



Stock code: 6269

Flexium Interconnect. Inc.

2020 Annual Report

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.

Taiwan Stock Exchange Market Observation Post System : <http://newmops.twse.com.tw>

Flexium Annual Report is available at : <http://www.flexium.com.tw>

Printed on April 30, 2021

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V. Name of any exchanges where the Company's securities are traded offshore, and the method by which to access information on said offshore securities:

Singapore Exchange

<http://www.sgx.com>

VI. Company website:

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I. A message to shareholders

In 2020, due to the ongoing effects of the pandemic, the business travel between companies has almost completely ceased, and personal travel has also stopped as a result of the pandemic. The airline, travel and hospitality industries have been hit hard by the economic crisis, but other industries have also been boosted, such as the telecommunications, cloud server, tablet, health and medical industries, all of which have seen significant growth in revenue. The popular ones attract the attention of consumers and investors, while the unpopular ones are unattractive to consumers to the extent that the market is turned away. But no matter how the market changes, it is still the case that the winner takes all. And these are all challenges whether Flexium Interconnect can provide valuable quality services to customers, whether it can stabilize to make profits, and whether it can fulfill the role of a global citizen while remaining to be competitive. Under these circumstances and challenges, Flexium has upgraded its management philosophy with the mindset of " Cherish, Gratitude, Commitment and Sharing" to ensure both revenue and profit growth by clarifying responsibilities, attracting talents, creating business opportunities and collaborating with our partners. As the pandemic continues to spread worldwide with an uncertain economic outlook, Flexium Interconnect will continue to pursue its operating strategy, deeply cultivate the operational capabilities of customers, human resources, technology, systems and management, and meet future challenges by seeking innovation and change through an approach of "'speed, stability and accuracy".

Business operation outcome

In 2020, Flexium Interconnect's consolidated revenue was TWD 29.9 billion, marking a 15% increase from 26 billion in 2019. Gross profit was NT \$ 6.1 billion, an increase of 3% from NT\$5.9 billion in 2019, and gross margin was 20.5%, a 2.3% decrease from 22.8% in 2019. The net profit after tax was TWD 2.93 billion, an decrease of 7% compared to TWD 3.15 billion in 2019 and basic earnings per share (EPS) was TWD 8.63; this was an decrease of TWD 1.39 from the TWD10.02 seen in 2019.

Note: No published financial forecasts were released for 2020, so no budget is forthcoming.

Market trend

Because of the impact of coronavirus, people's demand for safe, healthy and convenient hardware and software services will be greater than ever. Corresponding industries such as medical safety, remote teaching, health care and other services will be the stars of tomorrow. With the

continuous popularization of mobile devices such as mobile phones, tablets and wireless transmission, coupled with the application of big data analysis, AI and cloud computing, high frequency transmission and communication will be the engines to promote economic growth. In the future, industrial competition will formally extend from the ground to the air. In addition, alliances among teams of big-players-getting-bigger is also becoming more and more obvious. Flexium will continue to lay out the research and development technology of high frequency and conduction, and successively develop and launch new products with strategic partners to provide high quality services and products to end-users, including modular design, simulation and testing.

The high frequency 5G commercial market will bring huge opportunities to the electronics and automotive market. Flexium not only serves the existing clients in consumer electronics, but also focuses on automotive electronics with the 10-year experience, despite the fact that automotive products need to go through a very strict testing and certification process. Flexium For example, flexible printed circuit boards for electric vehicles must not only have a stable safety performance, but also have strict environmental and functional requirements. Applications of high-frequency 5G for ADAS, audio-visual entertainment and electronic control systems can be found in alternative fuel vehicle, electric vehicles and autonomous vehicle in the automotive industry. With the increase in the application of sensor technology and the internet becoming more and more widely used in automobiles, the trend of electronicization of automobiles is becoming more and more obvious, and the cost of electronics in automobiles is rising, which will bring a lot of new markets for the application of flexible PCBs. At the same time, safety, comfort and audio-visual surroundings above L4 and autonomous vehicles will be the future trend. The increasing availability of various smart driving components will bring rapid growth of high-end high-frequency flexible PCBs in automotive applications, and Flexium will not miss this business opportunity and will continue to develop high-frequency materials and products to develop more applications for the market.

Status of research and technical development

Flexium Interconnect's vision is to become a global leader in flexible board module solutions. The technology is not only being developed in the original FPC and FPCA fields, but also targets new breakthroughs in technology such as wireless, high frequency, optical communication applications and so on. The technical aspect covers material development, circuit design, manufacturing process, module testing, soft carrier board, automation equipment, product design and so on. In addition to the automatic roll-to-roll production line for FPCs with 20/20 um fine lines,

the fully automatic production lines for FPCs and FPCAs in Taiwan and China will be in mass production in 2021, which will contribute to the profitability of the Company. The company has focused on developing its own business, and new factories as well as the vertical integration of upstream and downstream: high efficiency, human-machine integration, automated smart factories and industry clusters are gradually blossoming. This technology and process optimization will continue to bring the company's revenue and profit to the next stage of growth. Flexium Interconnect is positioned as a multi-technology solution provider, with R&D and innovation poised as a competitive growth engine. As in the past, the company continues to intensively develop R&D, technological innovation, creating business opportunity, developing high value-added products and services and growing hand in hand with customers.

Reputation and corporate social responsibility

While pursuing revenue growth and financial performance, it is also Flexium's mission to commit to corporate social responsibility and to continuously improve the corporate governance. Flexium Interconnect won "CommonWealth Magazine Taiwan Top Two Thousand Enterprise Survey: No. 133 in Manufacturing and No. 94 in After-Tax Net Profit." It was also recognized with awards granted by the Suzhou Kunshan Municipal Government, including "Top Ten Safe Production Enterprise," "Transformation and Upgrading of Advanced Industries," "Advanced Enterprise for Green Ecological Development," and many other honors. In 2020, we also continued to complete our SGS-accredited CSR reports in both English and Chinese, and demonstrated our spirit of love by actively participating in community projects and caring for the underprivileged, including our 'Christmas with Love' campaign. The staff from the factory actively participated in the adoption of Christmas gifts for the children of Yong An Children's Home and Chaoliao Elementary School to make their Christmas wishes come true. A total of 216 gifts were given to 186 children and teenagers, allowing all teachers and students to feel the love and warmth from Flexium. The above results demonstrate the execution power of Flexium's staff to integrate social responsibility into corporate development.

Future outlook

Due to the spread of the COVID-19 and impact of the outbreak, there have been a number of variants of the virus. As of today, 193 countries have been affected, covering all continents in the US, Asia, Europe, Africa and Australia, with more than 180 million confirmed cases, 2.38 million

deaths and a mortality rate of 2.21%; the number of confirmed cases is still increasing. As the virus became contagious and caused a global pandemic, countries have successively cancelled or suspended mutual activities in order to avoid the continuing spread of the epidemic, thereby hitting economic activity. Since the future prospects are unknown, consumers, businesses, and investors are spending relatively conservatively. The global economy in 2020 is forecast to be a combination with both crisis and opportunity, As a member of its industry, the Company will inevitably be affected by this. In addition, the US dollar is expected to continue to weaken with the exchange rate for the Taiwan dollar expected to be at \$27. How to minimize the impact of the exchange rate fluctuations will be a material factor in financial planning and profitability.

The growth point of industrial development is still the application and introduction of high frequency and 5G, which will satisfy consumers' demand for seamless integration of video, audio, identification, security and fast convenience. With the evolution of high-frequency technology and automotive electronics, communication between cars and people, cars and cars, and cars and objects at high speeds has gradually been realized. Safer and more comfortable means of transportation will be the engine of future growth. In addition, the impact of coronavirus means that remote videoconferencing, multinational medical applications and the health industry will be on the rise. The cloud processing and optical communication products needed behind Big Data will continue to grow exponentially. Flexium Interconnect will continue to invest resources and research and development manpower in wireless high-frequency products, automotive electronics, health care, optical communications, AI applications and other related technologies, as it continues to expand and establish the Company's long-term competitive advantage. Not only that, but Flexium's exclusive automation and APP software are also being continuously optimized and upgraded. Through data collection, analysis and application, and accurate control of output details, we utilize timely monitoring and other facilities to ensure the consistency of operations and production, and thus achieve quality control and intelligent production , flexibility, and so on, corresponding to the uncertainty of market changes.

Flexium Interconnect cherishes every dollar invested by shareholders as it actively promotes value, strengthens its customer structure and improves operational performance and advances corporate governance. This is the best way of giving back to shareholders. Thank you, shareholders, for your long-term advice, prompting and encouragement. Here, I would offer the deepest thanks to all of the employees of our Group and our industrial partners, and also welcome our elite talent at home and abroad to join in making the Flexium Group bigger and stronger together. Finally, on

behalf of the management team of Flexium Interconnect, I would like to thank all shareholders for their support and wish you all good health! Best wishes!

Chairman and President: Cheng Ming-Chi

II. Company profile

I. Date of establishment

December 19, 1997

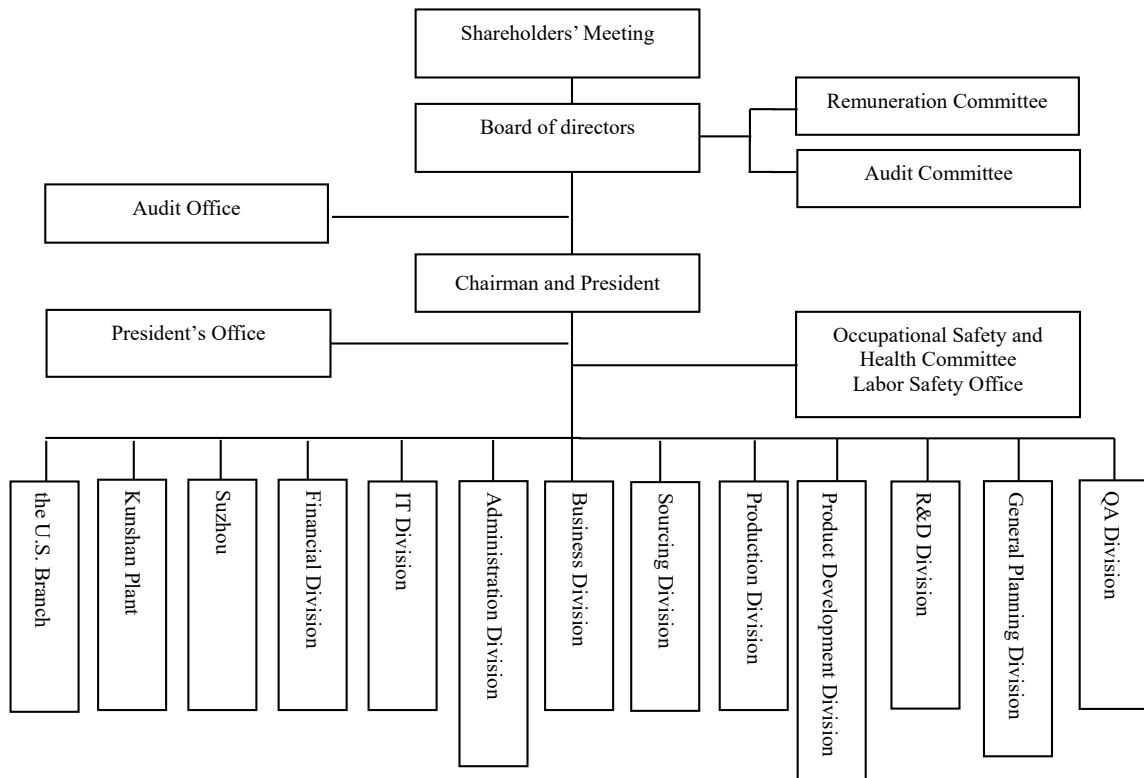
II. Company history

| Year | Important events of the recent years and till the publication date of the annual report |
|----------------|--|
| January 2019 | As approved by the Ministry of Economic Affairs on January 3, 2019, employee stock option certificates were converted to common stock. Paid-in capital amounted to NT\$3,182,141,580 after the capital increase. |
| March 2019 | As approved by the Ministry of Economic Affairs on March 7, 2019, employee stock option certificates were converted to common stock. Paid-in capital amounted to NT\$3,182,491,580 after the capital increase. |
| August 2019 | As approved by the Ministry of Economic Affairs on August 15, 2019, employee stock option certificates were converted to common stock. Paid-in capital amounted to NT\$ 3,185,601,580 after the capital increase. |
| October 2019 | As approved by the Ministry of Economic Affairs on October 2, 2019, restricted employee shares were issued. After the capital increase, paid-in capital amounted to NT\$ 3,240,601,580. |
| January 2020 | As approved by the Ministry of Economic Affairs on January 9, 2020, restricted employee shares were cancelled and convertible bonds converted into common stock; paid-in capital after capital reduction was NT\$ 3,329,548,950. |
| March 2020 | As approved by the Ministry of Economic Affairs on March 10, 2020, restricted employee shares were cancelled and convertible bonds converted into common stock; paid-in capital after capital reduction was NT\$ 3,357,033,980. |
| August 2020 | As approved by the Ministry of Economic Affairs on June 1, 2020, restricted employee shares were cancelled and convertible bonds converted into common stock; paid-in capital after capital reduction was NT\$3,388,880,860. |
| August 2020 | As approved by the Ministry of Economic Affairs on August 24, 2020, restricted employee shares were cancelled and convertible bonds converted into common stock; paid-in capital after capital reduction was NT\$3,458,367,940. |
| September 2020 | As approved by the Ministry of Economic Affairs on September 24, 2020, restricted employee shares were issued. After the capital increase, paid-in capital amounted to NT\$3,468,367,940. |
| November 2020 | As approved by the Ministry of Economic Affairs on November 23, 2020, treasury shares were cancelled. After the capital increase, paid-in capital amounted to NT\$3,443,503,560. |
| January 2021 | As approved by the Ministry of Economic Affairs on January 25, 2021, restricted employee shares were cancelled and convertible bonds converted into common stock; paid-in capital after capital reduction was NT\$3,613,733,530. |
| March 2021 | As approved by the Ministry of Economic Affairs on March 11, 2021, convertible bonds converted into common stock; the paid-in capital after the capital increase was NT\$3,619,829,590. |

III. Corporate governance report

I. Organization system

(I) The Company's Organizational Structure (December 31, 2020)



(II) Business lines conducted by various departments

| Unit | Organizational function |
|--|--|
| Chairman of Board | Control promotion of the Company's business objectives and policies |
| President | Set the Company's mid-term and long-term business strategies, and execute the resolutions made by shareholders' meetings and directors' meetings |
| Audit Office | Internal audit and operating procedure compliance management audit, etc. |
| President's Office | Analyze and evaluate the Company's business performance, and propose the suggestions about improvement to help the Company achieve the business objectives. |
| Occupational Safety and Health Committee | Occupational disaster and pollution prevention and planning, and implementation of labor safety & health education management training |
| the U.S. Branch | Marketing support, customers' and technical services, etc. |
| Kunshan Plant | Produce the Company's products, arrangement of production capacity, and upgrade production efficiency |
| Suzhou Plant | Produce the Company's products, arrangement of production capacity, and upgrade production efficiency |
| Financial Division | Arrangement of the Group's fund management operating system, foreign exchange management, preparation and control of budget, accounting and financial allocation |
| IT Division | Establishment, design, maintenance and control of the Company's information system strategies |
| Administration Division | Responsible for managing the Company's HR strategies, HR training, performance appraisal and recruitment. |
| Business Division | Analyze the application of new products and development of market, enhance relations with customers and serve customers, etc. |
| Sourcing Division | The Company's procurement, warehousing management, import/export, and planning and management, etc. |
| Production Division | Matters related to the manufacturing, production capacity adjustment and increase of manufacturing efficiency of all products of the Company. |
| Product Development Division | Coordinate high-frequency project R&D resources; formulate R&D direction; handle process technology research and development |
| R&D Division | Consolidate R&D resources, set R&D orientation, and research and develop production technology |
| General Planning Division | Coordinate group capacity assessment and distribution; handle layout planning of each plant |
| QA Division | Responsible for quality assurance and upgrading of the Company's products |

II. Profiles of directors, president, vice presidents, assistant VPs, and heads of the branches/departments

(I) Information on directors

1. Information on directors (I)

April 19, 2021 (Book closure date) Unit: thousand shares; %

| Job Title | Nationality or place of registration | Name | Gender | Date Elected | Term (Years) | Inauguration date | Shares at election | | Current shareholding (Note 1) | | Current shares held by spouse and children of minor age | | Total shareholding assuming the name of others | | Major (academic degree) experience | Position(s) held concurrently in the Company and/or in any other companies | Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship | | | Remark |
|-------------------------------|--------------------------------------|--|--------|---------------|--------------|-------------------|--------------------|------|-------------------------------|------|---|------|--|---|---|---|---|------|--------------|--------|
| | | | | | | | Shares | % | Shares | % | Shares | % | Shares | % | | | Title | Name | Relationship | |
| | | | | | | | | | | | | | | | | | | | | |
| Chairman of Board | the R.O.C. | Cheng Ming-Chi | Male | June 18, 2019 | 3 | December 9, 1997 | 4,106 | 1.31 | 4,326 | 1.20 | 283 | 0.08 | - | - | Chairman of Board of Tai Peng Development Co., Ltd. National Sun Yat-sen University | Chairman and President of the Company Chairman of Board of Tai Peng Development Co., Ltd. Chairman of Tewe Optical Waveguide Co., Ltd. Concurrently acting as the Director of the following companies invested by the Company: FLEXIUM INTERCONNECT INC. UFLEX TECHNOLOGY CO., LTD. GRANDPLUS ENTERPRISES LIMITED SUCCESS GLORY INVESTMENTS LIMITED CHAMPION BEYOND LIMITED CHOSEN GLORY LIMITED FOREVER MASTER LIMITED BOOM BUSINESS LIMITED CLEAR SUCCESS GLOBAL LIMITED Concurrently acting as the Chairman of the following companies invested by the Company: Jun-Fong Investment Inc. Chun-Hwa Technology (Kunshan) Co., Ltd. Jun Kun Technology (Suzhou) Co., Ltd. | - | - | - | Note 2 |
| Name of corporate shareholder | the R.O.C. | Chi Lien Investment Co., Ltd. | - | June 18, 2019 | 3 | June 9, 2010 | 2,825 | 0.90 | 2,825 | 0.78 | - | - | - | - | None | None | - | - | - | |
| Corporate director | the R.O.C. | Chi Lien Investment Co., Ltd. Representative : Chen Yong-Chang | Male | June 18, 2019 | 3 | June 9, 2010 | - | - | - | - | - | - | - | - | Administrative Section of Public Officials 1975 Passed Civil Service Senior Examination and completed courses of Academy for the Judiciary of 19th term Judge of Taoyuan District Court, Shihlin District Court and Taipei District Court Served as presiding judge of Keelung District Court Judge of Taiwan High Court Supervisor of the Chinese Society of Law Department of Law, National Taiwan University | Principal attorney of All-Pro Law Firm Independent director and member of remuneration committee of Center Laboratories, Inc Independent director and member of remuneration committee of Collins, Inc. Independent director and member of remuneration committee of LandMark Optoelectronics Corporation Member of remuneration committee of Sintronic Technology, Inc. Member of remuneration committee of Rodex Fasteners Corp. | - | - | - | |
| Corporate director | the R.O.C. | Chi Lien Investment Co., Ltd. | Male | June 18, 2019 | 3 | June 13, 2012 | - | - | 415 | 0.11 | - | - | - | - | Chairman of Xiang-Mei Management Consulting Ltd. | None | - | - | - | |

| Job Title | Nationality or place of registration | Name | Gender | Date Elected | Term (Years) | Inauguration date | Shares at election | | Current shareholding (Note 1) | | Current shares held by spouse and children of minor age | | Total shareholding assuming the name of others | | Major (academic degree) experience | Position(s) held concurrently in the Company and/or in any other companies | Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship | | | Remark |
|-------------------------------|--------------------------------------|---|--------|---------------|--------------|-------------------|--------------------|------|-------------------------------|------|---|------|--|---|--|---|---|------|--------------|--------|
| | | | | | | | Shares | % | Shares | % | Shares | % | Shares | % | | | Title | Name | Relationship | |
| | | Representative : Chuang Xun-Po | | | | | | | | | | | | | | | | | | |
| Name of corporate shareholder | the R.O.C. | Tai-Peng Development Inc. | - | June 18, 2019 | 3 | December 9, 1997 | 15,460 | 4.93 | 15,460 | 4.27 | - | - | - | - | None | None | - | - | - | |
| Corporate director | the R.O.C. | Tai-Peng Development Inc. Representative : Ji-Yan Liang | Male | June 18, 2019 | 3 | June 23, 2006 | - | - | - | - | - | - | - | - | Executive vice-president of China Development Venture Capital Corporation Sales Manager of Commercial Computer department, Hewlett-Packard of USA Adjunct Lecturer, Department of Business Administration, Soochow University Master, National Chengchi University Bachelor of Department of Chemical Engineering of National Tsing Hua University | Representative of juristic-person director of Forward Electronics Co., Ltd. Representative of juristic-person director of Tatung Co. Independent director and member of remuneration committee of Excellence MOS Corp Member of remuneration committee of Ennostar Inc. Member of remuneration committee of Shinkong Textile Co., Ltd Member of remuneration committee of Sesoda Corporation Representative of juristic-person director of Taipei Tech Venture Capital Co., Ltd. Director of Compass Star Venture Capital Co., Ltd. Supervisor of Taipei Tech Venture Capital Co., Ltd. Representative of juristic-person director of Yuwei Asset Management Co., Ltd. | - | - | - | |
| Corporate director | the R.O.C. | Tai-Peng Development Inc. Representative : Jeng Xi Shih | Male | June 18, 2019 | 3 | May 30, 2007 | - | - | 295 | 0.08 | - | - | - | - | Assistant Vice-President of Taiwan Hitachi Electronic Corp. Vice President of Tong-Bao Technology Corp. Executive Vice President of Flexium Interconnect.Inc Department Of Mechanical Engineering, National Cheng Kung University | None | - | - | - | |
| Corporate director | the R.O.C. | Tai-Peng Development Inc. Representative : Blue Lan | Male | June 18, 2019 | 3 | June 28, 2016 | - | - | 208 | 0.06 | - | - | - | - | Special assistant of Chairman of Flexium PhD in Business Management of National Sun Yat-sen University | Director of Administration Division of the Company Currently at the Company's invested affiliates: Director of Jun-Fong Investment Inc. | - | - | - | |
| Director | the R.O.C. | Lin Pei-Ru | Female | June 18, 2019 | 3 | June 9, 2010 | 1,459 | 0.47 | 1,459 | 0.40 | 341 | 0.09 | - | - | NCHU Department of Foreign Languages and Literatures. | Chairperson of the Board, Tai-Cheng Investment Corporation Chairman, Hesheng Investment Co., Ltd. | - | - | - | |
| Director | the U.S.A. | David Cheng | Male | June 18, 2019 | 3 | June 18, 2019 | 174 | 0.06 | 310 | 0.09 | 1 | - | - | - | Product R&D Assistant Manager, Flexium Interconnect | Deputy Director of the Company's Product Development Division Currently at the Company's invested affiliates: | - | - | - | |

| Job Title | Nationality or place of registration | Name | Gender | Date Elected | Term (Years) | Inauguration date | Shares at election | | Current shareholding (Note 1) | | Current shares held by spouse and children of minor age | | Total shareholding assuming the name of others | | Major (academic degree) experience | Position(s) held concurrently in the Company and/or in any other companies | Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship | | | Remark |
|----------------------|--------------------------------------|-----------------|--------|---------------|--------------|-----------------------|--------------------|---|-------------------------------|---|---|---|--|---|--|--|---|------|--------------|--------|
| | | | | | | | Shares | % | Shares | % | Shares | % | Shares | % | | | Title | Name | Relationship | |
| | | | | | | | | | | | | | | | Inc. University of California, Irvine Electrical Engineering. | Director, Jun Kun Technology (Suzhou) Co., Ltd. Responsible person of FLEXIUM INTERCONNECT AMERICA LLC. | | | | |
| Independent director | the R.O.C. | Xin-Bin Fu | Male | June 18, 2019 | 3 | May 18, 2001 (Note 3) | - | - | - | - | - | - | - | - | Supervisor, Flexium Interconnect Supervisor and Director, MACHVISION Inc. Co., LTD Professor, Department of Marketing and Circulation Management, National Kaohsiung First University of Science and Technology Section Chief, Electronic Information Section and Knowledge Service Section, Industrial Development Bureau, Ministry of Economic Affairs Ph.D., Institute of Engineering, National Chiao Tung University Master of Engineering, University of Missouri Columbia, USA | Distinguished Professor, Department of Marketing and Circulation Management, National Kaohsiung University of Science and Technology | - | - | - | |
| Independent director | the R.O.C. | Huang Shui-Tong | Male | June 18, 2019 | 3 | June 18, 2019 | - | - | 10 | - | - | - | - | - | Passed Judicial Officer / Lawyer Higher Examination, 1972 Concluded Judicial Training Institute Phase 12 Public prosecutor, District Prosecutor's Office; Judge and President of the Courts of First and Second Instance Director, Criminal Affairs Division President of District Court in Kinmen, Penghu, Yilan, and Panchiao Taiwan High Court | None | - | - | - | |

| Job Title | Nationality or place of registration | Name | Gender | Date Elected | Term (Years) | Inauguration date | Shares at election | | Current shareholding (Note 1) | | Current shares held by spouse and children of minor age | | Total shareholding assuming the name of others | | Major (academic degree) experience | Position(s) held concurrently in the Company and/or in any other companies | Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship | | | Remark |
|----------------------|--------------------------------------|------------|--------|---------------|--------------|-------------------|--------------------|---|-------------------------------|---|---|---|--|------|---|--|---|------|--------------|--------|
| | | | | | | | Shares | % | Shares | % | Shares | % | Shares | % | | | Title | Name | Relationship | |
| | | | | | | | | | | | | | | | President, Taiwan High Court Taichung Branch Committee member, Civil Service Disciplinary Committee Master of Law, Chinese Cultural University | | | | | |
| Independent director | the R.O.C. | Wu Pei-Jun | Female | June 18, 2019 | 3 | June 18, 2019 | - | - | - | - | - | - | 155 | 0.04 | Associate Professor / Dean of Department of Finance and Law, Ming Chuan University Chairman, Masterlink Futures Co., Ltd. Chairman, Masterlink Insurance Company Director, LandMark Optoelectronics Corp. Supervisor, Gaolin Industrial Co., Ltd. Supervisor, Taihong Technology Co., Ltd. Supervisor, Juyao Trading Co., Ltd. Supervisor, Shanghai United Investment Co., Ltd. Completed Doctor of Laws degree at Keio University, Japan Master of Law, Keio University, Japan Graduated from the Law Department of National Taiwan University | Associate Professor, Department of Finance and Law, Ming Chuan University Chairman, Songyang Investment Co., Ltd. Chairman, Chiyang Investment Co., Ltd. Independent Director, Audit Committee and Remuneration Committee of Advanced Power Electronics Corp. | - | - | - | |

Note 1: The current shareholdings are 361,982,959 shares on April 19, 2021.

Note 2: Where the chairperson of the board of directors and the president or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (e.g. adding seats of independent directors, and the majority of directors do not concurrently serve as employees or managerial officers): The Chairman also concurrently serves as the President mainly because it is to enhance the communications and effectiveness of operational decisions, and for the accurate and quick execution. To cope with the laws and regulations for the implementation of corporate governance in the future, it is planned to add seats of independent directors for better operation of the Board of Directors' functions, and stronger supervisory functions. Currently, the majority of directors do not concurrently serve as employees or managerial officers.

Note 3: 5/18/2001-6/8/2010 served as the company's independent supervisor; 6/9/2010-3/20/2013 and 6/11/2013-5/31/2017 served as the company's supervisor; 6/18/2019 - serving as an independent director of the company.

