$
- (3) Inventory turnover =  $\frac{\text{Cost of goods sold}}{\text{average inventory}}$
- (4) Accounts payable (including accounts payables and notes payables due to business) turnover =  $\frac{\text{cost of goods sold}}{\text{average balance of accounts payables (including accounts payables and notes payables due to business)}}$
- (5) Average days in sales =  $\frac{365}{\text{inventory turnover}}$
- (6) Property, plant and equipment turnover =  $\frac{\text{net sales}}{\text{average net value of property, plant and equipment}}$
- (7) Total assets turnover =  $\frac{\text{net sales}}{\text{average total assets}}$

4. Profitability

- (1) Return on Assets =  $\frac{[\text{profit(loss) for the year} + \text{interest expense} \times (1 - \text{tax rate})]}{\text{average total assets}}$
- (2) Return on stockholders' equity =  $\frac{\text{profit(loss) for the year}}{\text{average total stockholders' equity}}$
- (3) Profit ratio =  $\frac{\text{profit(loss) for the year}}{\text{net sales}}$
- (4) Earnings per share =  $\frac{(\text{Profit(loss) attributable to shareholders of the parent} - \text{preferred stock dividends})}{\text{weighted average share outstanding}}$

5. Cash Flow

- (1) Cash flow ratio =  $\frac{\text{Cash inflow generated from operations}}{\text{current liabilities}}$
- (2) Cash flow adequacy ratio =  $\frac{\text{Cash inflow generated from operations of the most recent five years}}{(\text{capital expenditure} + \text{increased amount of inventory} + \text{cash dividends}) \text{ of the most recent five years}}$
- (3) Cash reinvestment ratio =  $\frac{(\text{Cash inflow generated from operations} - \text{cash dividends})}{(\text{gross value of property, plant and equipment} + \text{long-term investment} + \text{other assets} + \text{working capital})}$

6. Leverage

- (1) Operating leverage =  $\frac{(\text{net sales} - \text{variable business costs and expenses})}{\text{Profit(loss) from operations}}$
- (2) Financial leverage =  $\frac{\text{Profit from operations}}{(\text{Profit from operations} - \text{interest expense})}$

## 6.2.2. Parent Company Only Financial Analysis

Item		Year	Financial Analysis for the Last Five Years (Note 2)					As of March 31, 2021 (Note 3)	
			2016	2017	2018	2019	2020		
Financial structure	Debt Ratio (%)		12.46	11.47	10.05	9.45	10.87	Not applicable	
	Ratio of long-term capital to property, plant and equipment (%)		1,241.00	1,198.86	1,178.54	1,193.28	1,222.92		
Solvency	Current ratio (%)		686.05	746.00	753.10	802.57	648.98		
	Quick ratio (%)		187.71	266.16	181.78	325.76	245.75		
	Interest earned ratio (times)		1,942.21	11,072.48	-	3,024.73	1,776.57		
Operating performance	Accounts receivable turnover (times)		7.20	7.24	7.44	7.67	8.50		
	Average collection period		51	50	49	48	43		
	Inventory turnover (times)		3.81	3.10	3.45	4.12	3.55		
	Accounts payable turnover (times)		7.95	7.58	8.21	6.66	5.89		
	Average days in sales		96	118	106	89	103		
	Property, plant and equipment turnover (times)		12.65	11.85	9.78	7.66	6.87		
	Total assets turnover (times)		0.91	0.86	0.74	0.59	0.52		
Profitability	Return on total assets (%)		12.24	11.45	9.18	7.93	5.66		
	Return on stockholders' equity (%)		14.12	13.01	10.29	8.78	6.29		
	Pre-tax income to paid-in capital (%)	Profit from operations		73.80	91.89	49.70	43.44		30.65
		Profit before income tax		73.50	76.34	61.08	47.45		34.06
	Profit ratio (%)		13.52	13.27	12.39	13.44	10.95		
	Earnings per share (NT\$) (Note 1)		6.69	6.17	4.83	4.01	2.79		
Cash flow	Cash flow ratio (%)		96.65	117.59	218.43	47.98	(11.99)		
	Cash flow adequacy ratio (%)		89.45	97.36	85.80	82.60	62.32		
	Cash reinvestment ratio (%)		(1.53)	1.60	10.26	(7.42)	(13.61)		
Leverage	Operating leverage		1.24	1.18	1.29	1.30	1.45		
	Financial leverage		1.00	1.00	1.00	1.00	1.00		

Analysis of financial ratio differences for the last two years: (Not required if the difference does not exceed 20%)

- 1.Quick Ratio: Since the exemption from provisional income tax payment was applied in 2020, the accrual income tax liabilities increased at the end of the period. Accordingly,the quick ratio decreased from last year.
- 2.Interest earned ratio: Since the gross profit decreased in 2020, the income before tax decreased correspondingly, such that the interest earned ratio was reduced.
- 3.Profitability: Since the revenue and gross profit decreased in 2020, operating profit, profit before tax and net income after tax decreased correspondingly. Accordingly, the profitability related financial ratios dropped from last year.
- 4.Cash flow: It was mainly due to the adjustment of the inventory to cope with the market condition in 2020, and the inventory level increased significantly, leading to net cash outflow from operating activities. Consequently, the cash flow related financial ratios dropped from last year.

Note 1: It was calculated based on the outstanding weighted average number of shares.

Note 2: 2016–2020 financial statements have been audited and certified by CPAs.

Note 3: Pursuant to Article 7 of the Regulations Governing the Preparation of Financial Reports by Securities Issuers (adopting the International Financial Reporting Standards), the Company is not required to prepare the parent company only financial statements of 2021 Q1; therefore, the Company provides no financial

information for 2021 Q1.

1. Financial Structure

- (1)  $\text{DebtRatio} = \frac{\text{total liabilities}}{\text{total assets}}$
- (2)  $\text{Ratio of long-term capital to property, plant and equipment} = \frac{\text{total shareholders' equity} + \text{non-current liabilities}}{\text{net value of property, plant and equipment}}$

2. Liquidity

- (1)  $\text{Current ratio} = \frac{\text{current assets}}{\text{current liabilities}}$
- (2)  $\text{Quick ratio} = \frac{\text{current assets} - \text{inventory} - \text{pre-paid expense}}{\text{current liabilities}}$
- (3)  $\text{Interest earned ratio} = \frac{\text{earning before income tax and interest expense}}{\text{interest expense of the term}}$

3. Operating Performance

- (1)  $\text{Accounts receivables (including accounts receivables and notes receivables due to business) turnover} = \frac{\text{Net sales}}{\text{average balance of accounts receivables (including accounts receivables and notes receivables due to business)}}$
- (2)  $\text{Average collection period} = \frac{365}{\text{accounts receivables turnover}}$
- (3)  $\text{Inventory turnover} = \frac{\text{Cost of goods sold}}{\text{average inventory}}$
- (4)  $\text{Accounts payable (including accounts payables and notes payables due to business) turnover} = \frac{\text{cost of goods sold}}{\text{average balance of accounts payables (including accounts payables and notes payables due to business)}}$
- (5)  $\text{Average days in sales} = \frac{365}{\text{inventory turnover}}$
- (6)  $\text{Property, plant and equipment turnover} = \frac{\text{net sales}}{\text{average net value of property, plant and equipment}}$
- (7)  $\text{Total assets turnover} = \frac{\text{net sales}}{\text{average total assets}}$

4. Profitability

- (1)  $\text{Return on Assets} = \frac{[\text{profit (loss) for the year} + \text{interest expense} \times (1 - \text{tax rate})]}{\text{average total assets}}$
- (2)  $\text{Return on stockholders' equity} = \frac{\text{profit (loss) for the year}}{\text{average total stockholders' equity}}$
- (3)  $\text{Profit ratio} = \frac{\text{profit (loss) for the year}}{\text{net sales}}$
- (4)  $\text{Earnings per share} = \frac{(\text{Profit (loss) attributable to shareholders of the parent} - \text{preferred stock dividends})}{\text{weighted average share outstanding}}$

5. Cash Flow

- (1)  $\text{Cash flow ratio} = \frac{\text{Cash inflow generated from operations}}{\text{current liabilities}}$
- (2)  $\text{Cash flow adequacy ratio} = \frac{\text{Cash inflow generated from operations of the most recent five years}}{(\text{capital expenditure} + \text{increased amount of inventory} + \text{cash dividends}) \text{ of the most recent five years}}$
- (3)  $\text{Cash reinvestment ratio} = \frac{(\text{Cash inflow generated from operations} - \text{cash dividends})}{(\text{gross value of property, plant and equipment} + \text{long-term investment} + \text{other assets} + \text{working capital})}$

6. Leverage

- (1)  $\text{Operating leverage} = \frac{(\text{net sales} - \text{variable business costs and expenses})}{\text{Profit (loss) from operations}}$
- (2)  $\text{Financial leverage} = \frac{\text{Profit from operations}}{(\text{Profit from operations} - \text{interest expense})}$

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

#### Audit Committee's Review Report

The Board of Directors has prepared the Company's 2020 Business Report, Financial Statements and Earnings Distribution Proposal. Transcend Corporation's Financial Statements have been audited and certified by Mr. Chun-Yao Lin and Mr. Chin-Chang Chen, the CPA of the Pricewaterhouse Coopers. The Business Report, Financial Statements and Earnings Distribution Proposal have been reviewed and considered to be complied with relevant rules by the undersigned, the audit committee of Transcend Corporation. Pursuant to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

The Audit Committee of Transcend Information, Inc.

Chairman of the Audit Committee: WANG, YI-HSIN

March 04, 2021

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

**TRANSCEND INFORMATION, INC. AND SUBSIDIARIES  
REPRESENTATION LETTER**

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

Very truly yours,

TRANSCEND INFORMATION, INC.  
Chairman: SHU, CHUNG-WON

March 4, 2021



## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR20000143

To the Board of Directors and Shareholders of Transcend Information, Inc.

### ***Opinion***

We have audited the accompanying consolidated balance sheets of Transcend Information, Inc. and its subsidiaries (the "Group") as at December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

### ***Basis for opinion***

We conducted our audit of the consolidated financial statements as at and for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China; and in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Rule No. Financial-Supervisory-Securities-Auditing-1090360805 issued by the Financial Supervisory Commission on February 25, 2020 and generally accepted auditing standards in the Republic of China for our audit of the consolidated financial statements as at and for the year ended December 31, 2019. 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 judgement, were of most significance in our audit of the Group's 2020 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2020 consolidated financial statements are stated as follows:

#### **Evaluation of inventories**

##### Description

Refer to Notes 4(13), 5(2) and 6(5) to the consolidated financial statements for the information on the Group's inventory accounting policy, estimates and assumptions and allowance for inventory valuation losses.

The percentage of the Group's inventories to total assets is material and the Group applies judgements and estimates in determining the net realizable value of inventories at the balance sheet date. The Group mainly produces DRAM and flash memory. As these products have a short life cycle and belong to a highly competitive industry, the market prices change frequently. Since the Group's inventories and the allowance for inventory valuation losses are material to the financial statements, the evaluation of inventories has been identified as a key audit matter.

##### How our audit addressed the matter

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

- A. Obtained an understanding of the Group's operations and industry. Assessed the reasonableness of the policy and procedures to recognize allowance for inventory valuation losses.
- B. Obtained an understanding of the Group's inventory control procedures. Reviewed annual inventory count plan and observed the annual physical count of inventory in order to assess the effectiveness of internal controls over inventory.
- C. Obtained relevant evaluation reports of inventory and tested the logic and accuracy of information to assess the reasonableness of allowance for inventory valuation losses.

## **Estimation of allowance for sales discount**

### Description

In consideration of business volume, the Group provides a variety of business incentives to specific customers or products, and based on that, the Group can estimate the allowance for sales discount monthly. Refer to Notes 4(24) and 6(4) to the consolidated financial statements for the information on the estimation of allowance for sales discount.

Since the contracts are numerous and the result could affect the net revenue in the consolidated financial statements, the estimation of allowance for sales discount has been identified as a key audit matter.

### How our audit addressed the matter

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

- A. Obtained an understanding of the Group's operations, industry and the procedures to recognize allowance for sales discount.
- B. Obtained an understanding of the Group's sales procedures and interviewed management to assess the appropriateness of sales allowance contracts and internal control over estimation of allowance.
- C. Obtained the evaluation list of allowance for sales discount, and tested material sales allowance contracts and recalculated it to assess the reasonableness of allowance determined by the Group.

### ***Other matter –Parent company only financial reports***

We have audited and expressed an unqualified opinion on the parent company only financial statements of Transcend Information, Inc. as at and for the years ended December 31, 2020 and 2019.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and

using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

***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 generally accepted auditing standards 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 generally accepted auditing standards in the Republic of China, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- A. 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.
- B. 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.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. 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.

- E. 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.
- F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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.

  
\_\_\_\_\_  
Lin, Chun-Yao

  
\_\_\_\_\_  
Chen, Chin-Chang

For and on behalf of PricewaterhouseCoopers, Taiwan

March 4, 2021

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The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

TRANSCEND INFORMATION, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan Dollars)

Assets	Notes	December 31, 2020		December 31, 2019	
		AMOUNT	%	AMOUNT	%
<b>Current assets</b>					
Cash and cash equivalents	6(1)	\$ 736,852	4	\$ 1,233,407	6
Financial assets at fair value through profit or loss - current	6(2)	3,510,998	17	2,581,509	12
Current financial assets at amortised cost, net	6(3)	5,659,889	27	7,910,482	37
Notes receivable, net	6(4)	759	-	3,054	-
Accounts receivable, net	6(4)	1,434,454	7	1,478,531	7
Accounts receivable due from related parties, net	7	-	-	8	-
Other receivables		71,351	-	124,077	1
Inventories, net	6(5)	3,190,466	15	2,062,659	10
Other current assets		10,495	-	17,973	-
<b>Total Current Assets</b>		<b>14,615,264</b>	<b>70</b>	<b>15,411,700</b>	<b>73</b>
<b>Non-current assets</b>					
Non-current financial assets at fair value through profit or loss	6(2)	744,922	4	-	-
Non-current financial assets at fair value through other comprehensive income	6(6)	111,000	1	114,164	1
Non-current financial assets at amortised cost	6(3)	-	-	148,527	1
Investments accounted for using equity method	6(7)	95,724	-	97,434	-
Property, plant and equipment, net	6(8) and 8	2,282,324	11	2,438,154	12
Right-of-use assets	6(9) and 7	187,079	1	241,050	1
Investment property, net	6(11)	2,612,426	13	2,610,292	12
Deferred tax assets	6(23)	41,472	-	75,859	-
Other non-current assets	6(12)	47,411	-	63,610	-
<b>Total Non-current Assets</b>		<b>6,122,358</b>	<b>30</b>	<b>5,789,090</b>	<b>27</b>
<b>Total Assets</b>		<b>\$ 20,737,622</b>	<b>100</b>	<b>\$ 21,200,790</b>	<b>100</b>

(Continued)

TRANSCEND INFORMATION, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	December 31, 2020		December 31, 2019	
		AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>					
Accounts payable		\$ 1,134,266	6	\$ 1,005,350	5
Accounts payable - related parties	7	37,416	-	52,828	-
Other payables		246,635	1	267,116	1
Current tax liabilities		295,381	2	83,705	1
Current lease liabilities	7	51,010	-	53,945	-
Other current liabilities		73,046	-	38,635	-
<b>Total Current Liabilities</b>		<u>1,837,754</u>	<u>9</u>	<u>1,501,579</u>	<u>7</u>
<b>Non-current liabilities</b>					
Deferred tax liabilities	6(23)	139,700	1	155,482	1
Non-current lease liabilities	7	34,705	-	83,697	-
Other non-current liabilities	6(13)	53,437	-	53,184	-
<b>Total Non-current Liabilities</b>		<u>227,842</u>	<u>1</u>	<u>292,363</u>	<u>1</u>
<b>Total Liabilities</b>		<u>2,065,596</u>	<u>10</u>	<u>1,793,942</u>	<u>8</u>
<b>Equity attributable to owners of parent</b>					
Share capital	6(14)				
Common stock		4,290,617	21	4,307,617	21
Capital surplus	6(15)				
Capital surplus		3,945,369	19	4,346,854	20
Retained earnings	6(16)				
Legal reserve		4,683,878	22	4,510,981	21
Special reserve		130,902	1	61,572	-
Unappropriated retained earnings		5,738,504	28	6,427,300	30
Other equity interest	6(17)				
Other equity interest		( 117,244)	( 1)	( 130,902)	-
Treasury shares	6(14)	-	-	( 116,574)	-
<b>Total Equity</b>		<u>18,672,026</u>	<u>90</u>	<u>19,406,848</u>	<u>92</u>
Significant contingent liabilities and unrecognized contract commitments	9				
Significant events after the balance sheet date	11				
<b>Total Liabilities and Equity</b>		<u>\$ 20,737,622</u>	<u>100</u>	<u>\$ 21,200,790</u>	<u>100</u>

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

**TRANSCEND INFORMATION, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**  
(Expressed in thousands of New Taiwan Dollars, except for earnings per share amount)

Items	Notes	Year ended December 31			
		2020		2019	
		AMOUNT	%	AMOUNT	%
Operating Revenue	6(18) and 7	\$ 11,446,696	100	\$ 13,496,186	100
Operating Costs	6(5)(22) and 7	( 8,976,600)	( 78)	( 10,408,655)	( 77)
Gross Profit		<u>2,470,096</u>	<u>22</u>	<u>3,087,531</u>	<u>23</u>
Operating Expenses	6(22)				
Sales and marketing expenses		( 692,592)	( 6)	( 770,784)	( 6)
Administrative expenses		( 431,320)	( 4)	( 395,057)	( 3)
Research and development expenses		( 133,355)	( 1)	( 142,601)	( 1)
(Impairment loss) reversal of impairment loss determined in accordance with IFRS 9	6(4)	( 893)	-	1,921	-
Total operating expenses		<u>( 1,258,160)</u>	<u>( 11)</u>	<u>( 1,306,521)</u>	<u>( 10)</u>
Operating Profit		<u>1,211,936</u>	<u>11</u>	<u>1,781,010</u>	<u>13</u>
Non-operating Income and Expenses					
Interest income	6(19)	73,952	1	191,612	2
Other income	6(20)	38,721	-	39,490	-
Other gains and losses	6(21)	163,899	1	67,311	1
Net gain from derecognizing financial assets measured at amortised cost	6(3)	17,210	-	20,552	-
Finance costs	6(9)	( 2,038)	-	( 1,865)	-
Share of loss of associates and joint ventures accounted for using the equity method	6(7)	( 1,299)	-	( 8,367)	-
Total non-operating income and expenses		<u>290,445</u>	<u>2</u>	<u>308,733</u>	<u>3</u>
<b>Profit before Income Tax</b>		<u>1,502,381</u>	<u>13</u>	<u>2,089,743</u>	<u>16</u>
Income tax expense	6(23)	( 304,646)	( 2)	( 360,776)	( 3)
<b>Profit for the Year</b>		<u>\$ 1,197,735</u>	<u>11</u>	<u>\$ 1,728,967</u>	<u>13</u>
<b>Other Comprehensive Income (Loss)</b>					
<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>					
(Losses) gains on remeasurements of defined benefit plans	6(13)	(\$ 1,072)	-	\$ 724	-
Unrealized (loss) gain on financial assets at fair value through other comprehensive income	6(6)(17)	( 3,164)	-	27,976	-
Share of other comprehensive (loss) income of associates and joint ventures accounted for using the equity method		( 411)	-	479	-
<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>					
Exchange differences on translation of foreign financial statements	6(17)	21,027	-	( 76,620)	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(17)(23)	( 4,205)	-	15,324	-
<b>Other comprehensive income (loss) for the year</b>		<u>\$ 12,175</u>	<u>-</u>	<u>(\$ 32,117)</u>	<u>-</u>
<b>Total Comprehensive Income</b>		<u>\$ 1,209,910</u>	<u>11</u>	<u>\$ 1,696,850</u>	<u>13</u>
Net profit attributable to:					
Owners of parent		<u>\$ 1,197,735</u>	<u>11</u>	<u>\$ 1,728,967</u>	<u>13</u>
Comprehensive income attributable to:					
Owners of parent		<u>\$ 1,209,910</u>	<u>11</u>	<u>\$ 1,696,850</u>	<u>13</u>
Earnings Per Share (in dollars)	6(24)				
Basic earnings per share		<u>\$ 2.79</u>		<u>\$ 4.01</u>	
Diluted earnings per share		<u>\$ 2.79</u>		<u>\$ 4.01</u>	

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



TRANSCEND INFORMATION, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan Dollars)

	Notes	Equity attributable to owners of the parent										
		Capital Reserves				Retained Earnings			Other Equity Interest			
		Common stock	Additional paid-in capital	Donated assets received	Net assets from merger	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gain or loss on financial assets at fair value through other comprehensive income	Treasury shares	Total equity
<b>Year ended December 31, 2019</b>												
Balance at January 1, 2019		\$ 4,307,617	\$ 4,565,999	\$ 4,106	\$ 35,128	\$ 4,302,782	\$ 47,247	\$ 6,778,995	(\$ 77,165 )	\$ 15,593	\$ -	\$ 19,980,302
Net income for the year		-	-	-	-	-	-	1,728,967	-	-	-	1,728,967
Other comprehensive income (loss)	6(6)(17)	-	-	-	-	-	-	1,203	( 61,296 )	27,976	-	( 32,117 )
Total comprehensive income (loss)		-	-	-	-	-	-	1,730,170	( 61,296 )	27,976	-	1,696,850
Appropriation and distribution of 2018 earnings	6(16)	-	-	-	-	-	-	-	-	-	-	-
Legal reserve		-	-	-	-	208,199	-	( 208,199 )	-	-	-	-
Cash dividends		-	-	-	-	-	-	( 1,895,351 )	-	-	-	( 1,895,351 )
Special reserve		-	-	-	-	-	14,325	( 14,325 )	-	-	-	-
Cash payment from capital surplus	6(16)	-	( 258,458 )	-	-	-	-	-	-	-	-	( 258,458 )
Net gain on disposal of financial assets at fair value through other comprehensive income		-	-	-	-	-	-	36,010	-	( 36,010 )	-	-
Expired unclaimed dividends recognized as capital surplus		-	-	79	-	-	-	-	-	-	-	79
Purchase of treasury stock		-	-	-	-	-	-	-	-	-	( 116,574 )	( 116,574 )
Balance at December 31, 2019		\$ 4,307,617	\$ 4,307,541	\$ 4,185	\$ 35,128	\$ 4,510,981	\$ 61,572	\$ 6,427,300	(\$ 138,461 )	\$ 7,559	(\$ 116,574 )	\$ 19,406,848
<b>Year ended December 31, 2020</b>												
Balance at January 1, 2020		\$ 4,307,617	\$ 4,307,541	\$ 4,185	\$ 35,128	\$ 4,510,981	\$ 61,572	\$ 6,427,300	(\$ 138,461 )	\$ 7,559	(\$ 116,574 )	\$ 19,406,848
Net income for the year		-	-	-	-	-	-	1,197,735	-	-	-	1,197,735
Other comprehensive income (loss)	6(6)(17)	-	-	-	-	-	-	( 1,483 )	16,822	( 3,164 )	-	12,175
Total comprehensive income (loss)		-	-	-	-	-	-	1,196,252	16,822	( 3,164 )	-	1,209,910
Appropriation and distribution of 2019 earnings	6(16)	-	-	-	-	-	-	-	-	-	-	-
Legal reserve		-	-	-	-	172,897	-	( 172,897 )	-	-	-	-
Cash dividends		-	-	-	-	-	-	( 1,544,622 )	-	-	-	( 1,544,622 )
Special reserve		-	-	-	-	-	69,330	( 69,330 )	-	-	-	-
Cash payment from capital surplus	6(16)	-	( 386,156 )	-	-	-	-	-	-	-	-	( 386,156 )
Expired unclaimed dividends recognized as capital surplus		-	-	93	-	-	-	-	-	-	-	93
Purchase of treasury stock	6(14)	-	-	-	-	-	-	-	-	-	( 14,047 )	( 14,047 )
Cancellation of treasury stock		( 17,000 )	( 15,422 )	-	-	-	-	( 98,199 )	-	-	130,621	-
Balance at December 31, 2020		\$ 4,290,617	\$ 3,905,963	\$ 4,278	\$ 35,128	\$ 4,683,878	\$ 130,902	\$ 5,738,504	(\$ 121,639 )	\$ 4,395	\$ -	\$ 18,672,026

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

TRANSCEND INFORMATION, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan Dollars)

	Notes	Year ended December 31	
		2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		\$ 1,502,381	\$ 2,089,743
Adjustments			
Adjustments to reconcile profit (loss)			
Net (gain) loss on financial assets at fair value through profit or loss	6(2)(21)	( 147,742 )	5,604
Share of loss of associates and joint ventures accounted for using the equity method	6(7)	1,299	8,367
Expected credit loss/ (Gain on reversal of expected credit loss)	6(4)	893	( 1,921 )
Loss on disposal of property, plant and equipment	6(21)	2,098	( 123 )
Depreciation	6(22)	257,272	262,471
Interest income	6(19)	( 73,952 )	( 191,612 )
Interest expense	6(9)	2,038	1,865
Dividend income	6(6)(21)	( 3,834 )	( 5,019 )
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets mandatorily measured at fair value through profit or loss		( 916,025 )	( 2,500,633 )
Notes receivable		2,295	( 2,182 )
Accounts receivable		43,310	670,788
Accounts receivable - related parties		8	( 8 )
Other receivables		43,684	( 52,573 )
Inventories		( 1,127,807 )	1,121,529
Other current assets		7,478	4,240
Changes in operating liabilities			
Accounts payable		128,916	( 181,950 )
Accounts payable - related parties		( 15,412 )	12,954
Other payables		( 20,481 )	1,887
Other current liabilities		57,735	( 8,065 )
Other non-current liabilities		( 819 )	( 1,384 )
Cash (outflow) inflow generated from operations		( 256,665 )	1,233,978
Dividends received		3,834	5,019
Interest received		82,994	207,403
Income tax paid		( 78,570 )	( 404,962 )
Net cash flows (used in) from operating activities		( 248,407 )	1,041,438
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of non-current financial assets at fair value through profit or loss		( 611,063 )	-
Proceeds from disposal of financial assets at amortised cost		6,287,094	6,457,566
Acquisition of financial assets at amortised cost		( 3,884,624 )	( 5,380,646 )
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(6)	-	76,967
Proceeds from disposal of property, plant and equipment		-	2,460
Acquisition of property, plant and equipment	6(8)	( 29,700 )	( 67,992 )
Acquisition of investment property		( 1,082 )	-
Decrease in other non-current financial assets		3,783	9,967
Net cash flows from investing activities		1,764,408	1,098,322
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash dividends paid (including cash payment from capital surplus )	6(16)	( 1,930,778 )	( 2,153,809 )
Repayment of lease liabilities		( 54,459 )	( 60,032 )
Expired unclaimed dividends recognized as capital surplus		93	79
Purchase of treasury stock		( 37,371 )	( 93,250 )
Net cash flows used in financing activities		( 2,022,515 )	( 2,307,012 )
Effect of exchange rate changes		9,959	( 29,078 )
Net decrease in cash and cash equivalents		( 496,555 )	( 196,330 )
Cash and cash equivalents at beginning of year		1,233,407	1,429,737
Cash and cash equivalents at end of year		\$ 736,852	\$ 1,233,407

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

TRANSCEND INFORMATION, INC. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019

(Expressed in thousands of New Taiwan Dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

Transcend Information, Inc. (the “Company”) was incorporated under the provisions of the Company Law of the Republic of China (R.O.C.) in August 1989. The main activities of the Company and its subsidiaries (collectively referred herein as the “Group”) are manufacturing, processing and sales of computer software and hardware, peripheral equipment and other computer components. The Securities and Futures Commission of the Republic of China had approved the Company’s shares to be listed on the Taiwan Stock Exchange and the shares started trading on May 3, 2001.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on March 4, 2021.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1 and IAS 8, ‘Disclosure initiative-definition of material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, ‘Interest rate benchmark reform’	January 1, 2020
Amendments to IFRS 16, ‘Covid-19-related rent concessions’	June 1, 2020 (Note)

Note: Earlier application from January 1, 2020 is allowed by the FSC.