2. Major shareholders of corporate shareholders

April 19, 2021 (Book closure date)

| Name of corporate shareholder | Major shareholders of corporate shareholders | |
|--------------------------------|---|------------------------|
| | Shareholder | Shareholding ratio (%) |
| Tai Peng Development Co., Ltd. | Chu Yang Investment Co., Ltd. | 22.50% |
| | Youben investment Co., Ltd. | 24.70% |
| | Yao Hsiang International Investment Co., Ltd. | 21.70% |
| | Tai-Cheng Investment Corporation | 20.00% |
| Chilien Investment Co., Ltd. | Hsiun-Chen Yang | 40.00% |
| | Cheng Ming-Chi | 60.00% |

3. Major shareholders of major corporate shareholders

April 19, 2021 (Book closure date)

| Name of corporate shareholders | Major shareholders of corporate | |
|---|---------------------------------|------------------------|
| | Shareholder | Shareholding ratio (%) |
| Chu Yang Investment Co., Ltd. | Cheng Ming-Chi | 46.00% |
| | Hsiun-Chen Yang | 42.00% |
| Youben investment Co., Ltd. | Da-Wen Sun | 92.40% |
| Hsiang Yao International Investment Corporation | Yu-Huei Lin | 12.50% |
| | Yu-Mei Lin | 0.00005% |
| | Mei-Dai Chang | 0.00005% |
| Tai-Cheng Investment Corporation | Chi-Cheng Chang | 6.90% |
| | Lin Pei-Ru | 6.90% |

4. Information on directors (II)

| Qualifications | More than 5 years of experience and the following professional qualifications | | | Status of independence (Note) | | | | | | | | | | | | Number of public companies where the person holds the title as an independent director |
|---|---|---|--|-------------------------------|---|---|---|---|---|---|---|---|----|----|----|--|
| | Lecturer or above in commerce, law, finance, accounting or subjects required by the business of the Company in public or private colleges or universities | Pass the qualification examination with proper licensing by the national Government Apparatus as court judge, prosecutor, lawyers, certified public accountant or other professional designations required by the business of the Company | Required work experience in commerce, law, finance, accounting or others required by the Company | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | |
| Name | | | | | | | | | | | | | | | | |
| Cheng Ming-Chi | No | No | Yes | - | - | - | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | - | ✓ | ✓ | 0 |
| Chen Yong-Chang (Representative of Chi Lien) | No | Yes | Yes | ✓ | - | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | - | 3 |
| Chuang Xun-Po (Representative of Chi Lien) | No | No | Yes | ✓ | - | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | - | 0 |
| Ji-Yan Liang (Representative of Tai Peng) | Yes | No | Yes | ✓ | - | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | - | 1 |
| Jeng Xi Shih (Representative of Tai Peng) | No | No | Yes | - | - | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | - | 0 |
| Blue Lan (Representative of Tai Peng) | No | No | Yes | - | - | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | - | 0 |
| Lin Pei-Ru | No | No | Yes | ✓ | - | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 |
| David Cheng | No | No | Yes | - | ✓ | ✓ | - | ✓ | ✓ | ✓ | ✓ | ✓ | - | ✓ | ✓ | 0 |
| Xin-Bin Fu | Yes | No | Yes | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 |
| Wu Pei-Jun | Yes | No | Yes | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 1 |
| Huang Shui-Tong | No | Yes | Yes | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 |

Note: place a "✓" in the box below if the Director or Supervisor met the following conditions during the time of active duty and two years prior to the elected date.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates (the same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary).
- (3) Not a natural-person shareholder or holder of shares, together with those held by a spouse, minor children, or held

by the person under other names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranking within the top 10 in holdings.

- (4) Not a managerial officer listed in criteria (1) or a spouse, relative of second degree, or direct kin of third degree or closer to persons not qualified for criteria (2) and (3).
- (5) Not a director, supervisor, or employee of a juristic-person shareholder that directly holds five percent or more of the total number of issued shares of the Company or of a juristic-person shareholder that ranks among the top five in shareholdings according to Paragraph 1 or Paragraph 2 Article 27 of the Company Act (the same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary).
- (6) Not a director, supervisor, or employee of another company controlled by the same person with more than half of the shares with voting rights on the company's board of directors. (However, in the case of independent directors established and concurrently serving in the company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this law or local laws, this limitation shall not apply.)
- (7) Not a director, supervisor, or employee of another company or institution whose chairman, general manager, or equivalent position is the same person as that of the Company, or the spouse thereof. (However, in the case of independent directors established and concurrently serving in the company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this law or local laws, this limitation shall not apply.)
- (8) Not a director, supervisor, managerial officer, or shareholder holding more than 5% of a specified company or institution that has a financial or business relationships with the Company (the same does not apply, to certain companies or institutions holding more than 20% of the total issued shares of the Company, but no more than 50% and 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 the Company and its parent or subsidiary or a subsidiary of the same parent).
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting, or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative remuneration exceeding NT\$500,000, or a spouse thereof. This restriction does not apply to a member of the salary and Remuneration Committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Not a spouse to or kin at the second pillar under the Civil Code to any other director
- (11) Not under any circumstances as stipulated in Article 30 of Company Act.
- (12) Not elected as a government or corporate representative according to Article 27 of The Company Act.

(II) Profiles of president, vice presidents, assistant VPs, and heads of the branches/departments

April 19, 2021 Unit: Thousand shares; %

| Job title | Nationality | Name | Gender | (Election) On-board date | Shares held (Note 1) | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Major (academic degree) experience | Position(s) held concurrently in any other companies | Managers who are Spouses or Within Two Degrees of Kinship | | | Remarks |
|-------------------------------------|-------------|-------------------|--------|--------------------------|----------------------|------|-----------------------------|------|-------------------------------------|---|--|--|---|------|--------------|---------|
| | | | | | Shares | % | Shares | % | Shares | % | | | Title | Name | Relationship | |
| | | | | | | | | | | | | | | | | |
| President | the R.O.C. | Cheng Ming-Chi | Male | June 23, 1995 | 4,326 | 1.20 | 283 | 0.08 | - | - | Chairman of Board of Tai Peng Development Co., Ltd. National Sun Yat-sen University | Chairman and President of the Company Chairman of Board of Tai Peng Development Co., Ltd. Chairman of Tewe Optical Waveguide Co., Ltd. Concurrently acting as the Director of the following companies invested by the Company: FLEXIUM INTERCONNECT INC UFLEX TECHNOLOGY CO., LTD. GRANDPLUS ENTERPRISES LIMITED SUCCESS GLORY INVESTMENTS LIMITED CHAMPION BEYOND LIMITED CHOSEN GLORY LIMITED FOREVER MASTER LIMITED BOOM BUSINESS LIMITED CLEAR SUCCESS GLOBAL LIMITED Concurrently acting as the Chairman of the following companies invested by the Company: Jun-Fong Investment Inc., Chun-Hwa Technology (Kunshan) Co., Ltd. Jun Kun Technology (Suzhou) Co., Ltd. | - | - | - | Note 2 |
| Chief Operating Officer | the R.O.C. | Chi-Feng Tsai | Male | February 7, 2018 | 358 | 0.10 | - | - | - | - | Module Engineering Manager of AU Optronics Corp. Special assistant of Chairman of Flexium Feng Chia University, Master in Mechanical Engineering | Concurrently acting as the Director of the following companies invested by the Company: Chun-Hwa Technology (Kunshan) Co., Ltd. Jun Kun Technology (Suzhou) Co., Ltd. | - | - | - | |
| Vice President of Business Division | the U.S.A. | Tang Chia-Hsien | Male | June 19, 2014 | 126 | 0.03 | 323 | 0.09 | - | - | Apple, Global Supply & Procurement Manager Volex, project manager Golden Gate University, Master of Computer Information System | None | - | - | - | |
| Foreman of Kaohsiung Plant | the R.O.C. | Yi-Wen Shan | Male | October 29, 2014 | 322 | 0.09 | 1 | - | - | - | Tom Tom, Asia-Pacific Zone, QA Director National Taiwan University of Technology, Institute of Engineering/National Chengchi University, EMBA | None | - | - | - | |
| Director of Kunshan Plant | the R.O.C. | Ruei-Chun Ma | Male | August 1, 2011 | 461 | 0.13 | - | - | - | - | Section Chief of MEKTEC, Director of Foreman of Kunshan Plant of CMI Oriental Institute of Technology, Department of Electrical Engineering | None | - | - | - | |
| CQO | the R.O.C. | Huang, Chien-Rong | Male | February 17, 2021 | 1 | - | - | - | - | - | CQO of Radiant Opto-Electronics Corporation QA Senior manager of LITE-ON Technology Corporation National Kaohsiung University of Science and Technology, Maste in Department of Logistics Management | None | - | - | - | |
| Director of Sourcing Division | the R.O.C. | Chao-Rong Gong | Male | August 1, 2004 | 409 | 0.11 | - | - | - | - | Business engineer of MEKTEC National Taipei University of Technology, Textile Engineering | None | - | - | - | |
| Director of Administration Division | the R.O.C. | Blue Lan | Male | February 4, 2015 | 208 | 0.06 | - | - | - | - | Special assistant of Chairman of Flexium PhD in Business Management of National Sun Yat-sen University | Currently at the Company's invested affiliates: Director of Jun-Fong Investment Inc. | - | - | - | |
| CFO | the R.O.C. | Arthur Shjung | Male | August 9, 2012 | 318 | 0.09 | - | - | - | - | Director of Accounting Division of ASE Group East Michigan University, MBA | None | - | - | - | |

Note 1: The current shareholdings are 361,982,959 shares on April 19, 2021.

Note 2: Where the chairperson of the board of directors and the president or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (e.g. adding seats of independent directors, and the majority of directors do not concurrently serve as employees or managerial officers): The Chairman also concurrently serves as the President mainly because it is to enhance the communications and effectiveness of operational decisions, and for the accurate and quick execution. To cope with the laws and regulations for the implementation of corporate governance in the future, it is planned to add seats of independent directors for better operation of the Board of Directors' functions, and stronger supervisory functions. Currently, the majority of directors do not concurrently serve as employees or managerial officers.

III. Remuneration to director, president and vice presidents in recent years

(I) Remuneration of supervisors (names thereof to be disclosed by space)

December 31, 2020; Unit: NT\$ thousand; thousand shares; %

| Job title | Name | Remuneration to directors | | | | | | | | Ratio of Total Remuneration (A+B+C+D) to Net Income (%) | | Remuneration in the capacity as employees | | | | | | Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%) | | Remuneration from the investee other than subsidiaries or parent company | | | | | |
|------------------------|--|---------------------------|---|-------------|---|-------------------------------|---|--------------------------------|---|---|---|---|---|------------------------|---|---------------------------|-------|---|-------|--|-------------|---|--|--|--|
| | | Remuneration (A) | | Pension (B) | | Remuneration of directors (C) | | Professional practice fees (D) | | | | Salary, bonus and special allowance, etc. (E) | | Retirement pension (F) | | Employee remuneration (G) | | | | | | | | | |
| | | The Company | All companies included into the financial statement | The Company | All companies included into the financial statement | The Company | All companies included into the financial statement | The Company | All companies included into the financial statement | The Company | All companies included into the financial statement | The Company | All companies included into the financial statement | The Company | All companies included into the financial statement | Cash | Share | Cash | Share | | The Company | All companies included into the financial statement | | | |
| Chairman and President | Cheng Ming-Chi | | | | | | | | | | | | | | | | | | | | | | | | |
| Director | Chi-Lian Investment Corporation Representative: Chen Yong-Chang | | | | | | | | | | | | | | | | | | | | | | | | |
| Director | Representative of Chi-Lian Investment Corporation: Chuang Xun-Po | | | | | | | | | | | | | | | | | | | | | | | | |
| Director | Tai-Peng Development Corporation Representative: Jeng Xi Shih | | | | | | | | | | | | | | | | | | | | | | | | |
| Director | Tai-Peng Development Corporation: Ji-Yan Liang | - | - | - | - | 20,000 | 20,000 | 1,000 | 1,000 | 0.72 | 0.72 | 28,140 | 32,213 | - | - | 4,196 | - | 4,196 | - | 1.82 | 1.96 | None | | | |
| Director | Tai-Peng Development Corporation Representative: Blue Lan | | | | | | | | | | | | | | | | | | | | | | | | |
| Director | David Cheng | | | | | | | | | | | | | | | | | | | | | | | | |
| Director | Lin Pei-Ru | | | | | | | | | | | | | | | | | | | | | | | | |
| Independent director | Xin-Bin Fu | | | | | | | | | | | | | | | | | | | | | | | | |
| Independent director | Wu Pei-Jun | | | | | | | | | | | | | | | | | | | | | | | | |
| Independent director | Huang Shui-Tong | | | | | | | | | | | | | | | | | | | | | | | | |

In addition to the disclosure of the above table, the remuneration collected by the directors for providing services (such as acting as non-employee consultants) to the Company within the financial report in recent years is: NT\$1,320 thousand

| Breakdown of remuneration paid to individual director | Name of director | | | |
|--|--|--|--|--|
| | A+B+C+D | | A+B+C+D+E+F+G | |
| | The Company | All companies included in the financial statement H | The Company | All companies included in the financial statement I |
| Below NT\$1,000,000 | | | | |
| NT\$1,000,000 (inclusive)-NT\$2,000,000 (exclusive) | Lin Pei-Ru / Cheng David / Fu Xin-Bin / Wu Pei-Jun / Huang Shui-Tong | Lin Pei-Ru / Cheng David / Fu Xin-Bin / Wu Pei-Jun / Huang Shui-Tong | Lin Pei-Ru / Fu Xin-Bin / Wu Pei-Jun / Huang Shui-Tong | Lin Pei-Ru / Fu Xin-Bin / Wu Pei-Jun / Huang Shui-Tong |
| NT\$2,000,000 (inclusive)-NT\$3,500,000 (exclusive) | - | - | - | - |
| NT\$3,500,000 (inclusive)-NT\$5,000,000 (exclusive) | Cheng Ming-Chi | Cheng Ming-Chi | - | - |
| NT\$5,000,000 (inclusive)-NT\$10,000,000 (exclusive) | Representative of Chi-Lian Investment Corporation: Chen Yong-Chang / Chuang Xun-Po Tai-Peng Development Corporation Representative: Ji-Yan Liang / Jeng Xi Shih/ Blue Lan | Representative of Chi-Lian Investment Corporation: Chen Yong-Chang / Chuang Xun-Po Tai-Peng Development Corporation Representative: Ji-Yan Liang / Jeng Xi Shih/ Blue Lan | Representative of Chi-Lian Investment Corporation: Chen Yong-Chang / Chuang Xun-Po | Representative of Chi-Lian Investment Corporation: Chen Yong-Chang / Chuang Xun-Po |
| NT\$10,000,000 (inclusive)-NT\$15,000,000 (exclusive) | - | - | CHENG DAVID/ Tai-Peng Development Corporation Representative: Ji-Yan Liang / Jeng Xi Shih / Blue Lan | CHENG DAVID/ Tai-Peng Development Corporation Representative: Ji-Yan Liang / Jeng Xi Shih / Blue Lan |
| NT\$15,000,000 (inclusive)-NT\$30,000,000 (exclusive) | - | - | Cheng Ming-Chi | Cheng Ming-Chi |
| NT\$30,000,000 (inclusive)-NT\$50,000,000 (exclusive) | - | - | - | - |
| NT\$50,000,000 (inclusive)-NT\$100,000,000 (exclusive) | - | - | - | - |
| NT\$100,000,000 and above | - | - | - | - |
| Total | 8 | 8 | 8 | 8 |

(III) Remuneration to president and vice presidents (aggregate information, with the name(s) indicated for each remuneration range)

December 31, 2020; Unit: NT\$ thousand; thousand shares; %

| Job title | Name | Salary (A) | | Pension (B) | | Bonus and special allowance, et al. (C) | | Employee remuneration amount (D) | | | | The sum of A, B, C and D in proportion to Earnings After Tax (%) | | Remuneration from the investees other than subsidiaries or parent company |
|-------------------------------------|-----------------|-------------|---|-------------|---|---|---|----------------------------------|--------------|---|--------------|--|---|---|
| | | The Company | All companies included into the financial statement | The Company | All companies included into the financial statement | The Company | All companies included into the financial statement | The Company | | All companies included into the financial statement | | The Company | All companies included into the financial statement | |
| | | | | | | | | Cash amount | Share amount | Cash amount | Share amount | | | |
| President | Cheng Ming-Chi | | | | | | | | | | | | | |
| Chief Operating Officer | Chi-Feng Tsai | 9,748 | 13,927 | - | - | 26,581 | 26,581 | 5,263 | - | 5,263 | - | 1.42 | 1.56 | None |
| Vice President of Business Division | Tang Chia-Hsien | | | | | | | | | | | | | |

Breakdown of remuneration

| Breakdown of remuneration to each President and Vice Presidents of the Company | Names of President and Vice Presidents | |
|--|--|---|
| | The Company | All companies included into the financial |
| Below NT\$1,000,000 | - | - |
| NT\$1,000,000 (inclusive)-NT\$2,000,000 (exclusive) | - | - |
| NT\$2,000,000 (inclusive)-NT\$3,500,000 (exclusive) | - | - |
| NT\$3,500,000 (inclusive)-NT\$5,000,000 (exclusive) | - | - |
| NT\$5,000,000 (inclusive)-NT\$10,000,000 (exclusive) | Tang Chia-Hsien | Tang Chia-Hsien |
| NT\$10,000,000 (inclusive)-NT\$15,000,000 (exclusive) | - | - |
| NT\$15,000,000 (inclusive)-NT\$30,000,000 (exclusive) | Tsai Chi-Feng / Cheng Ming-Chi | Tsai Chi-Feng / Cheng Ming-Chi |
| NT\$30,000,000 (inclusive)-NT\$50,000,000 (exclusive) | - | - |
| NT\$50,000,000 (inclusive)-NT\$100,000,000 (exclusive) | - | - |
| NT\$100,000,000 and above | - | - |
| Total | 3 | 3 |

(III) Name of managerial officers for the distribution of employee remuneration and distribution status

2020 Unit: NT\$ thousand

| | Job title (Note) | Name (Note) | Share amount | Cash amount | Total | Proportion to Earnings After Tax (%) |
|---------|---|-----------------------|-----------------|----------------|--------|--|
| Manager | President | Cheng Ming-Chi | - | 11,000 | 11,000 | 0.38% |
| | Chief Operating Officer | Chi-Feng Tsai | | | | |
| | Vice President of Business Division | Tang Chia-Hsien | | | | |
| | Foreman of Kaohsiung Plant | Yi-Wen Shan | | | | |
| | Director of Kunshan Plant | Ruei-Chun Ma | | | | |
| | CQO | Huang, Chien- Rong | | | | |
| | Director of Sourcing Division | Chao-Rong Gong | | | | |
| | Director of Administration Division | Blue Lan | | | | |
| | CFO | Arthur Shiung | | | | |

Note: The managerial officers identified in the name list are the existing managerial officers on the date of publication of the annual report.

(IV) Specify and compare the remuneration to directors, supervisors, presidents, and vice presidents of the Company in proportion to the earnings after tax from the Company and companies included in the consolidated financial statements in the most recent 2 years, and specify the policies, standards, combinations, procedure of decision-making of remunerations and their relation to business performance and future risk.

1. Remuneration analysis for the past 2 years:

Unit: NT\$ thousand

| Year | The Company | | All companies in consolidated statements | |
|--|-------------|--------|--|--------|
| | 2019 | 2020 | 2019 | 2020 |
| Remuneration to directors | 20,850 | 21,000 | 20,850 | 21,000 |
| Remuneration to directors as a percentage of net income (%) | 0.66 | 0.72 | 0.66 | 0.72 |
| Remuneration to the President and Vice President | 41,051 | 41,592 | 46,047 | 45,771 |
| Remuneration to the President and Vice President as a Proportion to Earnings After Tax (%) | 1.30 | 1.42 | 1.46 | 1.56 |

2. The policies, standards, combinations, procedure of decision-making of remunerations and their relation to business performance and future risk:

Pursuant to Article 29-1 of the Article of Incorporation of the Company, the remuneration to directors of the Company shall not be higher than 2%, and the Company operation outcome shall be considered along with the review on individual's contribution to the performance of the Company in order to provide reasonable remunerations. The remunerations of the president, vice presidents and managerial officers shall be determined according to the salary payment standard of the Company and their background as well as business operation performance. To establish the procedure for remuneration, in addition to the consideration of the Company's overall business operation performance, future operating risks of the industry and development trend, the individual performance achievement rate and contribution to the performance of the Company is also considered in order to provide reasonable remuneration, and relevant performance valuation and salary reasonability shall be reviewed by the salary and remuneration committee and board of directors. In addition, the remuneration system shall be reviewed according to the actual operating status and relevant laws appropriately at all times in order to seek the sustainable operation and balance of risk control of the Company.

IV. Corporate governance operating status

(I) Board of Director operation status

In 2020, the Company has held 7 Board of Directors Meeting (A), and the attendance of the directors and supervisors are as follows:

| Job title | Name | Actual number of (listing) attending seats (B) | Attendance by proxy | Actual attendance (listing) of seats percentage (%) [B/A] | Remark |
|----------------------|---|--|---------------------|---|-----------------------------|
| Chairman of Board | Cheng Ming-Chi | 7 | 0 | 100% | Re-elected on June 18, 2019 |
| Director | Tai-Peng Development Corporation: Ji-Yan Liang | 7 | 0 | 100% | Re-elected on June 18, 2019 |
| Director | Tai-Peng Development Corporation representative: Jeng Xi Shih | 7 | 0 | 100% | Re-elected on June 18, 2019 |
| Director | Tai-Peng Development Corporation representative: Blue Lan | 7 | 0 | 100% | Re-elected on June 18, 2019 |
| Director | Chi-Lian Investment Corporation representative: Yung Chang Chan | 7 | 0 | 100% | Re-elected on June 18, 2019 |
| Director | Chi-Lian Investment Corporation representative: Chuang Xun-Po | 6 | 1 | 86% | Joined on June 18, 2019 |
| Director | David Cheng | 7 | 0 | 100% | Joined on June 18, 2019 |
| Director | Lin Pei-Ru | 7 | 0 | 100% | Joined on June 18, 2019 |
| Independent director | Xin-Bin Fu | 7 | 0 | 100% | Joined on June 18, 2019 |
| Independent director | Wu Pei-Jun | 7 | 0 | 100% | Joined on June 18, 2019 |
| Independent director | Huang Shui-Tong | 7 | 0 | 100% | Joined on June 18, 2019 |

Attendance Status of Independent Directors of each time of Board of Directors' Meeting in 2020 ◎: Attended in person; ☆: Attended by a proxy; *: Absent

| 2020 | 2/11 | 3/23 | 5/7 | 7/3 | 8/3 | 11/4 | 12/23 |
|-----------------|------|------|-----|-----|-----|------|-------|
| Xin-Bin Fu | ◎ | ◎ | ◎ | ◎ | ◎ | ◎ | ◎ |
| Wu Pei-Jun | ◎ | ◎ | ◎ | ◎ | ◎ | ◎ | ◎ |
| Huang Shui-Tong | ◎ | ◎ | ◎ | ◎ | ◎ | ◎ | ◎ |

Other notes:

I. Where the operations of the board of directors are subject to any one of the following conditions, the date, session number of board of directors' meeting, proposal content, comments of all independent directors and the resolution of the Company for the comments of the independent directors shall be described:

(I) Matters referred to in the Article 14-3 of the Securities and Exchange Act: The Company has established the Audit Committee, matters referred to in the Article 14-3 of the Securities and Exchange Act are therefore not applicable. For related information, please refer to Audit Committee Operations in this year's annual report.

(II) Except for the aforementioned matters, other resolutions of the board of directors' meeting rejected by the independent directors or reserved comments and are accompanied with records or written declarations: None.

II. For the execution status of the recusal of conflict of interests of directors, the name of the director, proposal content, reasons of recusal and voting participation status shall be described.

(I) The Company's 6th session of the 9th Board held on February 11, 2020

1. Discussion on the 2019 independent directors' remuneration distribution case of the Company. Since directors Xin-Bin Fu, Peng-Chun Wu, and Huang Shui-tung are the interested parties of this case, they have actively recused themselves from the discussion and resolution thereof.

2. Discussion on the 2019 directors' remuneration distribution motion of the Company. Since directors Cheng Ming-Chi, Chen Yung-Chang, Jeng Xi Shih, Blue Lan, Ji-Yan Liang, Hsun-Po Chuang, Pei-Ru Lin, and CHENG DAVID are the interested parties of this case, they have recused themselves from the discussion and resolution thereof.

3. Discussion on the distribution of remuneration to managerial officers motion of the Company. Since directors Cheng Ming-Chi, Blue Lan, and CHENG DAVID are the interested parties of this case, they have actively recused themselves from the discussion and resolution thereof.

(II) The Company's 12th session of the 9th Board held on December 23, 2020

1. Discussion on the 2017 H2 operating bonus distribution motion of the Company's managerial officers. Since directors Cheng Ming-Chi, Blue Lan, and CHENG DAVID are the interested parties of this case, they have actively recused themselves from the discussion and resolution thereof.

III. Evaluation of the implementation of the board of directors:

| Assessment period | Assessment method | Assessment scope | Assessment content | Assessment results |
|-------------------|--|----------------------------|---|--|
| 2020 | Internal self-assessment by the Board of Directors | Overall Board of Directors | A. Degree of participation in company operations. B. Board decision-making quality improvement. C. Board composition and structure. D. Election and continuing education of the directors; and E. Internal Controls. | The total score is five points, and the average score is 4.89 points; the assessment result is excellent, demonstrating that the overall operation of the Board of Directors is complete, and consistent to the spirit of corporate governance. |
| | Self-assessment by the directors | Individual board member | A. Mastering the company's goals and tasks. B. Director's responsibilities. C. Degree of participation in company operations. D. Internal relationship management and communication. E. Director's professional and continuous education. F. Internal Controls. | The total score is five points, and the average score is 4.83 points; the assessment result is excellent, demonstrating that the directors have positive assessments to the efficiency and effectiveness of the operations in the regard of each assessment indicators. |
| | Self-assessment by the directors | Each functional committee | A. Degree of participation in company operations. B. Recognition of the duties of the functional committee C. Improvement in the quality of decision making by the functional committee D. The composition of the functional committee, and election and appointment of committee members E. Internal Controls. | The total score is five points, and the average score is 4.96 points; the assessment result is excellent, demonstrating that the members of functional committees have positive assessments to the efficiency and effectiveness of the operations in the regard of each assessment indicators. |

IV. Measures undertaken during the current year and past year in order to strengthen the functions of the board of directors:

(I) The Company has enacted the meeting rules for directors' meetings pursuant to the laws. The functions and operations of the board all comply with the rules and related laws. The internal chief auditor will also attend the directors' meeting to report on the status of the internal audit.

(II) Directors may communicate with the chief auditor and CPAs via phone, fax or email.

- (III) The Company elected 8 ordinary directors and 3 independent directors on June 18, 2019. The Audit Committee is made up of all the independent directors. As of December 31, 2020, none of the three independent directors has had a continuous term of more than 9 years.
- (IV) The Company has established the "Self-Evaluation or Peer Evaluation of the Board of Directors" to evaluate the performance of the Board of Directors at least once per year. In 2020, the performance of the Remuneration and Audit Committee were also evaluated.