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

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

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

<u>New Standards, Interpretations and Amendments</u>	Effective date by International Accounting Standards Board
Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest Rate Benchmark Reform— Phase 2’	January 1, 2021

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

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

<u>New Standards, Interpretations and Amendments</u>	Effective date by International Accounting Standards Board
Amendments to IFRS 3, ‘Reference to the conceptual framework’	January 1, 2022
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by International Accounting Standards Board
IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendments to IFRS 17, ‘Insurance contracts’	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
Amendments to IAS 8, ‘Definition of accounting estimates’	January 1, 2023
Amendments to IAS 16, ‘Property, plant and equipment: proceeds before intended use’	January 1, 2022
Amendments to IAS 37, ‘Onerous contracts - cost of fulfilling a contract’	January 1, 2022
Annual improvements to IFRS Standards 2018-2020	January 1, 2022

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### (1) Compliance statement

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

##### (2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
- (a) Financial assets at fair value through profit or loss.
  - (b) Financial assets at fair value through other comprehensive income.
  - (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligations.
- B. The preparation of financial statements in conformity with requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

##### (3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
  - (b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			December 31, 2020	December 31, 2019	
Transcend Taiwan	Saffire Investment Ltd. (Saffire)	Investment holding company	100	100	
"	Transcend Japan Inc. (Transcend Japan)	Wholesale and import of computer memory modules and peripheral products	100	100	
"	Transcend Information Inc. (Transcend USA)	Wholesale and import of computer memory modules and peripheral products	100	100	
"	Transcend Korea Inc. (Transcend Korea)	Wholesale and import of computer memory modules and peripheral products	100	100	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			December 31, 2020	December 31, 2019	
Saffire Investment Ltd.	Memhiro Pte. Ltd. (Memhiro)	Investment holding company	100	100	
Memhiro Pte. Ltd.	Transcend Information Europe B.V. (Transcend Europe)	Wholesale and import of computer memory modules and peripheral products	100	100	
"	Transcend Information Trading GmbH, Hamburg (Transcend Germany)	Wholesale and import of computer memory modules and peripheral products	100	100	
"	Transcend Information (Shanghai), Ltd. (Transcend Shanghai)	Manufacture and sales of computer memory modules, storage products and disks	100	100	
"	Transtech Trading (Shanghai) Co., Ltd. (Transtech Shanghai)	Wholesale, agent, import and export and retail of computer memory modules, storage products and computer components	100	100	
"	Transcend Information (Hong Kong), Ltd. (Transcend Hong Kong)	Wholesale and import of computer memory modules and peripheral products	100	100	

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

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

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

#### (4) Foreign currency translation

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

#### A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'other gains and losses'.

#### B. Translation of foreign operations

The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (c) All resulting exchange differences are recognized in other comprehensive income.

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

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
  - (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
  - (b) Assets held mainly for trading purposes;
  - (c) Assets that are expected to be realized within twelve months from the balance sheet date;
  - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
  - (a) Liabilities that are expected to be settled within the normal operating cycle;
  - (b) Liabilities arising mainly from trading activities;
  - (c) Liabilities that are to be settled within twelve months from the balance sheet date;



- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(7) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognized in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognized in profit or loss.

(8) Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting. (Irrevocable election is separately classified, and needs to be disclosed when there is various election).
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:

The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(9) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
  - (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
  - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognized in profit or loss when the asset is derecognized or impaired.

(10) Accounts and notes receivable

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

(11) Financial assets impairment

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost including accounts receivable that have a significant financing component, at each reporting date, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.

(12) Derecognition of financial assets

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

(13) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on actual operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(14) Investments accounted for using equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.

- D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- F. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(15) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	8 ~ 50 years
Machinery and equipment	2 ~ 10 years
Transportation equipment	3 ~ 5 years
Office equipment and others	2 ~ 5 years

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

- A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:

- (a) Fixed payments, less any lease incentives receivable; and
- (b) Variable lease payments that depend on an index or a rate.

The Group subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost comprising the amount of the initial measurement of lease liability.

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

(17) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 10 ~ 55 years.

(18) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognized.

(19) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(20) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.
- ii. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognized immediately in profit or loss.

C. Employees' compensation and directors' and supervisors' remuneration

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

(21) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from acquisitions of equipment or technology and research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(22) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. Where the Company repurchases the Company's shares that have been issued, the consideration paid, excluding any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders.

(23) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(24) Revenue recognition

A. Sales of goods

- (a) The Group manufactures and sells computer software and hardware, computer peripheral equipment, and computer component products. When the right of control is transferred to the customer, sales revenue is recognized. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- (b) Sales revenue is recognized based on contract price, net of sales returns, volume discounts and estimated sales discounts. The goods are often sold with volume discounts based on aggregate sales over a one-month period. Sales discounts and allowances are estimated and provided for based on customer contracts, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date and recognized as allowance for sales discounts. No element of financing is deemed present as the sales are made with a credit term of 30-60 days after monthly billing, which is consistent with market practice.
- (c) A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Incremental costs of obtaining a contract

Given that the contractual period lasts less than one year, the Group recognizes the incremental costs of obtaining a contract as an expense when incurred although the Group expects to recover those costs.

(25) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Group's Chief Operating Decision-Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chairmen of the Board of Directors that makes strategic decisions.

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

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

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

Investment property

The Group uses a portion of the property for its own use and another portion to earn rentals or for capital appreciation. When these portions cannot be sold separately and cannot be leased out separately under a finance lease, the property is classified as investment property only if the own use portion accounts for an insignificant portion of the property.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the Group must determine the net realizable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realizable value. The valuation of inventories is based on recent market price and demand of products in the future specific period, thus there might be significant changes in the valuation. As of December 31, 2020, the carrying amount of inventories is \$3,190,466.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand and petty cash	\$ 844	\$ 699
Checking accounts and demand deposits	736,008	1,232,708
	<u>\$ 736,852</u>	<u>\$ 1,233,407</u>

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

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

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

<u>Items</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates	\$ 3,501,229	\$ 2,499,764
Financial products	-	73,061
Valuation adjustments	9,769	8,684
	<u>\$ 3,510,998</u>	<u>\$ 2,581,509</u>
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates	\$ 611,063	\$ -
Valuation adjustments	133,859	-
	<u>\$ 744,922</u>	<u>\$ -</u>



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

	Years ended December 31,	
	2020	2019
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates	\$ 145,108	\$ 6,426
Financial products	859	4,046
Non-hedging derivatives	1,775	(16,076)
	<u>\$ 147,742</u>	<u>(\$ 5,604)</u>

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

(3) Financial assets at amortised cost

Items	December 31, 2020	December 31, 2019
Current items:		
Time deposits with original maturity of more than three months	\$ 5,659,889	\$ 6,843,336
Bonds with repurchase agreement	-	1,067,146
	<u>\$ 5,659,889</u>	<u>\$ 7,910,482</u>
Non-current items:		
Foreign currency bonds	\$ -	\$ 148,527

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

	Years ended December 31,	
	2020	2019
Interest income	\$ 65,622	\$ 184,213
Gain on disposal	17,210	20,552
	<u>\$ 82,832</u>	<u>\$ 204,765</u>

B. The Group has no financial assets at amortised cost pledged to others as collateral.

C. The Group used the forecastability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of debt instruments on December 31, 2020 and 2019, and considered guarantee for repurchase agreement held by the Group to estimate expected credit loss. The Group does not expect material credit loss after assessment.

D. The Group transacts time deposits with reputable domestic and foreign banks, and the counterparties of the debt instrument investments are Yuanta Asset Management Limited, Yuanta Securities Co., Ltd., International Bills Finance Corporation, Standard Chartered Bank, and BNP Paribas. The Group's counterparties have good credit quality, and the impairment loss is assessed using a 12-month expected credit loss approach.

(4) Notes and accounts receivable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Notes receivable	\$ 759	\$ 3,054
Accounts receivable	\$ 1,438,764	\$ 1,484,002
Less: Loss allowance	( 4,310)	( 5,471)
	<u>\$ 1,434,454</u>	<u>\$ 1,478,531</u>

A. As of December 31, 2020 and 2019, the estimated sales discounts and allowances were \$93,140 and \$101,785, respectively. Since the sales discounts and allowances met the requirements for offset of financial liabilities and financial assets, the net amounts were shown under accounts receivable.

B. The ageing analysis of accounts receivable and notes receivable is as follows:

	<u>December 31, 2020</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>
Not past due	\$ 1,177,490	\$ 759
Up to 30 days	237,151	-
31 to 90 days	8,835	-
91 to 180 days	406	-
Over 180 days	14,882	-
	<u>\$ 1,438,764</u>	<u>\$ 759</u>

	<u>December 31, 2019</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>
Not past due	\$ 1,181,994	\$ 3,054
Up to 30 days	271,457	-
31 to 90 days	8,521	-
91 to 180 days	490	-
Over 180 days	21,540	-
	<u>\$ 1,484,002</u>	<u>\$ 3,054</u>

The above ageing analysis was based on past due date.

C. The Group has credit insurance that covers accounts receivable from major customers. Should bad debts occur, the Group will receive 90% of the losses resulting from non-payment.

D. As of December 31, 2020 and 2019, notes receivable and accounts receivable were all from contracts with customers. As of January 1, 2019, the balance of notes receivable and accounts receivable from contracts with customers amounted to \$2,173,055.

E. As at December 31, 2020 and 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes receivable were \$759 and \$3,054, respectively; the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable were \$1,434,454 and \$1,478,531, respectively.

- F. The Group classifies customers' accounts receivable in accordance with the credit rating of the customer. The Group applies the simplified approach to estimate expected credit loss under the provision matrix basis.
- G. The Group wrote-off the financial assets, which cannot reasonably be expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. On December 31, 2020 and 2019, the Group has no written-off financial assets that are still under recourse procedures.
- H. The Group used forecastability, historical and timely information to assess the loss rate of accounts receivable. On December 31, 2020 and 2019, the provision matrix is as follows:

	<u>Not past due</u>	<u>1-180 days past due</u>	<u>Over 180 days past due</u>	<u>Total</u>
<u>December 31, 2020</u>				
Expected loss rate	0.003%~0.386%	0.018%~41%	25%~100%	
Total book value	\$ 1,177,490	\$ 246,392	\$ 14,882	\$ 1,438,764
	<u>Not past due</u>	<u>1-180 days past due</u>	<u>Over 180 days past due</u>	<u>Total</u>
<u>December 31, 2019</u>				
Expected loss rate	0.011%~0.9%	0.06%~59%	25%~100%	
Total book value	\$ 1,181,994	\$ 280,468	\$ 21,540	\$ 1,484,002

- I. The balance of allowance for loss and movements are as follows:

	<u>2020</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>
At January 1	\$ 5,471	\$ -
Provision for impairment	893	-
Write-offs	( 616)	-
Reclassified to overdue receivables	( 178)	-
Reclassified to other income	( 1,134)	-
Effect of exchange rate changes	( 126)	-
At December 31	<u>\$ 4,310</u>	<u>\$ -</u>
	<u>2019</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>
At January 1	\$ 24,627	\$ -
Reversal of impairment	( 1,921)	-
Reclassified to overdue receivables	( 17,393)	-
Effect of exchange rate changes	158	-
At December 31	<u>\$ 5,471</u>	<u>\$ -</u>

- J. The Group does not hold any collateral as security.

(5) Inventories

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 2,161,744	(\$ 28,593)	\$ 2,133,151
Work in progress	487,023	( 1,023)	486,000
Finished goods	576,861	( 5,546)	571,315
	<u>\$ 3,225,628</u>	<u>(\$ 35,162)</u>	<u>\$ 3,190,466</u>

	December 31, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,301,090	(\$ 25,263)	\$ 1,275,827
Work in progress	335,478	( 471)	335,007
Finished goods	454,874	( 3,049)	451,825
	<u>\$ 2,091,442</u>	<u>(\$ 28,783)</u>	<u>\$ 2,062,659</u>

A. The cost of inventories recognized as expense for the year:

	Years ended December 31,	
	2020	2019
Cost of goods sold	\$ 8,970,221	\$ 10,478,804
Revenue from disposal of scraps	-	( 19,041)
Loss on (gain on reversal of) decline in market value of inventory	6,379	( 51,108)
	<u>\$ 8,976,600</u>	<u>\$ 10,408,655</u>

The gain on reversal of decline in market value of inventory for the year ended December 31, 2019 was due to the Group's disposal of slow-moving inventory.

B. No inventories were pledged to others.

(6) Non-current financial assets at fair value through other comprehensive income

Items	December 31, 2020	December 31, 2019
Non-current items:		
Equity instruments		
Listed stocks	\$ 105,480	\$ 105,480
Others	1,125	1,125
	<u>106,605</u>	<u>106,605</u>
Valuation adjustments	4,395	7,559
	<u>\$ 111,000</u>	<u>\$ 114,164</u>

A. The Group has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$111,000 and \$114,164 as at December 31, 2020 and 2019, respectively.

- B. For the years ended December 31, 2020 and 2019, the Group disposed equity investments whose fair value was \$0 and \$76,711, respectively, and accumulated gain on disposal was transferred into retained earnings in the amount of \$0 and \$36,010, respectively.
- C. For the years ended December 31, 2020 and 2019, the Group's cost recovery of equity instruments were \$0 and \$256, respectively.
- D. Amounts recognized in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	Years ended December 31,	
	2020	2019
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognized in other comprehensive (loss) income	(\$ 3,164)	\$ 27,976
Cumulative gains reclassified to retained earnings due to derecognition	\$ -	\$ 36,010
Dividend income recognized in profit or loss		
Held at end of year	\$ 3,834	\$ 3,028
Derecognized during the year	-	1,991
	<u>\$ 3,834</u>	<u>\$ 5,019</u>

- E. The Group has no financial assets at fair value through other comprehensive income pledged to others as collateral.

(7) Investments accounted for using equity method

Investee Company	December 31, 2020	December 31, 2019
Taiwan IC Packaging Corp.	\$ 95,724	\$ 97,434

- A. The basic information of the associate that is material to the Group is as follows:

Associate name	Principal place of business	Shareholding ratio		Nature of relationship	Method of measurement
		December 31, 2020	December 31, 2019		
Taiwan IC Packaging Corp.	Taiwan	12.74%	12.74%	Note	Equity method

Note: Taiwan IC Packaging Corp. is engaged in IC packaging and testing and is the upstream supplier in the IT and semiconductor industries. In order to reach synergy of vertical integration, Taiwan IC Packaging Corp. processes the raw materials provided by the Group into relevant semi-finished goods.

- B. The Group held a 12.74% equity interest in Taiwan IC Packaging Corp., and is the company's largest single shareholder. However, the Group does not hold the majority of the voting power during the shareholders' meeting of Taiwan IC Packaging Corp. and the Group has no seat in the Board of Directors of Taiwan IC Packaging Corp., which indicate that the Group has no control ability to direct the relevant activities of Taiwan IC Packaging Corp. In addition, the Company's chairman is the same with Taiwan IC Packaging Corp.; hence, the Group has significant influence over Taiwan IC Packaging Corp.

C. The summarized financial information of the associate that is material to the Group is as follows:

Balance sheet

	<u>Taiwan IC Packaging Corp.</u>	
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current assets	\$ 942,507	\$ 902,115
Non-current assets	1,224,429	1,187,726
Current liabilities	( 327,211)	( 237,849)
Non-current liabilities	( 85,765)	( 88,566)
Total net assets	<u>\$ 1,753,960</u>	<u>\$ 1,763,426</u>
Share in associate's net assets	\$ 223,480	\$ 224,686
Net equity differences	( 127,756)	( 127,252)
	<u>\$ 95,724</u>	<u>\$ 97,434</u>

Statement of comprehensive income

	<u>Taiwan IC Packaging Corp.</u>	
	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Revenue	\$ 1,210,125	\$ 1,181,337
Loss for the year from continuing operations	(\$ 11,040)	(\$ 47,432)
Total comprehensive loss	(\$ 9,466)	(\$ 50,660)
Dividends received from associates	\$ -	\$ -

D. Share of loss of associates accounted for using the equity method is as follows:

	<u>Years ended December 31,</u>	
<u>Investee Company</u>	<u>2020</u>	<u>2019</u>
Taiwan IC Packaging Corp.	(\$ 1,299)	(\$ 8,367)

E. The Group's investment in Taiwan IC Packaging Corporation has quoted market price. The fair value of Taiwan IC Packaging Corporation was \$239,053 and \$187,366 as of December 31, 2020 and 2019, respectively.

(8) Property, plant and equipment

	2020						
	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery</u>	<u>Vehicles</u>	<u>Office equipment</u>	<u>Others</u>	<u>Total</u>
<u>At January 1</u>							
Cost	\$ 727,072	\$ 2,582,168	\$ 479,560	\$ 25,696	\$ 30,700	\$ 58,042	\$ 3,903,238
Accumulated depreciation	-	( 1,144,423)	( 245,826)	( 8,675)	( 23,730)	( 42,430)	( 1,465,084)
	<u>\$ 727,072</u>	<u>\$ 1,437,745</u>	<u>\$ 233,734</u>	<u>\$ 17,021</u>	<u>\$ 6,970</u>	<u>\$ 15,612</u>	<u>\$ 2,438,154</u>
Opening net book amount as at January 1	\$ 727,072	\$ 1,437,745	\$ 233,734	\$ 17,021	\$ 6,970	\$ 15,612	\$ 2,438,154
Additions (including transfers)	-	5,830	13,616	1,348	2,396	6,510	29,700
Disposals	-	-	( 2,098)	-	-	-	( 2,098)
Depreciation charge	-	( 105,764)	( 69,921)	( 4,197)	( 2,464)	( 6,968)	( 189,314)
Net exchange differences	( 1,089)	6,960	( 59)	( 47)	80	37	5,882
Closing net book amount as at December 31	<u>\$ 725,983</u>	<u>\$ 1,344,771</u>	<u>\$ 175,272</u>	<u>\$ 14,125</u>	<u>\$ 6,982</u>	<u>\$ 15,191</u>	<u>\$ 2,282,324</u>
<u>At December 31</u>							
Cost	\$ 725,983	\$ 2,601,967	\$ 418,357	\$ 26,892	\$ 28,116	\$ 52,518	\$ 3,853,833
Accumulated depreciation	-	( 1,257,196)	( 243,085)	( 12,767)	( 21,134)	( 37,327)	( 1,571,509)
	<u>\$ 725,983</u>	<u>\$ 1,344,771</u>	<u>\$ 175,272</u>	<u>\$ 14,125</u>	<u>\$ 6,982</u>	<u>\$ 15,191</u>	<u>\$ 2,282,324</u>

	2019						
	Land	Buildings and structures	Machinery	Vehicles	Office equipment	Others	Total
<u>At January 1</u>							
Cost	\$ 728,476	\$ 2,625,296	\$ 472,258	\$ 23,992	\$ 32,908	\$ 60,874	\$ 3,943,804
Accumulated depreciation	-	( 1,065,760)	( 207,764)	( 5,218)	( 24,081)	( 41,488)	( 1,344,311)
	<u>\$ 728,476</u>	<u>\$ 1,559,536</u>	<u>\$ 264,494</u>	<u>\$ 18,774</u>	<u>\$ 8,827</u>	<u>\$ 19,386</u>	<u>\$ 2,599,493</u>
Opening net book amount as at January 1	\$ 728,476	\$ 1,559,536	\$ 264,494	\$ 18,774	\$ 8,827	\$ 19,386	\$ 2,599,493
Additions (including transfers)	-	9,197	49,838	2,781	1,215	4,961	67,992
Disposals	-	-	( 1,714)	( 607)	( 8)	( 8)	( 2,337)
Depreciation charge	-	( 107,823)	( 77,372)	( 3,842)	( 2,812)	( 8,505)	( 200,354)
Net exchange differences	( 1,404)	( 23,165)	( 1,512)	( 85)	( 252)	( 222)	( 26,640)
Closing net book amount as at December 31	<u>\$ 727,072</u>	<u>\$ 1,437,745</u>	<u>\$ 233,734</u>	<u>\$ 17,021</u>	<u>\$ 6,970</u>	<u>\$ 15,612</u>	<u>\$ 2,438,154</u>
<u>At December 31</u>							
Cost	\$ 727,072	\$ 2,582,168	\$ 479,560	\$ 25,696	\$ 30,700	\$ 58,042	\$ 3,903,238
Accumulated depreciation	-	( 1,144,423)	( 245,826)	( 8,675)	( 23,730)	( 42,430)	( 1,465,084)
	<u>\$ 727,072</u>	<u>\$ 1,437,745</u>	<u>\$ 233,734</u>	<u>\$ 17,021</u>	<u>\$ 6,970</u>	<u>\$ 15,612</u>	<u>\$ 2,438,154</u>

A. The relevant assets of the Group recognized as property, plant and equipment are all for self-use.

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



(9) Leasing arrangements-lessee

A. The Group leases various assets including land, buildings, and business vehicles. Rental contracts are typically made for periods of 1 to 11 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The carrying amounts of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 138,189	\$ 175,858
Buildings	47,034	63,145
Transportation equipment (business vehicles)	1,856	2,047
	<u>\$ 187,079</u>	<u>\$ 241,050</u>

	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 39,080	\$ 32,836
Buildings	16,045	16,891
Transportation equipment (business vehicles)	726	1,044
	<u>\$ 55,851</u>	<u>\$ 50,771</u>

C. For the years ended December 31, 2020 and 2019, the additions to right-of-use assets were \$1,200 and \$123,254, respectively.

D. Information on profit or loss in relation to lease contracts is as follows:

	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 2,038	\$ 1,865
Expense on short-term lease contracts	11,514	7,401
Expense on leases of low-value assets	1,510	1,561

E. For the years ended December 31, 2020 and 2019, the Group's total cash outflow for leases were \$67,483 and \$69,356, respectively.

(10) Leasing arrangements-lessor

A. The Group leases various assets including land and buildings. Rental contracts are typically made for periods of 1 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. To protect the lessor's ownership rights on the leased assets, leased assets may not be used as security for borrowing purposes.

B. For the years ended December 31, 2020 and 2019, the Group recognized rent income in the amount of \$38,721 and \$39,490, respectively, based on the operating lease agreement, which does not include variable lease payments.

C. The maturity analysis of the lease payments under the operating leases is as follows:

	<u>December 31, 2020</u>		<u>December 31, 2019</u>
2021	\$ 23,725	2020	\$ 36,348
2022	3,900	2021	21,828
2023	400	2022	-
	<u>\$ 28,025</u>		<u>\$ 58,176</u>

(11) Investment property

	<u>2020</u>		
	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
<u>At January 1</u>			
Cost	\$ 2,268,726	\$ 446,392	\$ 2,715,118
Accumulated depreciation	-	( 104,826)	( 104,826)
	<u>\$ 2,268,726</u>	<u>\$ 341,566</u>	<u>\$ 2,610,292</u>
Opening net book amount as at January 1	\$ 2,268,726	\$ 341,566	\$ 2,610,292
Additions (including transfers)	-	13,498	13,498
Depreciation charge	-	( 12,107)	( 12,107)
Net exchange differences	-	743	743
Closing net book amount as at December 31	<u>\$ 2,268,726</u>	<u>\$ 343,700</u>	<u>\$ 2,612,426</u>
<u>At December 31</u>			
Cost	\$ 2,268,726	\$ 459,716	\$ 2,728,442
Accumulated depreciation	-	( 116,016)	( 116,016)
	<u>\$ 2,268,726</u>	<u>\$ 343,700</u>	<u>\$ 2,612,426</u>

	2019		
	Land	Buildings and structures	Total
<u>At January 1</u>			
Cost	\$ 2,268,726	\$ 452,380	\$ 2,721,106
Accumulated depreciation	-	( 97,527)	( 97,527)
	<u>\$ 2,268,726</u>	<u>\$ 354,853</u>	<u>\$ 2,623,579</u>
Opening net book amount as at			
January 1	\$ 2,268,726	\$ 354,853	\$ 2,623,579
Depreciation charge	-	( 11,346)	( 11,346)
Net exchange differences	-	( 1,941)	( 1,941)
Closing net book amount as at			
December 31	<u>\$ 2,268,726</u>	<u>\$ 341,566</u>	<u>\$ 2,610,292</u>
<u>At December 31</u>			
Cost	\$ 2,268,726	\$ 446,392	\$ 2,715,118
Accumulated depreciation	-	( 104,826)	( 104,826)
	<u>\$ 2,268,726</u>	<u>\$ 341,566</u>	<u>\$ 2,610,292</u>

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

	Years ended December 31,	
	2020	2019
Rental income from investment property	\$ 38,721	\$ 39,490
Direct operating expenses arising from investment property that generated rental income	<u>\$ 11,399</u>	<u>\$ 10,525</u>
Direct operating expenses arising from investment property that did not generate rental income	<u>\$ 708</u>	<u>\$ 821</u>

B. The fair value of the investment property held by the Group was \$5,380,484 and \$5,107,125 as of December 31, 2020 and 2019, respectively, which was based on the transaction prices of similar properties in the same area.

C. No investment property was pledged to others.

(12) Other non-current assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Guarantee deposits paid	\$ 32,823	\$ 31,543
Prepayments for business facilities	-	16,926
Others	14,588	15,141
	<u>\$ 47,411</u>	<u>\$ 63,610</u>

(13) Pensions

A. Defined benefit plan

(a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Act. Under the defined benefit plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with the Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions to cover the deficit by next March.

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Present value of defined benefit obligations	\$ 43,239	\$ 40,765
Fair value of plan assets	( 26,678)	( 24,411)
Net defined benefit liability	<u>\$ 16,561</u>	<u>\$ 16,354</u>

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
2020			
Balance at January 1	\$ 40,765	(\$ 24,411)	\$ 16,354
Current service cost	431	-	431
Interest expense (income)	326	( 200)	126
	<u>41,522</u>	<u>( 24,611)</u>	<u>16,911</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	( 802)	( 802)
Change in demographic assumptions	105	-	105
Change in financial assumptions	527	-	527
Experience adjustments	1,242	-	1,242
	<u>1,874</u>	<u>( 802)</u>	<u>1,072</u>
Pension fund contribution	-	( 1,422)	( 1,422)
Paid pension	( 157)	157	-
Balance at December 31	<u>\$ 43,239</u>	<u>(\$ 26,678)</u>	<u>\$ 16,561</u>
2019			
Balance at January 1	\$ 41,250	(\$ 23,449)	\$ 17,801
Current service cost	500	-	500
Interest expense (income)	464	( 272)	192
	<u>42,214</u>	<u>( 23,721)</u>	<u>18,493</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	( 767)	( 767)
Change in demographic assumptions	329	-	329
Change in financial assumptions	1,645	-	1,645
Experience adjustments	( 1,931)	-	( 1,931)
	<u>43</u>	<u>( 767)</u>	<u>( 724)</u>
Pension fund contribution	-	( 1,415)	( 1,415)
Paid pension	( 1,492)	1,492	-
Balance at December 31	<u>\$ 40,765</u>	<u>(\$ 24,411)</u>	<u>\$ 16,354</u>

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.
- (e) The principal actuarial assumptions used were as follows:

	Years ended December 31,	
	2020	2019
Discount rate	0.350%	0.800%
Future salary increases	1.625%	2.000%

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

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

	Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease
	0.25%	0.25%	0.25%	0.25%
December 31, 2020				
Effect on present value of defined benefit obligation	(\$ 1,306)	\$ 1,364	\$ 1,315	(\$ 1,267)
December 31, 2019				
Effect on present value of defined benefit obligation	(\$ 1,276)	\$ 1,333	\$ 1,286	(\$ 1,238)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

- (f) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2021 amount to \$1,422.
- (g) As of December 31, 2020, the weighted average duration of the retirement plan is 13.7 years.

#### B. Defined contribution plans

- (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) Transcend Shanghai, Transtech Shanghai and Transcend Hong Kong have defined contribution plans. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on a certain percentage of employees' monthly salaries and wages, ranging from 12.5% to 20%. Other than the monthly contributions, the Group has no further obligations.
- (c) Transcend Japan, Transcend Korea, Transcend USA, Transcend Europe and Transcend Germany have defined contribution plans. Monthly contributions are based on a certain percentage of employees’ monthly salaries and wages and are recognized as pension costs accordingly. Other than the monthly contributions, the Group has no further obligations.
- (d) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2020 and 2019 were \$41,061 and \$41,729, respectively.

#### (14) Share capital

- A. As of December 31, 2020, the Company’s authorized capital was \$5,000,000, consisting of 500 million shares of ordinary stock (including 25 million shares reserved for employee stock options), and the paid-in capital was \$4,290,617 with par value of \$10 per share. All proceeds from shares issued have been collected.

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

	2020	2019
At January 1	429,248	430,762
Purchase of treasury shares (retired)	( 186)	( 1,514)
At December 31	429,062	429,248

## B. Treasury shares

- (a) To enhance the Company's credit rating and stockholders' equity, on November 7, 2019, the Board of Directors resolved to repurchase and retire 3 million ordinary shares. The repurchase period is from November 8, 2019 to January 7, 2020, and the price ranged between \$49 and \$97 in dollars per share. The details are as follows:

<u>Name of company holding the shares</u>	<u>Reason for reacquisition</u>	<u>Numbers of shares (in thousands)</u>	<u>Carrying amount</u>
The Company	Enhance the Company's credit rating and stockholders' equity	1,700	\$ 130,621

On March 5, 2020, the Board of Directors during its meeting resolved to retire treasury shares for capital reduction with the effective date set on March 31, 2020. The registration was completed on April 15, 2020.

- (b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus.
- (c) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.
- (d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.

### (15) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus shall not be used to cover accumulated deficit unless the legal reserve is insufficient.

### (16) Retained earnings

- A. In accordance with the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and to offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The Company shall also set aside special reserve in accordance with the regulations. On the premise that there is no effect on the Company's normal operations and no violation of regulations, the Company shall reserve certain



amount for maintaining stability of dividends. The remainder, if any, is the distributable earnings to be appropriated as resolved by stockholders at the stockholders' meeting. The Board of Directors is authorized by the shareholders to resolve the appropriation of cash dividends and cash payment from capital surplus by a resolution adopted by a majority vote at its meeting attended by two-thirds of the total number of directors, which will then be reported to the shareholders.

- B. The Company distributes dividends taking into consideration the Company's economic environment, growth phases, future demands for funds, long-term financial planning and the cash flow needs of stockholders. Cash dividends shall account for at least 5% of the total dividends distributed.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- E. (a) The cash appropriation of earnings and cash payment from capital surplus for the years ended December 31, 2019 and 2018 have been resolved at the shareholders' meeting on June 19, 2020 and June 12, 2019, respectively. Details are summarized below:

	<u>Year ended December 31, 2019</u>		<u>Year ended December 31, 2018</u>	
	<u>Amount</u>	<u>Dividends per share (in dollars)</u>	<u>Amount</u>	<u>Dividends per share (in dollars)</u>
Legal reserve	\$ 172,897		\$ 208,199	
Special reserve	69,330		14,325	
Cash dividends	<u>1,544,622</u>	\$ 3.60	<u>1,895,351</u>	\$ 4.40
	<u>\$ 1,786,849</u>		<u>\$ 2,117,875</u>	
		<u>Cash payment per share (in dollars)</u>		<u>Cash payment per share (in dollars)</u>
Cash payment from capital surplus	<u>\$ 386,156</u>	\$ 0.90	<u>\$ 258,458</u>	\$ 0.60

Actual distribution of retained earnings of 2019 and 2018 is in agreement with the amounts resolved at the stockholders' meeting.

(b) The appropriation of earnings and capital surplus for the year ended December 31, 2020 as proposed by the Board of Directors on March 4, 2021 is as follows:

	<u>Year ended December 31, 2020</u>	
	<u>Amount</u>	<u>Dividends per share (in dollars)</u>
Legal surplus	\$ 119,625	
Cash dividends	<u>1,094,107</u>	\$ 2.55
Total	<u>\$ 1,213,732</u>	

	<u>Cash dividends per share (in dollars)</u>	
	<u>Amount</u>	<u>per share (in dollars)</u>
Capital surplus used to issue cash to shareholders	<u>\$ 214,531</u>	\$ 0.50

Aforementioned proposal to appropriate 2020 earnings and capital surplus has not yet been resolved by the stockholders.

(17) Other equity items

	<u>2020</u>		
	<u>Unrealized gain or loss on valuation</u>	<u>Exchange differences on translation of foreign financial statements</u>	<u>Total</u>
At January 1	\$ 7,559	(\$ 138,461)	(\$ 130,902)
Revaluation - gross	( 3,164)	-	( 3,164)
Currency translation differences	-	21,027	21,027
Effect from income tax	-	( 4,205)	( 4,205)
At December 31	<u>\$ 4,395</u>	<u>(\$ 121,639)</u>	<u>(\$ 117,244)</u>

	<u>2019</u>		
	<u>Unrealized gain or loss on valuation</u>	<u>Exchange differences on translation of foreign financial statements</u>	<u>Total</u>
At January 1	\$ 15,593	(\$ 77,165)	(\$ 61,572)
Revaluation - gross	27,976	-	27,976
Revaluation transferred to retained earnings - gross	( 36,010)	-	( 36,010)
Currency translation differences	-	( 76,620)	( 76,620)
Effect from income tax	-	15,324	15,324
At December 31	<u>\$ 7,559</u>	<u>(\$ 138,461)</u>	<u>(\$ 130,902)</u>

(18) Operating revenue

	Years ended December 31,	
	2020	2019
Sales revenue	\$ 11,446,696	\$ 13,496,186

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods at a point in time in the following geographical regions:

Year ended December 31, 2020	Electronic products					Total
	Taiwan	Asia	America	Europe	Others	
Revenue from external customer contracts	\$ 2,521,695	\$ 4,075,807	\$ 1,163,131	\$ 2,822,582	\$ 863,481	\$ 11,446,696

Year ended December 31, 2019	Electronic products					Total
	Taiwan	Asia	America	Europe	Others	
Revenue from external customer contracts	\$ 2,794,634	\$ 4,724,037	\$ 1,200,675	\$ 3,799,177	\$ 977,663	\$ 13,496,186

B. The delay of the Group's sales orders has a knock-on effect on the overall revenue due to Covid-19 in the first half of 2020. However, there is no significant impact to the scope and price of the service contracts as the Group negotiated with customers and continuously invests in the manufacture of products for the subsequent shipments.

C. Contract assets and liabilities

The Group has no revenue-related contract assets and liabilities.

(19) Interest income

	Years ended December 31,	
	2020	2019
Interest income from bank deposits	\$ 3,114	\$ 7,266
Interest income from financial assets measured at amortised cost	65,622	184,213
Other interest income	5,216	133
	\$ 73,952	\$ 191,612

(20) Other income

	Years ended December 31,	
	2020	2019
Rental income	\$ 38,721	\$ 39,490

(21) Other gains and losses

	Years ended December 31,	
	2020	2019
(Loss) gain on disposal of property, plant and equipment	(\$ 2,098)	\$ 123
Net currency exchange loss	( 54,016)	( 22,690)
Net gain (loss) on financial assets and liabilities at fair value through profit or loss	147,742	( 5,604)
Dividend income	3,834	5,019
Royalty refund	62,738	68,750
Others	5,699	21,713
	<u>\$ 163,899</u>	<u>\$ 67,311</u>

(22) Expenses by nature

	Years ended December 31,	
	2020	2019
Wages and salaries	\$ 1,104,801	\$ 1,139,344
Labor and health insurance fees	114,392	122,057
Pension costs	41,618	42,421
Other personnel expenses	53,914	57,908
Depreciation on property, plant and equipment (including investment property and right-of-use assets)	257,272	262,471

- A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 1% for employees' compensation and shall not be higher than 0.2% for directors' and supervisors' remuneration.
- B. For the years ended December 31, 2020 and 2019, employees' compensation was accrued at \$15,225 and \$21,398, respectively; while directors' remuneration was accrued at \$2,131 and \$2,996, respectively. The aforementioned amounts were recognized in salary expenses.

The employees' compensation and directors' remuneration were estimated and accrued based on 1% and 0.2% of distributable profit of current period for the year ended December 31, 2020.

The employees' compensation and directors' remuneration resolved by the Board of Directors were \$14,786 and \$2,160, respectively, and the employees' compensation will be distributed in the form of cash.

The difference between employees' compensation and directors' remuneration as resolved by the Board of Directors and the amounts recognized in the 2019 financial statements by \$714 and \$206, respectively, were adjusted in profit or loss for 2020.

Information about employees' compensation and directors' remuneration of the Company as approved at the meeting of Board of Directors and resolved by the stockholders at their meeting will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(23) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2020	2019
Current tax:		
Current tax on profits for the year	\$ 261,380	\$ 329,605
Prior year income tax underestimation	28,866	25,554
Total current tax	<u>290,246</u>	<u>355,159</u>
Deferred tax:		
Origination and reversal of temporary differences	14,400	5,617
Total deferred tax	<u>14,400</u>	<u>5,617</u>
Income tax expense	<u>\$ 304,646</u>	<u>\$ 360,776</u>

(b) The income tax relating to components of other comprehensive income is as follows:

	Years ended December 31,	
	2020	2019
Exchange differences on translation of foreign financial statements	\$ 4,205	(\$ 15,324)

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2020	2019
Income tax calculated by applying statutory rate to the profit before tax	\$ 296,358	\$ 427,410
Effects from items disallowed by tax regulation (including effects from tax exemption)	( 19,985)	( 90,734)
Prior year income tax underestimation	28,866	25,554
Effect from investment tax credits	( 593)	( 1,454)
Income tax expenses	<u>\$ 304,646</u>	<u>\$ 360,776</u>

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

	2020			
	At January 1	Recognised in profit or loss	Recognised in other comprehensive income	At December 31
<u>Deferred income tax assets</u>				
Amount of allowance for bad debts that exceed the limit for tax purpose	\$ 2,740	(\$ 458)	\$ -	\$ 2,282
Unrealized exchange loss	30,166	( 30,166)	-	-
Pension provision amount in excess of appropriation amount	5,310	( 173)	-	5,137
Royalty fees	-	4,342	-	4,342
Unused compensated absences	2,025	( 689)	-	1,336
Unrealized sales discounts and allowances	19,982	( 3,874)	-	16,108
Unrealized gross profit from sales	6,138	( 3,446)	-	2,692
Unrealized loss on market value decline and obsolete and slow-moving inventories	5,805	1,287	-	7,092
Others	3,693	( 1,210)	-	2,483
Total	<u>\$ 75,859</u>	<u>(\$ 34,387)</u>	<u>\$ -</u>	<u>\$ 41,472</u>
<u>Deferred income tax liabilities</u>				
Unrealized exchange gain	\$ -	(\$ 2,774)	\$ -	(\$ 2,774)
Currency translation differences	( 3,802)	-	( 4,205)	( 8,007)
Net gain on investment accounted for using equity method	( 151,574)	22,753	-	( 128,821)
Others	( 106)	8	-	( 98)
Total	<u>(\$ 155,482)</u>	<u>\$ 19,987</u>	<u>(\$ 4,205)</u>	<u>(\$ 139,700)</u>

	2019			
	<u>At January 1</u>	<u>Recognised in profit or loss</u>	<u>Recognised in other comprehensive income</u>	<u>At December 31</u>
<u>Deferred income tax assets</u>				
Amount of allowance for bad debts that exceed the limit for tax purpose	\$ 1,005	\$ 1,735	\$ -	\$ 2,740
Unrealized exchange loss	36,890	( 6,724)	-	30,166
Pension provision amount in excess of appropriation amount	5,455	( 145)	-	5,310
Unused compensated absences	1,862	163	-	2,025
Unrealized sales discounts and allowances	21,797	( 1,815)	-	19,982
Unrealized gross profit from sales	5,182	956	-	6,138
Unrealized loss on market value decline and obsolete and slow-moving inventories	15,872	( 10,067)	-	5,805
Others	<u>2,238</u>	<u>1,455</u>	<u>-</u>	<u>3,693</u>
Total	<u>\$ 90,301</u>	<u>(\$ 14,442)</u>	<u>\$ -</u>	<u>\$ 75,859</u>
<u>Deferred income tax liabilities</u>				
Currency translation differences	(\$ 19,126)	\$ -	\$ 15,324	(\$ 3,802)
Net gain on investment accounted for using equity method	( 160,387)	8,813	-	( 151,574)
Others	<u>( 118)</u>	<u>12</u>	<u>-</u>	<u>( 106)</u>
Total	<u>(\$ 179,631)</u>	<u>\$ 8,825</u>	<u>\$ 15,324</u>	<u>(\$ 155,482)</u>

D. The amounts of deductible temporary differences that were not recognized as deferred tax assets are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Deductible temporary differences	<u>\$ 73,173</u>	<u>\$ 73,173</u>

E. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

(24) Earnings per share

	Year ended December 31, 2020		
	<u>Profit after tax</u>	<u>Weighted-average common shares outstanding (in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ <u>1,197,735</u>	<u>429,064</u>	\$ <u>2.79</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,197,735	429,064	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	<u>-</u>	<u>366</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ <u>1,197,735</u>	<u>429,430</u>	\$ <u>2.79</u>
	Year ended December 31, 2019		
	<u>Profit after tax</u>	<u>Weighted-average common shares outstanding (in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ <u>1,728,967</u>	<u>430,718</u>	\$ <u>4.01</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,728,967	430,718	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	<u>-</u>	<u>441</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ <u>1,728,967</u>	<u>431,159</u>	\$ <u>4.01</u>



## 7. RELATED PARTY TRANSACTIONS

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

<u>Names of related parties</u>	<u>Relationship with the Group</u>
Taiwan IC Packaging Corporation	Associate accounted for using equity method
Won Chin Investment Inc. (Won Chin)	Major stockholder
Cheng Chuan Technology Development Inc. (Cheng Chuan)	Major stockholder

### (2) Significant transactions and balances with related parties

#### A. Operating revenue

	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Sales of goods		
Associates accounted for using the equity method	<u>\$ 2,016</u>	<u>\$ 1,828</u>

The sales prices charged to related parties are approximate to those charged to third parties. The credit term to Taiwan IC Packaging Corporation is 30 days after receipt of goods. The credit term to third parties is 30 to 60 days after monthly billings.

#### B. Purchases

	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Purchases of goods		
Associates accounted for using the equity method	<u>\$ 231,335</u>	<u>\$ 273,949</u>

The purchase prices charged by related parties are approximate to those charged by third parties. The payment term from Taiwan IC Packaging Corporation is 30 days after monthly billings. The payment term from third parties is 30 to 45 days after monthly billings.

#### C. Receivables from related parties

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts receivable:		
Associates accounted for using equity method	<u>\$ -</u>	<u>\$ 8</u>

The receivables from related parties arise mainly from sale transactions. The credit term to Taiwan IC Packaging Corporation is 30 days after receipt of goods. The receivables are unsecured in nature and bear no interest. There are no allowances for uncollectible accounts held against receivables from related parties.

#### D. Payables to related parties

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts payable:		
Associates accounted for using equity method	\$ 37,416	\$ 52,828

The payables to related parties arise mainly from purchase transactions and are due 30 days after the date of purchase. The payables bear no interest.

#### E. Leasing arrangements - lessee

The Company signed a land lease contract with its major stockholders, Won Chin and Cheng Chuan, to build a new plant on the leased land with a lease term of 3 years from June 12, 2019 to June 11, 2022. The annual rental payment is \$37,058 (excluding tax), which was determined based on the average rent of land near the leased land shown in the appraisal report issued by Sinyi Real Estate Appraisers Firm. Rent was paid on the contract date and becomes payable on the same date each following year until the end of the lease. As of December 31, 2020 and 2019, the balance of related right-of-use assets amounted to \$51,893 and \$88,521 while lease liabilities amounted to \$36,815 and \$73,050, respectively.

#### (3) Key management compensation

	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Salaries and other employee benefits	\$ 35,811	\$ 27,859

#### 8. PLEDGED ASSETS

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

<u>Pledged assets</u>	<u>Book value</u>		<u>Pledge purpose</u>
	<u>December 31, 2020</u>	<u>December 31, 2019</u>	
Property, plant and equipment	\$ 148,671	\$ 150,499	Collateral for general credit limit granted by financial institutions

#### 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

As of December 31, 2020, except for the provision of endorsements and guarantees mentioned in Note 13(1) B, there are no other significant commitments.

## 10. SIGNIFICANT DISASTER LOSS

None.

## 11. SIGNIFICANT SUBSEQUENT EVENTS

Information on distribution of 2020 earnings and cash dividends from capital surplus is provided in Note 6(16) E(b).

## 12. OTHERS

### (1) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group's own funds are currently sufficient, daily operations can create stable cash inflows, and there are no significant capital expenditure plans in the short term. Except for obtaining loans to reduce the exchange rate exposure, the Group has sufficient funds to cover its own needs. Debt financing is not necessary.

### (2) Financial instruments

#### A. Financial instruments by category

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Financial assets mandatorily measured at fair value through profit or loss	\$ 4,255,920	\$ 2,581,509
Financial assets at fair value through other comprehensive income	111,000	114,164
Financial assets at amortised cost		
Cash and cash equivalents	736,852	1,233,407
Financial assets at amortised cost	5,659,889	8,059,009
Notes receivable	759	3,054
Accounts receivable (including related parties)	1,434,454	1,478,539
Other receivables	71,351	124,077
Refundable deposits	32,823	31,543
	<u>\$ 12,303,048</u>	<u>\$ 13,625,302</u>

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Accounts payable (including related parties)	\$ 1,171,682	\$ 1,058,178
Other payables	<u>246,635</u>	<u>267,116</u>
	<u>\$ 1,418,317</u>	<u>\$ 1,325,294</u>
Lease liabilities	<u>\$ 85,715</u>	<u>\$ 137,642</u>

#### B. Financial risk management policies

Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

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

##### (a) Market risk

##### Foreign exchange risk

- i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD. Exchange rate risk arises from future commercial transactions and recognized assets and liabilities.
- ii. The Group's businesses involve some non-functional currency operations (the Company's functional currency: NTD; the subsidiaries' functional currencies: JPY, KRW, USD, EUR, GBP and RMB, etc.). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2020				
	Foreign Currency	Foreign Currency		Book value
		Amount	Exchange rate	
Financial assets	USD : NTD	\$ 24,579	28.48	\$ 700,010
	EUR : NTD	3,551	35.02	124,356
	RMB : NTD	9,070	4.3770	39,699
	JPY : NTD	122,026	0.2763	33,716
	USD : EUR	4,859	0.8132	138,384
	USD : HKD	817	7.7539	23,268
	USD : JPY	395	103.0764	11,250
	GBP : EUR	972	1.1108	37,811
Financial liabilities	USD : NTD	\$ 35,425	28.48	\$ 1,008,904
December 31, 2019				
	Foreign Currency	Foreign Currency		Book value
		Amount	Exchange rate	
Financial assets	USD : NTD	\$ 129,528	29.98	\$ 3,883,249
	JPY : NTD	1,051,209	0.2760	290,134
	EUR : NTD	4,963	33.59	166,707
	GBP : NTD	1,045	39.36	41,131
	HKD : NTD	6,000	3.849	23,094
	USD : EUR	4,319	0.8925	129,484
	USD : HKD	971	7.7890	29,111
	USD : JPY	759	108.6232	22,755
Financial liabilities	USD : NTD	\$ 27,029	29.98	\$ 810,329

The information on total exchange (loss) gain, including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2020 and 2019 is provided in Note 6(21).

Sensitivity analysis relating to foreign exchange rate risks is primarily for financial reporting period-end date of foreign currency monetary item. If the New Taiwan dollar exchange rate to the U.S. dollar increases or decreases by 1%, the Group's net income will decrease or increase by \$3,089 and \$30,729 for the years ended December 31, 2020 and 2019, respectively.

#### Price risk

- i. The Group is exposed to equity securities price risk because of investments held by the Group and classified on the balance sheet as financial assets at fair value through profit or loss and other comprehensive income. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.
- ii. The Group's investments in listed and unlisted equity securities and financial instruments

by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2020 and 2019 would have increased/decreased by \$42,559 and \$25,815, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$1,110 and \$1,142, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

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

- i. The Group's principal interest-bearing assets are cash and cash equivalents and financial assets at amortised cost. Cash and cash equivalents are due within twelve months. Financial assets at amortised cost are maintained at fixed rates. Therefore, it is assessed that there is no significant cash flow interest rate risk.
- ii. The Group has not used any financial instruments to hedge its interest rate risk.