(II) Audit Committee Operations

The company met 6 times in the Audit Committee in 2020 (A); independent directors' attendance was as follows:

| Job title | Name | Actual number of attending seats (B) | Attendance by proxy | Actual attendance rate (%) 【B / A】 | Remark |
|---|--|---|---|------------------------------------|--------|
| Convener | Xin-Bin Fu | 6 | 0 | 100% | |
| Member | Wu Pei-Jun | 6 | 0 | 100% | |
| Member | Huang Shui-Tong | 6 | 0 | 100% | |
| <p>I. The main function of the Audit Committee is to supervise the following matters:</p> <p>(I) Fair presentation of the financial reports of the Company</p> <p>(II) The hiring (and dismissal), independence, and performance of CPAs.</p> <p>(III) The effective implementation of the internal control system of the Company</p> <p>(IV) Compliance with relevant laws and regulations by the Company</p> <p>(V) Management of the existing or potential risks of the Company.</p> <p>II. The powers of the Audit Committee are as follows:</p> <p>(I) The adoption of or amendments to the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.</p> <p>(II) Assessment of the effectiveness of the internal control system.</p> <p>(III) 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.</p> <p>(IV) Matters in which a director is an interested party.</p> <p>(V) Asset transactions or derivatives trading of a material nature.</p> <p>(VI) Loans of funds, endorsements, or provision of guarantees of a material nature.</p> <p>(VII) The offering, issuance, or private placement of equity-type securities.</p> <p>(VIII) The hiring or dismissal of a certified public accountant, or their compensation.</p> <p>(IX) The appointment or discharge of a financial, accounting, or internal audit officer.</p> <p>(X) Annual financial reports signed or sealed by the Chairman, managerial officers, and accounting officer, and the Q2 financial reports audited and certified by the CPAs.</p> <p>(XI) Other material matters as may be required by this Corporation or by the competent authority.</p> <p>The matters under the preceding paragraph shall be subject to the approval of one half or more of the entire membership of the Committee and shall be submitted to the board of directors for a resolution.</p> <p>Any matter in the paragraph 1, with the exception of subparagraph 10, that has not been approved by one half or more of the entire membership of the Committee may be adopted with the approval of two thirds or more of the entire board of directors.</p> <p>III. Other notes:</p> <p>(I) If there any of the following situations arise the operation of the Audit Committee, the date of the board meeting should be stated, as well as the period, and motion content, the results of the Audit Committee's resolutions and the Company's handling of the Audit Committee's comments:</p> <p>1. Matters listed in Article 14-5 of the Securities and Exchange Act</p> <p>2. Except for pre-opening matters, other resolutions that have not been approved by the Audit Committee but have been approved by two-thirds or more of all directors</p> | | | | | |
| | | | | | |
| Board of directors | Proposal content and subsequent treatment | Items listed in Article 14-5 of the Securities and Exchange Act | Resolutions not approved by the Audit Committee but approved by two thirds or more of all directors | | |
| May 7, 2020 Eighth meeting of the 9th | 1. Proposal for the 2020 issuance of restricted employee shares. | V | None | | |
| | 2. Proposal of the Company's indirect investment in the | V | None | | |

| | | | |
|--|--|---|------|
| session | mainland | | |
| | Audit Committee Resolution Results (May 7, 2020): All members of the audit committee agreed to pass. | | |
| | The company's handling of the opinions of the audit committee: All directors present agreed to pass. | | |
| 2020.7.3 Ninth meeting of the 9th session | 1. Revision of the Company's indirect investment in the mainland | V | None |
| | 2. Proposal of the Company's plan to purchase land | V | None |
| | Audit Committee Resolution Results (July 3, 2020): All members of the audit committee agreed to pass. | | |
| | The company's handling of the opinions of the audit committee: All directors present agreed to pass. | | |
| August 3, 2020 Tenth meeting of the 10th session | 1. Amendment of the Company's "Internal Control Systems" | V | None |
| | 2. Proposal for the loan of funds to subsidiaries | V | None |
| | Audit Committee Resolution Results (August 3, 2020): All members of the audit committee agreed to pass. | | |
| | The company's handling of the opinions of the audit committee: All directors present agreed to pass. | | |
| November 4, 2020 11th meeting of the 9th session | 1. Proposal of fund raising plan of the Company | V | None |
| | 2. Proposal of the Company's plan to purchase land | V | None |
| | Audit Committee Resolution Results (November 4, 2020): All members of the audit committee agreed to pass. | | |
| | The company's handling of the opinions of the audit committee: All directors present agreed to pass. | | |
| December 23, 2020 12th meeting of the 9th session | 1. Review the proposal of 2021 capital expenditure budgets | V | None |
| | Audit Committee Resolution Results (December 23, 2020): All members of the audit committee agreed to pass. | | |
| | The company's handling of the opinions of the audit committee: All directors present agreed to pass. | | |

IV. Implementation status for the recusal of interest of independent directors, including the name of the independent director, the content of the proposal, the reasons for recusal and voting status: None

V. Communication between the independent directors and internal chief auditor and CPAs:

(I) Communication between the internal audit supervisor and the Audit Committee:

1. The internal audit supervisor summarizes the internal audit business report to the Audit Committee on a regular basis every quarter.
2. From time to time communicate, guide and respond by phone, email or in person.
3. If there are special circumstances of importance, they may also be immediately reported to the members of the Audit Committee.

(II) Communication between accountants and the Audit Committee:

1. The Company's CPAs communicate with the Audit Committee from time to time, reporting to the members of the Audit Committee on the latest laws or financial statements review or audit results and internal control audits.

(III) The communication channels between independent directors of the company, internal audit supervisors and CPAs are smooth and diversified. The specific communication matters between independent directors and internal audit supervisors and CPAs in 2020 were as follows:

| Date | Method | Communication on counterparty | Communication items | Result |
|----------------------|---------------------------------------|-------------------------------------|---|---|
| February 11, 2020 | Report to the Audit Committee | Audit Supervisor | Evaluation report on the effectiveness of the internal control system. | Fully communicated and discussed, the design and implementation of the internal control system approved by the board of directors in 2019 was deemed effective. The report was submitted to the Board of Directors for resolution. |
| August 3, 2020 | Report to the Audit Committee | Audit Supervisor | Amendment of the Company's "Internal Control Systems" | Fully communicated and discussed, and the Audit Committee passed the Amendments to the "Internal Control Systems" and submitted them to the board of directors for resolution. |
| May 7, 2020 | Corporate Governance Conference | CPA | The independence and adequacy assessment for the Company's certified public accountants | Fully communicated and discussed. |
| December 23, 2020 | Report to the Audit Committee | Audit Supervisor | Report the 2021 internal audit plan. | Fully communicated and discussed, and the Audit Committee passed the "Internal Audit Plan for 2021" and submitted it to the board of directors for resolution. |

(III) Status of corporate governance, and any nonconformity to the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies

| Item | Status | | | Deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof |
|---|--------|----|--|--|
| | Yes | No | Summary | |
| I. Whether the Company has enacted and disclosed its corporate governance best-practice principles according to the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”? | ✓ | | The Company has established the corporate governance best-practice principles according to the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” which has been disclosed on the Company’s website. | No deviation |
| II. Equity structure and shareholders’ equity | | | | |
| (I) Whether the Company has defined its internal operating procedure for processing shareholders’ suggestions, questions, disputes and legal actions, and implemented the procedure strictly? | ✓ | | (I) The Company entrusted the shareholder service agent to handle the same on behalf of the Company, and also delegated the spokesman, deputy spokesman, and staff dedicated to investor relation and shareholder service to handle the suggestions, questions, disputes and litigation actions of shareholders. | No deviation |
| (II) Whether the Company has control over the list of major shareholders and the controlling parties of such shareholders? | ✓ | | (II) The Company publishes the changes in shareholding of the insiders on the MOPS on a monthly basis, and maintains excellent relations with investors. | No deviation |
| (III) Whether the Company establishes the risk control mechanism and firewall between the Company and its affiliates? | ✓ | | (III) The Company and its affiliated companies operate independently, and each of them has defined its internal control system and regulations. The Company also defined the regulations governing supervision of subsidiaries and implemented the same. | No deviation |
| (IV) Whether the Company has defined its internal regulations to prohibit the insiders from trading securities by means of the information undisclosed in the market? | ✓ | | (IV) The Company has established the “Insider Trading Prevention Management Operating Procedures” and “Ethical Management Rules” which clearly specify the prohibitions on insider trading and non-disclosure agreement. | No deviation |
| III. Organization and responsibility of board of directors | | | | |
| (I) Whether the board of directors has defined diversified policies toward formation of | ✓ | | (I) The Company conducted an election for the 9th Board in June 2019 based on the diverse directives in order to have 11 seats of directors (including 3 seats of independent directors), where 2 members of | No deviation |

| Item | Status | | Summary | Deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof |
|---|--------|----|--|--|
| | Yes | No | | |
| members and implemented the same strictly? | | | the Board are female. The professional knowledge and technical skill backgrounds of directors span across various aspects and industries of financial/accounting, technology, management and law... and are equipped with the knowledge, skills and qualities necessary for executing the duties. | |
| (II) Whether the Company is willing to establish other functional committees pursuant to laws, in addition to Remuneration Committee and Audit Committee? | ✓ | | (II) The Company has established the Remuneration Committee and Audit Committee in accordance with the law; other functional members may be established according to the actual needs of the Company. | No deviation |
| (III) Has the company established the Regulations Governing the Board Performance Evaluation and its evaluation methods, and does the company perform a regular performance evaluation each year and submit the results of performance evaluations to the Board of Directors and use them as reference in determining compensation for individual directors, their nomination, and additional office terms? | ✓ | | (III) The Company has formulated the “Regulations Governing the Board Performance Evaluation” and uses methods such as self-evaluation for Board members and overall Board self-evaluation which may be carried out by others. The performance of the Board must be evaluated at least once per year and the performance evaluation result must be submitted to the next Board meeting after the end of each year. The Company’s Board performance result shall be used as a reference base for election or nomination for directors; each Board member’s performance result shall be used as a reference base for the determination of their individual remuneration. Please refer to Page 22 of the Annual Report for the related assessments. | No deviation |
| (IV) Whether the Company periodically evaluates the impartiality and independence of the independent CPA? | ✓ | | (IV) The Company performs the evaluation on the impartiality and independence of the independent CPA at least once annually, and the last evaluation result has been submitted to the board of directors on December 23, 2020 for approval. For the appraisal on independence of the independent auditor, please see Page 33 of the annual report. | No deviation |
| IV. Is the company a TWSE/TPEX listed company, and has the company designated an appropriate number of personnel that specialize (or are involved) in corporate | ✓ | | The financial division of the Company is staffed with the full-time (part-time) employees for handling the company governance related affairs and such personnel are respectively responsible for: 1. Prepare information needed for the Board to carry out their duties | No deviation |

| Item | Status | | | Deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof |
|--|--------|----|---|--|
| | Yes | No | Summary | |
| governance affairs (including but not limited to providing directors/supervisors with the information needed and assist directors and supervisors in complying with the laws and regulations to perform their duties, convention of board meetings and shareholders meetings, preparation of board meeting and shareholders meeting minutes, etc)? | | | and assist in the compliance of laws and regulations. 2. Handle meeting matters in connection to Shareholders meetings, Board meetings and their Committees in accordance with the law. 3. Assist in facilitating and strengthening corporate governance. | |
| V. Whether the Company establishes the communication channels with interested parties (including but not limited to shareholders, employees, customers and suppliers etc.) and sets up the section exclusively for interested parties on the Company's website as well as responds to the important CSR issues concerned by the interested parties properly? | ✓ | | 1. The website of the Company is set up with the exclusive section for interested parties and maintains fair communication with shareholders, employees and suppliers via IR, shareholders' service, legal affairs, financial and other dedicated units by phone, fax and E-mail from time to time. 2. The Company's website is also equipped with the anti-corruption complaining mailbox. The Company also demands that colleagues and suppliers shall avoid unethical conduct and conflict of interest. Any case against the statement of integrity may be complained via 109@flexium.com.tw, in order to protect suppliers' interest and right. 3. The CSR Committee conducts regular discussions regarding material issues on aspects of economy, society and environment each year as well as the achievement status of all units and plans for future directions. Related results and discussions alongside suggestions of CSR are compiled and reviewed by the Chair of the Committee then submitted to the Board for report. | No deviation |
| VI. Whether the Company appoints a professional shareholder service agent to handle the affairs related to shareholders' meetings? | ✓ | | The Shareholder Service Agent of Yuanta Securities appointed by the Company meets the qualifications defined under the Regulations Governing the Administration of Shareholder Services of Public Companies. | No deviation |
| VII. Disclosure of information | | | | |

| Item | Status | | | Deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof |
|---|--------|----|--|--|
| | Yes | No | Summary | |
| (I) Whether the Company has established a website for disclosure of its financial position and status of corporate governance? | ✓ | | (一) The Company has established a website (www.flexium.com.tw) in Chinese, English and Japanese, disclosing the financial and company governance information, and dedicated personnel are responsible for the maintaining the update of the information. In addition, relevant information can be searched through the public information observation station. | No deviation |
| (二) Has the Company adopted other information disclosure methods (such as, establishing an English website, designating a responsible person for collecting and disclosing information of the Company, substantiating the spokesman system, placing the juristic person seminar program on the Company's website, etc.)? | ✓ | | (II) The Company has designated dedicated personnel (Financial Department personnel) to collect and disclose the information in order to control the Company's external information, and also appoints spokesman and deputy spokesman in order to disclose the latest and correct information of the Company via newspaper or important information irregularly. In addition, the information related to the overview of finance and business disclosed at the Company investors' meeting has been input into the MOPS per the requirements by TWSE. | No deviation |
| (三) Whether the company announces and declares its annual financial report within two months after the end of the fiscal year, and announces and declare the first, second, and third quarter financial reports and the monthly operating situation as early as possible within the prescribed time limit? | ✓ | | (III) The Company announces and declares its annual financial report within two months after the end of the fiscal year, and announces and declare the first, second, and third quarter financial reports and the monthly operating situation as early as possible within the prescribed time limit, as required by the regulations. For the disclosure of the aforesaid information please see MOPS (https://mops.twse.com.tw/mops/web/index). | No deviation |
| VIII. Whether the Company has other important information helpful in understanding the Company governance operation status? | | | | |
| (I) Employees' rights and benefits and Employees' care: The Company has handled the matter according to the Labor Standards Act and the human resource regulations in order to ensure that the employee welfare, pension system and various welfares are properly protected. | | | | |
| (II) Investor relations: The Company delegates dedicated personnel to disclose the important messages about finance, business and changes of insiders' shareholdings on the "MOPS" per the relevant requirements in a timely manner, in order to make the information public and transparent. There are also a spokesperson and an acting spokesperson and a company website has been set up to disclose related information required by regulations. | | | | |
| (III) Supplier relations: The Company has defined the supplier management procedure to assess the environmental protection, safety and health, and green product of the suppliers, and to integrate the procurement procedure in order to be used as reference for the selection of suppliers. In addition, the Company's | | | | |

| Item | Status | | | Deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof |
|------|--------|----|---------|--|
| | Yes | No | Summary | |

website is also equipped with the anti-corruption complaining mailbox. The Company also demands that colleagues and suppliers shall avoid unethical conduct and conflict of interest. Any case against the statement of integrity may be complained via 109@flexium.com.tw, in order to protect suppliers' interest and right.

(IV) Rights of stakeholders: The Company maintains fair communication channels with employees, customers and suppliers to maintain both parties' legal interest and right. The Company's website also provides the "Investor Relations" to disclose the Company's financial and stock information, and the spokesperson is delegated to answer investors' questions.

(V) Continuing education of directors:

| Name of director | Date of continued education | Organizer | Course name/organizer | Number of hours of education |
|-----------------------|-----------------------------|---|---|------------------------------|
| Director Ji-Yan Liang | 2020/11/12 | Taiwan Corporate Governance Association | ESG economic trends and capital markets | 3.0 |
| | 2020/11/12 | Taiwan Corporate Governance Association | How to avoid to cross the red line of concerted actions by accident | 3.0 |

(VI) Status of implementation of risk management policy and risk measurement standards: Please refer to "VI. Risk analysis and Evaluation" on page 97 of this annual report.

(VII) Implementation of customer service policy: The Company keeps in touch with customers closely and advises the customers of the products benefiting them and ensure that the products meet the reliability and quality as expected. Meanwhile, the Company will take part in the customers' social responsibility boosting plans actively and integrate any new views and approaches into the Company's management system.

(VIII) Status of liability insurance purchased by the Company for directors/supervisors:

| Insured Object | Insurance Company | Amount Insured (NT\$) | Insurance Period |
|-------------------------------|-------------------|-----------------------|----------------------------------|
| All directors and supervisors | Chubb Limited | 248,768,000 | August 1, 2019 to August 1, 2020 |
| All directors and supervisors | Chubb Limited | 236,016,000 | August 1, 2020 to August 1, 2021 |

| Item | Status | | | Summary | Deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof |
|------|--------|----|--|---------|--|
| | Yes | No | | | |

(IX) Status of individual director implementing the policy on diversity of members of board of directors: The diversification implementation of each director is as follows:

| Name of director | Gender | Main academic qualification | Industry experience | Academic experience | Business management ability | Professional field |
|------------------|--------|--|---------------------|---------------------|-----------------------------|--|
| Cheng Ming-Chi | Male | National Sun Yat-sen University | V | | V | Financial/accounting and business administration |
| Chen Yong-Chang | Male | Department of Law, National Taiwan University | V | | V | Law |
| Ji-Yan Liang | Male | Graduate School of Business Administration of National Chengchi University | V | V | V | Business Administration |
| Jeng Xi Shih | Male | Department Of Mechanical Engineering, National Cheng Kung University | V | | V | Production management and business administration |
| Blue Lan | Male | PhD in Business Management of National Sun Yat-sen University | V | | V | Law and business administration |
| Chuang Xun-Po | Male | Madou Gang Wei Elementary School | V | | V | Business Administration |
| Cheng David | Male | University of California, Irvine Electrical Engineering | V | | V | Business Administration |
| Lin Pei-Ru | Female | NCHU Department of Foreign Languages and Literatures. | V | | V | Business Administration |
| Xin-Bin Fu | Male | Ph.D., Institute of Engineering, National Chiao Tung University | V | V | V | Financial/accounting and business administration |
| Wu Pei-Jun | Female | Completed Doctor of Laws degree at Keio University, Japan | | V | V | Accounting, auditing, financial, tax and economics |
| Huang Shui-Tong | Male | Master of Law, Chinese Cultural University | | | V | Law |

| Item | Status | | | Deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof |
|---|--------|----|---------|--|
| | Yes | No | Summary | |
| (X) Succession planning and implementation for the Company's board members and important members of management: | | | | |
| 1.Succession planning for board members: Regarding the succession planning of the board of directors, at present, the group has many senior management professionals. Therefore, the Company has a sufficient talent pool to take over vacancies among future directors. As for independent directors, the law requires they must have work experience in business, legal affairs, finance, accounting or the company's industry. The supply of such professionals in this country is not lacking. In the company's planning, therefore, the succession of independent directors may be drawn from industry. | | | | |
| 2.Succession planning for important members of management: Employees of the Company above the division level constant important levels of management. There are currently 16 such individuals. Each one of them has completed his or her departmental responsibilities and work instructions and trained a stand-in for their respective positions. In addition, rotation of key personnel is undertaken across departments according to development strategies, various investment plans, and employee retirement status. This aims to train personnel in various fields to facilitate transmission of talent. | | | | |
| IX. Please explain the improvements made, based on the latest Corporate Governance Evaluation results published by TWSE Corporate Governance Center, and propose enhancement measures for any issues that are yet to be rectified: The Company was ranked among the top 21%~35% companies in the "Corporate Governance Evaluation" by TWSE. The explanations are provided for these items failed to score only, as the following: | | | | |
| 1. Established the functional committees other than the statutory ones, and the majority of the members of such committees are independent directors, with their composition, functions, and operation. | | | | |
| 2. The interim financial reports are disclosed in English on the company's website or MOPS. | | | | |
| 3. The Company will continue evaluating the possible improvement programs for these items failed to score. | | | | |

CPA independence assessment table

| Evaluation index | Specific index | Assessment item | Yes | No | Remark |
|------------------|--|--|-----|----|--------|
| Independence | CPA independence | I. Whether or the independent auditor does not act as director of the Company or its affiliated Company? | V | | |
| | | II. Whether the CPA is a shareholder of the Company or its affiliates’? | V | | |
| | | III. Does the independent auditor receive salary from the Company or its affiliated Company? | V | | |
| | | IV. Whether the independent auditor confirms that his/her CPA firm has already complied with the requirements about independence. | V | | |
| | | V. Whether any CPA co-working with the independent auditor in the CPA firm does not act as director or managerial officers of the Company or hold any position which will affect the audited case materially within one year upon resignation from the position? | V | | |
| | | VI. The independent auditor has not provided the Company with audit service for seven years consecutively. | V | | |
| | | VII. Whether the independent auditor meets the requirements about independence referred to article 10 in the CPA Code of Professional Ethics. | V | | |
| Appropriateness | Financial report quality | I. Whether the annual financial statement is completed two months after the end of fiscal year. | V | | |
| | | II. Whether semi-annual financial statement is completed within one month after the end of half year. | V | | |
| | | III. Whether the first quarter and third quarter financial reports are completed within one month after the end of the first quarter and third quarter . | V | | |
| | Communication and interaction status with the management level | I. Whether excellent communication channels are maintained with the Company management level and directors. | V | | |
| | | II. Whether the Company can be informed of the status of the change of laws immediately. | V | | |

(IV) Status of establishment, functions and operations of Remuneration Committee

1. Information about Remuneration Committee members

| ID | Qualifications | More than 5 years of experience and the following professional qualifications | | | Status of independence (Note) | | | | | | | | | | Number of public companies where the person holds the title as Remuneration Committee member | Remark | |
|----------------------|-----------------|---|---|--|-------------------------------|---|---|---|---|---|---|---|---|----|--|--------|--|
| | | Lecturer or above in commerce, law, finance, accounting or subjects required by the business of the company in public or private colleges or universities | Judge, public prosecutor, attorney-at-law, 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. | Required work experience in commerce, law, finance, accounting or others required by the Company | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | | | |
| Independent director | Xin-Bin Fu | Yes | No | Yes | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 | |
| Independent director | Wu Pei-Jun | Yes | No | Yes | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 1 | |
| Independent director | Huang Shui-Tong | No | Yes | Yes | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 | |

Note: place a "✓" in the box below if the member met the following conditions during the time of active duty and two years prior to the elected date.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates (the same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary).
- (3) Not a natural-person shareholder or holder of shares, together with those held by a spouse, minor children, or held by the person under other names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranking within the top 10 in holdings.
- (4) Not a managerial officer listed in criteria (1) or a spouse, relative of second degree, or direct kin of third degree or closer to persons not qualified for criteria (2) and (3).
- (5) Not a director, supervisor, or employee of a juristic-person shareholder that directly holds five percent or more of the total number of issued shares of the Company or of a juristic-person shareholder that ranks among the top five in shareholdings according to Paragraph 1 or Paragraph 2 Article 27 of the Company Act (the same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary).
- (6) Not a director, supervisor, or employee of another company controlled by the same person with more than half of the shares with voting rights on the company's board of directors. (However, in the case of independent directors established and concurrently serving in the company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this law or local laws, this limitation shall not apply.)
- (7) Not a director, supervisor, or employee of another company or institution whose chairman, general manager, or equivalent position is the same person as that of the Company, or the spouse thereof. (However, in the case of independent directors established and concurrently serving in the company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this law or local laws, this limitation shall not apply.)

- (8) Not a director, supervisor, managerial officer, or shareholder holding more than 5% of a specified company or institution that has a financial or business relationships with the Company (the same does not apply, to certain companies or institutions holding more than 20% of the total issued shares of the Company, but no more than 50% and 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 the Company and its parent or subsidiary or a subsidiary of the same parent).
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting, or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative remuneration exceeding NT\$500,000, or a spouse thereof. This restriction does not apply to a member of the salary and Remuneration Committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Not under any circumstances as stipulated in Article 30 of Company Act.

2. Information about status of Remuneration Committee

(1) The Company's Remuneration Committee consists of 3 members.

(2) The company met 2 times in the Remuneration Committee in 2020 (A); members' attendance was as follows:

| Job title | Name | Actual number of attending seats (B) | Attendance by proxy | Attendance rate (%) (B/A) | Remark |
|-----------|-----------------|--------------------------------------|---------------------|---------------------------|-------------------------|
| Convener | Xin-Bin Fu | 2 | 0 | 100.00 | Joined on June 18, 2019 |
| Member | Wu Pei-Jun | 2 | 0 | 100.00 | Joined on June 18, 2019 |
| Member | Huang Shui-Tong | 2 | 0 | 100.00 | Joined on June 18, 2019 |

I. Scope of Duties
The Committee shall exercise the care of a good administrator to faithfully perform the following duties and present its recommendations to the board of directors for discussion.

(I) Periodically reviewing this Charter and making recommendations for amendments.

(II) Establishing and periodically reviewing the performance assessment standards, and the policies, systems, standards, and structure for the remuneration of the directors and managerial officers of the Company.

(III) Periodically reviewing the remuneration of the directors and managerial officers of the Company.

II. The Committee shall perform the duties under the preceding paragraph in accordance with the following principles:

(I) Ensuring that the remuneration arrangements of this Corporation comply with applicable laws and regulations and are sufficient to recruit outstanding talent.

(II) Performance assessments and compensation levels of directors and managerial officers shall take into account the general pay levels in the industry, and the reasonableness of the correlation between the individual's performance and the Company's operational performance and future risk exposure.

(III) There shall be no incentive for the directors or managerial officers to pursue remuneration by engaging in activities that exceed the tolerable risk level of the Company.

(IV) For directors and senior managerial officers, the percentage of remuneration to be distributed based on their short-term performance and the time for payment of any variable compensation shall be decided with regard to the characteristics of the industry and the nature of the Company's business.

(V) No member of the Committee may participate in discussion and voting when the Committee is deciding on that member's individual compensation.

III. Other notes:

(I) If the Board of Directors declines to adopt or modify a recommendation of the Remuneration Committee, the date, session, topic discussed and the resolution of the Board meeting and handling of the resolution of the Remuneration Committee shall be specified (if the compensation package approved by the Board is better than the recommendation made by the committee, please specify the

discrepancy and its reason): None.

(II) As to the resolution of the Remuneration Committee, if a member expresses any objection or reservation, either by recorded statement or in writing, the date, session and topic discussed of the committee meeting, all members' opinions and handling of members' opinions shall be specified: None.