#### (b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost.
- ii. The Group manages its credit risk taking into consideration the entire group's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. To control internal risk, the Group assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. The Group determines that the default occurs when the contract payments are past due over 180 days.
- iv. The Group adopts the following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
  - (i) If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

- (ii) For investments in bonds that are traded over the counter, if any external credit rating agency rates these bonds as investment grade, the credit risk of these financial assets is low.
- v. If the credit rating grade of an investment target degrades two scales, there has been a significant increase in credit risk on that instrument since initial recognition.
- vi. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
  - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
  - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
  - (iii) Default or delinquency in interest or principal repayments;
  - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vii. For details of credit risk in relation to accounts receivable and notes receivable, please refer to Note 6(4).
- viii. For details of credit risk in relation to debt instrument investments measured at amortised cost, please refer to Note 6(3).

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts, time deposits, monetary funds, financial instruments and bonds sold under repurchase agreements, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. As at December 31, 2020 and 2019, the Group held money market position of \$9,907,739 and \$11,725,398, respectively, that are expected to readily generate cash inflows for managing liquidity risk.
- iii. The Group's non-derivative financial liabilities are analysed based on the remaining period at the balance sheet date to the contractual maturity date and all the Group's financial liabilities expire within one year.

(3) Fair value information

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

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

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in non-hedging derivatives is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market, financial products and investment property is included in Level 3.

B. Fair value information of investment property at cost is provided in Note 6(11).

C. Financial instruments not measured at fair value

Except for those listed in the table below, the carrying amounts of cash and cash equivalents, financial assets at amortised cost, notes receivable, accounts receivable, other receivables, accounts payable and other payables are approximate to their fair values.

D. The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

December 31, 2020	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 4,255,920	\$ -	\$ -	\$ 4,255,920
Financial assets at fair value through other comprehensive income				
Equity securities	<u>109,875</u>	<u>-</u>	<u>1,125</u>	<u>111,000</u>
	<u>\$ 4,365,795</u>	<u>\$ -</u>	<u>\$ 1,125</u>	<u>\$ 4,366,920</u>



December 31, 2019	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 2,505,073	\$ -	\$ -	\$ 2,505,073
Financial products	-	-	76,436	76,436
Financial assets at fair value through other comprehensive income				
Equity securities	<u>113,039</u>	<u>-</u>	<u>1,125</u>	<u>114,164</u>
	<u>\$ 2,618,112</u>	<u>\$ -</u>	<u>\$ 77,561</u>	<u>\$ 2,695,673</u>

- E. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the closing price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily listed stocks classified as financial assets at fair value through other comprehensive income and beneficiary certificates classified as financial assets at fair value through profit or loss.
- F. For the years ended December 31, 2020 and 2019, there was no transfer between Level 1 and Level 2.
- G. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants. Forward exchange contracts are usually valued based on the current forward exchange rate.
- H. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.
- I. The financial products purchased for the years ended December 31, 2020 and 2019 were categorised to Level 3.
- J. Finance segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions and frequently review the fair value.
- K. The qualitative information of significant unobservable inputs to valuation model used in Level 3 fair value measurement is as follows: financial products are income investments, and the judgements of their valuation technique and significant unobservable inputs are based on the cash flow of individual contract.

### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: Please refer to table 1.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.
- D. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital: Please refer to table 3.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to relate parties reaching NT\$100 million or 20% of the Company's paid-in capital or more: Please refer to table 4.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 5.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Note 6(2).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

#### (2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 7.

#### (3) Information on investments in Mainland China

- A. Basic information: Please refer to table 8.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 6.

#### (4) Major shareholders information

Major shareholders information: Please refer to table 9.

### 14. SEGMENT INFORMATION

#### (1) General information

The Group operates business only in a single industry. The Chairman of the Board of Directors who allocates resources and assesses performance of the Group as a whole, has identified that the Group has only one reportable operating segment.

(2) Segment information

The segment information provided to the Chief Operating Decision-Maker for the reportable segments is as follows:

	Years ended December 31,	
	2020	2019
Segment revenue	\$ 11,446,696	\$ 13,496,186
Segment income	\$ 1,197,735	\$ 1,728,967

(3) Reconciliation for segment income (loss)

Sales between segments are carried out at arm's length. The revenue from external customers reported to the Chief Operating Decision-Maker is measured in a manner consistent with that in the statement of comprehensive income.

(4) Information on products and services

All external customer revenue comes from sale of electronic products. Please refer to Note 6(18)A for details.

(5) Geographical information

For details of geographical information of the Group's revenue, please refer to Note 6(18)A. The information on the Group's non-current assets is as follows:

	December 31, 2020	December 31, 2019
	Non-current assets	Non-current assets
Taiwan	\$ 4,185,560	\$ 4,337,359
Asia	812,348	859,926
America	78,320	95,690
Europe	53,012	60,131
Total	\$ 5,129,240	\$ 5,353,106

(6) Major customer information

Major customer information of the Group for the years ended December 31, 2020 and 2019 is as follows:

	Years ended December 31,	
	2020	2019
A	\$ 701,149	\$ 1,088,967

Transcend Information, Inc. and Subsidiaries  
Provision of endorsements and guarantees to others  
Year ended December 31, 2020

Table 1

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Company name	Party being endorsed/guaranteed Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum	Outstanding	Actual amount drawn (Note 6)	Amount of endorsements/ guarantees secured with collateral	Ratio of	Ceiling on total amount of endorsements /guarantees (Note 7)	Provision of	Provision of	Provision of	Footnote
					outstanding endorsement/ guarantee amount as of December 31, 2020 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2020 (Note 5)			accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company		endorsements/ guarantees by parent company to subsidiary (Note 8)	endorsements/ guarantees by subsidiary to parent company	endorsements/ guarantees to the party in Mainland China	
0	Transcend Taiwan	Transcend Japan Inc.	2	\$ 3,734,405	\$ 564,600 (JPY \$2,000,000) (In thousands)	\$ 552,600 (JPY \$2,000,000) (In thousands)	\$ -	-	3	\$ 7,468,810	Y	-	-	-

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

- (a) The Company is '0'.
- (b) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories; fill in the number of category each case belongs to:

- (a) Having business relationship
- (b) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (c) The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.
- (d) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.
- (e) Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.
- (f) Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.
- (g) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: Not exceeding 20% of the Company's net asset value. (\$18,672,026 \*20%=\$3,734,405)

Note 4: The maximum outstanding endorsement/guarantee amount during and as of December 31, 2020 is JPY\$2,000,000 (In thousands).

Note 5: The amount was approved by the Board of Directors.

Note 6: The actual amount of endorsement drawn down is \$0.

Note 7: Not exceeding 40% of the Company's net asset value. (\$18,672,026\*40%=\$7,468,810)

Note 8: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary.

Transcend Information, Inc. and Subsidiaries

Holding of marketable securities at the end of the year (not including subsidiaries, associates and joint ventures)

December 31, 2020

Table 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of December 31, 2020				Footnote (Note 4)
				Number of shares	Book value (Note 3)	Ownership (%)	Fair value	
Transcend Taiwan	Stocks							
	Dramexchange Tech Inc.	-	Non-current financial assets at fair value through other comprehensive income	60,816	\$ 1,125	1	\$ 1,125	-
	Fubon Financial Holding Co., Ltd. Preferred Shares B	-	"	1,758,000	<u>109,875</u>	-	109,875	-
					<u>\$ 111,000</u>			
	Beneficiary certificates							
	Taishin 1699 Money Market Fund	-	Current financial assets at fair value through profit or loss	257,293,248	<u>\$ 3,510,998</u>	-	\$ 3,510,998	-
	Yuanta Taiwan High-yield Leading Company Fund B	-	Non-current financial assets at fair value through profit or loss	50,000,000	\$ 624,500	-	\$ 624,500	-
	Yuanta Taiwan Top 50 ETF	-	"	914,000	111,736	-	111,736	-
	Yuanta Taiwan Dividend Plus ETF	-	"	290,000	<u>8,686</u>	-	8,686	-
					<u>\$ 744,922</u>			

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS 9 'Financial instruments'.

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

Transcend Information, Inc. and Subsidiaries

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital

Year ended December 31, 2020

Table 3

Expressed in thousands of NT D

(Except as otherwise indicated)

Investor	Marketable securities ( Note 1 )	General ledger account	Counterparty ( Note 2 )	Relationship with the investor ( Note 2 )	January 1, 2020		( Note 3 )		( Note 3 )			December 31, 2020		
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain on disposal	Number of shares	Amount
Transcend Taiwan	Taishin 1699 Money Market Fund	Current financial assets at fair value through profit or loss	-	-	184,410,796	\$ 2,499,764	220,144,215	\$ 3,000,000	147,261,763	\$ 2,004,875	\$ 1,998,535	\$ 6,340	257,293,248	\$ 3,501,229
	Capital Money Market Fund	"	-	-	-	-	30,841,673	500,000	30,841,673	500,448	500,000	448	-	-
	Yuanta Taiwan High-yield Leading Company Fund B	Non-current financial assets at fair value through profit or loss	-	-	-	-	50,000,000	500,000	-	-	-	-	50,000,000	500,000

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

Note 2: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach NT\$300 million or 20% of paid-in capital or more.

Note 4: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Transcend Information, Inc. and Subsidiaries

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

Year ended December 31, 2020

Table 4

Expressed in thousands of NTD  
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction		third party transactions (Note 1)			Notes/accounts receivable (payable)		Footnote	
			Sales (purchases)	Amount	Percentage of total sales (purchases)	Credit term	Unit price	Credit term	Balance		Percentage of total notes/accounts receivable (payable)
Transcend Taiwan	Transcend Japan Inc.	The Company's subsidiary	Sales	\$ 733,397	7	120 days after monthly billings	No significant difference	30 to 60 days after monthly billings to third parties	\$ 139,509	11	-
"	Transcend Information Europe B.V.	Subsidiary of Memhiro	"	507,995	5	"	"	"	22,762	2	-
"	Transcend Information, Inc.	The Company's subsidiary	"	508,954	5	"	"	"	25,393	2	-
"	Transcend Korea Inc.	The Company's subsidiary	"	270,427	2	"	"	"	20,163	2	-
"	Transtech Trading (Shanghai) Co., Ltd.	Subsidiary of Memhiro	"	707,893	6	"	"	"	171,902	14	-
"	Transcend Information (H.K) Ltd.	Subsidiary of Memhiro	"	235,845	2	"	"	"	8,919	1	-
"	Transcend Information Trading GmbH, Hamburg	Subsidiary of Memhiro	"	427,917	4	"	"	"	15,712	1	-
Transcend Information Europe B.V.	Transcend Information Trading GmbH, Hamburg	Controlled by the same ultimate parent company	"	158,418	25	30 days after delivery	"	7 to 60 days after delivery to third parties	12,477	18	-
Transcend Taiwan	Taiwan IC Packaging Corporation	Associate accounted for using equity method	(Purchase)	(231,335)	(2)	30 days after monthly billings	No significant difference	30 to 45 days after monthly billings to third parties	( 37,416)	(2)	-

Note 1: The Company's sales to subsidiaries were equivalent to subsidiaries' purchases from the Company; accordingly, the Company did not disclose the information on subsidiaries' purchases from the Company.

Transcend Information, Inc. and Subsidiaries

Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more

Year ended December 31, 2020

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at		Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
			December 31, 2020	Turnover rate	Amount	Action taken		
Transcend Taiwan	Transcend Japan Inc.	Subsidiary of the Company	\$ 139,509	4.31	\$ -	-	\$ 139,509	-
"	Transtech Trading (Shanghai) Co., Ltd.	Subsidiary of Memhiro	171,902	4.88	-	-	137,788	-
Transcend Information (Shanghai), Ltd.	Transcend Taiwan	Ultimate parent company	411,299	-	411,299	-	-	-



Transcend Information, Inc. and Subsidiaries  
Significant inter-company transactions during the reporting year  
Year ended December 31, 2020

Table 6

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger		Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
				account	Amount		
0	Transcend Taiwan	Transcend Japan Inc.	1	Sales	\$ 733,397	There is no significant difference in unit price from those to third parties.	6
"	"	Transcend Information Europe B. V.	"	"	507,995		"
"	"	Transcend Information, Inc.	"	"	508,954	"	4
"	"	Transcend Korea Inc.	"	"	270,427	"	2
"	"	Transtech Trading (Shanghai) Co., Ltd.	"	"	707,893	"	6
"	"	Transcend Information (H.K) Ltd.	"	"	235,845	"	2
"	"	Transcend Information Trading GmbH, Hamburg	"	"	427,917	"	4
"	"	Transcend Japan Inc.	"	Accounts Receivable	139,509	120 days after monthly billings	1
"	"	Transtech Trading (Shanghai) Co., Ltd.	"	"	171,902	"	1
"	"	Transcend Information (Shanghai), Ltd.	"	Accounts Payable	( 411,299)	"	( 2)
1	Transcend Information Europe B. V.	Transcend Information Trading GmbH, Hamburg	3	Sales	158,418	There is no significant difference in unit price from those to third parties.	1

(Individual transactions not exceeding 1% of the consolidated total revenue and total assets are not disclosed.)

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

- (a) Parent company is "0".
- (b) Subsidiaries were numbered from 1.

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

- (a) Parent company to subsidiary.
- (b) Subsidiary to parent company.
- (c) Subsidiary to subsidiaries.

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

Transcend Information, Inc. and Subsidiaries

Information on investees

Year ended December 31, 2020

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2020	Investment income (loss) recognized by the Company for the year ended December 31, 2020	Footnote
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)	Book value			
Transcend Taiwan	Saffire Investment Ltd.	B.V.I.	Investment holdings	\$ 1,202,418	\$ 1,202,418	36,600,000	100	\$ 1,563,437	(\$ 115,707)	(\$ 115,707)	Note 2
	Transcend Japan Inc.	Japan	Wholesale of computer memory modules and peripheral	89,103	89,103	6,400	100	257,211	3,818	3,818	Note 2
	Transcend Information, Inc.	United States of America	Wholesale of computer memory modules and peripheral	38,592	38,592	625,000	100	180,982	639	639	Note 2
	Transcend Korea Inc.	Korea	Wholesale of computer memory modules and peripheral	6,132	6,132	40,000	100	58,904	( 2,513)	( 2,513)	Note 2
	Taiwan IC Packaging Corp.	Taiwan	Packaging of Semi-conductors	354,666	354,666	21,928,036	12.74	95,724	( 11,040)	( 1,299)	Note 5
Saffire Investment Ltd.	Memhiro Pte Ltd.	Singapore	Investment holdings	1,156,920	1,156,920	55,132,000	100	1,535,447	( 116,331)	( 116,331)	Note 3
Memhiro Pte Ltd.	Transcend Information Europe B.V.	Netherlands	Wholesale of computer memory modules and peripheral	1,693	1,693	100	100	237,494	3,399	3,401	Note 4
	Transcend Information Trading GmbH, Hamburg	Germany	Wholesale of computer memory modules and peripheral	2,288	2,288	-	100	112,767	( 6,983)	( 6,983)	Note 4
	Transcend Information (H.K.) Ltd.	Hong Kong	Wholesale of computer memory modules and peripheral	7,636	7,636	2,000,000	100	25,901	4,903	4,903	Note 4

Note 1: The Company does not directly recognize the investment income (loss) except for the subsidiaries directly held.

Note 2: Subsidiary of the Company.

Note 3: Subsidiary of Saffire.

Note 4: Subsidiary of Memhiro.

Note 5: Please refer to Note 6 (7).

Table 8

Transcend Information, Inc. and Subsidiaries  
Information on investments in Mainland China  
Year ended December 31, 2020

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method ( Note 1 )	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2020			Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Net income (loss) of investee for the year ended December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2020 (Note 2)	Book value of investments in Mainland China as of December 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020	Footnote
				Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020	Remitted to Mainland China	Remitted back to Taiwan							
Transcend Information (Shanghai), Ltd.	Manufacture and sales of computer memory modules, storage products and disks	\$ 1,134,178	2	\$ 1,134,178	-	-	\$ 1,134,178	(\$ 89,936)	100	(\$ 89,936)	\$ 1,132,669	\$ 1,464,028	-
Transtech Trading (Shanghai) Co., Ltd.	Wholesale, agent, import and export and retail of computer memory modules, storage products and computer components	16,310	2	16,310	-	-	16,310	4,783	100	4,783	37,098	-	-
Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA										
Transcend Information (Shanghai), Ltd.	\$ 1,134,178	\$ 1,134,178	\$ -										
Transtech Trading (Shanghai) Co., Ltd.	16,310	16,310	-										
	<u>\$ 1,150,488</u>	<u>\$ 1,150,488</u>	<u>\$ 11,203,216</u>										

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

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

Note 2: The financial statements were audited by R.O.C. parent company's CPA.

Note 3: The numbers in this table are expressed in New Taiwan Dollars.

Transcend Information, Inc. and Subsidiaries

Major shareholders information

December 31, 2020

Table 9

Shares		
Name of major shareholders	Number of shares held	Shareholding ratio
Won Chin Investment Inc.	74,783,600	17.42
Wan An Technology Inc.	33,480,854	7.80
Cheng Chuan Technology Development Inc.	32,971,701	7.68
Wan Min Investment Inc.	29,711,397	6.92
Wan Chuan Investment Inc.	29,505,896	6.87

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

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR20000144

To the Board of Directors and Shareholders of Transcend Information, Inc.

***Opinion***

We have audited the accompanying parent company only balance sheets of Transcend Information, Inc. as at December 31, 2020 and 2019, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

***Basis for opinion***

We conducted our audit of the parent company only financial statements as at and for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China; and in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Rule No. Financial-Supervisory-Securities-Auditing-1090360805 issued by the Financial Supervisory Commission on February 25, 2020 and generally accepted auditing standards in the Republic of China for our audit of the parent company only financial statements as at and for the year ended December 31, 2019. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the parent company only financial statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 judgement, were of most significance in our audit of the Company's 2020 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's 2020 parent company only financial statements are stated as follows:

#### **Evaluation of inventories**

##### Description

Refer to Notes 4(12), 5(2) and 6(5) to the financial statements for the information on the Company's inventory accounting policy, estimates and assumptions and allowance for inventory valuation losses.

The percentage of the Company's inventories to total assets is material and the Company applies judgements and estimates in determining the net realizable value of inventories at the balance sheet date. The Company mainly produces DRAM and flash memory. As these products have a short life cycle and belong to a highly competitive industry, the market prices change frequently. Since the Company's inventories and the allowance for inventory valuation losses are material to the financial statements, the evaluation of inventories has been identified as a key audit matter.

##### How our audit addressed the matter

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

- A. Obtained an understanding of the Company's operations and industry. Assessed the reasonableness of the policy and procedures to recognize allowance for inventory valuation losses.
- B. Obtained an understanding of the Company's inventory control procedures. Reviewed annual inventory count plan and observed the annual physical count of inventory in order to assess the effectiveness of internal controls over inventory.
- C. Obtained relevant evaluation reports of inventory and tested the logic and accuracy of information to assess the reasonableness of allowance for inventory valuation losses.

## **Estimation of allowance for sales discount**

### Description

In consideration of business volume, the Company provides a variety of business incentives to specific customers or products, and based on that, the Company can estimate the allowance for sales discount monthly. Refer to Notes 4(23) and 6(4) to the parent company only financial statements for the information on the estimation of allowance for sales discount.

Since the contracts are numerous and the result could affect the net revenue in the parent company only financial statements, the estimation of allowance for sales discount has been identified as a key audit matter.

### How our audit addressed the matter

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

- A. Obtained an understanding of the Company's operations, industry and the procedures to recognize allowance for sales discount.
- B. Obtained an understanding of the Company's sales procedures and interviewed management to assess the appropriateness of sales allowance contracts and internal control over estimation of allowance.
- C. Obtained the evaluation list of allowance for sales discount, and tested material sales allowance contracts and recalculated it to assess the reasonableness of allowance determined by the Company.

### ***Responsibilities of management and those charged with governance for the parent company only financial statements***

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

### *Auditors' responsibilities for the audit of the parent company only financial statements*

Our objectives are to obtain reasonable assurance about whether the parent company only 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 generally accepted auditing standards 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 parent company only financial statements.

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

- A. Identify and assess the risks of material misstatement of the parent company only 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.
- B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- E. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only 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 parent company only financial statements of the current period 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.

  
Lin, Chun-Yao

  
Chen, Chin-Chang

For and on behalf of PricewaterhouseCoopers, Taiwan

March 4, 2021

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The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

TRANSCEND INFORMATION, INC.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan Dollars)

Assets	Notes	December 31, 2020		December 31, 2019	
		AMOUNT	%	AMOUNT	%
<b>Current assets</b>					
Cash and cash equivalents	6(1)	\$ 399,574	2	\$ 863,583	4
Financial assets at fair value through profit or loss - current	6(2)	3,510,998	17	2,505,073	12
Current financial assets at amortised cost, net	6(3)	5,450,000	26	7,727,826	36
Notes receivable, net	6(4)	759	-	3,054	-
Accounts receivable, net	6(4)	810,648	4	898,707	4
Accounts receivable due from related parties, net	7	404,360	2	454,776	2
Other receivables		70,135	-	106,252	1
Inventories, net	6(5)	3,075,423	14	1,967,896	9
Other current assets		916	-	5,220	-
<b>Total Current Assets</b>		<u>13,722,813</u>	<u>65</u>	<u>14,532,387</u>	<u>68</u>
<b>Non-current assets</b>					
Non-current financial assets at fair value through profit or loss	6(2)	744,922	4	-	-
Non-current financial assets at fair value through other comprehensive income	6(6)	111,000	1	114,164	1
Non-current financial assets at amortised cost	6(3)	-	-	148,527	1
Investments accounted for using equity method	6(7)	2,156,258	10	2,241,388	10
Property, plant and equipment, net	6(8) and 7	1,540,175	8	1,644,401	8
Right-of-use assets	6(9) and 7	51,893	-	88,521	-
Investment property, net	6(11)	2,566,019	12	2,560,460	12
Deferred tax assets	6(23)	29,125	-	59,274	-
Other non-current assets	6(12)	27,473	-	43,977	-
<b>Total Non-current Assets</b>		<u>7,226,865</u>	<u>35</u>	<u>6,900,712</u>	<u>32</u>
<b>Total Assets</b>		<u>\$ 20,949,678</u>	<u>100</u>	<u>\$ 21,433,099</u>	<u>100</u>

(Continued)

TRANSCEND INFORMATION, INC.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	December 31, 2020		December 31, 2019	
		AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>					
Accounts payable		\$ 1,132,016	6	\$ 1,002,314	5
Accounts payable - related parties	7	450,706	2	457,364	2
Other payables		206,964	1	211,467	1
Other payables - related parties	7	17,564	-	17,308	-
Current tax liabilities		245,884	1	59,293	-
Current lease liabilities	7	36,815	-	36,235	-
Other current liabilities		24,572	-	26,754	-
<b>Total Current Liabilities</b>		<u>2,114,521</u>	<u>10</u>	<u>1,810,735</u>	<u>8</u>
<b>Non-current liabilities</b>					
Deferred tax liabilities	6(23)	139,689	1	155,463	1
Non-current lease liabilities	7	-	-	36,815	-
Other non-current liabilities	6(13)	23,442	-	23,238	-
<b>Total Non-current Liabilities</b>		<u>163,131</u>	<u>1</u>	<u>215,516</u>	<u>1</u>
<b>Total Liabilities</b>		<u>2,277,652</u>	<u>11</u>	<u>2,026,251</u>	<u>9</u>
<b>Equity</b>					
Share capital	6(14)				
Common stock		4,290,617	21	4,307,617	20
Capital surplus	6(15)				
Capital surplus		3,945,369	19	4,346,854	20
Retained earnings	6(16)				
Legal reserve		4,683,878	22	4,510,981	21
Special reserve		130,902	1	61,572	-
Unappropriated retained earnings		5,738,504	27	6,427,300	30
Other equity interest	6(17)				
Other equity interest		( 117,244)	( 1)	( 130,902)	-
Treasury shares	6(14)	-	-	( 116,574)	-
<b>Total Equity</b>		<u>18,672,026</u>	<u>89</u>	<u>19,406,848</u>	<u>91</u>
Significant contingent liabilities and unrecognized contract commitments	9				
Significant events after the balance sheet date	11				
<b>Total Liabilities and Equity</b>		<u>\$ 20,949,678</u>	<u>100</u>	<u>\$ 21,433,099</u>	<u>100</u>

The accompanying notes are an integral part of these parent company only financial statements.

TRANSCEND INFORMATION, INC.  
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME  
YEARS ENDED DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan Dollars, except for earnings per share amount)

Items	Notes	Year ended December 31			
		2020		2019	
		AMOUNT	%	AMOUNT	%
Operating Revenue	6(18) and 7	\$ 10,937,519	100	\$ 12,860,887	100
Operating Costs	6(5)(22) and 7	( 8,963,964)	( 82)	( 10,334,582)	( 80)
Gross Profit		1,973,555	18	2,526,305	20
Unrealized profit from sales		( 16,106)	-	( 25,422)	-
Realized profit from sales		25,422	-	20,596	-
Realized Gross Profit		1,982,871	18	2,521,479	20
Operating Expenses	6(22)				
Sales and marketing expenses		( 296,598)	( 3)	( 318,545)	( 3)
Administrative expenses		( 236,753)	( 2)	( 189,031)	( 1)
Research and development expenses		( 133,356)	( 1)	( 142,601)	( 1)
Impairment loss determined in accordance with IFRS 9	6(4)	( 1,029)	-	( 268)	-
Total operating expenses		( 667,736)	( 6)	( 650,445)	( 5)
Operating Profit		1,315,135	12	1,871,034	15
Non-operating Income and Expenses					
Interest income	6(19)	71,174	1	189,470	1
Other income	6(20)	38,721	-	35,352	-
Other gains and losses	6(21) and 7	134,937	1	( 19,261)	-
Net gain from derecognizing financial assets measured at amortized cost	6(3)	17,210	-	20,552	-
Finance costs	6(9)	( 823)	-	( 676)	-
Share of loss of associates and joint ventures accounted for using equity method	6(7)	( 115,062)	( 1)	( 52,432)	-
Total non-operating income and expenses		146,157	1	173,005	1
<b>Profit before Income Tax</b>		1,461,292	13	2,044,039	16
Income tax expense	6(23)	( 263,557)	( 2)	( 315,072)	( 3)
<b>Profit for the Year</b>		\$ 1,197,735	11	\$ 1,728,967	13
<b>Other Comprehensive Income (Loss)</b>					
<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>					
(Losses) gains on remeasurements of defined benefit plans	6(13)	( \$ 1,072)	-	\$ 724	-
Unrealized (loss) gain on financial assets at fair value through other comprehensive income	6(6)(17)	( 3,164)	-	27,976	-
Share of other comprehensive (loss) income of associates and joint ventures accounted for using equity method		( 411)	-	479	-
<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>					
Exchange differences on translation of foreign financial statements	6(7)(17)	21,027	-	( 76,620)	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(17)(23)	( 4,205)	-	15,324	-
<b>Other comprehensive income (loss) for the year</b>		\$ 12,175	-	( \$ 32,117)	-
<b>Total Comprehensive Income</b>		\$ 1,209,910	11	\$ 1,696,850	13
Earnings Per Share (in dollars)	6(23)				
Basic earnings per share		\$ 2.79		\$ 4.01	
Diluted earnings per share		\$ 2.79		\$ 4.01	

The accompanying notes are an integral part of these parent company only financial statements.

TRANSCEND INFORMATION, INC.  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan Dollars)

	Notes	Capital Surplus			Retained Earnings			Other Equity Interest		Treasury shares	Total equity	
		Common stock	Additional paid-in capital	Donated assets received	Net assets from merger	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements			Unrealized gain or loss on financial assets at fair value through other comprehensive income
<b>Year ended December 31, 2019</b>												
Balance at January 1, 2019		\$ 4,307,617	\$ 4,565,999	\$ 4,106	\$ 35,128	\$ 4,302,782	\$ 47,247	\$ 6,778,995	(\$ 77,165 )	\$ 15,593	\$ -	\$ 19,980,302
Net income for the year		-	-	-	-	-	-	1,728,967	-	-	-	1,728,967
Other comprehensive income (loss)	6(6)(17)	-	-	-	-	-	-	1,203	( 61,296 )	27,976	-	( 32,117 )
Total comprehensive income (loss)		-	-	-	-	-	-	1,730,170	( 61,296 )	27,976	-	1,696,850
Appropriation and distribution of 2018 earnings	6(16)	-	-	-	-	-	-	-	-	-	-	-
Legal reserve		-	-	-	-	208,199	-	( 208,199 )	-	-	-	-
Cash dividends		-	-	-	-	-	-	( 1,895,351 )	-	-	-	( 1,895,351 )
Special reserve		-	-	-	-	-	14,325	( 14,325 )	-	-	-	-
Cash payment from capital surplus	6(16)	-	( 258,458 )	-	-	-	-	-	-	-	-	( 258,458 )
Net gain on disposal of financial assets at fair value through other comprehensive income	6(6)(17)	-	-	-	-	-	-	36,010	-	( 36,010 )	-	-
Expired unclaimed dividends recognized as capital surplus		-	-	79	-	-	-	-	-	-	-	79
Purchase of treasury stock		-	-	-	-	-	-	-	-	-	( 116,574 )	( 116,574 )
Balance at December 31, 2019		\$ 4,307,617	\$ 4,307,541	\$ 4,185	\$ 35,128	\$ 4,510,981	\$ 61,572	\$ 6,427,300	(\$ 138,461 )	\$ 7,559	(\$ 116,574 )	\$ 19,406,848
<b>Year ended December 31, 2020</b>												
Balance at January 1, 2020		\$ 4,307,617	\$ 4,307,541	\$ 4,185	\$ 35,128	\$ 4,510,981	\$ 61,572	\$ 6,427,300	(\$ 138,461 )	\$ 7,559	(\$ 116,574 )	\$ 19,406,848
Net income for the year		-	-	-	-	-	-	1,197,735	-	-	-	1,197,735
Other comprehensive income (loss)	6(6)(17)	-	-	-	-	-	-	( 1,483 )	16,822	( 3,164 )	-	12,175
Total comprehensive income (loss)		-	-	-	-	-	-	1,196,252	16,822	( 3,164 )	-	1,209,910
Appropriation and distribution of 2019 earnings	6(16)	-	-	-	-	-	-	-	-	-	-	-
Legal reserve		-	-	-	-	172,897	-	( 172,897 )	-	-	-	-
Cash dividends		-	-	-	-	-	-	( 1,544,622 )	-	-	-	( 1,544,622 )
Special reserve		-	-	-	-	-	69,330	( 69,330 )	-	-	-	-
Cash payment from capital surplus	6(16)	-	( 386,156 )	-	-	-	-	-	-	-	-	( 386,156 )
Expired unclaimed dividends recognized as capital surplus		-	-	93	-	-	-	-	-	-	-	93
Purchase of treasury stock		-	-	-	-	-	-	-	-	-	( 14,047 )	( 14,047 )
Cancellation of treasury stock	6(14)	( 17,000 )	( 15,422 )	-	-	-	-	( 98,199 )	-	-	130,621	-
Balance at December 31, 2020		\$ 4,290,617	\$ 3,905,963	\$ 4,278	\$ 35,128	\$ 4,683,878	\$ 130,902	\$ 5,738,504	(\$ 121,639 )	\$ 4,395	\$ -	\$ 18,672,026

The accompanying notes are an integral part of these parent company only financial statements.

TRANSCEND INFORMATION, INC.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan Dollars)

	Notes	Year ended December 31	
		2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		\$ 1,461,292	\$ 2,044,039
Adjustments			
Adjustments to reconcile profit (loss)			
Unrealized profit from sales		16,106	25,422
Realized profit from sales		( 25,422 )	( 20,596 )
Net (gain) loss on financial assets at fair value through profit or loss	6(2)(21)	( 146,883 )	9,650
Share of loss of associates and joint ventures accounted for using equity method	6(7)	115,062	52,432
Expected credit loss	6(4)	1,029	268
Depreciation	6(22)	170,349	170,840
Interest income	6(19)	( 71,174 )	( 189,470 )
Interest expense	6(9)	823	676
Dividend income	6(6)(20)	( 3,834 )	( 5,019 )
Loss on disposal of property, plant and equipment	6(21)	2,098	113
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets mandatorily measured at fair value through profit or loss		( 992,901 )	( 2,514,723 )
Notes receivable		2,295	( 2,182 )
Accounts receivable		87,030	538,256
Accounts receivable - related parties		50,416	105,059
Other receivables		27,074	( 43,764 )
Inventories		( 1,107,527 )	1,077,844
Other current assets		4,304	( 3,454 )
Changes in operating liabilities			
Accounts payable		129,702	( 178,642 )
Accounts payable - related parties		( 6,658 )	( 3,942 )
Other payables		( 4,503 )	( 23,399 )
Other payables - related parties		256	433
Other current liabilities		21,142	( 262 )
Other non-current liabilities		( 868 )	( 938 )
Cash (outflow) inflow generated from operations		( 270,792 )	1,038,641
Dividends received		3,834	5,019
Interest received		80,217	205,261
Income tax paid		( 66,796 )	( 380,069 )
Net cash flows (used in) from operating activities		( 253,537 )	868,852
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of non-current financial assets at fair value through profit or loss		( 611,063 )	-
Proceeds from disposal of financial assets at amortised cost		6,226,353	6,457,566
Acquisition of financial assets at amortised cost		( 3,800,000 )	( 5,249,188 )
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(6)	-	76,967
Proceeds from disposal of property, plant and equipment		-	1,600
Acquisition of property, plant and equipment	6(8)	( 23,654 )	( 66,990 )
Acquisition of investment property		( 1,082 )	-
Decrease in other non-current financial assets		4,088	6,918
Net cash flows from investing activities		1,794,642	1,226,873
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash dividends paid (including cash payment from capital surplus)	6(16)	( 1,930,778 )	( 2,153,809 )
Repayment of lease liabilities		( 37,058 )	( 37,512 )
Expired unclaimed dividends recognized as capital surplus		93	79
Purchase of treasury stock		( 37,371 )	( 93,250 )
Net cash flows used in financing activities		( 2,005,114 )	( 2,284,492 )
Net decrease in cash and cash equivalents		( 464,009 )	( 188,767 )
Cash and cash equivalents at beginning of year		863,583	1,052,350
Cash and cash equivalents at end of year		\$ 399,574	\$ 863,583

The accompanying notes are an integral part of these parent company only financial statements.

TRANSCEND INFORMATION, INC.  
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019

(Expressed in thousands of New Taiwan Dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

Transcend Information, Inc. (the “Company”) was incorporated under the provisions of the Company Law of the Republic of China (R.O.C.) in August 1989. The main activities of the Company are manufacturing, processing and sales of computer software and hardware, peripheral equipment and other computer components. The Securities and Futures Commission of the Republic of China had approved the Company’s shares to be listed on the Taiwan Stock Exchange and the shares started trading on May 3, 2001.

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

These parent company only financial statements were authorized for issuance by the Board of Directors on March 4, 2021.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1 and IAS 8, ‘Disclosure initiative-definition of material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, ‘Interest rate benchmark reform’	January 1, 2020
Amendment to IFRS 16, ‘Covid-19-related rent concessions’	June 1, 2020 (Note)

Note: Earlier application from January 1, 2020 is allowed by the FSC.

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

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

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform— Phase 2'	January 1, 2021

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

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	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
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts - cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018-2020	January 1, 2022

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



#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### (1) Compliance statement

The parent company only financial statements of the Company have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

##### (2) Basis of preparation

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

- (a) Financial assets at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.
- (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligations.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

##### (3) Foreign currency translation

The financial statements are presented in New Taiwan dollars, which is the Company’s functional and the Company’s presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair

value are translated using the historical exchange rates at the dates of the initial transactions.

- (d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'other gains and losses'.

#### B. Translation of foreign operations

The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (c) All resulting exchange differences are recognized in other comprehensive income.

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

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realized within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities that are expected to be settled within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settled within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

#### (5) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Company measures the financial liabilities at fair value. All related transaction costs are recognized in profit or loss. The Company subsequently measures these financial liabilities at fair value with any gain or loss recognized in profit or loss.

(7) Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting. (Irrevocable election is separately classified, and needs to be disclosed when there is various election).
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:  
The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(8) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
  - (a) The objective of the Company's business model is achieved by collecting contractual cash flows.
  - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognized in profit or loss when the asset is derecognized or impaired.

(9) Accounts and notes receivable

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

(10) Financial assets impairment

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost including accounts receivable that have a significant financing component, at each reporting date, the Company recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognizes the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(12) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on actual operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(13) Investments accounted for using equity method-subidiaries and associates

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Unrealized gains on transactions between the Company and its subsidiaries are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognize losses proportionate to its ownership.
- D. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.

- E. The Company's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- F. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognizes change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- G. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- H. In the case that an associate issues new shares and the Company does not subscribe or acquire new shares proportionately, which results in a change in the Company's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Company's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- I. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- J. Pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," profit (loss) of the current period and other comprehensive income in the non-consolidated financial statements shall equal to the amount attributable to owners of the parent in the financial statements prepared with basis for consolidation. Owners' equity in the non-consolidated financial statements shall equal to equity attributable to owners of the parent in the financial statements prepared with basis for consolidation.

(14) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	8 ~ 50 years
Machinery and equipment	2 ~ 10 years
Transportation equipment	3 ~ 5 years
Office equipment and others	2 ~ 5 years

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

- A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:
  - (a) Fixed payments, less any lease incentives receivable; and
  - (b) Variable lease payments that depend on an index or a rate.

The Company subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the amount of the initial measurement of lease liability.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term.

When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

(16) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 10 ~ 55 years.

(17) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognized.

(18) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(19) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plan

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

(b) Defined benefit plan

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.
  - ii. Remeasurements arising on defined benefit plan are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.
  - iii. Past service costs are recognized immediately in profit or loss.
- C. Employees' compensation and directors' and supervisors' remuneration
- Employees' compensation and directors' and supervisors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(20) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.



- E. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from acquisitions of equipment or technology and research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(21) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. Where the Company repurchases the Company's shares that have been issued, the consideration paid, excluding any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders.

(22) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(23) Revenue recognition

A. Sales of goods

- (a) The Company manufactures and sells computer software and hardware, computer peripheral equipment, and computer component products. When the right of control is transferred to the customer, sales revenue is recognized. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.
- (b) Sales revenue is recognized based on the contract price, net of sales returns, volume discounts and estimated sales discount and allowances. The goods are often sold with volume discounts based on aggregate sales over a one-month period. Sales discounts and allowances are estimated and provided for based on customer contracts, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date and recognized as allowance for sales discounts. No element of financing is deemed present as the sales are made with a credit term of 30-60 days after monthly billing, which is consistent with market practice.
- (c) A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Incremental costs of obtaining a contract

Given that the contractual period lasts less than one year, the Company recognizes the incremental costs of obtaining a contract as an expense when incurred although the Company expects to recover those costs.

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

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

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

Investment property

The Company uses a portion of the property for its own use and another portion to earn rentals or for capital appreciation. When these portions cannot be sold separately and cannot be leased out separately under a finance lease, the property is classified as investment property only if the own use portion accounts for an insignificant portion of the property.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the Company must determine the net realizable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realizable value. The valuation of inventories is based on recent market price and demand of products in the future specific period, thus there might be significant changes in the valuation. As of December 31, 2020, the carrying amount of inventories is \$3,075,423.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand and petty cash	\$ 677	\$ 520
Checking accounts and demand deposits	<u>398,897</u>	<u>863,063</u>
	<u>\$ 399,574</u>	<u>\$ 863,583</u>

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

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

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

Items	December 31, 2020	December 31, 2019
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates	\$ 3,501,229	\$ 2,499,764
Valuation adjustments	9,769	5,309
	\$ 3,510,998	\$ 2,505,073
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates	\$ 611,063	\$ -
Valuation adjustments	133,859	-
	\$ 744,922	\$ -

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

	Years ended December 31,	
	2020	2019
Beneficiary certificates	\$ 145,108	\$ 6,426
Non-hedging derivatives	1,775	( 16,076)
	\$ 146,883	(\$ 9,650)

B. The Company has no financial assets at fair value through profit or loss pledged to others.

(3) Financial assets at amortised cost

Items	December 31, 2020	December 31, 2019
Current items:		
Time deposits with original maturity of more than three months	\$ 5,450,000	\$ 6,660,680
Bonds with repurchase agreement	-	1,067,146
	\$ 5,450,000	\$ 7,727,826
Non-current items:		
Foreign currency bonds	\$ -	\$ 148,527

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

	Years ended December 31,	
	2020	2019
Interest income	\$ 63,217	\$ 182,539
Gain on disposal	17,210	20,552
	\$ 80,427	\$ 203,091

- B. The Company has no financial assets at amortised cost pledged to others as collateral.
- C. The Company used the forecastability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of debt instruments on December 31, 2020 and 2019, and considered guarantee for repurchase agreement held by the Company to estimate expected credit loss. The Company does not expect material credit loss after assessment.
- D. The Company transacts time deposits with reputable domestic and foreign banks, and the counterparties of the debt instrument investments are Yuanta Asset Management Limited, Yuanta Securities Co., Ltd., International Bills Finance Corporation, Standard Chartered Bank, and BNP Paribas. The Company's counterparties have good credit quality, and the impairment loss is assessed using a 12-month expected credit loss approach.

(4) Notes and accounts receivable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Notes receivable	\$ 759	\$ 3,054
Accounts receivable	\$ 812,398	\$ 900,740
Less: Loss allowance	( 1,750)	( 2,033)
	<u>\$ 810,648</u>	<u>\$ 898,707</u>

- A. As of December 31, 2020 and 2019, the estimated sales discounts and allowances were \$41,562 and \$50,440, respectively. Since the sales discounts and allowances met the requirements for offset of financial liabilities and financial assets, the net amounts were shown under accounts receivable.
- B. The ageing analysis of accounts receivable and notes receivable is as follows:

	<u>December 31, 2020</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>
Not past due	\$ 678,549	\$ 759
Up to 30 days	126,678	-
31 to 90 days	4,114	-
91 to 180 days	-	-
Over 180 days	3,057	-
	<u>\$ 812,398</u>	<u>\$ 759</u>

	December 31, 2019	
	Accounts receivable	Notes receivable
Not past due	\$ 719,946	\$ 3,054
Up to 30 days	167,707	-
31 to 90 days	5,038	-
91 to 180 days	-	-
Over 180 days	8,049	-
	<u>\$ 900,740</u>	<u>\$ 3,054</u>

The above ageing analysis was based on past due date.

- C. The Company has credit insurance that covers accounts receivable from major customers. Should bad debts occur, the Company will receive 90% of the losses resulting from non-payment.
- D. As of December 31, 2020 and 2019, notes receivable and accounts receivable were all from contracts with customers. As of January 1, 2019, the balance of notes receivable and accounts receivable from contracts with customers amounted to \$1,457,261.
- E. As at December 31, 2020 and 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's notes receivable were \$759 and \$3,054, respectively; the maximum exposure to credit risk in respect of the amount that best represents the Company's accounts receivable were \$810,648 and \$898,707, respectively.
- F. The Company classifies customers' accounts receivable in accordance with the credit rating of the customer. The Company applies the simplified approach to estimate expected credit loss under the provision matrix basis.
- G. The Company wrote-off the financial assets, which cannot reasonably be expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights. On December 31, 2020 and 2019, the Company has no written-off financial assets that are still under recourse procedures.
- H. The Company used forecastability, historical and timely information to assess the loss rate of accounts receivable. On December 31, 2020 and 2019, the provision matrix is as follows:

	Not past due	1-180 days past due	Over 180 days past due	Total
<u>December 31, 2020</u>				
Expected loss rate	0.008%	0.04%~14.60%	25%~100%	
Total book value	\$ 678,549	\$ 130,792	\$ 3,057	\$ 812,398
<u>December 31, 2019</u>				
Expected loss rate	0.011%	0.06%~17.43%	25%~100%	
Total book value	\$ 719,946	\$ 172,745	\$ 8,049	\$ 900,740

I. The balance of allowance for loss and movements are as follows:

	2020	
	Accounts receivable	Notes receivable
At January 1	\$ 2,033	\$ -
Provision for impairment	1,134	-
Reclassified to overdue receivables	( 178)	-
Reclassified to other income	( 1,134)	-
Effect of exchange rate changes	( 105)	-
At December 31	<u>\$ 1,750</u>	<u>\$ -</u>
	2019	
	Accounts receivable	Notes receivable
At January 1	\$ 19,158	\$ -
Reclassified to overdue receivables	( 17,393)	-
Effect of exchange rate changes	268	-
At December 31	<u>\$ 2,033</u>	<u>\$ -</u>

J. The Company does not hold any collateral as security.

(5) Inventories

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 2,161,744	(\$ 28,593)	\$ 2,133,151
Work in progress	487,023	( 1,023)	486,000
Finished goods	461,818	( 5,546)	456,272
	<u>\$ 3,110,585</u>	<u>(\$ 35,162)</u>	<u>\$ 3,075,423</u>
	December 31, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,301,090	(\$ 25,263)	\$ 1,275,827
Work in progress	335,478	( 471)	335,007
Finished goods	359,901	( 2,839)	357,062
	<u>\$ 1,996,469</u>	<u>(\$ 28,573)</u>	<u>\$ 1,967,896</u>

A. The cost of inventories recognized as expense for the year:

	Years ended December 31,	
	2020	2019
Cost of goods sold	\$ 8,957,375	\$ 10,403,949
Revenue from disposal of scraps	-	( 19,041)
Loss on (gain on reversal of) decline in market value of inventory	6,589	( 50,326)
	<u>\$ 8,963,964</u>	<u>\$ 10,334,582</u>

The gain on reversal of decline in market value of inventory for the year ended December 31, 2019 was due to the Company's disposal of slow-moving inventory.

B. No inventories were pledged to others.

(6) Non-current financial assets at fair value through other comprehensive income

Items	December 31, 2020	December 31, 2019
Non-current items:		
Equity instruments		
Listed stocks	\$ 105,480	\$ 105,480
Others	1,125	1,125
	106,605	106,605
Valuation adjustments	4,395	7,559
	\$ 111,000	\$ 114,164

A. The Company has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$111,000 and \$114,164 as at December 31, 2020 and 2019, respectively.

B. For the years ended December 31, 2020 and 2019, the Company disposed equity investments whose fair value was \$0 and \$76,711, respectively, and accumulated gain on disposal was transferred into retained earnings in the amount of \$0 and \$36,010, respectively.

C. For the years ended December 31, 2020 and 2019, the Company's cost recovery of equity instruments were \$0 and \$256, respectively.

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

	Years ended December 31,	
	2020	2019
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognized in other comprehensive (loss) income	(\$ 3,164)	\$ 27,976
Cumulative gains reclassified to retained earnings due to derecognition	\$ -	\$ 36,010
Dividend income recognized in profit or loss		
Held at end of year	\$ 3,834	\$ 3,028
Derecognized during the year	-	1,991
	\$ 3,834	\$ 5,019

E. The Company has no financial assets at fair value through other comprehensive income pledged to others as collateral.

(7) Investments accounted for using equity method

	<u>2020</u>	<u>2019</u>
At January 1	\$ 2,241,388	\$ 2,374,787
Share of profit or loss of investments accounted for using equity method	( 115,062)	( 52,432)
Decrease (increase) in unrealised profit from sales	9,316	( 4,826)
Other comprehensive income	( 411)	479
Changes in other equity items (Note 6(17))	<u>21,027</u>	<u>( 76,620)</u>
At December 31	<u>\$ 2,156,258</u>	<u>\$ 2,241,388</u>
<u>Investees</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Subsidiaries:</u>		
Saffire Investment Ltd.	\$ 1,563,437	\$ 1,650,675
Transcend Japan Inc.	257,211	244,165
Transcend Information Inc.	180,982	188,523
Transcend Korea Inc.	58,904	60,591
<u>Associates:</u>		
Taiwan IC Packaging Corp.	<u>95,724</u>	<u>97,434</u>
	<u>\$ 2,156,258</u>	<u>\$ 2,241,388</u>

A. Subsidiaries

Please refer to Note 4(3) in the consolidated financial statements for the year ended December 31, 2020 for the information regarding the Company's subsidiaries.

B. Associates

(a) The basic information of the associate that is material to the Company is as follows:

Associate name	Principal place of business	Shareholding ratio		Nature of relationship	Method of measurement
		December 31, 2020	December 31, 2019		
Taiwan IC Packaging Corp.	Taiwan	12.74%	12.74%	Note	Equity method

Note: Taiwan IC Packaging Corp. is engaged in IC packaging and testing and is the upstream supplier in the IT and semiconductor industries. In order to reach synergy of vertical integration, Taiwan IC Packaging Corp. processes the raw materials provided by the Company into relevant semi-finished goods.

(b) The Company held a 12.74% equity interest in Taiwan IC Packaging Corp., and is the company's largest single shareholder. However, the Company does not hold the majority of the voting power during the shareholders' meeting of Taiwan IC Packaging Corp. and the Company has no seat in the Board of Directors of Taiwan IC Packaging Corp., which indicate that the Company has no control ability to direct the relevant activities of Taiwan IC Packaging Corp. In addition, the Company's chairman is the same with Taiwan IC Packaging Corp.;



hence, the Company has significant influence over Taiwan IC Packaging Corp.

- (c) The summarized financial information of the associate that is material to the Company is as follows:

Balance sheet

	<u>Taiwan IC Packaging Corp.</u>	
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current assets	\$ 942,507	\$ 902,115
Non-current assets	1,224,429	1,187,726
Current liabilities	( 327,211)	( 237,849)
Non-current liabilities	( 85,765)	( 88,566)
Total net assets	<u>\$ 1,753,960</u>	<u>\$ 1,763,426</u>
Share in associate's net assets	\$ 223,480	\$ 224,686
Net equity differences	( 127,756)	( 127,252)
	<u>\$ 95,724</u>	<u>\$ 97,434</u>

Statement of comprehensive income

	<u>Taiwan IC Packaging Corp.</u>	
	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Revenue	\$ 1,210,125	\$ 1,181,337
Loss for the year from continuing operations	(\$ 11,040)	(\$ 47,432)
Total comprehensive loss	(\$ 9,466)	(\$ 50,660)
Dividends received from associates	\$ -	\$ -

- (d) Share of loss of associates accounted for using the equity method is as follows:

<u>Investee Company</u>	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Taiwan IC Packaging Corp.	(\$ 1,299)	(\$ 8,367)

- (e) The Company's investment in Taiwan IC Packaging Corporation has quoted market price. The fair value of Taiwan IC Packaging Corporation was \$239,053 and \$187,366 as of December 31, 2020 and 2019, respectively.