(III) Discussions and resolution results of the Remuneration Committee:

| Remuneration Committee | Proposal content and subsequent treatment | Resolution result | The Company's handling of the Remuneration Committee's opinions |
|---|---|----------------------------------|--|
| 2020.2.11 3rd meeting of the 4th session | Proposal for 2019 distribution of directors' remunerations Proposal for 2019 distribution of employees' remunerations to managerial officers | All members agreed to pass | The board of directors was approved by all the directors present |
| December 23, 2020 4th meeting of the 4th session | Proposal for 2H-2020 operating bonus distribution for Company managers Proposed salary adjustment for Company managers | All members agreed to pass | The board of directors was approved by all the directors present |

(V) The state of the company's performance of social responsibilities, any deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies:

| Item | Status | | Summary | Deviation from the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof | | | |
|--|----------------------------|---|---|---|----------------------|--|--|
| | Yes | No | | | | | |
| I. Whether the company follows the principle of materiality, conducts risk assessments on environmental, social and corporate governance issues related to company operations, and formulates relevant risk management policies or strategies? | ✓ | | (I) In order to respond to various operational risks, the Company conducts annual risk assessments of the environment, health and safety, business ethics, and labor human rights related to the Company's business activities to identify and evaluate the relative importance of each risk. It implements appropriate procedures and physical control measures, and sets up processes to ensure compliance and control identified risks. These processes include its "Labor Human Rights and Business Ethics Risk Assessment Management Methods," "Environmental Assessment Assessment Management Procedures," and "Hazard Identification and Risk Assessment Management Procedures." | No deviation | | | |
| | | | Aspect | | Material issue | Importance of risk assessment | Policies or strategies of risk management |
| | | | Economy/ governance | | Corporate governance | Safeguard the interests of shareholders and treat shareholders equally; strengthen the structure and operation of the Board of Directors | 1. At least one investor conference is convened every quarter. 2. At least six meetings of the Board of Directors are convened every year. |
| | | | | | Management of ethics | The Company must conduct business activities based on the principles of fairness, honesty, trustworthiness and transparency. | 1. The Company must be committed to the highest standards of ethics when dealing with employee, company and customer issues. 2. In the course of performing business, practitioners are absolutely prohibited from directly or indirectly providing, accepting, promising or requesting any improper benefits, or engaging in other conducts unethical, illegal or breach of fiduciary obligations. |
| Environment | Water resources management | Establish the professional environmental leadership, enhance personal environmental sensitivity, and guide positive environmental values, to further expand the level of engagement, and enhance environmental literacy and deal with environmental issues, seeking to gain customer confidence and establish a new model of green factory. | 1. Reduce the consumption of fresh water. 2. The water used in production line is collected, recycled and reused. 3. Introduce new technology and recycling equipment. 4. Introduce new technology for recycling heavy metal. | | | | |
| | Energy management | | 1. Increase the use of green energies. 2. Use energy-efficient equipment to reduce energy waste. | | | | |

| Item | Status | | | Summary | Deviation from the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof | | | | | | | | |
|--|--------------------------------|--|--|--|---|------------------|--|---|--------|--------------------------------|--|--|--|
| | Yes | No | | | | | | | | | | | |
| | | | | <table border="1"> <tr> <td></td> <td>Waste management</td> <td></td> <td>Implement garbage classification, reduce the output of general waste and increase the output of recyclable resource waste, reduce the volume of waste liquid removal, and improve the resource treatment of heavy metals.</td> </tr> <tr> <td>Social</td> <td>Occupational safety and health</td> <td>In the regards of safety, the Company has applied for a national excellent occupational safety enterprise; in the regard of health, the Company moves towards a healthy workplace.</td> <td> 1. Reduce occupational hazards: through weekly work safety patrol and inspection by management-level supervisors, improvements are made to potential hazards. 2. Healthy workplace: through health promoting activities, employees may relax physically and mentally. </td> </tr> </table> | | Waste management | | Implement garbage classification, reduce the output of general waste and increase the output of recyclable resource waste, reduce the volume of waste liquid removal, and improve the resource treatment of heavy metals. | Social | Occupational safety and health | In the regards of safety, the Company has applied for a national excellent occupational safety enterprise; in the regard of health, the Company moves towards a healthy workplace. | 1. Reduce occupational hazards: through weekly work safety patrol and inspection by management-level supervisors, improvements are made to potential hazards. 2. Healthy workplace: through health promoting activities, employees may relax physically and mentally. | |
| | Waste management | | Implement garbage classification, reduce the output of general waste and increase the output of recyclable resource waste, reduce the volume of waste liquid removal, and improve the resource treatment of heavy metals. | | | | | | | | | | |
| Social | Occupational safety and health | In the regards of safety, the Company has applied for a national excellent occupational safety enterprise; in the regard of health, the Company moves towards a healthy workplace. | 1. Reduce occupational hazards: through weekly work safety patrol and inspection by management-level supervisors, improvements are made to potential hazards. 2. Healthy workplace: through health promoting activities, employees may relax physically and mentally. | | | | | | | | | | |
| II. Does the company have a specific (or part-time) unit set up to promote corporate social responsibility, have the management been authorized by the Board of Directors to handle matters and report the processing results to the Board of Directors? | ✓ | | | (I) The Company has set up a CSR Decision-Making Committee with its Chair served by the Chairman and a group of managers of first-level unit as its members of the Decision Making Committee. Under the Committee, there is a management representative which is served by the Director of Administration Division leading 5 aspects of matters relating to labor rights, health and safety, environmental protection, business ethics and management system. Members cover related departments of each issue and regular management review meetings are held to ensure the normal operation of the CSR management system. CSR budgets, management plans, implementation process are formulated every 6 months and the management representative reports to the Board meeting at least once each year. | No deviation | | | | | | | | |
| III. Environmental Issues (I) Does the company have an appropriate environmental management system established in accordance with its industrial character? | ✓ | | | (I) The operations of environmental management system (ISO14001) may control the air pollutants, water pollutants and waste derived from the production process in the plant. Meanwhile, the Company will apply for the related permits with the local competent authorities. 1. Air pollution: Acquired the “fixed pollution source operating permit” from the environmental protection authority; to install the washing tower to process waste gas to meet the emission standard required under laws; to entrust the inspection organization | No deviation | | | | | | | | |

| Item | Status | | Summary | Deviation from the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof |
|---|--------|----|--|---|
| | Yes | No | | |
| (II) Is the company committed to enhance the utilization efficiency of resources and use renewable materials that are with low impact on the environmental? | ✓ | | <p>recognized by Environmental Protection Administration to inspect the emission pipelines periodically.</p> <p>2. Water pollution: Acquired the “water pollution prevention permit”; the waste water generated from the production process will be processed by the basic waste water processing equipment in the plant, and then it is emitted to the waste water treatment plant in Dafa Industrial Park only reaching the standard of the waste water treatment plant in Dafa Industrial Park.</p> <p>3. Management of waste: To acquire the “waste disposal plan” approved by the environmental protection authority; to boost the waste reduction and classification management, and commission the disposal service providers approved by Environmental Protection Administration to process the waste.</p> <p>(2) The Company is committed to the use of recycled water resources, to reduce the volume of waste water, and make good use of water resources. In 2020, via the water recycling system and the increase in the use of recycled water projects (such as cooling water, and replenishment of water for scrubbers), the volume of recycled water was 242,178 tons. It also has required qualified resource recycling companies to convert the recycled precious metals into usable resources, while introducing a new technology for heavy metal recycling: high-performance copper waste liquid electrolytic recovery equipment, to recycle the copper-containing waste liquid in the plant, greatly reducing copper ions in discharged waste water, and reducing the environmental impact caused by pollutant discharge. Copper rods with a purity of >99% were produced.</p> | No deviation |
| (III) Does the company assess the potential risks and opportunities of climate change for the company now and in the future, and take measures to deal with climate-related issues? | ✓ | | (III) In response to the impact of climate change on business operations, the Company is committed to energy saving and carbon reduction and water resource management and waste reuse goals and policies, in addition to the annual voluntary investigation of greenhouse gas emissions. It also conducts inventory and assessment of the feasibility of reuse of production line drainage and waste, reducing environmental impact and increasing environmental friendliness. | No deviation |

| Item | Status | | Summary | Deviation from the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof |
|---|--------|----|--|---|
| | Yes | No | | |
| (IV) Does the company count greenhouse gas emissions, water consumption and the volume of total waste in the past two years, and formulate policies for energy saving and carbon reduction, greenhouse gas reduction, water management or other waste management? | ✓ | | (IV) The company's implementation of environmental issues in the past two years is as follows: 1. In 2019 and 2020, greenhouse gas emissions were 23,333.955 and 26,904.28 tons of CO ₂ e, respectively. The Company gradually replaces equipment with higher energy consumption and lower efficiency every year. In 2020, the outlet temperature of the chiller units in the air-conditioning system was increased by 1 degree, reducing the power consumption of the chiller unit by 2.5%. In addition to meeting the room temperature requirements of the production line, it also implements the energy saving goals. At the same time, an assembling line power consumption monitoring mechanism has been introduced, to separately determine the reasonable power consumption of each machine during production, and use "reasonable power consumption" to control the power consumption of the production line when it is not in production. 2. Water consumption of tap water in 2019 and 2020 was 732,384 units and 911,198 m ³ , respectively. The Company sets an annual target for improving the reuse rate of recycled water in order to reduce the demand for tap water. In 2020, the recycle volume of the whole plant increased 103% from 2019. 3. The amount of waste generated in 2019 and 2020 was 2,541 tons and 3,218 tons, respectively. The copper waste liquid electrolytic recovery equipment recovered total of 10,481kg of copper rods were recovered. | No deviation |
| IV. Social Issues (I) Whether or not the Company has defined related management policies and procedures per the relevant laws and international human right convention? | ✓ | | (I) The Company has comprehensively considered relevant international standards, including international labor certification (Social Accountability 8000) and the Code of Conduct-Responsible Business Alliance (RBA). It has developed the "Flexium Interconnect Corporate Social Responsibility Policy" to ensure the safety of the working environment, the protection and respect of employees' rights and interests, the implementation of pollution prevention in the process and products, and the fulfillment of social responsibilities. The Company maintains the life insurance, health insurance, and sickness/injury insurance for all employees (including full-time, part-time and temporary workers), and also offers the childbirth/child raising leave and pension fund. The | No deviation |

| Item | Status | | Summary | Deviation from the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof |
|--|--------|----|---|---|
| | Yes | No | | |
| | | | Company also controls the working hours as permitted by laws, and also install the reminding and pre-alarm function for overtime hours in the attendance appraisal management system. HR Dept. and system will provide various data and automated notice to provide the management and employees with suggestions effectively. The Company's factory premises will also organize the labor-management meeting periodically. Important labor terms and conditions will be implemented upon resolution of the labor-management representatives from each plant to ensure that employees' interest and right and opinion are respected. | |
| (II) Whether the company has formulated and implemented reasonable employee welfare measures (including salary, vacation and other benefits, etc.), and appropriately reflects business performance or results in employee compensation? | ✓ | | (II) The Company's operating conditions are described as follows: 1. The Company will organize the orientation training camp to explain the Company's policy to new employees, including SHE programs, corporate development orientation, management policy and related policies, and CSR philosophy. 2. The Company distributes the enterprise culture and policy cards to each colleague each year to propagate the Company's policies. 3. The Company provides the transparent and public performance appraisal mechanism and system. Colleagues may set their learning plan and also may define their personal annual objectives via communication and interview with their immediate supervisors. The Company will conduct the personal appraisal performance each year as the reference for raise, bonus and promotion. 4. In addition to the various time off and leave accommodations granted to all workers in accordance with the relevant provisions of the Labor Act, the Company's leave application system also offers a rule for special leave allowing employees to take leave in increments of 0.25 hours. This gives employees more flexibility in using special leave. | No deviation |
| (III) Whether or not the Company provides its employees with a safe and health working environment, and regularly | ✓ | | (3) The Company established its "E01 SHE Handbook" according to the latest ISO14001, ISO45001, related labor, safety and health and environmental protection laws and regulations, and plan, implement, check and review to ensure the completeness of the SHE management system, and then practice and integrate the well-founded health and safety management into the operations to keep higher morale and produce innovative products. | No deviation |

| Item | Status | | Summary | Deviation from the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof |
|--|--------|----|--|---|
| | Yes | No | | |
| implements employee's safety and health education measures? | | | The Company must be dedicated to creating a safe and health working environment for all of its employees. The Company established the medical center in which the factory physicians and nurses are stationed to provide health advice, in accordance with laws and, to maintain and promote labors' health. The Company will organize the labor health inspection, and health seminars to provide labors with health information each year. The emergency escaping drill may upgrade the labors' ability to stay calm in the case of emergency, e.g. the drills for fire protection, earthquake escape and leakage of chemical products, etc. The Company has installed the electronic sphygmomanometers at all restaurants of each building and provided for employees to monitor the health index at any time, to encourage the voluntary health management of employees. | |
| (IV) Whether the company establishes an effective career development training program for employees? | ✓ | | <p>(IV) The Company establishes a sound training system and links the promotion system to ensure that colleagues can acquire the necessary skills to perform their duties, thereby enhancing the overall competitiveness and sustainable development of human resources. Flexium Interconnect devotes resources to employee training and development, requiring them to go through on-job training (OJT), off-job training (Off-JT) and individual self-development to improve their work abilities and develop diversified functions. Starting from 2014, our efforts through the Talent Quality-Management System (hereafter "TTQS") of the Ministry of Labor earned us the "Silver Medal for Corporate Institutions," progressing to the "Enterprise Institution Gold Medal Award" in 2016. Obviously, our achievements in talent development and training are highly recognized by the country, and we continue to improve human quality and staff development to allow employees obtain self-growth and satisfaction at work.</p> <p>Flexium Interconnect upholds a training vision of "becoming the benchmark of global FPC industry training," and takes its training policy as "promoting a progressive culture." Through the training planning courses of the three core functions, we continuously improve the ability of employees and exert innovative energy to create multiple key training courses for employees at all levels. Through "learn through play, play through learning," we improve professional and management skills to to develop professional</p> | No deviation |

| Item | Status | | Summary | Deviation from the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof |
|--|--------|----|--|---|
| | Yes | No | | |
| | | | functions for employees while at the same time creating maximum benefits for the Company. | |
| (V) Regarding customer health and safety, customer privacy, marketing and labeling of products and services, whether the company complies with relevant regulations and international standards, and formulates relevant consumer protection policies and appeal procedures? | ✓ | | (V) The company is not the manufacturer of the final product and this evaluation item is not applicable. | No deviation |
| (VI) Whether the company has formulated supplier management policies, where suppliers are required to follow relevant regulations on issues such as environmental protection, occupational safety and health or labor and their implementation? | ✓ | | (VI) Flexium Interconnect is committed to labor human rights, environmental protection, health and safety, corporate ethics, management and other fields, and has therefore formulated its “Supplier Code of Conduct Consent Form.” In doing so, it has made particular reference to relevant international initiatives and requirements, including the spirit of the specifications concerning human rights, labor standards, environment and anti-corruption, and so on as found in the following documents: the UN Global Compact, the Universal Declaration of Human Rights, and the UN Framework and Guiding Principles on Business and Human Rights) as well as the Responsible Business Alliance (RBA). This content applies to all suppliers and their supply chains and contractors. It is hoped that by requiring suppliers to operate in compliance with the laws, regulations and regulations of the local government, and in further compliance with the requirements of internationally recognized standards, the sustainability of the supply chain and corporate social responsibility will be improved. | No deviation |
| V. Whether the company refers | ✓ | | The Company has continued to issue corporate social responsibility reports since 2017. In | No deviation |

| Item | Status | | Summary | Deviation from the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof |
|--|--------|----|---|---|
| | Yes | No | | |
| to the internationally-prepared reporting standards or guidelines, preparation of corporate social responsibility reports and other reports that disclose the company's non-financial information? Did the preliminary report obtain the confidence or assurance opinion of the third-party verification unit? | | | <p>In addition to disclosing the Company's non-financial information to the outside world, it can also take the initiative to expose the Company's philosophy and practice of sustainable management to all stakeholders who care about Flexium Interconnect. IFlexium Interconnect complies with the GRI Standards and the AA 1000 SES standards, to conduct the materiality analysis through the engagement and discussion of CRS Decision-Making Committee. In 2019, the Company mainly continued the 2018 materiality analysis results, to determine the scope of information disclosure in the corporate social responsibility report, and completed the preparation of the "2019 CSR Report." The report was assured by a third-party verification unit and a third-party verification statement was obtained to enhance the credibility of the report.</p> | |
| <p>VI. For companies who had established corporate responsibility code of conducts in accordance with the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies”, please describe the current practice and any deviations from the code of conduct: The Company has formulated the social responsibility manual and established various social responsibility management systems to comprehensively manage corporate social responsibility related matters. For the Company's corporate social responsibility operation, please refer to the latest "Corporate Social Responsibility Report" on the Company's official website.</p> <p>VII. Other important information that helps understand the CSR operation: The Company has compiled a “CSR Report” with the CSR operation status specified, which has been disclosed on the MOPS and the Company’s website.</p> | | | | |

(VI) The state of the company's performance in the area of ethical corporate management, any variance from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the reason for any such variance:

| Item | Status | | Summary | Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof |
|---|--------|----|---|--|
| | Yes | No | | |
| I. Establish ethical business policies and programs | | | | |
| (I) Has the company established an ethical management policy that has been passed by its Board of Directors, and clearly specified in its rules and external documents the ethical corporate management policies and the commitment by the Board of Directors and senior management on rigorous and thorough implementation of such policies and methods? | ✓ | | (I) The Company has established the “Ethical Management Rules” as well as the relevant internal rules which clearly document the policy, method the ethical corporate management policies and the commitment by the Board of Directors and senior management on rigorous and thorough implementation of such policies and methods. | No deviation |
| (II) Has the company established a risk assessment mechanism against unethical behavior, analyzed and assessed business activities within their business scope on a regular basis which are at a higher risk of being involved in unethical behavior, and established prevention programs at least covering the | ✓ | | (II) The Company has clearly stated the risk assessment mechanism against unethical behavior in the “Ethical Corporate Management Best Practice Principles”, and analyzes and assesses business activities within their business scope on a regular basis which are at a higher risk of being involved in unethical behavior, and established prevention programs at least covering the preventive measures specified in Paragraph 2, Article 7 “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”. | No deviation |

| Item | Status | | | Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof |
|---|--------|----|--|--|
| | Yes | No | Summary | |
| <p>preventive measures specified in Paragraph 2, Article 7 “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”?</p> <p>(III) Has the company specified operational procedures, behavioral guidelines, disciplines of violations, as well as an appeal system in the program against unethical behavior, and implemented such programs, and reviewed and revised the previous program on a regular basis?</p> | ✓ | | <p>(III) The Company has clearly stated various unethical conducts in the “Ethical Corporate Management Best Practice Principles”, as well as operating procedures, behavioral guidelines, disciplines of violations, as well as an appeal system against unethical behavior, and revises the previous program on a regular basis.</p> | No deviation |
| <p>II. Implementation of ethical management</p> <p>(I) Does the company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?</p> | ✓ | | <p>(I) Before establishing a business relationship with another person, the Company shall evaluate the legal compliance and ethical management records of agents, suppliers, customers or other trading counterparts and check whether they involve any unethical records to ensure that its business operates in a fair and transparent manner, and it will never ask for, provide or accept bribe.</p> | No deviation |
| <p>(II) Has the company set up a dedicated responsible unit to</p> | ✓ | | <p>(II) The Company has established the Ethics Management Committee handling matters of amendments, execution, interpretation, consultation service and the registration of</p> | No deviation |

| Item | Status | | | Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof |
|---|--------|----|--|--|
| | Yes | No | Summary | |
| <p>promote corporate ethical management under the Board of Directors, and has such unit reported its execution in terms of ethical management policy and preventive programs against unethical behaviors and the supervision status to the Board of Directors on a regular basis (at least once a year)?</p> <p>(III) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it? ✓</p> <p>(IV) Has the company established an effective accounting system and internal control system in order to implement ethical management, and propose relevant audit plans according to the assessment results of the risks of unethical behaviors, and review the compliance status of the prevention of unethical behaviors, or entrust</p> | | | <p>report content of the “Ethical Corporate Management Best Practice Principles”. The unit reports matters relating to its ethical management policies and plans against unethical conducts as well as the supervision execution status to the Board of Directors at least once each year.</p> <p>(III) The Company has established the prevention of conflict of interest in the “Ethical Corporate Management Best Practice Principles” and it also provides appropriate report channels for explanations on the potential conflict of interest of the Company.</p> <p>(IV) The Company has established the “internal control system”. The internal audit unit will assess the risk periodically and set the audit plan, and conduct the relevant audit per the plan, and special audit, if necessary. The internal audit unit will also report the audit result to the board of directors periodically to enable the management to understand the status of the Company’s internal control and achieve the purpose of management.</p> | <p>No deviation</p> <p>No deviation</p> |

| Item | Status | | | Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof |
|---|--------|----|--|--|
| | Yes | No | Summary | |
| <p>an account to carry out the review?</p> <p>(V) Does the Company regularly hold internal and external educational trainings on ethical management?</p> | ✓ | | <p>(V) The Company arranges anti-corruption training courses (including training courses relating to ethical management and anti-corruption) for members of the Board and general employees on a regular basis. In 2020, 2,166 people took part contributing 10,090 hours.</p> | No deviation |
| <p>III. Operations of the Company's complaining system</p> <p>(I) Does the company have a specific whistleblowing and reward system stipulated, a convenient report channel established and a responsible staff designated to handle the individual being reported?</p> | ✓ | | <p>(I) The Company's "Ethical Corporate Management Best Practice Principles" clearly specifies</p> <ol style="list-style-type: none"> 1. The Company encourages internal and external personnel to complain unethical conduct or misconduct, and will grant reward subject to the complained case. If the internal personnel make false or malicious accusation, the personnel shall be disciplined, and dismissed if the case is material. 2. The Company has set up and published the internal independent complaining mailbox (http://www.flexium.com.tw/big5/green_109.asp) available to the Company's internal and external staff on the Company's website and intranet. | No deviation |
| <p>(II) Has the company implemented any standard procedures and/or subsequent measures after carrying out an investigation or confidentiality measures for handling reported misconduct?</p> <p>(III) Has the company taken appropriate measures to protect the whistle-blower from</p> | ✓ | | <p>(II) The Company has defined the standard operating procedures for accepting the complaints and related non-disclosure mechanism in "Ethical Corporate Management Best Practice Principles".</p> <p>(III) The Company keeps the identity of the whistle-blower confidential and takes appropriate measures to protect the whistle-blower from suffering consequences of reporting an incident</p> | No deviation |

| Item | Status | | Summary | Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof |
|--|--------|----|--|--|
| | Yes | No | | |
| suffering any consequences of reporting an incident? | | | | |
| IV. Strengthening of Information Disclosure Does the company have the contents of ethical corporate management and its implementation disclosed on the website and MOPS? | ✓ | | The annual report posted by the Company on the Company’s website (also posted on MOPS) has detailed the information about the effect achieved by the Company for promoting ethical management. | No deviation |
| V. For companies who have established Ethical Corporate Management Best Practice Principles in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”, please describe the current practice and any deviations from the code of conduct: | | | | |
| VI. Other important information facilitating understanding of the importation information on the ethical business operation status of the Company: None. | | | | |

(VII) If the Company established the corporate governance guidelines and related articles, please disclose the inquiry method:

The Company has established the “Corporate Governance Best-Practice Principles”, “Operating Procedures for Ethical Management” and related regulations; for these measures please see the Company’s website at <http://www.flexium.com.tw> or on “MOPS”.

(VIII) Other significant information that will provide a better understanding of the state of the Company’s implementation of corporate governance may also be disclosed:

The Company complies with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, applicable regulations for TWSE/TPEX companies and other related acts and regulations in connection to business conducts as the basic principles for the implementation of ethical management. Moreover, the recuse system is clearly stated in the Company's “Rules of Procedure for Board of Directors Meetings” and the “Management for the Operation of Board Meetings”. When a motion given at a Board meeting concerns the personal interest of the Board member or their representatives, and if his or her participation is likely to prejudice the interest of the company, the concerned person may not participate in discussion of or voting on the proposal and shall recuse himself or herself from the discussion or the voting, and may not exercise voting rights as a proxy for another director.

(IX) Status of internal control system:

1. Statement on Internal Control:

| |
|--|
| <p>Flexium Interconnect. Inc. Statement on Internal Control System</p> <p style="text-align: right;">Date: February 17, 2021</p> <p>Based on the findings of self-assessment, the Company states that the following with regard to its internal control system during 2020:</p> <p>I. The Company'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 of our financial reporting, and compliance with applicable laws and regulations.</p> <p>II. An internal control system has inherent limitations. Regardless how perfectly designed, an effective internal control system can only provide reasonable assurance of accomplishing aforementioned objectives. Besides, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. However, our internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.</p> <p>III. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring. Each component contains several items. Please refer to the Regulations for aforementioned items.</p> <p>IV. The Company has inspected the design and operating effectiveness of its internal control system in accordance with the aforementioned Regulations.</p> <p>V. Based on the findings of such evaluation, the Company believes that, on December 31, 2020, we have maintained, in all material respects, an effective internal control system (including the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability of financial reporting, and compliance with applicable laws and regulations.</p> <p>VI. This Statement will be an integral part of the Company's Annual Report and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.</p> <p>VII. This Statement has been passed by the Board of Directors in their meeting held on February 17, 2021 none of the attending 11 directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.</p> <p style="text-align: center;">Flexium Interconnect. Inc. Chairman and President: Cheng Ming-Chi</p> |
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2. If the Company retains CPA's service for examining internal control system, the independent auditor's report shall be disclosed: None.

(X) List of discipline, significant deficit and improvement status of violation of internal control system in most recent year and as of the publication date of the annual report: None

(XI) Materials resolution by shareholders' meeting and the Board of Directors during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report:

| Important Resolutions of Shareholders Meeting | | |
|---|--|--|
| Date | Material resolution | Execution status: |
| 2020.06.18 General Shareholders' Meeting | Proposals: 1. The Company's 2019 annual business report and financial statements. 2. The Company's 2019 earnings distributions. | The resolution has been followed. Set August 7, 2020 as the record date, and a cash dividend to be distributed on August 28, 2020. |
| | Discussions: 1. Amendment of the Company's "Articles of Incorporation." 2. The Company's distribution of capital reserve by cash 3. Proposal for the 2020 issuance of restricted employee shares. 4. Removal of the restriction on the prohibition of competition by directors of the Company. | The registration was approved by the Ministry of Economic Affairs on July 21, 2020. Set August 7, 2020 as the record date, and a cash dividend to be distributed on August 28, 2020. Approved for issuance by the Financial Supervisory Commission on July 3, 2020. The resolution has been followed. |

| Date | Important Resolutions of the Board Meeting |
|------------|--|
| 2020.11.02 | 1. Approved the Company's 2019 internal control system declaration form 2. Approved the Company's employee compensation and directors' compensation distribution in 2019 3. Approved the company's 2019 annual financial report and business report 4. Approved the convening of the Company's 2020 General Shareholders' Meeting |
| 2020.03.23 | 1. Approved amendment of the Company's "Articles of Incorporation" 2. The Company plans to repurchase the Company's shares in accordance with relevant regulations |
| 2020.05.07 | 1. Approved the Company's 2019 profit distribution 2. Approved the Company's distribution of capital reserve by cash 3. Approved the issuance of restricted employee shares for 2020 4. Approved the removal of the restriction on the prohibition of competition by directors of the Company. 5. Approved the Company's indirect investment in the mainland |
| 2020.07.03 | 1. Approved matters connected to the setting of the dividend record date for the Company's cash dividend distribution 2. Approved the first distribution of restricted employee shares for 2020 3. Approved the Company's plan to purchase land |
| 2020.08.03 | 1. Approved amendment of the Company's "Internal Control Systems" 2. Approve the loan of funds to subsidiaries |
| 2020.11.04 | 1. Approved the proposal for the cancellation of treasury shares 2. Approval on proposal of fund raising plan of the Company 3. Approved the Company's plan to purchase land |
| 2020.12.23 | 1. Approved drafting of the 2021 business plan 2. Approved the 2021 annual audit plan 3. Approved the review for the proposal of 2021 capital expenditure budgets |

| Date | Important Resolutions of the Board Meeting |
|------------|--|
| | 4. Approval on the independence and adequacy assessment for the Company's certified public accountants |
| 2021.02.17 | 1. Approved the Company's employee compensation and directors' compensation distribution in 2020 2. Approved the company's 2020 annual financial report and business report 3. Approved the Company's 2020 profit distribution 4. Approved the Company's distribution of capital reserve by cash 5. Approved the amendment of the Company's "Articles of Incorporation" 6. Approved to conduct public offerings of ordinary shares, or issue new shares to participate in GDRs, or private placements of ordinary shares, or overseas or domestic convertible bonds. 7. Approved the convening of the Company's 2021 General Shareholders' Meeting |

(XII) Any other documented objections or qualified opinions raised by directors or supervisors against board resolutions in relation to matters, and their content in most recent year and as of the publication date of the annual report: None.

(XIII) Resignation or discharge of chairperson, president and managerial officers of accounting, finance, internal audit, corporate governance, and research and development in most recent year and as of the printed date of the annual report: None.

V. CPA professional fee information

(I) CPA professional fee information level table

| Name of Accounting Firm | CPA's Name | | Duration of audit | Remark |
|-------------------------|-------------|--------------|-------------------|--------|
| PwC Taiwan | Wu Jian-Chi | Wang Kuo-Hua | 2020 | None |

Unit: NT\$ thousand

| Professional fee items | | Audit fees | Non-audit fees | Total |
|------------------------|--|------------|----------------|-------|
| Fee range | | | | |
| 1 | Below NT\$2,000 thousand | | v | |
| 2 | NT\$2,000thousand (inclusive)-NT\$4,000 thousand | | | |
| 3 | 4,000 thousand (inclusive)-NT\$6,000 thousand | v | | v |
| 4 | 6,000 thousand (inclusive)-NT\$8,000 thousand | | | |
| 5 | 8,000 thousand (inclusive)-NT\$10,000 thousand | | | |
| 6 | Above NT\$10,000 thousand (inclusive) | | | |

(II) In the case of non-audit fees paid to the CPA, CPA firm and their affiliates exceeded the audit fees in excess of 25%, the audit fees and non-audit fees and the contents of non-audit service shall be disclosed:

Unit: NT\$ in thousand

| Name of Accounting Firm | CPA's Name | Audit fees | Non-audit fees | | | | Sub-total | CPA audit period | Remark |
|-------------------------|------------------------------|------------|----------------|--|----|--------|-----------|------------------|--|
| | | | System design | Commercial and industrial registration | HR | Others | | | |
| PwC Taiwan | Wu Jian-Chi and Wang Kuo-Hua | 4,377 | — | — | — | 1,108 | 1,108 | 2020 | Reporting of inventory write-offs, transfer pricing report, new restricted employee shares, and other matters conducted on behalf of the Company |

(III) Audit fee for the change of accounting firms paid in the year is less than the previous year, the decreased amount, percentage and reason of the audit fee shall be disclosed: None.

(IV) Over 15% decrease in audit fee on a year-to-year basis, the decreased amount, percentage and reason of the audit fee shall be disclosed: None.

VI. Change of CPA information

As of the publication date of the annual report, no CPA is replace.