(8) Property, plant and equipment

	2020						
	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery</u>	<u>Vehicles</u>	<u>Office equipment</u>	<u>Others</u>	<u>Total</u>
<u>At January 1</u>							
Cost	\$ 601,268	\$ 1,209,742	\$ 449,670	\$ 20,761	\$ 4,802	\$ 34,373	\$ 2,320,616
Accumulated depreciation	-	( 424,360)	( 221,364)	( 5,734)	( 3,346)	( 21,411)	( 676,215)
	<u>\$ 601,268</u>	<u>\$ 785,382</u>	<u>\$ 228,306</u>	<u>\$ 15,027</u>	<u>\$ 1,456</u>	<u>\$ 12,962</u>	<u>\$ 1,644,401</u>
Opening net book amount as at January 1	\$ 601,268	\$ 785,382	\$ 228,306	\$ 15,027	\$ 1,456	\$ 12,962	\$ 1,644,401
Additions (including transfers)	-	890	13,616	1,348	1,290	6,510	23,654
Disposals	-	-	( 2,098)	-	-	-	( 2,098)
Depreciation charge	-	( 45,706)	( 68,740)	( 3,581)	( 867)	( 6,888)	( 125,782)
Closing net book amount as at December 31	<u>\$ 601,268</u>	<u>\$ 740,566</u>	<u>\$ 171,084</u>	<u>\$ 12,794</u>	<u>\$ 1,879</u>	<u>\$ 12,584</u>	<u>\$ 1,540,175</u>
<u>At December 31</u>							
Cost	\$ 601,268	\$ 1,207,688	\$ 389,642	\$ 22,109	\$ 4,691	\$ 28,476	\$ 2,253,874
Accumulated depreciation	-	( 467,122)	( 218,558)	( 9,315)	( 2,812)	( 15,892)	( 713,699)
	<u>\$ 601,268</u>	<u>\$ 740,566</u>	<u>\$ 171,084</u>	<u>\$ 12,794</u>	<u>\$ 1,879</u>	<u>\$ 12,584</u>	<u>\$ 1,540,175</u>

	2019						
	Land	Buildings and structures	Machinery	Vehicles	Office equipment	Others	Total
<u>At January 1</u>							
Cost	\$ 601,268	\$ 1,203,530	\$ 435,384	\$ 17,980	\$ 5,752	\$ 35,081	\$ 2,298,995
Accumulated depreciation	-	( 381,942)	( 179,657)	( 2,699)	( 3,321)	( 18,677)	( 586,296)
	<u>\$ 601,268</u>	<u>\$ 821,588</u>	<u>\$ 255,727</u>	<u>\$ 15,281</u>	<u>\$ 2,431</u>	<u>\$ 16,404</u>	<u>\$ 1,712,699</u>
Opening net book amount as at January 1	\$ 601,268	\$ 821,588	\$ 255,727	\$ 15,281	\$ 2,431	\$ 16,404	\$ 1,712,699
Additions (including transfers)	-	9,197	50,051	2,781	-	4,961	66,990
Disposals	-	-	( 1,713)	-	-	-	( 1,713)
Depreciation charge	-	( 45,403)	( 75,759)	( 3,035)	( 975)	( 8,403)	( 133,575)
Closing net book amount as at December 31	<u>\$ 601,268</u>	<u>\$ 785,382</u>	<u>\$ 228,306</u>	<u>\$ 15,027</u>	<u>\$ 1,456</u>	<u>\$ 12,962</u>	<u>\$ 1,644,401</u>
<u>At December 31</u>							
Cost	\$ 601,268	\$ 1,209,742	\$ 449,670	\$ 20,761	\$ 4,802	\$ 34,373	\$ 2,320,616
Accumulated depreciation	-	( 424,360)	( 221,364)	( 5,734)	( 3,346)	( 21,411)	( 676,215)
	<u>\$ 601,268</u>	<u>\$ 785,382</u>	<u>\$ 228,306</u>	<u>\$ 15,027</u>	<u>\$ 1,456</u>	<u>\$ 12,962</u>	<u>\$ 1,644,401</u>

The relevant assets of the Company recognized as property, plant and equipment are all for self-use.

(9) Leasing arrangements-lessee

- A. The Company's lease asset is land. Rental contracts are typically made for 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. The carrying amounts of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 51,893	\$ 88,521
	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 36,628	\$ 30,274

- C. For the years ended December 31, 2020 and 2019, the additions to right-of-use assets were \$0 and \$109,887, respectively.
- D. Information on profit or loss in relation to lease contracts is as follows:

	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 823	\$ 676
Expense on short-term lease contracts	5,207	3,836
Expense on leases of low-value assets	847	916

- E. For the years ended December 31, 2020 and 2019, the Company's total cash outflow for leases were \$43,112 and \$44,457, respectively.

(10) Leasing arrangements-lessor

- A. The Company leases various assets including land and buildings. Rental contracts are typically made for periods of 1 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. To protect the lessor's ownership rights on the leased assets, leased assets may not be used as security for borrowing purposes, or a residual value guarantee was required.
- B. For the years ended December 31, 2020 and 2019, the Company recognized rent income in the amount of \$38,721 and \$35,352, respectively, based on the operating lease agreement, which does not include variable lease payments.
- C. The maturity analysis of the lease payments under the operating leases is as follows:

	<u>December 31, 2020</u>		<u>December 31, 2019</u>
2021	\$ 23,725	2020	\$ 36,348
2022	3,900	2021	21,828
2023	400	2022	-
	<u>\$ 28,025</u>		<u>\$ 58,176</u>

(11) Investment property

	2020		
	Land	Buildings and structures	Total
<u>At January 1</u>			
Cost	\$ 2,268,726	\$ 353,247	\$ 2,621,973
Accumulated depreciation	-	( 61,513)	( 61,513)
	<u>\$ 2,268,726</u>	<u>\$ 291,734</u>	<u>\$ 2,560,460</u>
Opening net book amount as at January 1	\$ 2,268,726	\$ 291,734	\$ 2,560,460
Additions	-	13,498	13,498
Depreciation charge	-	( 7,939)	( 7,939)
Closing net book amount as at December 31	<u>\$ 2,268,726</u>	<u>\$ 297,293</u>	<u>\$ 2,566,019</u>
<u>At December 31</u>			
Cost	\$ 2,268,726	\$ 365,009	\$ 2,633,735
Accumulated depreciation	-	( 67,716)	( 67,716)
	<u>\$ 2,268,726</u>	<u>\$ 297,293</u>	<u>\$ 2,566,019</u>
	2019		
	Land	Buildings and structures	Total
<u>At January 1</u>			
Cost	\$ 2,268,726	\$ 355,608	\$ 2,624,334
Accumulated depreciation	-	( 56,883)	( 56,883)
	<u>\$ 2,268,726</u>	<u>\$ 298,725</u>	<u>\$ 2,567,451</u>
Opening net book amount as at January 1	\$ 2,268,726	\$ 298,725	\$ 2,567,451
Depreciation charge	-	( 6,991)	( 6,991)
Closing net book amount as at December 31	<u>\$ 2,268,726</u>	<u>\$ 291,734</u>	<u>\$ 2,560,460</u>
<u>At December 31</u>			
Cost	\$ 2,268,726	\$ 353,247	\$ 2,621,973
Accumulated depreciation	-	( 61,513)	( 61,513)
	<u>\$ 2,268,726</u>	<u>\$ 291,734</u>	<u>\$ 2,560,460</u>

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

	Years ended December 31,	
	2020	2019
Rental income from investment property	\$ 38,721	\$ 35,352
Direct operating expenses arising from investment property that generated rental income	\$ 7,231	\$ 6,170
Direct operating expenses arising from investment property that did not generate rental income	\$ 708	\$ 821

B. The fair value of the investment property held by the Company was \$5,146,932 and \$4,942,639 as of December 31, 2020 and 2019, respectively, which was based on the transaction prices of similar properties in the same area.

C. No investment property was pledged to others.

(12) Other non-current assets

	December 31, 2020	December 31, 2019
Guarantee deposits paid	\$ 14,549	\$ 14,163
Prepayments for business facilities	-	16,926
Others	12,924	12,888
	\$ 27,473	\$ 43,977

(13) Pensions

A. Defined benefit plan

(a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Act. Under the defined benefit plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with the Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions to cover the deficit by next March.

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Present value of defined benefit obligations	\$ 43,239	\$ 40,765
Fair value of plan assets	( 26,678)	( 24,411)
Net defined benefit liability	<u>\$ 16,561</u>	<u>\$ 16,354</u>

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

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
2020			
Balance at January 1	\$ 40,765	(\$ 24,411)	\$ 16,354
Current service cost	431	-	431
Interest expense (income)	<u>326</u>	<u>( 200)</u>	<u>126</u>
	<u>41,522</u>	<u>( 24,611)</u>	<u>16,911</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	( 802)	( 802)
Change in demographic assumptions	105	-	105
Change in financial assumptions	527	-	527
Experience adjustments	<u>1,242</u>	<u>-</u>	<u>1,242</u>
	<u>1,874</u>	<u>( 802)</u>	<u>1,072</u>
Pension fund contribution	-	( 1,422)	( 1,422)
Paid pension	<u>( 157)</u>	<u>157</u>	<u>-</u>
Balance at December 31	<u>\$ 43,239</u>	<u>(\$ 26,678)</u>	<u>\$ 16,561</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
2019			
Balance at January 1	\$ 41,250	(\$ 23,449)	\$ 17,801
Current service cost	500	-	500
Interest expense (income)	464	( 272)	192
	<u>42,214</u>	<u>( 23,721)</u>	<u>18,493</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	( 767)	( 767)
Change in demographic assumptions	329	-	329
Change in financial assumptions	1,645	-	1,645
Experience adjustments	( 1,931)	-	( 1,931)
	<u>43</u>	<u>( 767)</u>	<u>( 724)</u>
Pension fund contribution	-	( 1,415)	( 1,415)
Paid pension	( 1,492)	1,492	-
Balance at December 31	<u>\$ 40,765</u>	<u>(\$ 24,411)</u>	<u>\$ 16,354</u>

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.



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

	Years ended December 31,	
	2020	2019
Discount rate	0.350%	0.800%
Future salary increases	1.625%	2.000%

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

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

	Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease
	0.25%	0.25%	0.25%	0.25%
December 31, 2020				
Effect on present value of defined benefit obligation	(\$ 1,306)	\$ 1,364	\$ 1,315	(\$ 1,267)
December 31, 2019				
Effect on present value of defined benefit obligation	(\$ 1,276)	\$ 1,333	\$ 1,286	(\$ 1,238)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2021 amount to \$1,422.

(g) As of December 31, 2020, the weighted average duration of the retirement plan is 13.7 years.

#### B. Defined contribution plan

Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2020 and 2019 were \$34,696 and \$35,154, respectively.

(14) Share capital

A. As of December 31, 2020, the Company's authorized capital was \$5,000,000, consisting of 500 million shares of ordinary stock (including 25 million shares reserved for employee stock options), and the paid-in capital was \$4,290,617 with par value of \$10 per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares (shares in thousands) outstanding are as follows:

	<u>2020</u>	<u>2019</u>
At January 1	429,248	430,762
Purchase of treasury shares (retired)	( 186)	( 1,514)
At December 31	<u>429,062</u>	<u>429,248</u>

B. Treasury shares

(a) To enhance the Company's credit rating and stockholders' equity, on November 7, 2019, the Board of Directors resolved to repurchase and retire 3 million ordinary shares. The repurchase period is from November 8, 2019 to January 7, 2020, and the price ranged between \$49 and \$97 in dollars per share. The details are as follows:

<u>Name of company holding the shares</u>	<u>Reason for reacquisition</u>	<u>Numbers of shares (in thousands)</u>	<u>Carrying amount</u>
The Company	Enhance the Company's credit rating and stockholders' equity	1,700	\$ 130,621

On March 5, 2020, the Board of Directors during its meeting resolved to retire treasury shares for capital reduction with the effective date set on March 31, 2020. The registration was completed on April 15, 2020.

- (b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus.
- (c) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.
- (d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.

(15) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the

Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus shall not be used to cover accumulated deficit unless the legal reserve is insufficient.

(16) Retained earnings

- A. In accordance with the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and to offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The Company shall also set aside special reserve in accordance with the regulations. On the premise that there is no effect on the Company's normal operations and no violation of regulations, the Company shall reserve certain amount for maintaining stability of dividends. The remainder, if any, is the distributable earnings to be appropriated as resolved by stockholders at the stockholders' meeting. The Board of Directors is authorized by the shareholders to resolve the appropriation of cash dividends and cash payment from capital surplus by a resolution adopted by a majority vote at its meeting attended by two-thirds of the total number of directors, which will then be reported to the shareholders.
- B. The Company distributes dividends taking into consideration the Company's economic environment, growth phases, future demands for funds, long-term financial planning and the cash flow needs of stockholders. Cash dividends shall account for at least 5% of the total dividends distributed.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- E. (a) The cash appropriation of earnings and cash payment from capital surplus for the years ended December 31, 2019 and 2018 have been resolved at the shareholders' meeting on June 19, 2020 and June 12, 2019, respectively. Details are summarized below:

	<u>Year ended December 31, 2019</u>		<u>Year ended December 31, 2018</u>	
	<u>Amount</u>	<u>Dividends per share (in dollars)</u>	<u>Amount</u>	<u>Dividends per share (in dollars)</u>
Legal reserve	\$ 172,897		\$ 208,199	
Special reserve	69,330		14,325	
Cash dividends	<u>1,544,622</u>	\$ 3.60	<u>1,895,351</u>	\$ 4.40
	<u>\$ 1,786,849</u>		<u>\$ 2,117,875</u>	

	<u>Cash payment per share (in dollars)</u>		<u>Cash payment per share (in dollars)</u>	
	<u>Amount</u>		<u>Amount</u>	
Cash payment from capital surplus	<u>\$ 386,156</u>	\$ 0.90	<u>\$ 258,458</u>	\$ 0.60

Actual distribution of retained earnings of 2019 and 2018 is in agreement with the amounts resolved at the stockholders' meeting.

- (b) The appropriation of earnings and capital surplus for the year ended December 31, 2020 as proposed by the Board of Directors on March 4, 2021 is as follows:

	<u>Year ended December 31, 2020</u>	
	<u>Amount</u>	<u>Dividends per share (in dollars)</u>
Legal surplus	\$ 119,625	
Cash dividends	<u>1,094,107</u>	\$ 2.55
Total	<u>\$ 1,213,732</u>	

	<u>Cash dividends per share (in dollars)</u>	
	<u>Amount</u>	
Capital surplus used to issue cash to shareholders	<u>\$ 214,531</u>	\$ 0.50

Aforementioned proposal to appropriate 2020 earnings and capital surplus has not yet been resolved by the stockholders.

(17) Other equity items

	2020		
	Unrealized gain or loss on valuation	Exchange differences on translation of foreign financial statements	Total
At January 1	\$ 7,559	(\$ 138,461)	(\$ 130,902)
Revaluation - gross	( 3,164)	-	( 3,164)
Currency translation differences	-	21,027	21,027
Effect from income tax	-	( 4,205)	( 4,205)
At December 31	<u>\$ 4,395</u>	<u>(\$ 121,639)</u>	<u>(\$ 117,244)</u>

	2019		
	Unrealized gain or loss on valuation	Exchange differences on translation of foreign financial statements	Total
At January 1	\$ 15,593	(\$ 77,165)	(\$ 61,572)
Revaluation - gross	27,976	-	27,976
Revaluation transferred to retained earnings - gross	( 36,010)	-	( 36,010)
Currency translation differences	-	( 76,620)	( 76,620)
Effect from income tax	-	15,324	15,324
At December 31	<u>\$ 7,559</u>	<u>(\$ 138,461)</u>	<u>(\$ 130,902)</u>

(18) Operating revenue

	Years ended December 31,	
	2020	2019
Sales revenue	<u>\$ 10,937,519</u>	<u>\$ 12,860,887</u>

A. Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods at a point in time in the following geographical regions:

Year ended December 31, 2020	Electronic products					Total
	Taiwan	Asia	America	Europe	Others	
Revenue from external customer contracts	\$ 2,521,695	\$ 3,853,319	\$ 1,032,850	\$ 2,666,174	\$ 863,481	\$ 10,937,519

Year ended December 31, 2019	Electronic products					Total
	Taiwan	Asia	America	Europe	Others	
Revenue from external customer contracts	\$ 2,794,634	\$ 4,439,071	\$ 1,021,685	\$ 3,627,834	\$ 977,663	\$ 12,860,887

B. The delay of the Company's sales orders has a knock-on effect on the overall revenue due to Covid-19 in the first half of 2020. However, there is no significant impact to the scope and price of the service contracts as the Company negotiated with customers and continuously invests in the manufacture of products for the subsequent shipments.

C. Contract assets and liabilities

The Company has no revenue-related contract assets and liabilities.

(19) Interest income

	Years ended December 31,	
	2020	2019
Interest income from bank deposits	\$ 2,741	\$ 6,798
Interest income from financial assets measured at amortised cost	63,217	182,539
Other interest income	5,216	133
	<u>\$ 71,174</u>	<u>\$ 189,470</u>

(20) Other income

	Years ended December 31,	
	2020	2019
Rental income	\$ 38,721	\$ 35,352

(21) Other gains and losses

	Years ended December 31,	
	2020	2019
Loss on disposal of property, plant and equipment	(\$ 2,098)	(\$ 113)
Net gain (loss) on financial assets and liabilities at fair value through profit or loss	146,883	( 9,650)
Net currency exchange loss	( 34,871)	( 26,134)
Dividend income	3,834	5,019
Others	21,189	11,617
	<u>\$ 134,937</u>	<u>(\$ 19,261)</u>

(22) Expenses by nature

	Years ended December 31,	
	2020	2019
Wages and salaries	\$ 767,838	\$ 764,734
Labor and health insurance fees	69,488	69,967
Pension costs	35,253	35,846
Other personnel expenses	41,598	42,441
Directors' remuneration	7,626	8,282
Depreciation on property, plant and equipment (including investment property)	170,349	170,840

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 1% for employees' compensation and shall not be higher than 0.2% for directors' and supervisors' remuneration.

B. For the years ended December 31, 2020 and 2019, employees' compensation was accrued at \$15,225 and \$21,398, respectively; while directors' remuneration was accrued at \$2,131 and \$2,996, respectively. The aforementioned amounts were recognized in salary expenses.

The employees' compensation and directors' remuneration were estimated and accrued based on 1% and 0.2% of distributable profit of current period for the year ended December 31, 2020.

The employees' compensation and directors' remuneration resolved by the Board of Directors were \$14,786 and \$2,160, respectively, and the employees' compensation will be distributed in the form of cash.

The difference between employees' compensation and directors' remuneration as resolved by the Board of Directors and the amounts recognized in the 2019 financial statements by \$714 and \$206, respectively, were adjusted in profit or loss for 2020.

Information about employees' compensation and directors' remuneration of the Company as approved at the meeting of Board of Directors and resolved by the stockholders at their meeting will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(23) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2020	2019
Current tax:		
Current tax on profits for the year	\$ 252,898	\$ 315,313
Prior year income tax underestimation (overestimation)	489	( 5,824)
Total current tax	<u>253,387</u>	<u>309,489</u>
Deferred tax:		
Origination and reversal of temporary differences	10,170	5,583
Total deferred tax	<u>10,170</u>	<u>5,583</u>
Income tax expense	<u>\$ 263,557</u>	<u>\$ 315,072</u>

(b) The income tax relating to components of other comprehensive income is as follows:

	Years ended December 31,	
	2020	2019
Exchange differences on translation of foreign financial statements	<u>\$ 4,205</u>	<u>(\$ 15,324)</u>

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2020	2019
Income tax calculated by applying statutory rate to the profit before tax	\$ 292,258	\$ 408,808
Effects from items disallowed by tax regulation (including effects from tax exemption)	( 28,597)	( 86,458)
Prior year income tax underestimation (overestimation)	489	( 5,824)
Effect from investment tax credits	( 593)	( 1,454)
Income tax expenses	<u>\$ 263,557</u>	<u>\$ 315,072</u>



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

	2020			
	<u>At January 1</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>At December 31</u>
<u>Deferred income tax assets</u>				
Amount of allowance for bad debts that exceed the limit for tax purpose	\$ 1,857	(\$ 248)	\$ -	\$ 1,609
Unrealized exchange loss	30,166	( 30,166)	-	-
Pension provision amount in excess of appropriation amount	5,310	( 173)	-	5,137
Royalty fees	-	4,342	-	4,342
Unrealized sales discounts and allowances	10,088	( 1,775)	-	8,313
Unrealized gross profit from sales	6,138	( 3,446)	-	2,692
Unrealized loss on market value decline and obsolete and slow-moving inventories	<u>5,715</u>	<u>1,317</u>	<u>-</u>	<u>7,032</u>
Total	<u>\$ 59,274</u>	<u>(\$ 30,149)</u>	<u>\$ -</u>	<u>\$ 29,125</u>
<u>Deferred income tax liabilities</u>				
Unrealized exchange gain	\$ -	(\$ 2,774)	\$ -	(\$ 2,774)
Currency translation differences	( 3,802)	-	( 4,205)	( 8,007)
Net gain on investment accounted for using equity method	( 151,575)	22,753	-	( 128,822)
Others	<u>( 86)</u>	<u>-</u>	<u>-</u>	<u>( 86)</u>
Total	<u>(\$ 155,463)</u>	<u>\$ 19,979</u>	<u>(\$ 4,205)</u>	<u>(\$ 139,689)</u>

	2019			
	At January 1	Recognized in profit or loss	Recognized in other comprehensive income	At December 31
<u>Deferred income tax assets</u>				
Amount of allowance for bad debts that exceed the limit for tax purpose	\$ 521	\$ 1,336	\$ -	\$ 1,857
Unrealized exchange loss	36,890	( 6,724)	-	30,166
Pension provision amount in excess of appropriation amount	5,455	( 145)	-	5,310
Unrealized sales discounts and allowances	9,842	246	-	10,088
Unrealized gross profit from sales	5,182	956	-	6,138
Unrealized loss on market value decline and obsolete and slow-moving inventories	<u>15,780</u>	<u>( 10,065)</u>	<u>-</u>	<u>5,715</u>
Total	<u>\$ 73,670</u>	<u>(\$ 14,396)</u>	<u>\$ -</u>	<u>\$ 59,274</u>
<u>Deferred income tax liabilities</u>				
Currency translation differences	(\$ 19,126)	\$ -	\$ 15,324	(\$ 3,802)
Net gain on investment accounted for using equity method	( 160,388)	8,813	-	( 151,575)
Others	<u>( 86)</u>	<u>-</u>	<u>-</u>	<u>( 86)</u>
Total	<u>(\$ 179,600)</u>	<u>\$ 8,813</u>	<u>\$ 15,324</u>	<u>(\$ 155,463)</u>

D. The amounts of deductible temporary differences that were not recognized as deferred tax assets are as follows:

	December 31, 2020	December 31, 2019
Deductible temporary differences	<u>\$ 73,173</u>	<u>\$ 73,173</u>

E. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

(24) Earnings per share

	<u>Year ended December 31, 2020</u>		
	<u>Profit after tax</u>	<u>Weighted-average common shares outstanding (in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,197,735	429,064	\$ 2.79
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,197,735	429,064	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	366	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 1,197,735	429,430	\$ 2.79
	<u>Year ended December 31, 2019</u>		
	<u>Profit after tax</u>	<u>Weighted-average common shares outstanding (in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,728,967	430,718	\$ 4.01
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,728,967	430,718	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	441	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 1,728,967	431,159	\$ 4.01

## 7. RELATED PARTY TRANSACTIONS

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

<u>Names of related parties</u>	<u>Relationship with the Group</u>
Transcend Japan Inc.	Subsidiary
Transcend Information Inc.	Subsidiary
Transcend Korea Inc.	Subsidiary
Transcend Information Europe B.V.	Subsidiary
Transcend Information Trading GmbH, Hamburg	Subsidiary
Transcend Information (H.K.) Ltd.	Subsidiary
Transcend Information (Shanghai), Ltd. (Transcend Shanghai)	Subsidiary
Transtech Trading (Shanghai) Co., Ltd.	Subsidiary
Transcend Information (Hong Kong), Ltd.	Subsidiary
Taiwan IC Packaging Corporation	Associate accounted for using equity method
Won Chin Investment Inc. (Won Chin)	Major stockholder
Cheng Chuan Technology Development Inc. (Cheng Chuan)	Major stockholder

### (2) Significant transactions and balances with related parties

#### A. Operating revenue

	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Sales of goods		
— Subsidiary	\$ 3,392,429	\$ 3,880,128
— Associates accounted for using the equity method	2,016	1,828
	<u>\$ 3,394,445</u>	<u>\$ 3,881,956</u>

The sales prices charged to related parties are approximate to those charged to third parties. The credit term to related parties was 120 days after monthly billings, excluding the credit term of 30 days after delivery to Taiwan IC Packaging Corporation, and the credit term to general customers was 30 to 60 days after monthly billings.

#### B. Purchases

	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Purchases of goods		
— Subsidiary	\$ -	\$ 1,194
— Associates accounted for using the equity method	231,335	273,949
	<u>\$ 231,335</u>	<u>\$ 275,143</u>

The purchase prices charged by related parties are approximate to those charged by third parties. The payment term to the Company's associate accounted for using equity method, Taiwan IC Packaging Corporation, is 30 days after monthly billings.

C. Accounts receivable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Receivables from related parties		
– Subsidiary-Transcend Japan Inc.	\$ 139,509	\$ 200,862
– Subsidiary-Others	264,851	253,906
– Associates accounted for using the equity method	-	8
	<u>\$ 404,360</u>	<u>\$ 454,776</u>

The receivables from related parties arise mainly from sale transactions. The credit term to the Company's associate accounted for using equity method, Taiwan IC Packaging Corporation, is 30 days after delivery. The credit term to subsidiaries are 120 days after monthly billings. The receivables are unsecured in nature and bear no interest. There are no allowances for uncollectible accounts held against receivables from related parties.

D. Accounts payable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Payables to related parties		
– Subsidiary-Transcend Shanghai	\$ 411,299	\$ 404,533
– Subsidiary-Others	1,991	3
– Associates accounted for using the equity method	37,416	52,828
	<u>\$ 450,706</u>	<u>\$ 457,364</u>

The payables to related parties arise mainly from purchase transactions, and information on the payment term is provided in Note 7(2) B. The payables bear no interest.

E. Other payables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other payables		
– Subsidiary	<u>\$ 17,564</u>	<u>\$ 17,308</u>

Other payables to related parties arise mainly from purchase of fixed assets and miscellaneous transactions. The other payables bear no interest.

F. Property transactions

For the years ended December 31, 2020 and 2019, the Company acquired fixed assets from Transcend Shanghai amounting to \$0 and \$213, respectively.

G. Miscellaneous income

For the years ended December 31, 2020 and 2019, the expendables sold to related parties, which were recognized in non-operating income, amounted to \$1,572 and \$1,935, respectively.

H. Leasing arrangements - lessee

The Company signed a land lease contract with its major stockholders, Won Chin and Cheng Chuan, to build a new plant on the leased land with a lease term of 3 years from June 12, 2019 to June 11, 2022. The annual rental payment is \$37,058 (excluding tax), which was determined based on the average rent of land near the leased land shown in the appraisal report issued by Sinyi Real Estate Appraisers Firm. Rent was paid on the contract date and becomes payable on the same date each following year until the end of the lease. As of December 31, 2020 and 2019, the balance of related right-of-use assets amounted to \$51,893 and \$88,521 while lease liabilities amounted to \$36,815 and \$73,050, respectively.

I. Endorsements and guarantees:

As of December 31, 2020 and 2019, information on the Company providing endorsements and guarantees to associates is provided in Note 13(1) B.

(3) Key management compensation

	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Salaries and other employee benefits	<u>\$ 35,811</u>	<u>\$ 27,859</u>

8. PLEGGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT

COMMITMENTS

As of December 31, 2020, except for the provision of endorsements and guarantees mentioned in Note 7 and 13(1) B, there are no other significant commitments.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

Information on distribution of 2020 earnings and cash dividends from capital surplus is provided in Note 6(16) E(b).

12. OTHERS

(1) Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to

shareholders, issue new shares or sell assets to reduce debt. The Company's own funds are currently sufficient, daily operations can create stable cash inflows, and there are no significant capital expenditure plans in the short term. Except for obtaining loans to reduce the exchange rate exposure, the Company has sufficient funds to cover its own needs. Debt financing is not necessary.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Financial assets mandatorily measured at fair value through profit or loss	\$ 4,255,920	\$ 2,505,073
Financial assets at fair value through other comprehensive income	111,000	114,164
Financial assets at amortised cost		
Cash and cash equivalents	399,574	863,583
Financial assets at amortised cost	5,450,000	7,876,353
Notes receivable	759	3,054
Accounts receivable (including related parties)	1,215,008	1,353,483
Other receivables	70,135	106,252
Refundable deposits	14,549	14,163
	<u>\$ 11,516,945</u>	<u>\$ 12,836,125</u>
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Accounts payable (including related parties)	\$ 1,582,722	\$ 1,459,678
Other payables (including related parties)	224,528	228,775
	<u>\$ 1,807,250</u>	<u>\$ 1,688,453</u>
Lease liabilities	<u>\$ 36,815</u>	<u>\$ 73,050</u>

B. Financial risk management policies

- (a) The objective of the Company's risk management is to identify and analyse all the risks (including market risk, credit risk, liquidity risk and cash flow risk) by examining the impact of the macroeconomics, industrial developments, market competition and the Company's business development so as to achieve the optimized risk position, to maintain adequate liquidity position and to centralize the management of all market risks.
- (b) To manage the Company's assets, liabilities and expenditures efficiently and reach the risk management target in relation to decreasing the risk of exchange rate changes, the

Company's hedging strategy is using forward foreign currency transaction or foreign currency options. The Company operates hedging transaction based on the Company's net position of assets, liabilities and future cash flows estimations in order to efficiently decrease the market price risk arising from foreign currency fluctuation.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Company operates internationally and is exposed to exchange rate risk arising from the transactions of the Company used in various functional currency, primarily with respect to the USD. Exchange rate risk arises from future commercial transactions and recognized assets and liabilities.
- ii. The Company's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:



December 31, 2020			
	Foreign Currency		Book value
	Amount	Exchange rate	(NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 25,784	28.4800	734,328
JPY : NTD	626,946	0.2763	173,225
EUR : NTD	4,649	35.0200	162,808
RMB : NTD	48,343	4.3770	211,597
KRW : NTD	763,739	0.0264	20,163
<u>Long-term equity investment accounted for using equity method</u>			
USD : NTD	\$ 61,251	28.4800	1,744,419
JPY : NTD	930,912	0.2763	257,211
KRW : NTD	2,231,212	0.0264	58,904
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	\$ 35,425	28.4800	1,008,904
RMB : NTD	97,981	4.3770	428,863
December 31, 2019			
	Foreign Currency		Book value
	Amount	Exchange rate	(NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 131,495	29.9800	3,942,220
JPY : NTD	1,804,898	0.2760	498,152
EUR : NTD	6,569	33.5900	220,653
RMB : NTD	27,721	4.3050	119,339
GBP : NTD	1,045	39.3600	41,131
HKD : NTD	6,000	3.8490	23,094
KRW : NTD	866,442	0.0262	22,701
<u>Long-term equity investment accounted for using equity method</u>			
USD : NTD	\$ 61,347	29.9800	1,839,183
JPY : NTD	884,656	0.2760	244,165
KRW : NTD	2,312,710	0.0262	60,593
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	\$ 27,030	29.9800	810,359
RMB : NTD	97,981	4.3050	421,808

- iii. The information on total exchange (loss) gain, including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2020 and 2019 is provided in Note 6(21).
- iv. Sensitivity analysis relating to foreign exchange rate risks is primarily for financial reporting period-end date of foreign currency monetary item. If the New Taiwan dollar exchange rate to the U.S. dollar increases or decreases by 1%, the Company's net income will decrease or increase by \$2,746 and \$31,319 for the years ended December 31, 2020 and 2019, respectively.

Price risk

- i. The Company is exposed to equity securities price risk because of investments held by the Company and classified on the balance sheet as financial assets at fair value through profit or loss and other comprehensive income. The Company is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio.
- ii. The Company's investments in listed and unlisted equity securities by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2020 and 2019 would have increased/decreased by \$42,559 and \$25,051, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$1,110 and \$1,142, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- i. The Company's principal interest-bearing assets are cash and cash equivalents and financial assets at amortised cost. Cash and cash equivalents are due within twelve months. Financial assets at amortised cost are maintained at fixed rates. Therefore, it is assessed that there is no significant cash flow interest rate risk.
- ii. The Company has not used any financial instruments to hedge its interest rate risk.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost.
- ii. The Company manages its credit risk taking into consideration the entire group's concern. According to the Company's credit policy, each local entity in the Company is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. To control internal risk, the Company assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. The Company determines that the default occurs when the contract payments are past due over 180 days.
- iv. The Company adopts the following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
  - (i) If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
  - (ii) For investments in bonds that are traded over the counter, if any external credit rating agency rates these bonds as investment grade, the credit risk of these financial assets is low.
- v. If the credit rating grade of an investment target degrades two scales, there has been a significant increase in credit risk on that instrument since initial recognition.
- vi. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
  - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
  - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
  - (iii) Default or delinquency in interest or principal repayments;
  - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vii. For details of credit risk in relation to accounts receivable and notes receivable, please refer to Note 6(4).
- viii. For details of credit risk in relation to debt instrument investments measured at amortised cost, please refer to Note 6(3).

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Company treasury. Company treasury invests surplus cash in interest bearing current accounts, time deposits, monetary funds and bonds sold under repurchase agreements, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. As at December 31, 2020 and 2019, the Company held money market position of \$9,360,572 and \$11,096,482, respectively, that are expected to readily generate cash inflows for managing liquidity risk.
- iii. The Company's non-derivative financial liabilities are analysed based on the remaining period at the balance sheet date to the contractual maturity date and all the Company's financial liabilities expire within one year.

(3) Fair value information

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

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

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Company's investment in non-hedging derivatives is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company's investment in equity investment without active market, financial products and investment property is included in Level 3.

B. Fair value information of investment property at cost is provided in Note 6(11).

C. Financial instruments not measured at fair value

Except for those listed in the table below, the carrying amounts of cash and cash equivalents, financial assets at amortised cost, notes receivable, accounts receivable, other receivables, accounts payable and other payables are approximate to their fair values.

D. The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

December 31, 2020	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 4,255,920	\$ -	\$ -	\$ 4,255,920
Financial assets at fair value through other comprehensive income				
Equity securities	109,875	-	1,125	111,000
	<u>\$ 4,365,795</u>	<u>\$ -</u>	<u>\$ 1,125</u>	<u>\$ 4,366,920</u>
December 31, 2019	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 2,505,073	\$ -	\$ -	\$ 2,505,073
Financial assets at fair value through other comprehensive income				
Equity securities	113,039	-	1,125	114,164
	<u>\$ 2,618,112</u>	<u>\$ -</u>	<u>\$ 1,125</u>	<u>\$ 2,619,237</u>

- E. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the closing price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily listed stocks classified as financial assets at fair value through other comprehensive income
- F. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.
- G. There was no change in Level 3 financial instruments for the years ended December 31, 2020 and 2019.

### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: Please refer to table 1.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.
- D. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital: Please refer to table 3.

- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of the Company's paid-in capital or more: Please refer to table 4.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 5.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Note 6(2).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 7.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 6.

(4) Major shareholders information

Major shareholders information: Please refer to table 9.

14. SEGMENT INFORMATION

None.

Transcend Information, Inc.  
Provision of endorsements and guarantees to others  
Year ended December 31, 2020

Table 1

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Company name	Party being endorsed/guaranteed Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum	Outstanding	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral	Ratio of	Ceiling on total amount of endorsements /guarantees provided (Note 7)	Provision of	Provision of	Provision of	Footnote
					outstanding endorsement/ guarantee amount as of December 31, 2020 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2020 (Note 5)			accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company		endorsements/ guarantees by parent company to subsidiary (Note 8)	endorsements/ guarantees by subsidiary to parent company	endorsements/ guarantees to the party in Mainland China	
0	Transcend Taiwan	Transcend Japan Inc.	2	\$ 3,734,405	\$ 564,600 (JPY \$2,000,000) (In thousands)	\$ 552,600 (JPY \$2,000,000) (In thousands)	\$ -	-	3	\$ 7,468,810	Y	-	-	-

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

- (a) The Company is '0'.
- (b) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories; fill in the number of category each case belongs to:

- (a) Having business relationship
- (b) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (c) The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.
- (d) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.
- (e) Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.
- (f) Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.
- (g) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: Not exceeding 20% of the Company's net asset value. (\$18,672,026 \*20%=\$3,734,405)

Note 4: The maximum outstanding endorsement/guarantee amount during and as of December 31, 2020 is JPY\$2,000,000 (In thousands).

Note 5: The amount was approved by the Board of Directors.

Note 6: The actual amount of endorsement drawn down is \$0.

Note 7: Not exceeding 40% of the Company's net asset value. (\$18,672,026\*40%=\$7,468,810)

Note 8: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary.

Transcend Information, Inc.

Holding of marketable securities at the end of the year (not including subsidiaries, associates and joint ventures)

December 31, 2020

Table 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of December 31, 2020				Footnote (Note 4)
				Number of shares	Book value (Note 3)	Ownership (%)	Fair value	
Transcend Taiwan	Stocks							
	Dramexchange Tech Inc.	-	Non-current financial assets at fair value through other comprehensive income	60,816	\$ 1,125	1	\$ 1,125	-
	Fubon Financial Holding Co., Ltd. Preferred Shares B	-	"	1,758,000	<u>109,875</u>	-	109,875	-
					<u>\$ 111,000</u>			
	Beneficiary certificates							
	Taishin 1699 Money Market Fund	-	Current financial assets at fair value through profit or loss	257,293,248	<u>\$ 3,510,998</u>	-	\$ 3,510,998	-
	Yuanta Taiwan High-yield Leading Company Fund B	-	Non-current financial assets at fair value through profit or loss	50,000,000	\$ 624,500	-	\$ 624,500	-
	Yuanta Taiwan Top 50 ETF	-	"	914,000	111,736	-	111,736	-
	Yuanta Taiwan Dividend Plus ETF	-	"	290,000	<u>8,686</u>	-	8,686	-
					<u>\$ 744,922</u>			

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS 9 'Financial instruments'.

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.



Transcend Information, Inc.

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital

Year ended December 31, 2020

Table 3

Expressed in thousands of NT D

(Except as otherwise indicated)

Investor	Marketable securities ( Note 1 )	General ledger account	Counterparty ( Note 2 )	Relationship with the investor ( Note 2 )	January 1, 2020		( Note 3 )		( Note 3 )			December 31, 2020		
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain on disposal	Number of shares	Amount
Transcend Taiwan	Taishin 1699 Money Market Fund	Current financial assets at fair value through profit or loss	-	-	184,410,796	\$ 2,499,764	220,144,215	\$ 3,000,000	147,261,763	\$ 2,004,875	\$ 1,998,535	\$ 6,340	257,293,248	\$ 3,501,229
	Capital Money Market Fund	"	-	-	-	-	30,841,673	500,000	30,841,673	500,448	500,000	448	-	-
	Yuanta Taiwan High-yield Leading Company Fund B	Non-current financial assets at fair value through profit or loss	-	-	-	-	50,000,000	500,000	-	-	-	-	50,000,000	500,000

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

Note 2: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach NT\$300 million or 20% of paid-in capital or more.

Note 4: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Transcend Information, Inc.

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

Year ended December 31, 2020

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction		third party transactions (Note 1)			Notes/accounts receivable (payable)		Footnote	
			Sales (purchases)	Amount	Percentage of total sales (purchases)	Credit term	Unit price	Credit term	Balance		Percentage of total notes/accounts receivable (payable)
Transcend Taiwan	Transcend Japan Inc.	The Company's subsidiary	Sales	\$ 733,397	7	120 days after monthly billings	No significant difference	30 to 60 days after monthly billings to third parties	\$ 139,509	11	-
"	Transcend Information Europe B.V.	Subsidiary of Memhiro	"	507,995	5	"	"	"	22,762	2	-
"	Transcend Information, Inc.	The Company's subsidiary	"	508,954	5	"	"	"	25,393	2	-
"	Transcend Korea Inc.	The Company's subsidiary	"	270,427	2	"	"	"	20,163	2	-
"	Transtech Trading (Shanghai) Co., Ltd.	Subsidiary of Memhiro	"	707,893	6	"	"	"	171,902	14	-
"	Transcend Information (H.K) Ltd.	Subsidiary of Memhiro	"	235,845	2	"	"	"	8,919	1	-
"	Transcend Information Trading GmbH, Hamburg	Subsidiary of Memhiro	"	427,917	4	"	"	"	15,712	1	-
Transcend Information Europe B.V.	Transcend Information Trading GmbH, Hamburg	Controlled by the same ultimate parent company	"	158,418	25	30 days after delivery	"	7 to 60 days after delivery to third parties	12,477	18	-
Transcend Taiwan	Taiwan IC Packaging Corporation	Associate accounted for using equity method	(Purchase)	(231,335)	(2)	30 days after monthly billings	No significant difference	30 to 45 days after monthly billings to third parties	( 37,416)	(2)	-

Note 1: The Company's sales to subsidiaries were equivalent to subsidiaries' purchases from the Company; accordingly, the Company did not disclose the information on subsidiaries' purchases from the Company.

Transcend Information, Inc  
 Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more  
 Year ended December 31, 2020

Table 5

Expressed in thousands of NTD  
 (Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2020	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Transcend Taiwan	Transcend Japan Inc.	Subsidiary of the Company	\$ 139,509	4.31	\$ -	-	\$ 139,509	-
"	Transtech Trading (Shanghai) Co., Ltd.	Subsidiary of Memhiro	171,902	4.88	-	-	137,788	-
Transcend Information (Shanghai), Ltd.	Transcend Taiwan	Ultimate parent company	411,299	-	411,299	-	-	-

Transcend Information, Inc.  
 Significant inter-company transactions during the reporting year  
 Year ended December 31, 2020

Table 6

Expressed in thousands of NTD  
 (Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger		Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
				account	Amount		
0	Transcend Taiwan	Transcend Japan Inc.	1	Sales	\$ 733,397	There is no significant difference in unit price from those to third parties.	6
"	"	Transcend Information Europe B. V.	"	"	507,995	"	4
"	"	Transcend Information, Inc.	"	"	508,954	"	4
"	"	Transcend Korea Inc.	"	"	270,427	"	2
"	"	Transtech Trading (Shanghai) Co., Ltd.	"	"	707,893	"	6
"	"	Transcend Information (H.K) Ltd.	"	"	235,845	"	2
"	"	Transcend Information Trading GmbH, Hamburg	"	"	427,917	"	4
"	"	Transcend Japan Inc.	"	Accounts Receivable	139,509	120 days after monthly billings	1
"	"	Transtech Trading (Shanghai) Co., Ltd.	"	"	171,902	"	1
"	"	Transcend Information (Shanghai), Ltd.	"	Accounts Payable	( 411,299)	"	( 2)
1	Transcend Information Europe B. V.	Transcend Information Trading GmbH, Hamburg	3	Sales	158,418	There is no significant difference in unit price from those to third parties.	1

(Individual transactions not exceeding 1% of the consolidated total revenue and total assets are not disclosed.)

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

- (a) Parent company is "0".
- (b) Subsidiaries were numbered from 1.

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

- (a) Parent company to subsidiary.
- (b) Subsidiary to parent company.
- (c) Subsidiary to subsidiaries.

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

Transcend Information, Inc.  
Information on investees  
Year ended December 31, 2020

Table 7

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2020	Investment income (loss) recognized by the Company for the year ended December 31, 2020	Footnote
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)	Book value			
Transcend Taiwan	Saffire Investment Ltd.	B.V.I.	Investment holdings	\$ 1,202,418	\$ 1,202,418	36,600,000	100	\$ 1,563,437	(\$ 115,707)	(\$ 115,707)	Note 2
	Transcend Japan Inc.	Japan	Wholesale of computer memory modules and peripheral	89,103	89,103	6,400	100	257,211	3,818	3,818	Note 2
	Transcend Information, Inc.	United States of America	Wholesale of computer memory modules and peripheral	38,592	38,592	625,000	100	180,982	639	639	Note 2
	Transcend Korea Inc.	Korea	Wholesale of computer memory modules and peripheral	6,132	6,132	40,000	100	58,904	( 2,513)	( 2,513)	Note 2
	Taiwan IC Packaging Corp.	Taiwan	Packaging of Semi-conductors	354,666	354,666	21,928,036	12.74	95,724	( 11,040)	( 1,299)	Note 5
Saffire Investment Ltd.	Memhiro Pte Ltd.	Singapore	Investment holdings	1,156,920	1,156,920	55,132,000	100	1,535,447	( 116,331)	( 116,331)	Note 3
Memhiro Pte Ltd.	Transcend Information Europe B.V.	Netherlands	Wholesale of computer memory modules and peripheral	1,693	1,693	100	100	237,494	3,399	3,401	Note 4
	Transcend Information Trading GmbH, Hamburg	Germany	Wholesale of computer memory modules and peripheral	2,288	2,288	-	100	112,767	( 6,983)	( 6,983)	Note 4
	Transcend Information (H.K.) Ltd.	Hong Kong	Wholesale of computer memory modules and peripheral	7,636	7,636	2,000,000	100	25,901	4,903	4,903	Note 4

Note 1: The Company does not directly recognize the investment income (loss) except for the subsidiaries directly held.

Note 2: Subsidiary of the Company.

Note 3: Subsidiary of Saffire.

Note 4: Subsidiary of Memhiro.

Note 5: Please refer to Note 6 (7).

Table 8

Transcend Information, Inc.  
Information on investments in Mainland China  
Year ended December 31, 2020

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method ( Note 1 )	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2020			Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Net income (loss) of investee for the year ended December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2020 (Note 2)	Book value of investments in Mainland China as of December 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020	Footnote
				Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020	Remitted to Mainland China	Remitted back to Taiwan							
Transcend Information (Shanghai), Ltd.	Manufacture and sales of computer memory modules, storage products and disks	\$ 1,134,178	2	\$ 1,134,178	-	-	\$ 1,134,178	(\$ 89,936)	100	(\$ 89,936)	\$ 1,132,669	\$ 1,464,028	-
Transtech Trading (Shanghai) Co., Ltd.	Wholesale, agent, import and export and retail of computer memory modules, storage products and computer components	16,310	2	16,310	-	-	16,310	4,783	100	4,783	37,098	-	-
Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA										
Transcend Information (Shanghai), Ltd.	\$ 1,134,178	\$ 1,134,178	\$ -										
Transtech Trading (Shanghai) Co., Ltd.	16,310	16,310	-										
	<u>\$ 1,150,488</u>	<u>\$ 1,150,488</u>	<u>\$ 11,203,216</u>										

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

(1) Directly invest in a company in Mainland China.

(2) Through investing in an existing company in the third area (Memhiro Pte Ltd.), which then invested in Mainland China.

(3) Others.

Note 2: The financial statements were audited by R.O.C. parent company's CPA.

Note 3: The numbers in this table are expressed in New Taiwan Dollars.

Transcend Information, Inc.  
Major shareholders information  
December 31, 2020

Table 9

Name of major shareholders	Shares	
	Number of shares held	Shareholding ratio
Won Chin Investment Inc.	74,783,600	17.42
Wan An Technology Inc.	33,480,854	7.80
Cheng Chuan Technology Development Inc.	32,971,701	7.68
Wan Min Investment Inc.	29,711,397	6.92
Wan Chuan Investment Inc.	29,505,896	6.87

6.6. The Company should disclose the financial impact to the Company if the Company and its affiliated companies have incurred any financial or cash flow difficulties in 2020 and as of the date of this Annual Report.

None.

## 7. Review and Analysis of Financial Position, Financial Performance, and Risk Management

### 7.1. Analysis of Financial Position

Unit: NT\$ thousands

Item	Year		Difference		
	2020	2019	Amount	%	Analysis
Current Assets	14,615,264	15,411,700	(796,436)	(5.17)	
Funds and Investments (Note 1)	951,646	360,125	591,521	164.25	(1)
Property, Plant and Equipment	2,282,324	2,438,154	(155,830)	(6.39)	
Intangible Assets	-	-			
Other Assets (Note 2)	2,888,388	2,990,811	(102,423)	(3.42)	
<b>Total Assets</b>	<b>20,737,622</b>	<b>21,200,790</b>	<b>(463,168)</b>	<b>(2.18)</b>	
Current Liabilities	1,837,754	1,501,579	336,175	22.39	(2)
Non-current Liabilities	227,842	292,363	(64,521)	(22.07)	(3)
<b>Total Liabilities</b>	<b>2,065,596</b>	<b>1,793,942</b>	<b>271,654</b>	<b>15.14</b>	
Capital Stock	4,290,617	4,307,617	(17,000)	(0.39)	
Capital surplus	3,945,369	4,346,854	(401,485)	(9.24)	
Retained Earnings	10,553,284	10,999,853	(446,569)	(4.06)	
Other Adjustments	(117,244)	(130,902)	13,658	(10.43)	
Treasury Stock	-	(116,574)	116,574	(100.00)	(4)
<b>Total Stockholders' Equity</b>	<b>18,672,026</b>	<b>19,406,848</b>	<b>(734,822)</b>	<b>(3.79)</b>	

Analysis of Deviation over 20%:

- (1) It was mainly due to that in 2020, in order to increase the capital utilization effect, the board of directors approved the subscription of the Yuanta Taiwan High-yield Leading Company Fund of NT\$ 500,000 thousand on March 5, 2020.
- (2) It was mainly due to the relief program offered by the Ministry of Finance in 2020, the Company applied for the exemption from provisional payment of income tax, such that the accrual income tax liabilities increased at the end of the period.
- (3) It was mainly due to the payment of right-of-use assets – second term rent for land in 2020, such that the non-current liabilities amount decreased.
- (4) It was mainly due to that for the purpose of protecting the credit of the Company and the interests of the shareholders, the board of directors approved the proposal on the repurchase of common shares on November 7, 2019, and up to the date of December 31, 2019, the Company has repurchased 1,154 thousand common shares. The repurchase of shares was executed completely on January 7, 2020, and the Company repurchased a total of 1,700 thousand shares, for a total amount of NT\$ 130,621 thousand. In addition, on March 5, 2020, the board of directors also approved the cancellation of treasury shares.