VII. Information on the chairman, president, financial and accounting manager of the Company who has worked with the Company's external auditors or the affiliates to such auditors in the most recent year

None

VIII. Changes in shareholding and shares pledged by directors, managerial officers and shareholders with 10% shareholdings

(I) Changes in shareholding by directors, managers and major Shareholders

| Job Title | Name | 2020 | | Up to the date of April 19, 2021 | |
|--|--------------------------------|------------------------------------|---------------------------------------|------------------------------------|---------------------------------------|
| | | Increase (decrease) in shares held | Increase (decrease) in shares pledged | Increase (decrease) in shares held | Increase (decrease) in shares pledged |
| Chairman and managerial officers | Cheng Ming-Chi | 90,000 | 0 | 0 | 0 |
| Name of corporate shareholder | Chilien Investment Co., Ltd. | 0 | 0 | 0 | 0 |
| Representative of juristic-person director | Yung Chang Chan | 0 | 0 | 0 | 0 |
| Representative of juristic-person director | Chuang Xun-Po | (261,000) | 0 | 0 | 0 |
| Name of corporate shareholder | Tai Peng Development Co., Ltd. | 0 | 0 | 0 | 0 |
| Representative of juristic-person director | Ji-Yan Liang | 0 | 0 | 0 | 0 |
| Corporate director representative | Jeng Xi Shih | 0 | 0 | 0 | 0 |
| Representative of juristic-person director and managerial officers | Blue Lan | (3,000) | 0 | 0 | 0 |
| Director | Lin Pei-Ru | 0 | 0 | 0 | 0 |
| Director | David Cheng | 36,000 | 0 | 0 | 0 |
| Independent director | Xin-Bin Fu | 0 | 0 | 0 | 0 |
| Independent director | Huang Shui-tung | 10,000 | 0 | 0 | 0 |
| Independent director | Wu Pei-Jun | 0 | 0 | 0 | 0 |
| Managerial Officers | Chi-Feng Tsai | 39,000 | 0 | 0 | 0 |
| Managerial Officers | Yi-Wen Shan | 22,000 | 0 | 0 | 0 |
| Managerial Officers | Chao-Rong Gong | (79,000) | 0 | (15,000) | 0 |
| Manager | Chia-Hsien Tang | 27,000 | 0 | 0 | 0 |
| Manager | Arthur Shiung | (107,000) | 0 | 0 | 0 |
| Manager | Ruei-Chun Ma | 30,000 | 0 | 0 | 0 |
| Managerial Officers | Huang, Chien-Rong | 0 | 0 | 1,000 | 0 |

Note: The officers identified in the name list are the existing officers on the date of publication of the annual report.

(II) During the transfer of shares in which the counterparty is a related party: None.

(III) During the pledge of shares in which the counterparty is a related party: None.

IX. Information about top 10 shareholders in proportion of shareholdings and who are related parties to one another, spouses, or blood relatives within the second degree of kinship

April 19, 2021(Book closure date) Unit: shares; %

| Name | Shares held in own name | | Current shares held by the spouse and children of minor age | | Total shareholding under the name of a third party | | Information on top 10 shareholders in proportion of shareholding, who are related to one another, or are kin at the second pillar tier under the Civil Code related to one another, their names and relationship. | | Remark |
|---|-------------------------|-----------------------|---|-----------------------|--|-----------------------|---|--------------|--------|
| | Shares held | Ratio of shareholding | Shares held | Ratio of shareholding | Shares held | Ratio of shareholding | Name | Relationship | |
| Cathay Life Insurance | 25,615,958 | 7.08 | 0 | 0 | 0 | 0 | None | None | |
| Tai Peng Development Co., Ltd. | 15,459,784 | 4.27 | 0 | 0 | 0 | 0 | None | None | |
| CHINA LIFE INSURANCE CO. LTD. | 13,027,000 | 3.60 | 0 | 0 | 0 | 0 | None | None | |
| Labor Pension Fund (the New Fund) | 10,217,100 | 2.82 | 0 | 0 | 0 | 0 | None | None | |
| Fubon Life Insurance Co., Ltd. | 10,109,117 | 2.79 | 0 | 0 | 0 | 0 | None | None | |
| Labor Pension Fund (the Old Fund) 2009 2nd full discretionary special account by Fubon Investment | 6,055,011 | 1.67 | 0 | 0 | 0 | 0 | None | None | |
| BaoJie Funds in custody of Standard Chartered Bank Main Branch | 4,945,441 | 1.37 | 0 | 0 | 0 | 0 | None | None | |
| Standard Chartered International Commercial Bank Business Department trusted GMO Emerging Markets Fund Investment Account Managed by GMO LLC. | 4,764,000 | 1.32 | 0 | 0 | 0 | 0 | None | None | |
| JPMorgan Chase Bank, N.A. Taipei Branch trusted Vanguard Emergency Market Stock Index Fund Investment Account Managed by Vanguard Group Corporation | 4,447,990 | 1.23 | 0 | 0 | 0 | 0 | None | None | |
| Cheng Ming-Chi | 4,326,360 | 1.20 | 283 | 0.08 | 0 | 0 | None | None | |

Note: This form includes information till the last book closure of the Company before the publication date of the annual report.

X. Number of shares held and shareholding percentage of the Company, the Company's directors, managerial officers and directly or indirectly controlled entities on the same investee

Unit: thousand shares; %

| Invested businesses | Held by the Company | | Held by directors, supervisors, managers, and directly/indirectly controlled entities | | Combined investment | |
|---|---------------------|--------------------|---|--------------------|---------------------|--------------------|
| | Shares held | Shareholding ratio | Shares held | Shareholding ratio | Shares held | Shareholding ratio |
| FLEXIUM INTERCONNECT INC. | 50 | 100% | - | - | 50 | 100% |
| UFLEX TECHNOLOGY CO., LTD. | 50 | 100% | - | - | 50 | 100% |
| Junfeng Investment Co., Ltd. | 5,000 | 100% | - | - | 5,000 | 100% |
| GRANDPLUS ENTERPRISES LTD. | - | - | 1,881 | 100% | 1,881 | 100% |
| SUCCESS GLORY INVESTMENTS LTD | - | - | 23,510 | 100% | 23,510 | 100% |
| FLEXIUM INTERCONNECT AMERICA LLC | (Note) | 100% | - | - | (Note) | 100% |
| CHOSEN GLORY LIMITED | - | - | 0 | 100% | 0 | 100% |
| CHAMPION BEYOND LIMITED | - | - | 0 | 100% | 0 | 100% |
| FOREVER MASTER LIMITED | - | - | 0 | 100% | 0 | 100% |
| BOOM BUSINESS LIMITED | 35,000 | 100% | - | - | 35,000 | 100% |
| CLEAR SUCCESS GLOBAL LIMITED | - | - | 35,000 | 100% | 35,000 | 100% |
| Chun-Hwa Technology (Kunshan) Co., Ltd. | - | - | (Note) | 100% | (Note) | 100% |
| Jun Kun Technology (Suzhou) Co., Ltd. | - | - | (Note) | 100% | (Note) | 100% |

Note: Not applicable, as It is a limited company.

IV. Status of fund raising

I. Capital and shares

(I) Source of capital stock

Unit: shares/NT\$

| Year/Month | Issuing price | Authorized capital stock | | Paid-in capital | | Remark | | |
|--------------|---------------|--------------------------|---------------|-----------------|---------------|--|--|--------|
| | | Shares held | Amount | Shares held | Amount | Source of capital stock | Offset by any property other than cash | Others |
| January 2020 | 10 | 460,000,000 | 4,600,000,000 | 332,954,895 | 3,329,548,950 | Cancellation of new restricted employee shares NT\$800,000 Converted convertible bonds NT\$89,747,370 | - | Note 1 |
| March 2020 | 10 | 460,000,000 | 4,600,000,000 | 335,703,398 | 3,357,033,980 | Cancellation of new restricted employee shares NT\$1,000,000 Converted convertible bonds NT\$28,485,030 | - | Note 2 |
| 2020.06 | 10 | 460,000,000 | 4,600,000,000 | 338,888,086 | 3,388,880,860 | Cancellation of new restricted employee shares NT\$150,000 Converted convertible bonds NT\$31,996,880 | - | Note 3 |
| 2020.08 | 10 | 460,000,000 | 4,600,000,000 | 345,836,794 | 3,458,367,940 | Cancellation of new restricted employee shares NT\$750,000 Converted convertible bonds NT\$70,237,080 | - | Note 4 |
| 2020.09 | 10 | 460,000,000 | 4,600,000,000 | 346,836,794 | 3,468,367,940 | New restricted employee shares NT\$10,000,000 | - | Note 5 |
| 2020.11 | 10 | 460,000,000 | 4,600,000,000 | 344,350,356 | 3,443,503,560 | Cancellation of treasury shares NT\$24,864,380 | - | Note 6 |
| 2021.01 | 10 | 460,000,000 | 4,600,000,000 | 361,373,353 | 3,613,733,530 | Cancellation of new restricted employee shares NT\$460,000 Converted convertible bonds NT\$170,689,970 | - | Note 7 |
| 2021.03 | 10 | 460,000,000 | 4,600,000,000 | 361,982,959 | 3,619,829,590 | Converted convertible bonds NT\$6,096,060 | - | Note 8 |

| | | | | |
|---------|--------------------|---------------------|-------------|------------------|
| Note 1: | January 9, 2020 | Jing-Shou-Shang-Tzi | 10801197920 | Letter approval. |
| Note 2: | March 10, 2020 | Jing-Shou-Shang-Tzi | 10901029710 | Letter approval. |
| Note 3: | June 1, 2020 | Jing-Shou-Shang-Tzi | 10901084690 | Letter approval. |
| Note 4: | August 24, 2020 | Jing-Shou-Shang-Tzi | 10901155260 | Letter approval. |
| Note 5: | September 24, 2020 | Jing-Shou-Shang-Tzi | 10901180400 | Letter approval. |
| Note 6: | November 23, 2020 | Jing-Shou-Shang-Tzi | 10901215380 | Letter approval. |
| Note 7: | January 26, 2021 | Jing-Shou-Shang-Tzi | 11001001840 | Letter approval. |
| Note 8: | March 11, 2021 | Jing-Shou-Shang-Tzi | 11001036390 | Letter approval. |

| Type of share | Authorized capital stock | | | Remark |
|---------------|--------------------------|-----------------|-------------|-----------------|
| | Outstanding shares | Unissued shares | Total | |
| Common stock | 361,982,959 | 98,017,41 | 460,000,000 | Publicly listed |

Note: Shelf registration system related information: Not applicable.

(II) Composition of shareholders

April 19, 2021 (Book closure date)

| Quantity | Composition of shareholders | | | | | |
|--------------------|-----------------------------|------------------------|------------------------|-------------|---------------------------------|-------------|
| | Government apparatus | Financial organization | Other juristic persons | Individual | Foreign institute and foreigner | Total |
| number of people | 5 | 20 | 251 | 49,192 | 287 | 49,755 |
| Shares held | 21,315,089 | 60,899,642 | 38,068,674 | 154,611,497 | 87,088,057 | 361,982,959 |
| Shareholding ratio | 5.89% | 16.82% | 10.52% | 42.71% | 24.06% | 100.00% |

(III) Distribution of Ownership:

April 19, 2021 (Book closure date)

| Range of shares | Number of | Shares held (shares) | Shareholding ratio (%) |
|----------------------------|-----------|----------------------|------------------------|
| 1-999 shares | 14,851 | 1,827,950 | 0.50% |
| 1,000-5,000 shares | 29,838 | 55,004,056 | 15.20% |
| 5,001-10,000 shares | 2,816 | 22,138,015 | 6.12% |
| 10,001-15,000 shares | 730 | 9,299,849 | 2.57% |
| 15,001-20,000 shares | 430 | 7,979,867 | 2.20% |
| 20,001-30,000 shares | 346 | 8,828,263 | 2.44% |
| 30,001-40,000 shares | 168 | 6,025,597 | 1.66% |
| 40,001-50,000 shares | 108 | 4,995,799 | 1.38% |
| 50,001-10,000 shares | 210 | 15,307,858 | 4.23% |
| 100,001-200,000 shares | 113 | 16,144,068 | 4.46% |
| 200,001-400,000 shares | 56 | 17,328,346 | 4.79% |
| 400,001-600,000 shares | 21 | 10,028,207 | 2.77% |
| 600,001-800,000 shares | 10 | 6,429,918 | 1.78% |
| 800,001-1,000,000 shares | 12 | 10,751,231 | 2.97% |
| 1,000,001 shares and above | 46 | 169,893,935 | 46.93% |
| Total (Note) | 49,755 | 361,982,959 | 100.00% |

(IV) Roster of major shareholders

April 19, 2021 (Book closure date)

| Name of major shareholder | Shares | Shares held | Shareholding ratio |
|---|--------|-------------|--------------------|
| Cathay Life Insurance | | 25,615,958 | 7.08% |
| Tai Peng Development Co., Ltd. | | 15,459,784 | 4.27% |
| CHINA LIFE INSURANCE CO. LTD. | | 13,027,000 | 3.60% |
| Labor Pension Fund (the New Fund) | | 10,217,100 | 2.82% |
| Fubon Life Insurance Co., Ltd. | | 10,109,117 | 2.79% |
| Labor Pension Fund (the Old Fund) 2009 2nd full discretionary special account by Fubon Investment | | 6,055,011 | 1.67% |
| BaoJie Funds in custody of Standard Chartered Bank Main Branch | | 4,945,441 | 1.37% |
| Standard Chartered International Commercial Bank Business Department trusted GMO Emerging Markets Fund Investment Account Managed by GMO LLC. | | 4,764,000 | 1.32% |
| JPMorgan Chase Bank, N.A. Taipei Branch trusted Vanguard Emergency Market Stock Index Fund Investment Account Managed by Vanguard Group Corporation | | 4,447,990 | 1.23% |
| Cheng Ming-Chi | | 4,326,360 | 1.20% |

(V) Information of market value, net value, earnings and dividends per share for the most recent two years:

Unit: NT\$ / thousand shares

| Item | Year | | 2019 | 2020 | Current year up to April 30, 2021 |
|------------------------|---|--------|---------|----------------|-----------------------------------|
| | Highest | Lowest | | | |
| Market value per share | Highest | | 115.50 | 150.00 | 132 |
| | Lowest | | 68.30 | 79.50 | 113.5 |
| | Average | | 93.29 | 118.35 | 123.14 |
| Net value per share | Before distribution | | 65.86 | 70.72 | (Note 7) |
| | After distribution | | 60.81 | 65.78 (Note 1) | Not applicable |
| Earnings per share | Weighted average shares (thousand shares) | | 314,636 | 340,009 | (Note 7) |
| | EPS (Note 2) | | 10.02 | 8.63 | (Note 7) |
| Dividends | Cash dividends | | 5.0 | 5.0 (Note 1) | |

| Item | | Year | | Current year up to April 30, 2021 |
|-------------------------------------|-----------------------------------|---|----------------|--------------------------------------|
| | | 2019 | 2020 | |
| per share | Issuance of bonus shares | Retained shares distribution | 0 | 0 |
| | | Capital surplus shares distribution | 0 | 0 |
| | Retained dividends (Note 3) | 0 | 0 | |
| Return on investment analysis | Price-Earnings Ratio (Note 4) | 9.31 | 13.71 | |
| | Dividend yield (Note 5) | 18.66 | 23.67 (Note 1) | |
| | Cash dividend yield (Note 6) | 5.36% | 4.22% (Note 1) | |

Note 1: the special resolution for the distribution has been adopted by the Board of Directors on February 17, 2021.

Note 2: If it is necessary to make adjustment retroactively due to Free-Gratis dividends, please identify the EPS before and after adjustment.

Note 3: If the terms and conditions under which the equity securities are issued provide that the stock dividend retained in the then year may be accumulated until the year in which there are allocable earnings available, please disclose the retained stock dividend accumulated until the then year.

Note 4: Price-Earnings Ratio = Average closing price per share in current year/earnings per share.

Note 5: Dividend yield = average closing price per share in current year/cash dividend per share.

Note 6: Cash dividend yields = cash dividend per share/average closing price per share in current year.

Note 7: Up to the publication date of the annual report, all financial statements for the first quarter have been reviewed completely by CPA.

(VI) Dividend policy and status of implementation

1. Dividend policy defined under the Articles of Incorporation

Article 29: If the Company has surplus profits after annual accounting of revenues and expenditures, it shall have its losses covered and all taxes and dues paid and set aside ten percent of the remaining profits as a legal reserve. However when the legal reserve amounts to the authorized capital, this shall not apply. In addition, after a special reserve is provided or reserved in compliance with the laws and regulations, the board of directors may combine the remaining balance with the undistributed earnings at beginning period as accumulated distributed earnings, and depending on the available fund and economic situation, to submit proposal for approval in the shareholders meeting for earning distribution. The Company complies with Article 240, Paragraph 5 of the Company Act and Article 241 of the Company Act such that dividends may be distributed or statutory surplus reserve and capital reserve paid by cash upon authorization of board meetings with two thirds or more of directors present and resolution adopted by half or more of directors present, with the matter to be reported to the shareholders meeting.

Article 30: The industry that the Company is in is still in the growing stage. The Company expects it will have cash demand for the expansion of production line in the coming years. The proposal to distribute earnings out of

distributable accumulated earnings in relation to Article 29 is submitted for approval by the Shareholders Meeting. Among which, the cash dividends shall not be less than 5% of total dividends distributed. However if cash dividend will be less than NT\$ 0.1 per share it will not be distributed, the stock dividends will be distributed instead.

2. On February 17, 2021, the Board of Directors decided to distribute cash dividend from capital surplus at NT\$ 5 per share.
3. Expected materials changes in the dividend policy: None.

(VII) The Impact of allotment of free dividends on business Performance and EPS: Not applicable.

(VIII) Remuneration to Employees and Directors:

1. Proportion or scope of remuneration to employees and directors as stated in the Company's Articles of Incorporation:

Depending on the profits of the current year, the Company shall distribute no lower than 2% of the profit as employees' compensation, and no higher than 2% of the profit as compensation to directors. However, if the Company has accumulated losses the profits shall be used to cover the losses before it can make any distribution.

The employee's compensation may be distributed in stocks or cash, The parties to whom the compensation distributed to may include employees of affiliated companies

2. The accounting in the case of deviation from the basis for stating employee bonus and remuneration to directors, the basis for calculating the quantity of stock dividends to be allocated, and the actual allocation:

It is deemed to be a change in accounting estimates and is listed as the change of annual profit and loss.

3. Information about the motion for allocation of remuneration resolved by a directors' meeting:

- (1) The motion of 2020 distribution passed by the Company's Board of Directors meeting held on February 17, 2021 is as follows:

A. Proposal of cash bonus to employees - NT\$83,000 thousand.

B. A. Proposal of remuneration to directors to employees - NT\$20,000 thousand.

C. The cause resulting in discrepancy from the estimated figures for employee bonus and remuneration to directors, and the status of treatment: Not applicable, as there is no discrepancy.

- (2) The amount of remuneration to employee distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income and total remuneration to employees: Not applicable.

4. Allocation of remuneration reported at a shareholders' meeting, and the result thereof:
The motion for distribution of earnings for 2020 is pending resolution by the Shareholders meeting.

5. Actual distribution status of the remunerations for employees, directors of the previous fiscal year:

The motion of 2020 distribution passed by the Company's Board of Directors meeting held on February 11, 2020 is as follows:

| Item | Estimated amount for the year (NT\$) | Actual distribution (NT\$) | Difference |
|---|--------------------------------------|----------------------------|------------|
| Employee cash bonus | 100,000,000 | 100,000,000 | None |
| Remuneration of directors and supervisors | 20,000,000 | 20,000,000 | None |

(IX) Repurchase of the Company's shares:

1. Completed:

April 30, 2021

| No. of repurchase | 10 th repurchase | The 11 th |
|---|---------------------------------|--|
| Purpose of repurchase | Shares transferred to employees | Maintain company credit and shareholders' rights |
| Repurchase period: | 3/24/2020 ~ 3/31/2020 | 2020/04/01 ~ 2020/05/23 |
| Price range of repurchase | NT\$ 70 ~ NT\$ 120 | NT\$ 70 ~ NT\$ 120 |
| Type and quantity of repurchased shares | 0 common shares | 0 common shares |
| Amount of repurchased shares | NT\$ 0 | NT\$ 0 |
| The number of repurchased shares to estimated repurchase number (%) | 0% | 0% |
| Number of shares canceled or transferred | 0 share | 0 share |
| Accumulated shares held | 0 share | 0 share |
| Shares cumulatively held to total shares authorized to issue (%) | 0% | 0% |

2. Still undergoing implementation: none

II. Status of corporate bond

Status of corporate bond

April 30, 2021

| Type of corporate bond | Issuance of the third unsecured overseas convertible corporate bonds | Issuance of the fourth unsecured overseas convertible corporate bonds |
|--|--|--|
| Date issued | January 22, 2019 | January 25, 2021 |
| Face value | US\$100,000 or multiple thereof | US\$100,000 or multiple thereof |
| Place of issuance and exchange | Singapore Exchange | Singapore Exchange |
| Issuing price | The bond is issued at full face value. | The bond is issued at 102% of the face value. |
| Total amount | US\$100,000 thousand | US\$120,000 thousand |
| Interest rate | Coupon rate: 0% | Coupon rate: 0% |
| Duration | 3 years, Expiry date: January 22, 2022 | 3 years, Expiry date: January 25, 2024 |
| Guaranteeing institution | None | None |
| Trustee | CITICORP INTERNATIONAL LIMITED | CITICORP INTERNATIONAL LIMITED |
| Underwriting institution: | Overseas lead underwriter: KGI ASIA LIMITED Domestic lead underwriter: KGI Securities Co. Ltd. | Overseas lead underwriter: KGI ASIA LIMITED Domestic lead underwriter: KGI Securities Co. Ltd. |
| Certifying attorney | K&L Gates Cheng-Yang Chen, | K&L Gates Cheng-Yang Chen, |
| Independent auditor | PwC Taiwan Li Yi-Hua, CPA | PwC Taiwan Li Yi-Hua, CPA |
| Repayment method | (I) Unless the bonds are redeemed, repurchased and cancelled, or the holders of the bonds (the "Bondholders") exercise their conversion rights, the bonds will be repaid in full on the maturity date by the issuer at the face value of the bonds. (II) The redemption price at maturity will be converted into NT\$ at a fixed rate and the amount in NT\$ will be converted into USD at the exchange rate (11am rate of exchange set by Taipei Forex). | (I) Unless the bonds are redeemed, repurchased and cancelled, or the holders of the bonds (the "Bondholders") exercise their conversion rights, the bonds will be repaid in full on the maturity date by the issuer at the face value of the bonds. (II) The redemption price at maturity will be converted into NT\$ at a fixed rate and the amount in NT\$ will be converted into USD at the exchange rate (11am rate of exchange set by Taipei Forex). |
| Outstanding principle (as of April 30, 2021) | US\$0 thousand | US\$120,000 thousand |
| Terms for redemption or early repayment | 1. From the day after the second year of the issuance of this bond to the maturity date, if the closing price of the Company's common stock on the TWSE are converted into US dollars at the current exchange rate of the day reaching the issuer's early redemption amount multiplied by the conversion price and divided by the face value for 30 consecutive business days. If the bondholder's redemption price exceeds 130% of the total bonds, the issuer may redeem all or part of the bonds at the early redemption price. 2. If more than 90% of the bonds have already been redeemed, converted, bought back or cancelled, the issuer may redeem, covert, buy back or cancel all outstanding bonds at the early redemption price. 3. Due to the change in tax laws of the Republic of China, resulting in additional taxes after the date of issuance because of this bond, or if extra fees are required to be paid or increase costs, the issuer may | 1. From the day after the second year of the issuance of this bond to the maturity date, if the closing price of the Company's common stock on the TWSE are converted into US dollars at the current exchange rate of the day reaching the issuer's early redemption amount multiplied by the conversion price and divided by the face value for 30 consecutive business days. If the bondholder's redemption price exceeds 130% of the total bonds, the issuer may redeem all or part of the bonds at the early redemption price. 2. If more than 90% of the bonds have already been redeemed, converted, bought back or cancelled, the issuer may redeem, covert, buy back or cancel all outstanding bonds at the early redemption price. 3. Due to the change in tax laws of the Republic of China, resulting in additional taxes after the date of issuance because of this bond, or if extra fees are required to be paid or increase costs, the issuer may |

| | | |
|---|---|---|
| Type of corporate bond | Issuance of the third unsecured overseas convertible corporate bonds | Issuance of the fourth unsecured overseas convertible corporate bonds |
| | redeem all bonds in advance at the early redemption price according to the trustee's contract. 4. The early redemption price will be converted into NT\$ at a fixed rate and the amount in NT\$ will be converted into USD at the exchange rate (11am rate of exchange set by Taipei Forex). | redeem all bonds in advance at the early redemption price according to the trustee's contract. |
| Restrictive terms | None | None |
| Name of credit rating organization, rating date, bond rating results | None | None |
| Other rights | Amount of ordinary shares converted as the | USD100,000 thousand (NT\$3,083,800 thousand) |
| | Issuance and conversion | See MOPS-various exclusive sections-bond |
| Possible dilution of equity and impact on equity of existing shareholders | As of the publication date, all bonds have been converted. | 6.39%; the dilution effect is limited and, therefore, no material impact would be rendered against the equity of existing shareholders. |
| Name of commissioned custodial institution for objects exchanged | Not applicable | Not applicable |

Information about the convertible bonds

| Type of corporate bond | | Issuance of the third unsecured overseas convertible corporate bonds | | Issuance of the fourth unsecured overseas convertible corporate bonds |
|--|---|--|--|--|
| Item | Year | 2020 | Current year up to April 30, 2021 (Note 1) | Current year up to April 30, 2021 |
| | Market value of convertible corporate bond (Note 2) | Highest | 197 | 164 |
| Lowest | | 106 | 160 | 112 |
| Average | | 147 | 162 | 115 |
| Conversion price (NT\$) | | NT\$75.88 | NT\$75.88 | NT\$136 |
| Issuance date and conversion price at time of issuance | | Issuance date: January 22, 2019 Conversion price at time of issuance: NT\$83.95 | | Issuance date: January 25, 2021 Conversion price at time of issuance: NT\$136 |
| Method of fulfilling conversion | | Issuance of new shares | | Issuance of new shares |

Note1: Issuance of the third unsecured overseas convertible corporate bonds is all bonds have been converted.

Note2: based on Bloomberg quotes

III. Status of preferred shares

None

IV. Status of GDR/ADR

None

V. Status of employee stock option certificates

None

VI. Handling of restricted employee shares

(I) Handling of restricted employee shares

April 30, 2021

| Type of stock for restricted employee shares | 1st restricted employee shares for 2019 | 1st restricted employee shares for 2020 |
|---|---|---|
| Effective date of declaration | June 28, 2019 | July 3, 2020 |
| Issuance date | July 1, 2019 | July 3, 2020 |
| Issued shares for restricted employee shares | 5,500,000 shares | 1,000,000 shares |
| Issue price | NT\$ 0 | NT\$ 0 |
| Ratio of issued restricted employee shares vs. total issuance of shares | 1.73% | 0.29% |
| Restricted employee shares vesting conditions | <p>I. After employees are allocated restricted employee shares, employees can settle the number of acquired shares annually. The proportion of restricted employee shares actually acquired in each year should be calculated by multiplying the achievement of the performance evaluation indicators of (1) and (2):</p> <p>(1) Number of years in service and job performance</p> <p>1. Expiry of term following 1 year: If the personal performance evaluation score is 3A or more in the year before the expiry of term, the highest vested ratio is 30%.</p> <p>2. Expiry of term following 2 years: If the personal performance evaluation score is 3A or more in the year before the expiry of term, the highest vested ratio is 30%.</p> <p>3. Expiry of term following 3 years: If the personal performance evaluation score is 3A or more in the year before the expiry of term, the highest vested ratio is 40%.</p> <p>(2) Operational performance: The Company will use basic earnings per share as its operating performance standard</p> | <p>I. After employees are allocated restricted employee shares, employees can settle the number of acquired shares annually. The proportion of restricted employee shares actually acquired in each year should be calculated by multiplying the achievement of the performance evaluation indicators of (1) and (2):</p> <p>(1) Number of years in service and job performance</p> <p>1. Expiry of term following 1 year: If the personal performance evaluation score is 3A or more in the year before the expiry of term, the highest vested ratio is 30%.</p> <p>2. Expiry of term following 2 years: If the personal performance evaluation score is 3A or more in the year before the expiry of term, the highest vested ratio is 30%.</p> <p>3. Expiry of term following 3 years: If the personal performance evaluation score is 3A or more in the year before the expiry of term, the highest vested ratio is 40%.</p> <p>(2) Operational performance: The Company will use basic earnings per share as its operating performance standard</p> |

| | | |
|--|---|--|
| | <p>1. If basic consolidated earnings of the annual consolidated financial statements audited by accountants in the year before each of these expiries of term are less than NT\$8, 0% of the highest vested ratio for the year shall be granted.</p> <p>2. If the basic earnings per share of the consolidated annual financial statements audited by accountants in the year before each of these respective expiries of term ranges from NT\$8 (inclusive) to NT\$10 yuan, 60% of the highest vested ratio for the year shall be granted.</p> <p>3. If the basic consolidated earnings of the annual consolidated financial statements audited by accountants in the year before each of these expiries of term is NT\$10 or higher (inclusive), 100% of the highest vested ratio for the year shall be granted.</p> <p>(3) The aforesaid available shares are calculated based on rounding and the unit is "shares."</p> <p>II. In case of holidays at the above times, then matters should be handled in advance on the prior business day.</p> | <p>1. If basic consolidated earnings of the annual consolidated financial statements audited by accountants in the year before each of these expiries of term are less than NT\$8, 0% of the highest vested ratio for the year shall be granted.</p> <p>2. If the basic earnings per share of the consolidated annual financial statements audited by accountants in the year before each of these respective expiries of term ranges from NT\$8 (inclusive) to NT\$10 yuan, 60% of the highest vested ratio for the year shall be granted.</p> <p>3. If the basic consolidated earnings of the annual consolidated financial statements audited by accountants in the year before each of these expiries of term is NT\$10 or higher (inclusive), 100% of the highest vested ratio for the year shall be granted.</p> <p>(3) The aforesaid available shares are calculated based on rounding and the unit is "shares."</p> <p>(4) The granting date of years of serve is defined as the date when shares distributed to the shareholder registry.</p> <p>(5) The basic earnings per share in the annual consolidated financial statements of the previous year audited by the CPAs, refers to the basic earnings per share calculated based on the after-tax net profit after netting the estimated expenses of new restricted employee shares that should be recognized in the current year.</p> <p>II. In case of holidays at the above times, then matters should be handled in advance on the prior business day.</p> |
| Restrictions on restricted employee shares | <p>I. Before the vested conditions set in the preceding Article are fulfilled, except in cases of inheritance, employees must not use the restricted employee are allocated according to these measures to sell, pledge, transfer, gift to others, set up, or discriminate in other ways.</p> <p>II. When the restricted employee shares</p> | <p>I. Before the vested conditions set in the preceding Article are fulfilled, except in cases of inheritance, employees must not use the restricted employee are allocated according to these measures to sell, pledge, transfer, gift to others, set up, or discriminate in other ways.</p> <p>II. When the restricted employee shares</p> |

| | | |
|---------------------------------------|--|---|
| | <p>issued by the Procedures do not meet the established conditions set forth in the preceding article, attendance at shareholders' meetings, proposals, speaking, voting, and voting rights, etc. shall be the same as that for ordinary shares issued by the company, and shall be executed according to the trust custody contract.</p> <p>III. When the restricted employee shares issued by the Procedures do not meet the established conditions set forth in the preceding Article, there shall be no rights to earnings distributions (including but not limited to: dividends, bonuses, capital reserve allocated rights) nor to cash-enhanced share options.</p> <p>IV. From the day of the Company's non-gratuitous allotment stop transfer day, the cash dividend stop transfer day, the cash capital increase subscription stop transfer day, the shareholders' meeting transfer period determined by Article 165, Paragraph 3 of the Company Act, or other legal business stoppage period based on the facts from the first 15 business days to the reference date for the distribution of rights, employees who meet the acquired conditions during this period do not have the right to surplus distribution.</p> | <p>issued by the Procedures do not meet the established conditions set forth in the preceding article, attendance at shareholders' meetings, proposals, speaking, voting, and voting rights, etc. shall be the same as that for ordinary shares issued by the company, and shall be executed according to the trust custody contract.</p> <p>III. When the restricted employee shares issued by the Procedures do not meet the established conditions set forth in the preceding Article, there shall be no rights to earnings distributions (including but not limited to: dividends, bonuses, capital reserve allocated rights) nor to cash-enhanced share options.</p> <p>IV. From the day of the Company's non-gratuitous allotment stop transfer day, the cash dividend stop transfer day, the cash capital increase subscription stop transfer day, the shareholders' meeting transfer period determined by Article 165, Paragraph 3 of the Company Act, or other legal business stoppage period based on the facts from the first 15 business days to the reference date for the distribution of rights, employees who meet the acquired conditions during this period do not have the right to surplus distribution.</p> <p>5. During the vesting period, if the cash is refunded because the Company decreased the capital in cash, the allocated but not vested refund from the capital decrease must be entrusted, and delivered to the employees with the vested shares (without interest) when the vesting conditions and periods are met; provided, if the vested conditions are not met at the expiration of vesting period, the Company will recover such cash.</p> |
| Custody of restricted employee shares | Custody shall be entrusted in the names of the employees | Custody shall be entrusted in the names of the employees |
| Where employees fail to meet the | For employees who have been assigned restricted employee shares in accordance with this method, if the time limit set in | For employees who have been assigned restricted employee shares in accordance with this method, if the time limit set in |

| | | |
|---|---|---|
| acquired conditions after being allocated or subscribed for new shares | Article 5 expires but does not meet the vested conditions for performance evaluation, the shares that do not meet the vested conditions will be recovered by the Company free of charge and cancelled. | Article 5 expires but does not meet the vested conditions for performance evaluation, the shares that do not meet the vested conditions will be recovered by the Company free of charge and cancelled. |
| Number of shares of restricted employee shares recovered or repurchased | 312,000 shares | 4,000 shares |
| Number of shares of restricted employee shares released | 1,554,000 shares | 0 share |
| Number of shares of restricted employee shares still unreleased | 3,634,000 shares | 996,000 shares |
| Ratio of unreleased restricted employee shares vs. total issuance of shares (%) | 1.00% | 0.28% |
| Impact on shareholder rights | One year after the issuance of restricted employee shares of the company, it will be implemented in the following three years and the original shareholders' equity will be diluted year by year. In addition, this can incentivize employees' long-term willingness to serve and enhance their motivation, and jointly create the interests of the company and shareholders, which will help shareholders' rights. | One year after the issuance of restricted employee shares of the company, it will be implemented in the following three years and the original shareholders' equity will be diluted year by year. In addition, this can incentivize employees' long-term willingness to serve and enhance their motivation, and jointly create the interests of the company and shareholders, which will help shareholders' rights. |

(II) Managers who obtained restricted employee shares and the names and acquisition status of the top ten employees
1st restricted employee shares for 2019

April 30, 2021

| Job title | Name | Number of restricted employee shares obtained (thousand shares) | Ratio of restricted employee shares obtained vs. total issuance of shares (%) (Note) | Restrictions removed | | | | Restrictions not removed | | | | |
|---------------------|-------------------------------------|---|--|--|---------------------------------------|----------------|--|--|---------------------------------------|----------------|--|-------|
| | | | | Number of shares with removed restrictions (thousand shares) | Issuing price (NT\$ thousand dollars) | Issuing amount | Shares with removed restrictions vs. total issuance of shares (%) (note) | Number of shares with restrictions not removed (thousand shares) | Issuing price (NT\$ thousand dollars) | Issuing amount | Shares with restrictions not removed vs. total issuance of shares (%) (Note) | |
| Managerial Officers | President | Cheng Ming-Chi | 1,290 | 0.36% | 387 | - | - | 0.11% | 903 | 0 | 0 | 0.25% |
| | Chief Operating Officer | Chi-Feng Tsai | | | | | | | | | | |
| | Vice President of Business Division | Tang Chia-Hsien | | | | | | | | | | |
| | Project Foreman | Cheng Yu-tai | | | | | | | | | | |
| | Director of Kunshan Plant | Ruei-Chun Ma | | | | | | | | | | |
| | Foreman of Kaohsiung Plant | Yi-Wen Shan | | | | | | | | | | |
| | CQO | Lu Yu-hung | | | | | | | | | | |
| | Director of Sourcing Division | Chao-Rong Gong | | | | | | | | | | |
| | Director of Administration | Blue Lan | | | | | | | | | | |
| | CFO | Arthur Shiung | | | | | | | | | | |
| Employee | Vice Director | Cheng Yang | 690 | 0.21% | 207 | - | - | 0.06% | 483 | 0 | 0 | 0.13% |
| | Vice Director | Chiang Shih-feng | | | | | | | | | | |
| | Vice Director | Yang Chi-kang | | | | | | | | | | |
| | Deputy Foreman | Hsu Wei-min (Resigned) | | | | | | | | | | |
| | Project Director | Cheng Ming-chieh | | | | | | | | | | |
| | Manager | Lin Chi-hsiung | | | | | | | | | | |
| | Project Manager | Chen Wei-kuo | | | | | | | | | | |
| | Assistant Manager | Lin Chung-ju | | | | | | | | | | |
| | Section Chief | Li Wei-ting | | | | | | | | | | |
| | Project Leader | Cheng Wei | | | | | | | | | | |

Note: Total number of shares issued refers to the number of shares listed in the change registration information filed with the Ministry of Economic Affairs.

1st restricted employee shares for 2020

April 30, 2021

| Job title | Name | Number of restricted employee shares obtained (thousand shares) | Ratio of restricted employee shares obtained vs. total issuance of shares (%) (Note) | Restrictions removed | | | | Restrictions not removed | | | | |
|-----------|---------------------------|---|--|--|--------------------------------|----------------|--|---|--------------------------------|----------------|--|-------|
| | | | | Number of shares with removed restrictions (thousand shares) | Issuance price (NT\$ thousand) | Issuing amount | Shares with removed restrictions vs. total issuance of shares (%) (note) | Number of shares not removed restrictions (thousand shares) | Issuance price (NT\$ thousand) | Issuing amount | Shares with restrictions not removed vs. total issuance of shares (%) (Note) | |
| Employee | Project Director | Song, Guang-Tao | 293 | 0.08% | - | - | - | - | 293 | - | - | 0.08% |
| | Manager | Lin, Chen-Chung | | | | | | | | | | |
| | Special Assistant | Duan, Chi-Quan | | | | | | | | | | |
| | Assistant Project Manager | Yang, Chung-Yen (resigned) | | | | | | | | | | |
| | Section Chief | Nien, Li-Chang | | | | | | | | | | |
| | Project Manager | Chang, Che-Rong | | | | | | | | | | |
| | Assistant Project Manager | Chen, Chien-He | | | | | | | | | | |
| | Section Chief | Chen, Tian-Ren | | | | | | | | | | |
| | Assistant Manager | Tsai, Che-Wen | | | | | | | | | | |
| | Section Chief of Project | Lee, Hsien-Tsung | | | | | | | | | | |

Note: Total number of shares issued refers to the number of shares listed in the change registration information filed with the Ministry of Economic Affairs.

VII. Mergers and acquisitions, or as assignee of new shares issued by another Company

None

VIII. Status of execution of capital utilization plan

(I) Issuance of the 2019 3rd unsecured overseas convertible corporate bonds is described as the following:

1. Contents of plan

- (1) Fund utilization plan: purchasing machineries and machinery equipment with foreign currency.
- (2) Date and No. of the competent authority's approval letter: Ching-Kuan-Cheng-Fa-Tze No. 1070346168 dated December 22, 2018.
- (3) Total fund required by the plan: US\$120,000 thousand

2. Execution status:

Unit: thousand dollars

| Project item | Status | | Accumulated until Q1 of 2021 | Reason why the plan is ahead of or fall behind the schedule, and improvement plan |
|--|--------------|-----------|------------------------------|---|
| | | | Amount | |
| Purchase of materials with foreign currency | Expenditure | Scheduled | 1,842,000 | The actual funds raised in this project to paid for purchases of materials in foreign currency were US\$50,000 thousand (approximately equivalent to NT\$1,535,000 thousand), and the remaining US\$10,000 thousand (equivalent to NT\$307,000 thousand) was paid with the self-owned funds. As of March 31, 2021, all the funds raised have been paid for purchases of materials in foreign currency, so there is no unspent fund. |
| | | Actual | 2,543,526 | |
| | Progress (%) | Scheduled | 100 % | |
| | | Actual | 138.09 % | |
| Purchase of machinery equipment with foreign currency. | Expenditure | Scheduled | 1,842,000 | The actual funds raised in this project to paid for purchases of machinery equipment in foreign currency were US\$50,000 thousand (approximately equivalent to NT\$1,535,000 thousand), and the remaining US\$10,000 thousand (equivalent to NT\$307,000 thousand) was paid with the self-owned funds. As of March 31, 2021, all the funds raised have been paid for purchases of machinery equipment in foreign currency, so there is no unspent fund. |
| | | Actual | 1,842,000 | |
| | Progress (%) | Scheduled | 100 % | |
| | | Actual | 100 % | |

(II) Issuance of the 2021 4th unsecured overseas convertible corporate bonds is described as the following:

1. Contents of plan

- (1) Fund utilization plan: purchasing machineries and machinery equipment with foreign currency.
- (2) Date and No. of the competent authority's approval letter: Ching-Kuan-Cheng-Fa-Tze No. 1090378221 dated December 19, 2020.
- (3) Total fund required by the plan: US\$150,000 thousand

2. Execution status:

Unit: thousand dollars

| Project item | Status | | Accumulated until Q1 of 2021 | Reason why the plan is ahead of or fall behind the schedule, and improvement plan |
|--|--------------|-----------|------------------------------|---|
| | | | Amount | |
| Purchase of materials with foreign currency | Expenditure | Scheduled | 296,390 | The project was to meet the funds required for purchases of materials in foreign currency. The actual implementation progress was ahead of the estimated progress. It is mainly due to the advance preparation of materials in response to future market demand. In the future, it will continue to be used to meet the needs of purchases of materials in foreign currency, helping to reduce the actual expenditure of interest expenses. |
| | | Actual | 383,790 | |
| | Progress (%) | Scheduled | 21.18 % | |
| | | Actual | 27.43 % | |
| Purchase of machinery equipment with foreign currency. | Expenditure | Scheduled | 1,007,982 | The project was to meet the funds required for purchases of machinery equipment in foreign currency. As of Q1 2021, the purchased machinery equipment has started the mass production; provided that purchase progress of part equipment was adjusted based on the actual capacity, and thus the actual progress of the purchases of machinery equipment fell behind the expectation; consequently, the production volume, sales volume, and revenue missed the |
| | | Actual | 342,015 | |
| | Progress (%) | Scheduled | 32.79 % | |
| | | Actual | 11.13 % | |

V. Overview of operations

I. Business contest

(I) Scope of business

1. Primary content of business

The Company and its subsidiaries are primarily engaged in design, development, manufacturing and sale of Flexible Print Circuits (FPC), and assembly, sampling and modules thereof.

2. Current products and business weight portion thereof:

| Main products | 2019 | | 2020 | |
|--------------------------------|--|-------------------------|--|-------------------------|
| | Operating amount (NT\$ thousand dollars) | Business proportion (%) | Operating amount (NT\$ thousand dollars) | Business proportion (%) |
| Flexible printed circuit (FPC) | 26,033,230 | 100.00 | 29,897,996 | 100.00 |

3. New products (services) under development:

| R&D projects | Future market needs |
|--|---|
| 25um/25um fine line carrier boards | Carrier boards for LCD/HD |
| Soft and hard composite boards with 4-8 layers | Communication/medical carrier boards |
| 6-layer multi-layer FPC | Carrier board for cameras |
| LED backlight module FPC | LCD monitors |
| FPC with laser blind and/or buried hole | Smartphone and notebooks |
| Double-panel continuous process | Ultra thin/high precision/high bend resistant electronic products |
| Liquid crystal polymer multilayer lamination | Smartphone and wearable electronic devices |

(II) Overview of industry

1. Business Overview and Development and Various Development Trends of Products

A printed circuit board (PCB) is the substrate used for for the assembly of electronic components. The main function of a PCB is to solder electronic components onto a PCB and connect it with metal conductors to form an electronic circuit with specific functions, making PCBs indispensable basic parts for all electronic products.

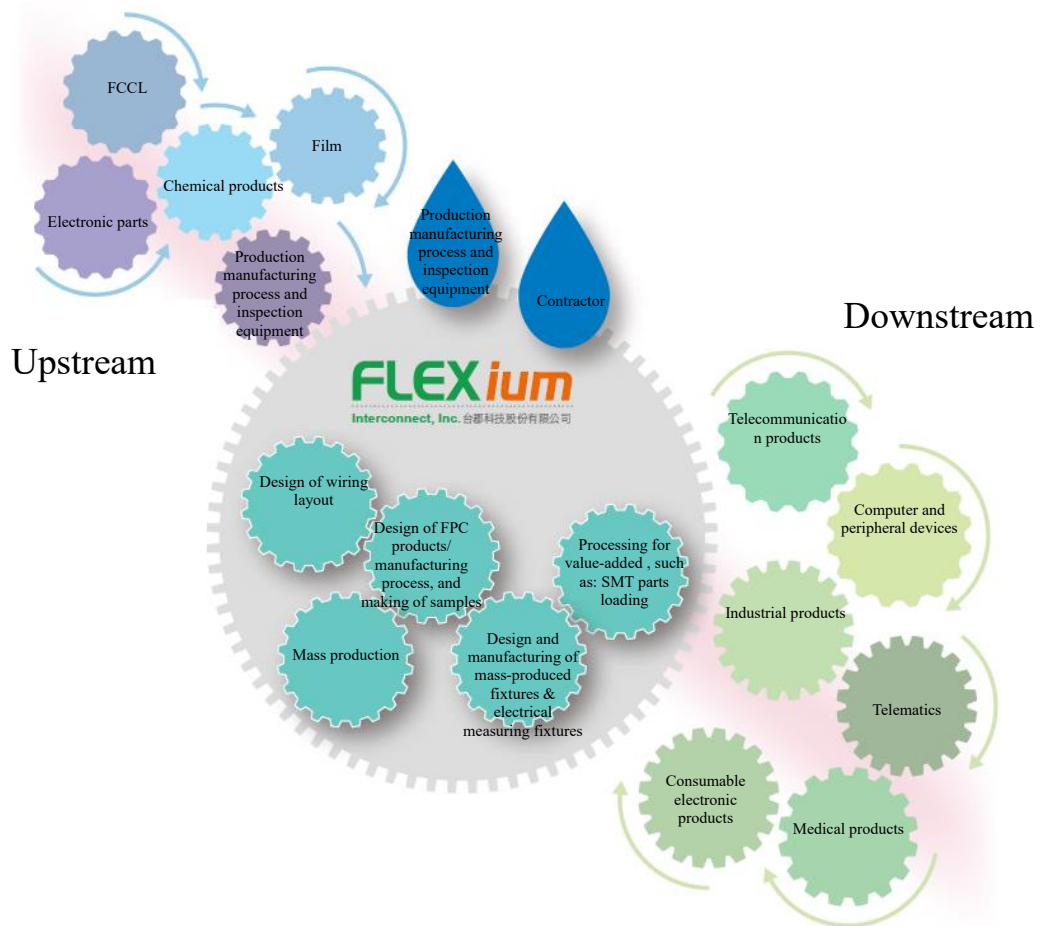
PCBs can be categorized into 3 types: rigid PCBs, flexible print circuits

(FPCs) and IC substrates. Among these, FPCs are made by flexible copper clad laminates (FCCL) and a flexible insulating layer (FIL) using an adhesive. They then go through process such as etching to leave the necessary circuit for electronic signal transmission. Due to the characteristics of FPC including high wiring density, thin, light, small, low wiring error rate, and good ductility, it is being widely used in consumer electronics products. In recent years, as the demand for electronics products are leaning towards thinner, lighters, power-saving and touch-control, not only is the application for FPC being used more widely, they are also used more largely, indicating that they are the type of product which has the most PCB growing potential.

The largest FPC application market is still mobile phones worldwide. Due to the improvement of the smartphone penetration rate, FPC used in each smartphone is at the same time continuing increasing. Aside from components and motherboards that are connected to FPC for products such as screens, camera modules, peripherals keys, etc., connection including wireless charging function modules, several motherboards, etc. are new demand for the urge of FPC, making mobiles still the most crucial battlefield for future FPC plants. Compared to smartphones, although the annual shipment of cars is lower, the number of FPC used in each car is diverse and is growing faster. Parts used in cars include LED lights, image sensors, in-car information/entertainment display systems, door handles, and even power engine systems already using FPC. Even though portable ultrasound examination machines, robotic arms/robots, high-frequency transmission/reception antennas used in the field of biomedicine account for a small proportion of FPC, they are however, all niche products with high profits.

2. Relations with industries upstream, mid-stream, and downstream

The primary products at Flexium are PCBs, with upstream raw materials including copper foil laminates, chemicals, films, and electronic parts and components; downstream is for applications of various electronics products, including information, communication and consumer products. Characteristics of upstream materials, manufacturer process, technology level all pose material impact to PCBs; therefore, the expertise and cooperation are relatively important for upstream, midstream and downstream manufacturers



3.Competition status

The local procurement of raw materials of FPC, such as FCCL and PI, is critical to the industrial development. At the very beginning of FPC development in Taiwan, the raw materials were primarily supplied by Japan, and the profit to be sought by the relevant manufacturer was low. In the recent years, the manufacturers engaged in processing FCCL, such as Taiflex and Dupont, developed considerable production capacity in Taiwan and Mainland China. Therefore, there is no concern about supply of raw materials, and the price becomes more competitive.

The chief technology officer of the Company has earned plentiful experience in design, marketing, production and management in the FPC industry, and become the professional and top team in the FPC circle. The most advanced “Roll to Roll” automated production line is adopted. With the focus on high efficient and human-machine automated production line alongside the optimization of technology and process, the Company maintains highly competitive. The Company is determined to becoming a provider of diversified technology solutions.

(III) Overview of technology and R&D

1 R&D expenses in the most recent year

Unit: NT\$ in thousand

| Year | 2020 |
|--------------------------|------------|
| R&D expenses | 1,826,427 |
| Operating revenues | 29,897,996 |
| To operating revenue (%) | 6.11 |

2 Technology or product successfully developed in the most recent year

| By product | Technology |
|--|--|
| Mobile phone wireless charging module, smart identification lens module, AR/VR virtual reality application module, AI artificial intelligence application module, smart home security system module, 3D sensing lens module, and wearable sensors. | Wireless charging FPC measurement technology, laser microvias, antenna coupling simulation software, blind and buried vias technology development, substrate-like RTR manufacturing technology development, fine-line flexible printed circuit, liquid crystal polymer multilayer lamination technology development. |

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

1. Short-term plan: Continue to develop the existing primary customers thoroughly, integrate technical service team, focus on high valued product lines of consumer electronics, such as onboard and medical products as well as the development of other products.
2. Long-term plan: committed to the application of high-frequency, high-speed, and cloud-based intelligent systems, such as Smart TV, Smart Car, IoT (Internet of Things) electronic products, virtual reality (VR)/ augmented reality (AR) / substitutional reality (SR)/ mixed reality (MR) and other technical improvements of products and material research and development.

II. Overview of market and production and marketing

(I) Market analysis

1. Territories where the Company's main products are sold

Unit: NT\$ in thousand

| Territory | | Year | | 2019 | | 2020 | |
|--------------------|--------------------------------------|------------|--------|------------|--------|------|--|
| | | Amount | % | Amount | % | | |
| Domestic marketing | | 1,530,903 | 5.88 | 1,449,038 | 4.85 | | |
| Export | Asian region | 10,437,510 | 40.09 | 9,835,064 | 32.90 | | |
| | Territories in Europe and the U.S.A. | 14,064,817 | 54.03 | 18,613,894 | 62.25 | | |
| | Sub-total | 24,502,327 | 94.12 | 28,448,958 | 95.15 | | |
| Total | | 26,033,230 | 100.00 | 29,897,996 | 100.00 | | |

2. Market share and future supply & demand and growth of the market

Flexum is one of the 3 major FPC suppliers in Taiwan with manufacturing double side, single side, multilayer and rigid-flex FPCs used in products in communications, computers and consumer electronics products.

With smart watches, smart bracelet and wearable medical monitors becoming more and more common, it indicates that consumers are able to accept various types of smart wearable devices. The demand is gradually increasing. In terms of medical monitors, with the trend of the aging society and health care, information and communication manufacturers also seized such business opportunity by developing corresponding healthcare products for future elderly and groups of people who take health-care seriously. These healthcare products include smart wearable products that enable support of long-time wear without affecting the wearer's daily life with advantages of the ability to automatically detect, collect, display and transmit data over the Internet. Furthermore, according to researchers at the Moscow Institute of Physics and Technology (MIPT) and biotechnology company GERO, it has been confirmed that it only takes one week to extract body activity data from a wearable device, which can be used to generate digital biological indicators of aging and deterioration. Therefore, via the concept of continuous health risk monitoring and real-time feedback to life and health insurance, healthcare and sports fitness providers can drive the future sales of wearable devices.

In addition, smart bracelets/watches are also gradually improving. Not only they are equipped with touch-screens, they also have functions including mobile

phone message browsing and replying, music control, mobile payment, voice assistant, etc. They even provide a detachable bracelet screen to be used as Bluetooth headset for calls. The development of diverse functions also attract more consumers, leading the trend of wearable devices.

3. Competitive niche

(1) The increase shipment of smartphones drives the growth of FPC industry.

In the past, 3-5 flexible boards were required in a functional mobile phone. Given the fact that consumers demand products to be lighter and thinner with diversity, the demand for flexible boards that can modularize electronic component functions in limited space is greater. Nowadays, flexible boards needed for a smartphone exceed 20 boards, which is four times more than a traditional mobile phone. The sale of smartphones will also affect the development of industry.

(2) Complex design needs of 5G will bring a new wave of business opportunities

From the concept of 5G technology to it being massed produced, the large scale MIMO (Multi-input Multi-output) antenna configurations that accompany it will become more complex, making the RF front-end occupy take up more space in 5G smart phones. In addition, the amount of data processed by the 5G system will grow geometrically which means the battery capacity will also need to improve, meaning that PCBs and other electronic components will be compressed to complete the package in a higher density, compact form. With 5G becoming more common, the most direct contribution is the FPC demand, especially in MIMO antenna described previously, which also pose a certain degree of promotion of innovation in terms of materials and manufacturing processes. For example, in 2019 when 5G was not yet common, Modified Polyimide (MP) which performed well in the 4G band was used as the primary material. However, with the equipment manufacturing needs brought by 5G that can adapt to LCP (Liquid crystal polymer) materials in higher bands will become mainstream.

4. Positive and negative factors for future development, and the Company's response to such factors

(1) Favorable factors: The FPC application keeps emerging on an ongoing basis, and there is no concern about the growth:

Flexible boards are used widely; downstream end products mainly include high-end consumer electronics such as smartphones, tablets, PCs and wearable devices.

FPC is primarily applied to the binding of main panel and external components. Following the increasing diversification of smart phone functions, the additional external components are increasing relatively, e.g. the connection between screen and main panel, camera module and buttons etc. Generally speaking, the quantity of FPC applied to a smart phone is several multiple of that applied to the general mobile phone.

(2) Unfavorable factors: High labor-intensive industry

The production process of FPC per se is complicate, and the back-end production process requires massive labors. Nevertheless, due to the shortage of domestic labors and the increasing wage in Mainland China year by year, the product cost is increased and the competitive strength is weakened accordingly.

(3) Response to the factors

A. Purchase automatic and semi-automatic test equipment, improve production process and quality, and increase employees' benefit to retain high-quality talents, and reduce the HR demand and operating cost to upgrade the Company's competitive strength.