Note 1: Including Investments accounted for using equity method, Non-current financial assets at amortized cost, and Non-current financial assets at fair value through other comprehensive income in 2019. And including Investments accounted for using equity method, Non-current financial assets at fair value through profit or loss, and Non-current financial assets at fair value through other comprehensive income in 2020.



Note 2: Including Deferred tax assets, Investment property, Right-of-use assets and Other non-current assets.

## 7.2. Analysis of Financial Performance

### 7.2.1. Main reasons for any material change in operating revenue, operating income and income before tax in the most recent two years

Unit: NT\$ thousands

Item	Year	2020	2019	Difference Amounts	%	Analysis
Operating Revenue		11,446,696	13,496,186	(2,049,490)	(15.19)	
Operating Costs		(8,976,600)	(10,408,655)	1,432,055	(13.76)	
Gross profit		2,470,096	3,087,531	(617,435)	(20.00)	(1)
Operating Expenses		(1,258,160)	(1,306,521)	48,361	(3.70)	
Operating Profit		1,211,936	1,781,010	(569,074)	(31.95)	(1)
Non-operating income (expenses)						
Other income		112,673	231,102	(118,429)	(51.25)	(2)
Other gains and losses		163,899	67,311	96,588	143.50	(3)
Net gain from derecognizing financial assets measured at amortised cost		17,210	20,552	(3,342)	(16.26)	
Financial cost		(2,038)	(1,865)	(173)	9.28	
Share of loss of associates and joint ventures accounted for using the equity method		(1,299)	(8,367)	7,068	(84.47)	(4)
Total non-operating income (expenses)		290,445	308,733	(18,288)	(5.92)	
Profit before income tax		1,502,381	2,089,743	(587,362)	(28.11)	(1)
Income tax expense		(304,646)	(360,776)	56,130	(15.56)	
Profit for the year		1,197,735	1,728,967	(531,232)	(30.73)	(1)
Analysis of Deviation over 20%:						
(1) It was mainly due to that the operating revenue dropped in 2020, consequently, the gross profit, operating profit, profit before income tax and profit for the year decreased.						
(2) It was mainly due to the impact of the capital utilization and reduction of interest rates worldwide, consequently, the interest income decreased.						
(3) It was mainly due to the increase of investment fund (financial assets at fair value through profit or loss) in 2020, and the net worth at the end of period increased for valuation gain.						
(4) It was mainly due to that the loss of the associate, that the investments accounted for using equity method, Taiwan IC Packaging Corporation, Inc. in 2020 was significantly reduced in comparison to 2019, such that the investment lost recognized decreased.						

### 7.2.2. Sales Volume Forecast and Basis for 2021

Item	Sales Volume Forecast in 2021/Unit: thousands
FLASH+DRAM products	25,000
Others	2,600

The Company established the forecast for the possible sales volume of each type of product based on the industry economic condition in 2021, market research and future orders. At the end of 2020, the price drop cycle for DRAM and NAND came to an end, and starting from the end of 2020 Q4, due to the continuous growth of home economy under the COVID-19 pandemic and the new data centers invested by customers, the demand for server product increased significantly, and the increase of 5G mobile phones also drove the demand for memory. Last year, due to the global pandemic, the memory giant manufacturers slowed down their investments in new production equipment. However, the DRAM market has recovered since the first half of the 2021 and the price has increased. Consequently, the industry is currently at the recovery stage and under the condition of demand over supply.

Furthermore, the market originally expected the condition of supply over demand for NAND Flash market at 2021 Q1 and the contract price was expected to drop. Nevertheless, due to the increasing utilization rate of SSDs in notebook computers and tablets and the increasing demands for 5G smartphones and servers in the market, the pull-in dynamics were driven to grow. As the inventory levels of the manufacturers were at the low level, the price quotation for NAND Flash stopped dropping and became stable.

Looking into the year of 2021, the operator demand continues to increase, and the supply will remain tight. The price of memories will continue to increase, and the supplier is able to control the pricing. Under the living style derived from the pandemic, the demand for data centers will continue to increase after the 1st quarter of this year, and the demand is expected to continue to the second half of the year. The overall memory export volume surges and price is increasing as the market is under the cycle of price increase; therefore, it is expected that the revenue and profit of this year will show significant growth.

Transcend will promptly adjust the purchase and inventory strategy in order to gain advantageous supply sources. Despite the PC market downsizes in scale, the 5G, AI and data center related applications are growing, the workstation server demand is increasing and the industrial application field grows relatively fast; therefore, the niche DRAM market share is expected to continue to increase. In addition, all of these applications require massive data storage, therefore the SSD product demand will also continue to increase.

Moreover, consumer flash products, such as USB and memory cards, etc., are expected to head toward the mature market. In 2021, the Company will continue to enhance the development and market expansion for SSDs, external storage devices, dashcam, wearable multimedia devices and various types of industrial flash memory products. Accordingly, the revenue from strategic products and SSD series of products is expected to increase and show growth.

### 7.3. Analysis of Cash Flow

#### 7.3.1. Cash Flow Analysis for the Current Year

	2020	2019	Unit:NT\$ thousands Increase (Decrease)
Net cash flows from operating activities	(248,407)	1,041,438	(1,289,845)
Net cash flows from investing activities	1,764,408	1,098,322	666,086
Net cash flows from financing activities	(2,022,515)	(2,307,012)	284,497
	<u>(506,514)</u>	<u>(167,252)</u>	<u>(339,262)</u>

Regarding the change of cash flow from operating activities, the amount in 2020 decreased by approximately NT\$ 1.29 billion from the amount in 2019, and this was mainly due to the adjustment of inventory to cope with the market condition in 2020, such that the inventory level was significantly increased.

#### 7.3.2. Liquidity Analysis for the Coming Year and Remedy for Cash Deficit

1. Operating activities: The overall gross profit is expected to grow stably and the operating activities will generate net cash inflow.
2. Investing activities: The Company will continue to perform appropriate investment with idle funds in order to gain stable investment profit, and it is expected to generate net cash inflow.
3. Financing activities: Net cash outflow primarily from cash dividend payment.

Remedy for Liquidity Shortfall: Not applicable.

#### 7.4. The Effect Upon Financial Operations of Any Major Capital Expenditures During the Most Recent Fiscal Year

In 2020, the Company had no major capital expenditure. Up to the end of March 2021, the consolidated cash and short-term investment position were approximately NT\$ 9.9 billion. After the deduction of relevant cash outflow items, the capital was still sufficient; therefore, there was no risk of capital shortage.

#### 7.5. Reinvestment Policy for the Most Recent Fiscal Year, the Main Reasons for Profits or Losses Generated Thereby, Improvement Plans, and Investment Plans for the Coming Year

None.

## 7.6. Analysis of Risk Management

### 7.6.1. The Organization Structure of Risk Management

The organizational structure of risk management of the Company is as follows:

Organization name	Scope of responsibility
Board of Directors (including the Audit Committee & Remuneration Committee)	<ol style="list-style-type: none"> <li>1. Establish risk management policy, structure and culture</li> <li>2. Ensure the effectiveness of risk management mechanism</li> </ol>
Senior management level	<ol style="list-style-type: none"> <li>1. Execute risk management decision making</li> <li>2. Cross-department risk management interaction and communication</li> <li>3. Material risk early warning, assess potential loss, handle follow-up strategy or report of risk mitigation and summarize material risk event handling result</li> </ol>
Audit Office	<ol style="list-style-type: none"> <li>1. Monitor and periodically assess whether the risk control of all departments is performed properly</li> <li>2. Issue an audit report according to the audit result, and propose improvement suggestions and follow up improvement progress</li> </ol>
All departments of headquarters (Note)	<ol style="list-style-type: none"> <li>1. Execute daily risk management activities</li> <li>2. Execution of corporate management and risk decision making</li> <li>3. Perform risk control activity assessment</li> </ol>

Note: The authorities and responsibilities of all departments of headquarters are as follows:

- (1) FAD: Responsible for the Company's financial analysis, accounting affairs, statements preparation, difference analysis, fund management, planning of the Company's taxes, finance, stock affairs and investments as well as monitoring of the cash flow of all subsidiaries, in order to reduce financial risks.
- (2) PUR: Responsible for understanding the quality condition and price trend of raw materials, component parts, machine equipments and office supplies necessary for the products and operation of the Company in order to perform price negotiation and purchase. It is also responsible for maintaining the safety stock of the purchase items and assisting the handling of slow-moving materials, in order to reduce risks of purchase management and slow-moving inventory.
- (3) PM & Marketing: Responsible for the Company's reasonable pricing and fair distribution of products, summarizing and analyzing the product information and pros/cons of each product line, and assisting the management of demands for customization, in order to reduce the risk of product planning management; responsible for matters related to the brand marketing activities, strengthening of brand image, product and market information collection, establishment and execution of marketing plans, contact and application of broadcast media, planning of the Company's website and assistance to sales activity arrangement and design, etc., in order to reduce risks related to brand marketing.
- (4) Sales: Responsible for the establishment of market sales plan, development and maintenance of customers, business management and promotion, collection and response to new business opportunities, in order to reduce the market risks of new customer development, etc.
- (5) R&D / Tech Support: Responsible for the research, development and design related matters for various products, research and development target estimation and management, new product research and development, handling and tracking of abnormalities, in order to reduce risks related to research, development and design.

- (6) Production: Responsible for relevant works of production schedule control, product packaging, repair and shipping operation, etc., in order to reduce risk of production capacity and shipping, etc.; responsible for the manufacturing, testing, repair of products and production technologies, improvement of manufacturing quality etc., in order to reduce risks related to production and manufacturing.
- (7) ADM: Responsible for the management of corporate legal affairs, contracts, patents and intellectual property rights, human resource management and organization development, etc., in order to reduce risks of legal, administration and human resource management.
- (8) Information System: Responsible for planning of information system, network establishment and maintenance and various computer software and hardware installation and configuration management related matters, in order to reduce risks of information security.
- (9) Quality Assurance: Responsible for the establishment of the Company's quality assurance system, promotion of ISO system and QA management system, direct internal and external audit and certifications, in order to reduce quality management related risks.

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

##### 1. Interest rate

Unit: NT\$ thousands

Item	2020		2019	
	Amount	%	Amount	%
Interest income	73,952	6.10%	191,612	10.76%
Profit from operations	1,211,936	100.00%	1,781,010	100.00%

The interest income in 2020 decreased, which was mainly due to the impact of the capital utilization and reduction of interest rates worldwide.

The Company has a sound financial system. If there is any bank borrowing, the Company enhances the close contact with the bank with respect to the loan interest rate in order to understand the interest rate trend, thereby obtaining the most preferable loan and reference for asset allocation. Regarding the short-term idle capital utilization, the Company mostly uses the NTD time deposits, money market fund and financial instruments with low risk as the investment targets.

##### 2. Foreign exchange rates

Unit: NT\$ thousands

Item	2020		2019	
	Amount	%	Amount	%
Exchange loss	(54,016)	(4.46%)	(22,690)	(1.27%)
Profit from operations	1,211,936	100.00%	1,781,010	100.00%

The exchange lost in 2020 increased, which was mainly due to the impact of the significant appreciation of NTD to USD.

Due to the impact on the Company's profit of changes in exchange rate, the Company establishes the following countermeasures:

- (1) The export ratio of the Company is approximately 78%, and the main currencies are USD, EUR and JPY. On the other hand, the main currency for purchase is USD. Through appropriate proportion among these three types of currencies and through the offsets between accounts receivable and accounts payable, the exchange rate fluctuation among different currencies could be canceled out, such that the exchange

rate change would then achieve a certain level of natural hedging effect for the Company.

- (2) The Company will adjust the foreign exchange position depending on the exchange rate trend, and use appropriate financial tools to perform reasonable hedging operation.
- (3) The Company also considers the exchange rate factor during the sales order quotation in order to ensure the reasonable profit of the Company.
- (4) The Company maintains close contact with the foreign exchange department of the financial institution, understands the exchange rate trend and promptly adjusts the foreign exchange position in order to hedge the foreign exchange risk.
- (5) The Company complies with the provisions of the “Procedures for Acquisition and Disposal of Assets” and determines the reasonable hedge ratio and hedging tool according to the foreign exchange market trend.

### 3. Inflation

The main businesses of the Company refer to the manufacturing and sales of computer peripherals and storage application products, and there have been no material impacts due to inflation. The Company periodically adjusts the pricing strategy and pays attention to the market price change in order to prevent possible risks associated with inflation.

#### 7.6.3. Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

1. The Company did not engage in any high-risk or high-leveraged investments in 2020.
2. In 2020, the financial derivatives transactions performed by the Company were mainly for the purpose of hedging exchange rate risk rather than for trading or speculative operation. In the future, the Company will perform periodic assessment depending upon the operation status of the Company and the change of the market trend in order to flexibly adjust relevant hedging strategies.
3. Status of the Company’s loaning of funds to others in 2020: None.
4. Status of the Company’s endorsements and guarantees in 2020: The Company provides a guarantee for Transcend Japan Inc. amounting to JPY 2,000,000 thousands. Pursuant to the Company’s ”Procedures for Endorsement and Guarantee,” the maximum limit of guarantee up to the end of 2020 was NT\$ 7,468,810 thousands.

#### 7.6.4. Future Research & Development Projects and Corresponding Budget

1. R&D projects and current status of pending R&D projects in the most recent year  
Please refer to “5.1.3. Research and Development Overview.”
2. R&D budget for further investment  
Please refer to “5.1.3. Research and Development Overview.”
3. Main factors affecting success of R&D

Since the entrance barrier for consumer products is relatively low, for new product development, product launch must be made at the right time in order to seize the business opportunity. Accordingly, for R&D, it is necessary to shorten the schedule, and the product function must be able to satisfy the fast and diverse demands from end-users at the same time. The Company will cultivate more senior and specialized R&D talents. In addition, the embedded products require stable quality, and customization must be

performed according to the customer demands. The Company has established a dedicated unit for such product lines in order to enhance the R&D strength.

#### 7.6.5. Effects of and Response to Changes on Important Domestic and Foreign Policies and Laws Relating to Corporate Finance and Business

During 2020 and as of the date of publication of this annual report, changes in related laws have not had a significant impact on our finance and operations. The Company consistently pays close attention to any changes in local and foreign policies and makes appropriate amendments to our systems when necessary.

#### 7.6.6. Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Business

At the end of 2020, DRAM and NAND approached the end of the price drop cycle. The memory market has started to recover in 2021 and the condition of demand over supply has also occurred. While facing the rapid change of the industrial environment, Transcend will continue to expedite the product research and development, to expand and increase production efficiency and to seek stable supply sources, thereby achieving stable profit for the Company through reasonable pricing strategy and outstanding customer service.

#### 7.6.7. The Impact of Changes on Corporate Image on Corporate Crisis Management, and the Company's Response Measures

Looking forward into the future, in the era of severe competition in the industry, the top priority for companies is to establish differential competitive advantages. Transcend is equipped with complete fundamental facilities, complete product lines and sound financial structure. In the future, the Company will transform from the traditional production and sales-oriented model to the customer value-oriented model. The three key factors for the transformation include: (1) Enhance service quality to satisfy customer demands; (2) Increase the frequency of video conference with agency to control the overseas markets; and (3) Engage in long-term collaboration with key customers and to achieve win-win situation with customers. In the future, the Company will focus on improving the quality of product and service and will convert customer satisfaction and loyalty into stable profit of the Company.

In addition, to cooperate with the Corporate Governance 3.0 – Sustainable Development Blueprint promoted by the government, Transcend will also actively engage in the corporate governance and is committed to the corporate sustainable operation, enhancement of functions of board of directors and increase of information transparency, etc., in order to improve international competitiveness of the Company and to fulfill the obligations for all shareholders.

In 2020 and as of the date of this Annual Report, there have been no material risk matters affecting the corporate image.

#### 7.6.8. Expected Benefits from, Possible Risks Relating to and Response to Merger and Acquisition Plans

None.

#### 7.6.9. Expected Benefits from, Possible Risks Relating to and Response to Factory Expansion Plans

None.

7.6.10. Risks Relating to and Response to Excessive Concentration of Purchasing or Sales Operations  
None.

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

7.6.12. Effects of, Risks Relating to and Response to the Changes in Management Rights  
None.

7.6.13. Litigation or Non-litigation Matters  
None.

7.6.14. Other Major Risks and Response Measures  
None.

#### 7.7. Other Material Matters

The valuation accounts on the Company's assets and liabilities include Allowance for loss on accounts receivable, Allowance for loss on decline in market value of inventory, and Financial assets impairment, etc. And the accounting policies adopted are as follows:

##### 1. Allowance for loss on accounts receivable

The Company classifies customers' accounts receivable in accordance with the credit rating of the customer. The Group applies the simplified approach to estimate expected credit loss under the provision matrix basis. The Company used historical and timely information to assess the loss rate of accounts receivable.

##### 2. Allowance for loss on decline in market value of inventory

(1) Inventories are stated at the lower of cost and net realizable value. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses. When the net realizable value is lower than cost, the difference is recognized as loss on decline in market value of inventory.

(2) When the ending inventory has not changed for more than six months, it is deemed as slow-moving inventory and is listed in the slow-moving inventory report. And loss for slow-moving inventory will be 100% recognized.

(3) When the ending inventory refers to products that the Company no longer manufactured and sold, those products are deemed as slow-moving inventory and are listed in the slow-moving inventory report. And loss for slow-moving inventory will be 100% recognized.

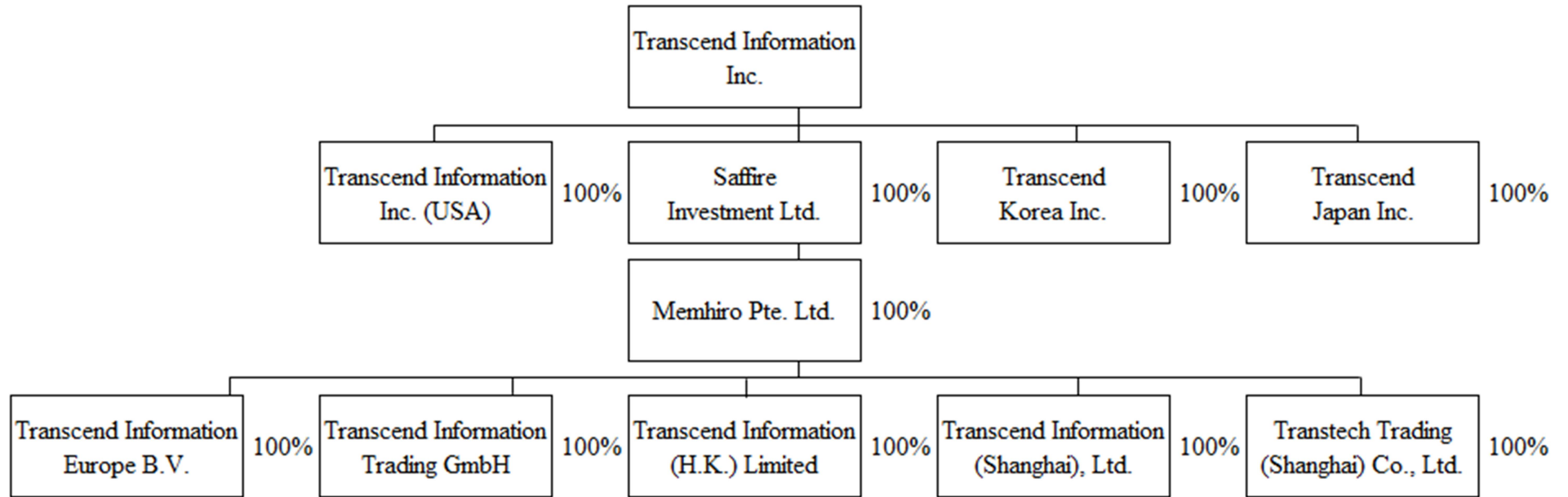
##### 3. Financial assets impairment

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



recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.

8. Special Disclosure  
 8.1. Information of Affiliated Companies  
 8.1.1. Organizational Chart of Affiliated Companies



### 8.1.2. Summary of Affiliated Companies

Name	Date of incorporation	Address	Paid-in capital	Main scope of operation or production
Saffire Investment Ltd.	12/18/1997	Citco Building, Wickhams Cay, P.O.BOX 662, Road Town, Tortola, B.V.I.	1,202,418	Investment holding company
Memhiro Pte. Ltd.	03/14/1998	60 Albert Street, #14-01 OG Albert Complex, 189969 Singapore	1,156,920	Investment holding company
Transcend Japan Inc.	12/11/1996	1-8-5, Kuramae, Taito-Ku, Tokyo, 111-0051, Japan	89,103	Wholesale and import of computer memory modules and peripheral
Transcend Information Europe B.V.	06/28/1995	Cairostraat 40, 3047 BC, Rotterdam, The Netherlands	1,693	Wholesale and import of computer memory modules and peripheral
Transcend Information Inc.	03/28/1990	1645 North Brian St. Orange, CA 92867, U.S.A.	38,592	Wholesale and import of computer memory modules and peripheral
Transcend Information Trading GmbH	09/29/1992	Flughafenstrasse 52b(Airport-Center), 22335 Hamburg, Germany	2,288	Wholesale and import of computer memory modules and peripheral
Transcend Korea Inc.	07/09/2008	12F, CBS Bldg., 159-1, Mokdongseo-ro, Yangcheon-gu, Seoul, Korea	6,132	Wholesale and import of computer memory modules and peripheral
Transcend Information (Shanghai), Ltd.	03/25/2005	No.1, Central Avenue, Shanghai Minhang Export Processing Zone, Fengxian District, Shanghai, China.	1,134,178	Manufacture and sales of computer memory modules, storage products and disks. Owned real estate lease.
Transtech Trading (Shanghai) Co., Ltd.	09/21/2006	Room403, Floor 4 ,No. 1010, Kaishiuan Road, Changning District, Shanghai, China	16,310	Wholesale, agent, import and export and retail of computer memory modules, storage products and computer components
Transcend Information (H.K.) Limited	01/08/2013	Unit 17-18, 10/F, Nan Fung Comm Centre, 19 Lam Lok Street, Kowloon Bay, Hong Kong	7,636	Wholesale and import of computer memory modules and peripheral

### 8.1.3. Profile of Directors, Supervisors and General Managers of Affiliated Companies

Name	Title	Name of Representative	Number of Shares	
			Shares	%
Memhiro Pte. Ltd.	Director	Shu, Chung-Cheng	55,132,000	100%
	Director	Wang, LiWei		
Saffire Investment Ltd.	Director	Shu, Chung-Cheng	36,600,000	100%
Transcend Japan Inc.	Director	Lin, Taikin	6,400	100%
Transcend Information Europe B.V.	Director	Tellier, Yoann Roger Jean	100	100%
Transcend Information Inc.	Director	Clarence Chan	625,000	100%
Transcend Information Trading GmbH	Director	Shu, Chung-Won	-	100%
	General Manager	Shu, Chung-Won		
Transcend Information (Shanghai), Ltd.	Executive Director	Shu, Chung-Cheng	-	100%
Transtech Trading (Shanghai) Co., Ltd.	Executive Director	Shu, Chung-Cheng	-	100%
Transcend Korea Inc.	Director	Shim Dong Hoon	40,000	100%
	General Manager	Shim Dong Hoon		
Transcend Information (H.K.) Limited	Director	Shu, Chung-Cheng	2,000,000	100%

#### 8.1.4. Overview of Affiliated Companies' Operations for 2020

Unit: NT\$ thousands

Name	Capital	Total Assets	Total Liabilities	Net Worth	Net Sales	Profit (Loss) from Operations	Profit (Loss) for the year	Earnings per share (NT\$)
Transcend Japan Inc.	89,103	445,898	185,198	260,700	871,472	5,756	3,818	596.52
Saffire Investment Ltd.	1,202,418	1,575,207	-	1,575,207	-	(62)	(115,707)	(3.16)
Memhiro Pte Ltd.	1,156,920	1,566,831	31,385	1,535,447	-	(32,856)	(116,331)	(2.11)
Transcend Information Inc.	38,592	236,608	54,979	181,629	639,337	6,971	639	1.02
Trnascend Information Europe B.V.	1,693	263,418	25,924	237,494	634,161	(5,564)	3,399	33,987.74
Transcend Information Trading GmbH	2,288	169,907	57,140	112,767	613,159	(48,783)	(6,983)	-
Transcend Information (Shanghai), Ltd.	1,134,178	1,178,891	46,222	1,132,669	-	(62,453)	(89,936)	-
Transtech Trading (Shanghai) Co., Ltd.	16,310	226,944	189,846	37,098	753,376	13,257	4,783	-
Transcend Korea Inc.	6,132	78,276	19,172	59,105	289,585	(2,621)	(2,513)	(62.83)
Transcend Information (H.K.) Limited	7,636	36,074	10,173	25,901	258,932	5,126	4,903	2.45

#### 8.1.5. Consolidated Financial Statement of Affiliated Enterprises

Please refer to page 108~176 of this Annual Report.

#### 8.1.6. Affiliation Reports

Not applicable.

#### 8.2. Private Placement of Securities in 2020 and as of the date of this Annual Report

None.

#### 8.3. Status of the Company's Common Shares Held and Disposed by Subsidiaries in 2020 and as of the date of this Annual Report

None.

#### 8.4. Other Necessary Supplement

None.

#### 9. Latest Matters with Material Impacts on Shareholders' Interests or Security Prices Indicated in Paragraph 3 Subparagraph 2 of Article 36 of the Securities and Exchange Act in 2020 and as of the date of this Annual Report

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Transcend Information, Inc.



Chairman: Shu, Chung-Won