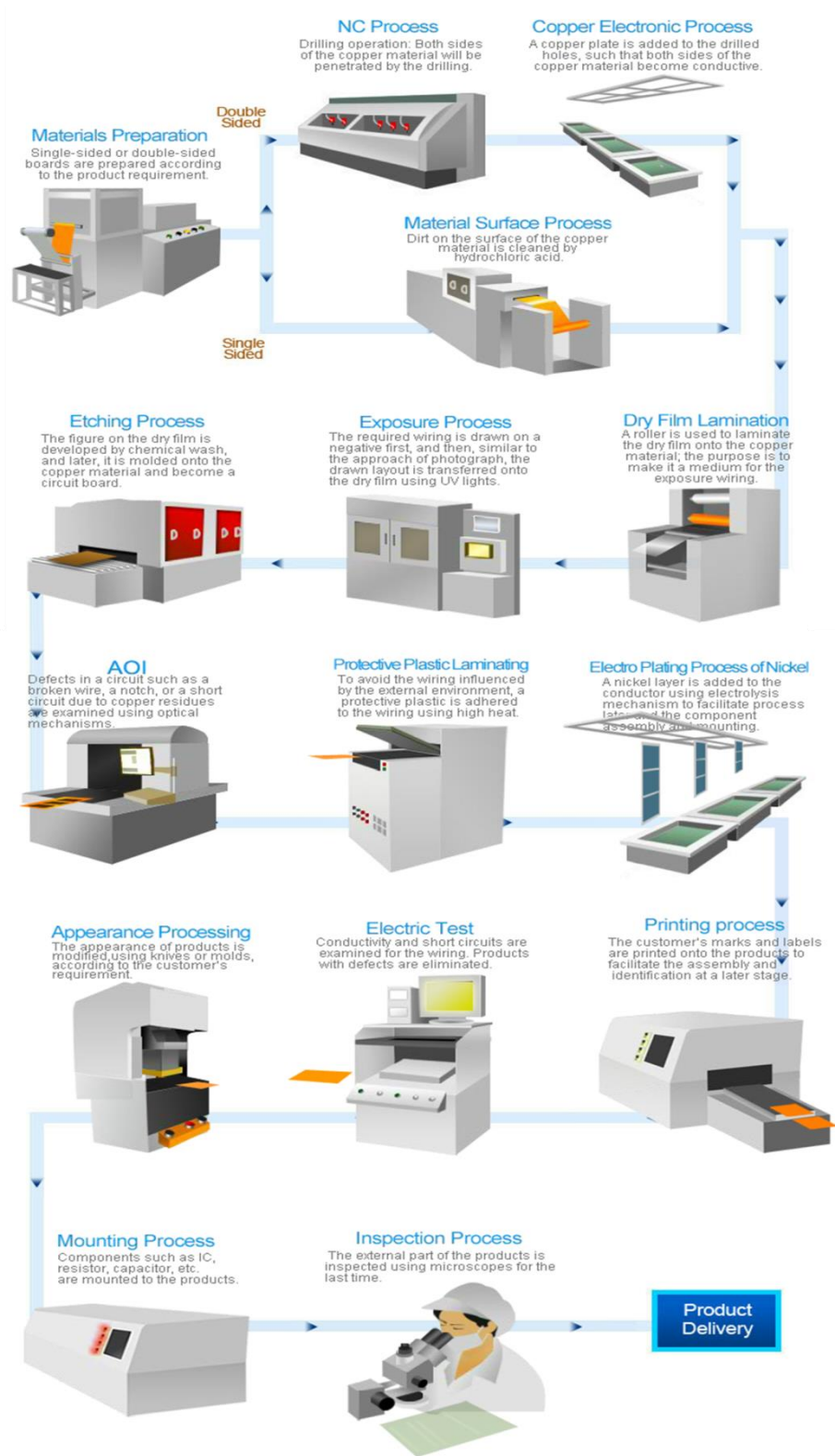
B. Transfer production of some middle-ranked and low-ranked products to the factory premises in Mainland China through the international breakdown, and introduce foreign employees adequately and perform professional training on them permanently to solve the problem about shortage of domestic labors and talents.

(II) Important purpose and production process of main products

1. Important purpose of main products

| Main products | Important purpose or function |
|--------------------------------|---|
| Flexible printed circuit (FPC) | Computer: Notebooks, tablet computers, printers and displays etc. Communication: Mobile phones and fax machines etc. Others: Stereo, TV, video recorder, video camera system, digital camera, electronic products for car, industrial instrument, and medical instrument etc. |

2. Production process of main products



(III) Primary raw material supply status

The Company maintains long-term partnership relationship with suppliers of main raw materials to make the source of supply of main raw materials free from concern and make the cost most competitive.

(IV) A list of any suppliers and clients accounting for 10% or more of the Company's total procurement (sales) amount in either of the most two recent fiscal years, the amounts bought from (sold to) each, the percentage of total procurement (sales) accounted for by each

1. Information about main suppliers for the most recent two years

Unit: NT\$ thousand; %

| Item | 2019 | | | | 2020 | | | |
|------|--------------|------------|--------------------------------|------------------------------|--------------|------------|--------------------------------|------------------------------|
| | Name | Amount | To the annual net purchase (%) | Relationship with the issuer | Name | Amount | To the annual net purchase (%) | Relationship with the issuer |
| 1 | Others | 15,253,239 | 100.00 | None | Others | 21,483,871 | 2011 | None |
| | | | | — | | | | — |
| | Net purchase | 15,253,239 | 100.00 | | Net purchase | 21,483,871 | 2011 | None |

In 2019, the Company had no suppliers whose procurement accounted for 10% or more, indicating that there is no risk of concentration of purchases.

2. Information about main customers for the most recent two years

Unit: NT\$ thousand; %

| Item | 2019 | | | | 2020 | | | |
|------|----------|------------|----------------------------|------------------------------|----------|------------|----------------------------|------------------------------|
| | Name | Amount | To the annual net sale (%) | Relationship with the issuer | Name | Amount | To the annual net sale (%) | Relationship with the issuer |
| 1 | Company | 13,931,732 | 53.52 | None | Company | 18,401,562 | 61.55 | None |
| | Others | 12,101,498 | 46.48 | - | Others | 11,496,434 | 38.45 | - |
| | Net sale | 26,033,230 | 100.00 | | Net sale | 29,897,996 | 100.00 | |

It is mainly caused by the change of the sales of customers and cooperation with the adjustment of the terminal brand manufacturer sales strategies.

(V) Production value in recent two years

Unit: M²; NT\$ thousand

| Year | 2019 | | | 2020 | | |
|--------------------------------|---------------------|-----------|--------------|---------------------|-----------|--------------|
| | Production capacity | Output | Output value | Production capacity | Output | Output value |
| Main product | | | | | | |
| Flexible printed circuit (FPC) | 1,333,639 | 1,074,913 | 18,201,476 | 1,936,739 | 1,646,228 | 24,775,775 |
| Total | 1,333,639 | 1,074,913 | 18,201,476 | 1,936,739 | 1,646,228 | 24,775,775 |

(VI) Sales value in recent two years

Unit: thousand pieces/NT\$ thousand

| Year | 2019 | | | | 2020 | | | |
|--------------------------------|--------------------|-----------|----------|------------|--------------------|-----------|-----------|------------|
| | Domestic marketing | | Export | | Domestic marketing | | Export | |
| | Quantity | Value | Quantity | Value | Quantity | Value | Quantity | Value |
| Main product | | | | | | | | |
| Flexible printed circuit (FPC) | 25,299 | 1,530,903 | 772,042 | 24,502,327 | 41,483 | 1,449,044 | 1,070,400 | 28,448,952 |
| Total | 25,299 | 1,530,903 | 772,042 | 24,502,327 | 41,483 | 1,449,044 | 1,070,400 | 28,448,952 |

III. Employee information in the last 2 years up until the publication date of this annual report

Unit: person; %

| Year | | 2019 | 2020 | As of March 31, 2021 |
|---------------------------------|--------------------------|--------|--------|----------------------|
| Number of employees | Direct labor | 5,017 | 5,261 | 7,082 |
| | Indirect labor | 762 | 803 | 881 |
| | Total | 5,779 | 6,064 | 7,963 |
| Average age | | 30.54 | 31.25 | 31.29 |
| Average service seniority | | 3.38 | 3.54 | 3.14 |
| Ratio of educational background | Ph.D | 0.08% | 0.12% | 0.07% |
| | Master | 2.95% | 3.30% | 3.67% |
| | University (college) | 32.01% | 32.44% | 28.28% |
| | Senior high school | 58.21% | 55.00% | 54.01% |
| | Below senior high school | 6.76% | 9.13% | 13.97% |

IV. Environmental protection expenditure information

In the most recent year and as of the date of publication of the annual report, losses due to environmental pollution (specifying compensation and environmental protection audit results that violate environmental protection regulations, sanction date, sanction code, regulatory provisions that were violated, details of the regulatory violation, and sanction details) and disclosure of current and future estimated amounts and possible measures:

| Item | 2020 | | As of April 30, 2021 |
|--|--|--|----------------------|
| Violation of environmental regulations | The site failed to implement the air pollution prevention as required | Leaked waste water tank | None |
| Sanction date | 2020-04-09 | 2020-11-20 | None |
| Sanction code | 23-109-040003 | 30-109-110004/ 30-109-110008 | None |
| Regulatory provisions violated | Article 23, paragraph 2, the Air Pollution Control Act | Article 28, paragraph 1, the Water Pollution Control Act | None |
| Details of violation | The dust-control fabric and dust-control mesh did not fully covered the stacked materials, or damaged, and thus the prevention effect was compromised; the | The leakage of waste drainage was not reported to the competent authority within three hours upon occurrence, and thus violated Article 28, paragraph 1, the | None |

| | | | |
|---------------------------------|--|---|------|
| | pavement of the vehicle routes within the construction site, or routes from carwash facilities to major roads were not washed, and thus the prevention effect was compromised. Both violated Article 23, paragraph 2, the Air Pollution Control Act. | Water Pollution Control Act. | |
| Sanction details | NT\$100,000 | NT\$2,245,180 | None |
| Estimated amount that may occur | None | None | None |
| Countermeasures | The deficiency correction was made immediately during the audit. | The correction of the case was re-inspected on site by the authority imposed the deposition on August 31, and approved for reference; the petition for the deposition is pending. | None |

V. Labor relationship

(I) List any employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor-management agreements and measures for preserving employees' rights and interests:

1. Employee benefit plans

- (1) The Company maintains the labor insurance and health insurance for all of its employees and also contributes pension fund on a monthly basis, term group insurance of NT\$3 million to NT\$12 million for its employees, and additional travel insurance of NT\$5 million if the employees take a business trip.
- (2) Health examination each year.
- (3) Orientation training, on-the-job training, and periodic or irregular training inside and outside the factory;
- (4) Issuance of employee stock and dividend as well as quarterly performance bonus, year-end bonus according to the company business operation performance and employee individual performance.
- (5) Worker Welfare Commission will organize the employees' tour and family day periodically each year, and subsidize marriage, funeral and celebration, and also emergent relief, and also grant the coupon (gift) for three major festivals and birthday coupon.

2. Continuing education and training

To increase the overall competitiveness and continuous development of talents, Flexium Interconnect, Inc. has invested a lot of resources on employee trainings and

development, such that through On-job training (OJT), Off-job training and Self-development of individuals, the work abilities and diverse professional skills can be improved. With our effort, in 2014, the Company received the Talent Quality-management System (hereinafter referred to as “TTQS”) “Enterprise Mechanical Board Silver Award” from the Ministry of Labor, and in 2016, the Company further improved and received the Golden Award. It demonstrates that our efforts in the talent development and training performance are greatly recognized by the nation.

Flexium Interconnect, Inc. upholds the vision of “becoming the role model for global FPC industry training” for talent training and implement the training policy of “improvement promotion culture” such that through three main core occupational skill training and planning courses, the Company continues to improve the abilities of employees and to exploit innovation energy. Various key cultivation courses are created for employees at all levels. Through the method of “learning during practice, practice during learning,” the professional and management abilities of employees can be improved such that the professional skills of employees can be developed while creating the maximum benefits for the Company.

There was a total of 97,047 employee training hours in 2020. The average training time per employee is 32 hours. The content includes training for new recruits, general courses, occupational safety training, project management, training on various functions, and so on. The annual training expenditure is approximately NT\$10.14 million.

3. Retirement system and implementation thereof

The Company has established the defined the appropriation for retirement in accordance with the “Labor Pension Act,” which is applicable to employees of the nationality of R.O.C. The Company will contribute the pension fund equivalent to no less than 6% of the salary to the employee’s personal pension account maintained at the Bureau of Labor Insurance, according to the labor pension system defined under the “Labor Pension Act” chosen by the employees. Employees’ pension would be paid on a monthly basis or in a lump sum according to the balance in the employees’ personal pension accounts and accumulated income generated.

In addition, according to the Labor Standards Act (old labor retirement in old system), 2% of the employee tax payable salary is appropriated to the labor retirement reserve at the old system retirement reserve account at the Trust Department of Bank of Taiwan.

4. Status of labor agreement and employee interests and rights protection measures:

The Company is used to valuing humane management and adhering to the philosophy about “labor integration and integrowth and co-prosperity”. Therefore, the labor-management communication is handled in multiple manners to enable the labor and management to know each other better and develop toward the same goal.

(1) Complaint channel: The Company and its subsidiaries all have established the complaining channels immediately subordinated to the President’s Office, so that

the employees may report any illegal activity or event impairing employees' interest and right found by them in work to the supreme management via the confidential channels to rectify and maintain the employees' interest and right in a timely manner.

- (2) Staff meeting: The staff meeting shall be held on a bi-weekly basis, in order to discuss and solve multi-departmental problems and to propagate policies to make the management more reasonable and help operations more successful.
- (3) Monthly labor-management meeting: The meeting shall be held once per month in order to understand all employees' opinion and solve problems to gather employees' cohesion.
- (4) Worker Welfare Commission meeting: The labor-management members may conduct special discussion about the benefit plans at the Worker Welfare Commission meeting, including the comments on employees' work and life, in order to enable the labor and management to communicate with each other as the reference for the management.

In 2018, 6 representatives for labor-management meetings were elected through the voting of employees in accordance with the "Regulations for Implementing Labor-Management Meeting", allowing employees to have fair channels for communication and for them to express opinions.

- (II) Explain that, as of the publication of the annual report, the losses caused from labor disputes (including labor inspection result which violates the regulations stipulated in the Labor Standards Act - the date of penalty, penalty reference, the violation of provision, the content of the violation, penalty content). The current and future possible estimated amount and countermeasures shall also be disclosed. If it cannot be reasonably estimated, facts of the reason shall be given: None.

VI. Important contracts

Sales contract, technical cooperation contracts, engineering contracts, long term loans contracts and other significant contracts that are active or ending within a year which are sufficient to affect the interests of shareholders; with the parties, the main content, restrictions and the date of commencement and duration of the contract clearly stated.

As of April 30, 2021

| Nature of contract | Contractual parties | Duration | Main contents | Restrictive clauses |
|----------------------------|------------------------------|---------------------------------|----------------------|---------------------|
| Real estate lease contract | Yuan An Enterprise Co., Ltd. | March 15, 2018 - March 14 2023 | Land and plant lease | None |
| Real estate lease contract | Chia-Huei Chiu | March 15, 2019 - March 14, 2021 | Plant lease | None |

| Nature of contract | Contractual parties | Duration | Main contents | Restrictive clauses |
|---|-------------------------------------|--|---|---------------------|
| Real estate lease contract | Wen-Chang Lu | 2017/05/01-2020/04/30 2020/05/01~2023/04/30 | Lease of Office at Pingzhen | None |
| Electromechanical and air-conditioning contract | Acter Co., Ltd | 2020/10/08 | The secondary side electromechanical and air-conditioning project at the He-Fa Park | None |
| Procurement contract | Electro Scientific Industries, Inc. | 2020/11/12 | Purchasing equipment | None |
| Long-term borrowing contract | CTBC Bank | 2019/05~2029/05 | NT\$2 billion | None |
| Long-term borrowing contract | E. Sun Commercial Bank | 2019/05~2026/07 | NT\$1.9 billion | None |

VI. Financial overview

I. Condensed balance sheet and income statement for the most recent five years

(I) Consolidated Condensed Balance Sheet Under International Financial Reporting Standards (IFRS)

Unit: NT\$ in thousand

| Item | Year | Financial information for the most recent five years (Note 1) | | | | |
|--|---------------------|---|------------|------------|------------|------------------------|
| | | 2016 | 2017 | 2018 | 2019 | 2020 |
| Current assets | | 17,393,357 | 23,969,161 | 21,138,145 | 25,952,009 | 31,946,671 |
| Property, plant and equipment | | 5,017,555 | 6,196,860 | 5,630,571 | 7,323,353 | 8,485,676 |
| Intangible assets | | 39,205 | 37,325 | 85,717 | 46,150 | 20,645 |
| Other assets | | 1,066,448 | 522,887 | 770,269 | 1,132,175 | 2,314,381 |
| Total amount of assets | | 23,516,565 | 30,726,233 | 27,624,702 | 34,453,687 | 42,767,373 |
| Current liabilities | Before distribution | 5,902,466 | 12,214,136 | 7,619,715 | 8,133,819 | 13,021,769 |
| | After distribution | 7,199,298 | 13,758,629 | 9,185,999 | 9,815,902 | 14,808,534 (Note 2) |
| Non-current liabilities | | 2,084,197 | 651,689 | 803,310 | 4,392,066 | 4,188,115 |
| Total amount of liabilities | Before distribution | 7,986,663 | 12,865,825 | 8,423,025 | 12,525,885 | 17,209,884 |
| | After distribution | 9,283,495 | 14,410,318 | 9,989,309 | 14,207,968 | 18,996,649 (Note 2) |
| Equities belong to the owner of the parent Company | | 15,529,902 | 17,860,408 | 19,201,677 | 21,927,802 | 25,557,489 |
| Capital | | 2,995,325 | 3,179,912 | 3,182,954 | 3,346,328 | 3,617,798 |
| Capital reserve | | 4,504,836 | 3,990,243 | 3,859,566 | 4,285,961 | 4,771,691 |
| Retained earnings | Before distribution | 9,543,460 | 11,874,509 | 12,987,385 | 15,357,966 | 17,731,146 |
| | After distribution | 8,246,628 | 10,330,016 | 11,421,101 | 13,675,883 | 15,944,381 (Note 2) |
| Other equities | | (73,422) | (212,254) | (303,446) | (771,663) | (563,146) |
| Treasury stock | | (1,440,297) | (972,002) | (524,782) | (290,790) | 0 |
| Non-controlling equities | | 0 | 0 | 0 | 0 | 0 |
| Total amount of equities | Before distribution | 15,529,902 | 17,860,408 | 19,201,677 | 21,927,802 | 25,557,489 |
| | After distribution | 14,233,070 | 16,315,905 | 17,635,393 | 20,245,719 | 23,770,724 (Note 2) |

Note 1: All of the financial information from 2016 to 2020 have been audited and certified by CPA; the financial information of the latest quarter has not been audited by CPA up to the publication date of the annual report.

Note 2: the special resolution for the distribution has been adopted by the Board of Directors on February 17, 2021.

(II) Consolidated Condensed Comprehensive Income statements Under International Financial Reporting Standards (IFRS)

Unit: NT\$ in thousand

| Item | Year | Financial information for the most recent five years (Note) | | | | |
|---|------|---|------------|------------|------------|------------|
| | | 2016 | 2017 | 2018 | 2019 | 2020 |
| Operating revenues | | 19,096,283 | 25,846,403 | 26,770,491 | 26,033,230 | 29,897,996 |
| Operating gross profit | | 4,539,382 | 5,661,828 | 5,120,283 | 5,945,005 | 6,134,099 |
| Operating income | | 3,052,351 | 3,960,866 | 3,152,974 | 3,797,113 | 3,439,319 |
| Non-operating revenues and expenses | | (92,601) | (84,080) | 327,729 | 204,656 | 357,622 |
| Net profit before tax | | 2,959,750 | 3,876,786 | 3,480,703 | 4,001,769 | 3,796,941 |
| Net profit of the current term from continuing operations | | 2,275,180 | 3,056,836 | 2,644,712 | 3,153,203 | 2,934,043 |
| Loss from discontinued operations | | 0 | 0 | 0 | 0 | 0 |
| Net profit (loss) of the current term | | 2,275,180 | 3,056,836 | 2,644,712 | 3,153,203 | 2,934,043 |
| Other comprehensive income (net amount after tax) of the current term | | (258,592) | (144,157) | (78,535) | (219,345) | 94,373 |
| Total amount of comprehensive income of the current term | | 2,016,588 | 2,912,679 | 2,566,177 | 2,933,858 | 3,028,416 |
| Net profit belonging to the owner of the parent Company | | 2,275,180 | 3,056,836 | 2,644,712 | 3,153,203 | 2,934,043 |
| Net profit belonging to the non-controlling equities | | 0 | 0 | 0 | 0 | 0 |
| Total amount of comprehensive income belonging to the owner of the parent Company | | 2,016,588 | 2,912,679 | 2,566,177 | 2,933,858 | 3,028,416 |
| Total amount of comprehensive income belonging to the non-controlling equities | | 0 | 0 | 0 | 0 | 0 |
| Earnings per share | | 8.42 | 10.07 | 8.55 | 10.02 | 8.63 |

Note: All of the financial information from 2016 to 2020 have been audited and certified by CPA; the financial information of the latest quarter has not been audited by CPA up to the publication date of the annual report.

(III) Parent Company Only Condensed Balance Sheet Under International Financial Reporting Standards (IFRS)

Unit: NT\$ in thousand

| Item | Year | Financial information for the most recent five years (Note 1) | | | | |
|--|---------------------|---|------------|------------|------------|------------------------|
| | | 2016 | 2017 | 2018 | 2019 | 2020 |
| Current assets | | 16,449,868 | 20,005,453 | 18,063,782 | 23,857,151 | 27,723,347 |
| Property, plant and equipment | | 1,234,948 | 2,643,810 | 2,663,835 | 3,893,642 | 4,580,154 |
| Intangible assets | | 37,956 | 31,127 | 77,565 | 42,395 | 16,291 |
| Other assets | | 4,761,789 | 5,823,003 | 7,296,489 | 7,193,196 | 9,897,518 |
| Total amount of assets | | 22,484,561 | 28,503,393 | 28,101,671 | 34,986,384 | 42,217,310 |
| Current liabilities | Before distribution | 4,873,282 | 10,015,293 | 8,100,020 | 8,686,400 | 12,498,329 |
| | After distribution | 6,170,11 | 11,559,786 | 9,666,304 | 10,368,483 | 14,285,094 (Note 2) |
| Non-current liabilities | | 2,081,377 | 627,692 | 799,974 | 4,372,182 | 4,161,492 |
| Total amount of liabilities | Before distribution | 6,954,659 | 10,642,985 | 8,899,994 | 13,058,582 | 16,659,821 |
| | After distribution | 8,251,49 | 12,187,478 | 10,466,278 | 14,740,665 | 18,446,586 (Note 2) |
| Equities belong to the owner of the parent company | | 15,529,902 | 17,860,408 | 19,201,677 | 21,927,802 | 25,557,489 |
| Capital | | 2,995,325 | 3,179,912 | 3,182,954 | 3,346,328 | 3,617,798 |
| Capital reserve | | 4,504,836 | 3,990,243 | 3,859,566 | 4,285,961 | 4,771,691 |
| Retained earnings | Before distribution | 9,543,460 | 11,874,509 | 12,987,385 | 15,357,966 | 17,731,146 |
| | After distribution | 8,822,998 | 10,330,016 | 11,421,101 | 13,675,883 | 15,944,381 (Note 2) |
| Other equities | | (73,422) | (212,254) | (303,446) | (771,663) | (563,146) |
| Treasury stock | | (1,440,297) | (972,002) | (524,782) | (290,790) | 0 |
| Non-controlling equities | | 0 | 0 | 0 | 0 | 0 |
| Total amount of equities | Before distribution | 15,529,902 | 17,860,408 | 19,201,677 | 21,927,802 | 25,557,489 |
| | After distribution | 14,233,070 | 16,315,915 | 17,635,393 | 20,245,719 | 23,770,724 (Note 2) |

Note 1: All of the financial information from 2016 to 2020 have been audited and certified by the CPA.

Note 2: the special resolution for the distribution has been adopted by the Board of Directors on February 17, 2021.

(IV) Parent Company Only Condensed Comprehensive Income statements Under International Financial Reporting Standards (IFRS)

Unit: NT\$ in thousand

| Item | Year | Financial information for the most recent five years (Note) | | | | |
|---|------|---|------------|------------|------------|------------|
| | | 2016 | 2017 | 2018 | 2019 | 2020 |
| Operating revenues | | 18,186,196 | 25,425,049 | 26,629,126 | 25,681,858 | 29,674,189 |
| Operating gross profit | | 2,942,561 | 3,982,755 | 3,070,630 | 4,182,922 | 3,378,251 |
| Operating income | | 2,387,154 | 3,219,214 | 2,274,497 | 3,232,736 | 2,212,997 |
| Non-operating revenues and expenses | | 453,168 | 652,478 | 1,153,360 | 795,051 | 1,472,034 |
| Net profit before tax | | 2,840,322 | 3,871,692 | 3,427,857 | 4,027,787 | 3,685,031 |
| Net profit of the current term from continuing operations | | 2,275,180 | 3,056,836 | 2,644,712 | 3,153,203 | 2,934,043 |
| Loss from discontinued operations | | 0 | 0 | 0 | 0 | 0 |
| Net profit (loss) of the current term | | 2,275,180 | 3,056,836 | 2,644,712 | 3,153,203 | 2,934,043 |
| Other comprehensive income (net amount after tax) of the current term | | (258,592) | (144,157) | (78,535) | (219,345) | 94,373 |
| Total amount of comprehensive income of the current term | | 2,016,588 | 2,912,679 | 2,566,177 | 2,933,858 | 3,028,416 |
| Net profit belonging to the owner of the parent Company | | 2,275,180 | 3,056,836 | 2,644,712 | 3,153,203 | 2,934,043 |
| Net profit belonging to the non-controlling equities | | 0 | 0 | 0 | 0 | 0 |
| Total amount of comprehensive income belonging to the owner of the parent Company | | 2,016,588 | 2,912,679 | 2,566,177 | 2,933,858 | 3,028,416 |
| Total amount of comprehensive income belonging to the non-controlling equities | | 0 | 0 | 0 | 0 | 0 |
| Earnings per share | | 8.42 | 10.07 | 8.55 | 10.02 | 8.63 |

Note: All of the financial information from 2016 to 2020 have been audited and certified by the CPA.

(V) The names of CPAs and audit opinions for the past 5 fiscal years

| Year | Accounting firm | CPA | Audit opinions | Remark |
|------|-----------------|------------------------------|---------------------|--------|
| 2016 | PwC Taiwan | A-Shen Liao and Yi-Chang Lin | Unqualified opinion | |
| 2017 | PwC Taiwan | Ah-Shen Liao and Wu Jian-Chi | Unqualified opinion | |
| 2018 | PwC Taiwan | Ah-Shen Liao and Wu Jian-Chi | Unqualified opinion | |
| 2019 | PwC Taiwan | Wu Jian-Chi and Wang Kuo-Hua | Unqualified opinion | |
| 2020 | PwC Taiwan | Wu Jian-Chi and Wang Kuo-Hua | Unqualified opinion | |

II. Financial analysis for the most recent 5 years**(I) Consolidated Financial Analysis Under International Financial Reporting Standards (IFRS)**

| Analysis item | | Year | Financial analysis for the most recent 5 years (Note) | | | | |
|--|---|---|---|--------|--------|--------|--|
| | | 2016 | 2017 | 2018 | 2019 | 2020 | |
| Financial structure | Liabilities to assets (%) | 33.96 | 41.87 | 30.49 | 36.36 | 40.24 | |
| | Long-term capitals to property, plant and equipment (%) | 351.05 | 298.73 | 355.29 | 359.40 | 350.54 | |
| Solvency | Current ratio (%) | 294.68 | 196.24 | 277.41 | 319.06 | 245.33 | |
| | Quick ratio (%) | 256.96 | 153.61 | 226.83 | 287.39 | 209.46 | |
| | Times Interest Earned (TIE) (%) | 90.49 | 239.47 | 659.85 | 46.39 | 88.87 | |
| Operating ability | Receivable turnover (times) | 5.14 | 4.15 | 3.57 | 3.74 | 4.12 | |
| | Average collection days | 71.01 | 87.95 | 102.24 | 97.59 | 88.59 | |
| | Inventory turnover (times) | 7.10 | 5.55 | 4.72 | 5.80 | 6.77 | |
| | Payable turnover (times) | 4.67 | 3.73 | 3.77 | 5.24 | 5.50 | |
| | Average inventory turnover days | 51.40 | 65.76 | 77.33 | 62.93 | 53.91 | |
| | Property, plant and equipment turnover (times) | 3.67 | 4.61 | 4.53 | 4.02 | 3.78 | |
| | Total assets turnover (times) | 0.84 | 0.95 | 0.92 | 0.84 | 0.77 | |
| Profitability | Return on assets (%) | 10.13 | 11.32 | 9.08 | 10.39 | 7.69 | |
| | Return on equities (%) | 14.81 | 18.31 | 14.27 | 15.33 | 12.36 | |
| | Net profit before tax to paid-in capital (%) | 98.81 | 121.91 | 99.06 | 119.59 | 105.07 | |
| | Net profit ratio (%) | 11.91 | 11.83 | 9.88 | 12.11 | 9.81 | |
| | Earnings per share (NT\$) | 8.42 | 10.07 | 8.55 | 10.02 | 8.63 | |
| Cash flow | Cash flow ratio (%) | 19.78 | 25.36 | 40.77 | (1.75) | 39.23 | |
| | Cash flow adequacy ratio (%) | 114.40 | 106.02 | 118.22 | 87.68 | 58.45 | |
| | Cash reinvestment ratio (%) | 0.13 | 8.02 | 6.23 | (5.30) | 9.23 | |
| Leverage | Operating leverage | 1.33 | 1.26 | 1.40 | 1.34 | 1.48 | |
| | Financial leverage | 1.01 | 1.00 | 1.00 | 1.02 | 1.01 | |
| Reasons of financial ratio changes reaching 20% in the most recent two years | | | | | | | |
| 1 | Current ratio | Because the increased purchase of goods resulted in the increased in payables in 2020, and thus the overall current liabilities increased as well. | | | | | |
| 2 | Quick ratio | Because the increased purchase of goods resulted in the increased in payables in 2020, and thus the overall current liabilities increased as well. | | | | | |
| 3 | Times Interest Earned (TIE) | Because the interest expenses from the conversion of overseas convertible corporate bonds decreased. | | | | | |
| 4 | Return on assets (%) | Because the interest expenses from the conversion of overseas convertible corporate bonds decreased. | | | | | |
| 5 | Cash flow ratio | Because the time deposits longer than three months decreased, and the accounts payable and other payables increase, resulting in the increase in the net cash inflow from operating activities. | | | | | |
| 6 | Cash flow adequacy ratio (%) | Because the time deposits longer than three months decreased, and the accounts payable and other payables increase, resulting in the increase in the net cash inflow from operating activities. | | | | | |
| 7 | Cash reinvestment ratio (%) | Because the time deposits longer than three months decreased, and the accounts payable and other payables increase, resulting in the increase in the net cash inflow from operating activities. | | | | | |

Note: All financial information in each fiscal year is audited and certified by CPAs; financial information of the latest quarter up to the publication date of the annual report has not been audited by the CPA.

(II) Parent only Financial analysis Under International Financial Reporting Standards (IFRS)

| Analysis item | | Year | | | | |
|--|---|---|--------|--------|---------|--------|
| | | Financial analysis for the most recent 5 years (Note) | | | | |
| | | 2016 | 2017 | 2018 | 2019 | 2020 |
| Financial structure | Liabilities as a percentage assets (%) | 30.93 | 37.34 | 31.67 | 37.32 | 39.46 |
| | Long-term capitals to property, plant and equipment (%) | 1,426.07 | 699.3 | 750.86 | 675.46 | 648.86 |
| Solvency | Current ratio | 337.55 | 199.75 | 223.01 | 274.65 | 221.82 |
| | Quick ratio | 319.48 | 181.72 | 209.63 | 265.70 | 210.58 |
| | Times Interest Earned (TIE) | 86.88 | 249.25 | 649.85 | 46.83 | 87.38 |
| Operating ability | Receivable turnover (times) | 5.03 | 4.17 | 3.61 | 3.74 | 3.29 |
| | Average collection days | 72.56 | 87.52 | 101.10 | 97.59 | 111.01 |
| | Inventory turnover (times) | 18.86 | 15.85 | 16.14 | 23.26 | 24.77 |
| | Payable turnover (times) | 5.26 | 3.88 | 3.31 | 3.17 | 3.34 |
| | Average inventory turnover days | 19.35 | 23.02 | 22.61 | 15.69 | 14.74 |
| | Property, plant and equipment turnover (times) | 15.92 | 13.11 | 10.03 | 7.83 | 7.00 |
| | Total assets turnover (times) | 0.85 | 1.00 | 0.94 | 0.81 | 0.77 |
| Profitability | Return on assets (%) | 10.79 | 12.04 | 9.36 | 10.22 | 7.69 |
| | Return on equities (%) | 14.81 | 18.31 | 14.27 | 15.33 | 12.36 |
| | Net profit before tax to paid-in capital (%) | 94.83 | 121.75 | 107.69 | 120.36 | 101.97 |
| | Net profit ratio (%) | 12.51 | 12.02 | 9.93 | 12.28 | 9.89 |
| | Earnings per share (NT\$) | 8.42 | 10.07 | 8.55 | 10.02 | 8.63 |
| Cash flow | Cash flow ratio (%) | 20.27 | 14.15 | 48.93 | (31.07) | 25.84 |
| | Cash flow adequacy ratio (%) | 146.73 | 134.17 | 169.31 | 87.81 | 67.66 |
| | Cash reinvestment ratio (%) | (0.84) | 0.61 | 11.22 | (14.97) | 4.76 |
| Leverage | Operating leverage | 1.11 | 1.10 | 1.23 | 1.17 | 1.32 |
| | Financial leverage | 1.01 | 1.00 | 1.00 | 1.03 | 1.02 |
| Reasons of financial ratio changes reaching 20% in the most recent two years | | | | | | |
| 1 | Quick ratio | Because the increased purchase of goods resulted in the increased in payables in 2020. | | | | |
| 2 | Times Interest Earned (TIE) | Because the interest expenses from the conversion of overseas convertible corporate bonds decreased. | | | | |
| 3 | Return on assets (%) | Because the interest expenses from the conversion of overseas convertible corporate bonds decreased. | | | | |
| 4 | Cash flow ratio | Because the time deposits longer than three months decreased, and the accounts payable and other payables increase, resulting in the increase in the net cash inflow from operating activities. | | | | |
| 5 | Cash flow adequacy ratio (%) | Because the time deposits longer than three months decreased, and the accounts payable and other payables increase, resulting in the increase in the net cash inflow from operating activities. | | | | |
| 6 | Cash reinvestment ratio (%) | Because the time deposits longer than three months decreased, and the accounts payable and other payables increase, resulting in the increase in the net cash inflow from operating activities. | | | | |

Note: The above financial information of each fiscal year has been audited and CPAs.

The formula of financial analysis is as follows:

1. Financial structure:

- (1) Liabilities to assets= total amount of liabilities/total amount of assets.
- (2) Long-term funds to property, plant and equipment= (Total amount of equities+ non-current liabilities)/net amount of property, plant and equipment.

2. Solvency:

- (1) Current ratio = current assets/current liabilities.
- (2) Quick ratio = (current assets- inventory- prepayment)/ current liabilities.
- (3) Times Interest Earned (TIE)= income tax and net profit before interest expense/ interest expense of the current term.

3. Operating ability:

- (1) Receivables (including trade receivables and notes receivables generated from operation) turnover= net sales/ balance of average receivables of each term (including trade receivables and notes receivables generated from operation).
- (2) Average collection days= 365/ receivables turnover.
- (3) Inventory turnover= sales cost/ average inventory amount.
- (4) Payables (including trade payables and notes payables generated from operation) turnover= sales cost/ balance of average payables of each term (including trade payables and notes payables generated from operation).
- (5) Average inventory turnover days= 365/ inventory turnover.
- (6) Property, plant and equipment turnover= net sales/ average net amount of property, plant and equipment.
- (7) Total assets turnover= net sales/ total amount of average assets.

4. Profitability:

- (1) Return on assets= [income after tax + interest expense \times (1-tax rate)]/ total amount of average assets.
- (2) Return on equities= income after tax/ total amount of average equities.
- (3) Net profit ratio= income after tax/ net sales.
- (4) Earnings per share= (income belonging to the owner of the parent Company - dividends of preferred shares)/ weighted average shares issued.

5. Cash flow:

- (1) Cash flow ratio= net cash flow from operations/ current liabilities.
- (2) Net cash flow adequacy ratio= net cash flow from operations for the most recent 5 fiscal years/ (capital expenditure+ inventory increase amount+ cash dividends) for the most recent 5 fiscal years.
- (3) Cash reinvestment ratio= (net cash flow amount from operations-cash dividends)/ (gross amount of property, plant and equipment+ long-term investments+ other non-current assets+ operating funds).

6. Leverage:

- (1) Operating leverage= (net operating revenues - variable operating costs and expenses)/ operating profits.
- (2) Financial leverage= operating profits / (operating profits - interest expenses).

III. Audit report of the Audit Committee on the most recent financial report

Audit Committee's Audit Report

The board of directors has produced the company's 2020 annual business report, financial statements, profit distribution proposals, and so on. Among them, PWC Taiwan has been entrusted to audit the financial statements and issue an audit report. The above-mentioned business report, financial statements and profit distribution proposal has been reviewed by the Audit Committee and found to have no inconsistencies. This report is issued in accordance with relevant provisions of the Securities and Exchange Act and the Company Act.

Flexium Interconnect. Inc.
Convener of Audit Committee:

Xin-Bin Fu

February 17, 2021

IV. Consolidated financial statement of the most recent year

Please refer to Attachment 1 in this annual report.

V. Individual financial statement of most recent year

Please refer to Attachment 2 in this annual report.

VI. In the case of any insolvency of the Company and its affiliates, specify its effect on the Company's financial position, for the most recent year and until the date of publication of the annual report

N/A

VII. Review and analysis of the Company's financial position and financial performance, and a listing of risks

I. Financial status

Unit: NT\$ in thousand

| Item | Year | 2020 | 2019 | Difference | |
|-------------------------|------|------------|------------|------------|--------|
| | | | | Amount | % |
| Current assets | | 31,946,671 | 25,952,009 | 5,994,662 | 23.10 |
| Non-current assets | | 10,820,702 | 8,501,678 | 2,319,024 | 27.28 |
| Total assets | | 42,767,373 | 34,453,687 | 8,313,686 | 24.13 |
| Current liabilities | | 13,021,769 | 8,133,819 | 4,887,950 | 60.09 |
| Non-current liabilities | | 4,188,115 | 4,392,066 | (203,951) | -4.64 |
| Total liabilities | | 17,209,884 | 12,525,885 | 4,683,999 | 37.39 |
| Capital | | 3,617,798 | 3,346,328 | 271,470 | 8.11 |
| Capital reserve | | 4,771,691 | 4,285,961 | 485,730 | 11.33 |
| Retained earnings | | 17,731,146 | 15,357,966 | 2,373,180 | 15.45 |
| Other equities | | (563,146) | (771,663) | 208,517 | -27.02 |
| Total equity | | 25,557,489 | 21,927,802 | 3,629,687 | 16.55 |

1. Main reasons for materials changes (20% or more) during the most recent two years:

- (1) Increase of current assets: Mainly due to decreased time deposits longer than three months, resulting in the increase in cash and cash equivalents in 2020.
- (2) Increase of non-current assets: Mainly due to the good business operation in 2020 and the continuation of the expansion of plants, resulting in the increase in property, plant and equipment, and prepayments for business facilities.
- (3) Increase of total assets: Mainly due to good operation in 2020 with sufficient funds, and the continuous expansion of plants, resulting in the increase in cash and cash equivalents, property, plant and equipment, and prepayments for business facilities.
- (4) The increase in current liabilities: mainly because the accounts payable and processing expense payable increased to meet the production demands.
- (5) The increase in total liabilities: mainly because the accounts payable and processing expense payable increased to meet the production demands.
- (6) The increase in other equities: This is due to the increase in the cumulative translation adjustment generated from the long-term investment.

2. Impacts of major changes during the most recent two years and future countermeasure plan:
The overall performance of the Company and subsidiaries does not indicate any material abnormality, so no stipulation of countermeasures is necessary .

II. Financial performance

Unit: NT\$ in thousand

| Item \ Year | 2020 | 2019 | Amount increased (decreased) | Ratio of change (%) |
|--|------------|------------|------------------------------|---------------------|
| Operating revenues | 29,897,996 | 26,033,230 | 3,864,766 | 14.85 |
| Operating costs | 23,763,897 | 20,088,225 | 3,675,672 | 18.30 |
| Operating expenses | 2,694,780 | 2,147,892 | 546,888 | 25.46 |
| Operating profit | 3,439,319 | 3,797,113 | (357,794) | -9.42 |
| Non-operating revenues and expenses | 357,622 | 204,656 | 152,966 | 74.74 |
| Net profit before tax | 3,796,941 | 4,001,769 | (204,828) | -5.12 |
| Income tax expenses | 862,898 | 848,566 | 14,332 | 1.69 |
| Net income this period | 2,934,043 | 3,153,203 | (219,160) | -6.95 |
| Other comprehensive income | 94,373 | (219,345) | 313,718 | -143.02 |
| Total amount of comprehensive income of the current term | 3,028,416 | 2,933,858 | 94,558 | 3.22 |

1. Main reasons for materials changes (20% or more) during the most recent two years:

- (1) The increase in operating expenses: mainly due to the increase in research and development expenses and die expenses.
- (2) The increase in non-operating revenues and expenses: mainly due to the increase in the government grants.
- (3) Decrease of other comprehensive income: mainly due to the decrease of the cumulative translation adjustment generated from the long-term investment.

2. Sales forecast and basis thereof: The Company does not prepare and publicly announce the financial forecast; therefore, it is not applicable.

3. Possible impacts on the future financial business of the Company and countermeasure plans: No obvious impacts on the financial business status.

III. Cash flow analysis

Unit: NT\$ in thousand

| Balance of cash and cash equivalents - beginning of year | Cash flow from operating activities | Cash flow from investing activities | Cash flow from financing activities | Effect of Exchange Rate Changes | Balance of cash and cash equivalents - end of year |
|--|-------------------------------------|-------------------------------------|-------------------------------------|---------------------------------|--|
| 6,925,525 | 5,108,768 | (2,792,124) | (121,460) | 1,855 | 9,122,564 |

(I) Cash flow change analysis and explanation

1. Cash flow change analysis and explanation and current year cash flow change status analysis:

- (1) Operating activities: the net cash inflow was NT\$5.1 billion, mainly due to the increased depreciation expenses, accounts payable, and other payables.

- (2) Investment activities: Net cash outflow of NT\$2.79 billion; mainly due to the acquisition of real estate, facility and equipment.
 - (3) Financing activities: the net cash outflow was NT\$120 million, mainly due to the increase in long-term borrowings and the distribution of cash dividends.
2. The corrective measures for cash deficiency forecast and liquidity analysis: Not applicable.
- (II) Improvement plan for insufficient liquidity: The Company is not subject to the condition of insufficient liquidity.
- (III) Cash liquidity analysis for the coming year:

IV. Impact of major capital expenditure in recent years on financial operations

(I) Application of major capital expenditures and the source of funds

| Project item | Actual or estimated source of funds | Actual or estimated date of completion | Expected possible benefit generated |
|---------------------------------|-------------------------------------|--|--|
| Purchasing land and machineries | Own fund/corporate bond | In progress | Refers to benefits for expanding production capacity, enhancing competitiveness of the Company and increasing the operation efficiency . |

- (II) Financial Impact of Major Capital Expenditures During the Most Recent Fiscal Year:
 The major capital expenditures of the Company in 2020 were mainly on self-owned funds, which do not have major unfavorable effect upon the Company's financial operations.

V. The re-investment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year.

(I) Re-investment policy of the Company

The investment policy of the Company is to invest in industries related to the primary business and is based on the consideration of enhancing the competitiveness of the Company such that each investment project is executed upon thorough evaluation.

(II) Main reasons for profit or loss of invested companies and improvement plan

In 2020, the recognized investment profit is of the total amount of NT\$1,358,823 thousand, which mainly came from the profit of subsidiaries.

(III) Investment plan for the coming year

According to the global plan of the Company, in the future, the Company will set up manufacturing sites at important regions internationally in order to deliver products to customers locally and to reduce the production and logistics costs. In addition, depending upon the development of business, the operating scale of subsidiaries will

be expanded.

VI. Analysis and evaluation of risk factors in the most recent year and until the date of publication of the annual report

(I) The effect upon the Company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future:

1. Interest rate:

The Company and subsidiaries have sound financial structures. In the aspect of interest rates for loans, the Company will strengthen the connection with banks and understand the trend of interest rate in order to obtain the best interest rate for loans. In addition, in the aspect of the application of short-term idle funds, we will take the low risk deposits and repurchase (government repurchase) as investment targets in order to obtain return on short-term investment.

2. Exchange rate:

The Group operates internationally; therefore, it is subject to currency risk generated due to various types of currencies, which are mainly USD and RMB. Relevant currency risk mainly comes from future commercial transactions and assets and liabilities listed.

The management level of the Group has established policies to specify the all companies of the Group to manage the currency risks for their functional currencies. Each Company of the Group shall perform hedges for the overall currency risks via the Financial Department of the Group. To management the currency risks associated with the future commercial transactions and assets and liabilities listed, each Company of the Group shall perform by using forward exchange agreements via the Financial Department of the Group. When the future commercial transactions and assets or liabilities listed use the foreign currency of non-individual functional currency for calculation, currency risk is then generated.

3. Inflation:

Inflation is the changes in the overall economics, and this element is expected to have minor effect on the Company's income.

(II) The Company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future:

1. Engaging in high-risk and high-leverage investing activities

The Company has never engaged in any high-risk and high-leverage investing activities.

2. Lending funds to others and endorsements & guarantees

Handled according to the Company's "Operational Procedures for Lending Funds to Others" and "Handling Procedures of Enforcements/Guarantees".

3. Derivatives transactions

The Company adopts the principles of forward exchange and financial products and deposits, which aim to earn interest gains and are 100% capital guaranteed, when conducting derivatives. Thus, the income generated is limited. They are conducted in accordance with "Regulations Governing the Acquisition and Disposal of Assets".

(III) Research and development work to be carried out in the future, and further expenditures expected for research and development work:

With regard to the future R&D plans, please refer to the disclosure of the technology development status in the "Report to Shareholders" of this Annual Report. R&D invested by the Company and its subsidiaries for 2021 is expected to account for

2.5%-4.0% of the annual revenue of the Company and its subsidiaries.

- (IV) Effect on the Company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response:

To cope with the domestic and foreign important changes of policies and laws, the Company and its subsidiaries review and revise the Company management rules at all time and readily establish necessary countermeasures in order to satisfy the business operation needs of the Company. In recent years and up to the publication date of the annual report, there are no major impacts of changes of domestic and foreign important policies and laws on the financial business of the Company.

- (V) Effect on the Company's financial operations of developments in science and technology as well as industrial change, and measures to be taken in response:

Following the gradual emerging of wearable devices which are equipped with more and more functions, along with services of application software and content provided, it is possible that they may even replace smartphones as the mainstream technology of the future. To maintain the competitiveness of the Company and its subsidiaries, the market trend of products must be understood such that the development direction will head toward the high-density layout, slim in size and fine wire with small holes. In recent years and up to the publication date of the annual report, there are no major impacts due to changes of technology and changes of industry on the financial business of the Company and its subsidiaries.

- (VI) Impacts of change of corporate image on risk management of corporate and countermeasures:

In September 2003, the Company was officially listed in the stock exchange market for public trading. All employees strive for reaching the goal of profit, fulfilling the responsibility to all shareholders. We will continue to strive for the improving the product quality in the future, maintaining the consistent excellent corporate image, and enhancing the status of the Company in the industry. In recent years and up to the publication date of the annual report, there are no changes of image of the Company such that the Company faces crisis management.

- (VII) Expected benefit, possible risk and countermeasures for mergers:

In recent years and up to the publication date of the annual report, the Company has no plans for mergers.

- (VIII) Expected benefit, possible risk and countermeasures for expansion of facilities:

The expansion of the facility of the Company is evaluated carefully based on the existing production capacity and future business growth. Major investments and expenditures are reviewed by the board of directors, and the investment benefits and possible risks have been considered appropriately.

- (IX) Risks and counter-measures for material inbound and sales concentration:

The main product of the Company is FPC, and the main materials used are copper clad laminates, protection films and electronic components. Since there are numerous suppliers supplying main materials at home or abroad, the supply is not over concentrated on specific suppliers for the Company. In addition, the main customers of the Company are big companies at home or abroad, and sales does not concentrate on specific customers.

- (X) Impact upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, and corresponding measures being or to be taken:

The Company is not subject to large amount of transfer or change of equity made by directors, supervisors or shareholders with shareholding over 10%.

(XI) Impacts, risks and counter-measures for change of management right on the Company:
The equities of the main shareholders and directors of the Company are stable, and there is no event of change of management right.

(XII) Litigious and non litigious matters; the directors, supervisors, general managers and substantial principals of the Company, the majority shareholders and affiliated companies with a shareholding ratio of more than 10% have been determined or are included in the lawsuit; non litigation or administrative litigation results may have a significant effect on the Company's shareholders' equity or securities price as of the publication of the annual report: None.

(XIII) Information security risks:

At Flexium, we have built a comprehensive network and computer security protection system, mainly to protect the confidential information of customers and products. We strive to protect information equipment, services and data to ensure the smooth operation of the Company as a means to improve the Company's operation efficiency and competitiveness, to ultimately control or maintain the function of important corporate services.

As external threats and hacking technologies keep on updating, the number of cyber threats and complex degree continue to increase and systems and services will be affected by information security risks. These cyber attacks will invade Flexium's internal network system including advanced continuous penetration attacks, phishing attacks, hacking attacks, customer information hijacking and denial of service attacks which will further damage both the Company's operation and goodwill. To be able to reduce the impact, we carry out an inspection on a monthly basis and formulate annual strategic actions in order to ensure the appropriateness and efficiency of the system to correspond with network security threats and risks. Even though it is impossible to avoid all cyber intrusions and attacks, with preventive measures prepared as well as effectively controlling risks, disasters can be minimized and important operations can be quickly restored.

As a goal to continue to strengthen the management of information security while fulfilling the corporate responsibility to protect customers' personal information, we have measures installed to improve all types of information risks including computer equipment management, hardware protection, application system security monitoring, internet access, etc. Furthermore, information security evaluation of the Information Security Management Measures are followed to complete related inspections regarding the technical side and management side of the system to improve and enhance the protection ability and information governance standard in terms of internet, information system security.

Also, from the perspective of risks, a repeatable measurable risk assessment procedures is built from aspects such as information security risk management, threat, control faced to guarantee the overall information security mechanism of the Company in order to maintain the network security strength. The main strategies are as follows:

1. Annual information security response

Propose annual important information security projects and performance indicators based on the occurrence frequency and the degree of impact on operations of risk factors.

2. Monthly audit or quarterly inspection

Response measures of information security risks are newly added according to regular information security inspection as well as the degree of threat it faces. Reviews and adjustment of strategies are conducted by annual improvement targets and information security meetings.

(XIV) Other important risks and corresponding measures: None.

VII. Other important matters:

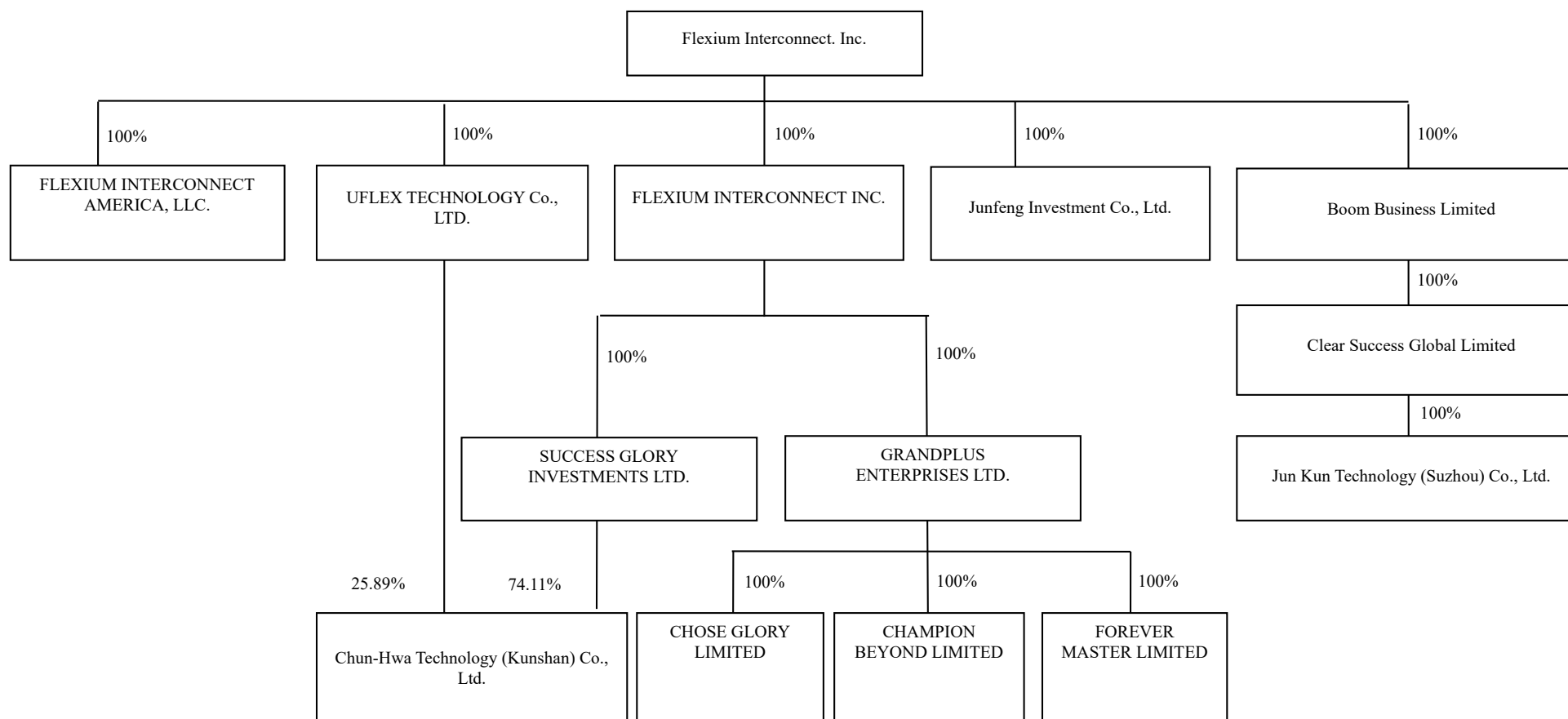
None

VIII. Special notes

I. Relevant information of affiliates

(I) The consolidated business report of the Company's affiliates

1. Organizational chart of the Company's affiliates



2. Basic information of the Company's affiliates

Unit: NT\$ thousand

| Name of corporation | Date of establishment | Address | Paid-in Capital | Main business or products |
|---|-----------------------|---|-----------------|--|
| FLEXIUM INTERCONNECT INC | 2002.02.20 | P.O. Box 3152, Road Town Tortrola, British Virgin Islands | 835,252 | Reinvestment in variable businesses |
| UFLEX TECHNOLOGY CO., LTD | 2000.10.30 | Akara Building, 24 De Castro Street, Wickhams Cay 1.Road Town, Tortola, British Virgin Islands. | 39,711 | Reinvestment in variable businesses |
| Junfeng Investment Co., Ltd. | 2010.04.15 | Dafa Industrial Park, No. 23, Juguang 1 st St., Daliao Dist., Kaohsiung City | 50,000 | Reinvestment in variable businesses |
| FLEXIUM INTERCONNECT AMERICA LLC | 2011.01.06 | 4020 Moorpark Avenue Suite 216 San Jose, CA 95117 USA | 8,067 | Conducting marketing support, and |
| SUCCESS GLORY INVESTMENTS LTD | 2003.03.21 | Offshore Chambers, P.O. Box 217 , Apia, Samoa | 719,042 | Reinvestment in variable |
| GRANDPLUS ENTERPRISES LTD | 2003.06.12 | Offshore Chambers, P.O. Box 217 , Apia, Samoa | 62,001 | Reinvestment in variable |
| CHOSEN GLORY LIMITED | 2014.01.02 | Offshore Chambers, P.O. Box 217 , Apia, Samoa | 0 | Reinvestment in variable businesses |
| CHAMPION BEYOND LIMITED | 2013.12.11 | Offshore Chambers, P.O. Box 217 , Apia, Samoa | 0 | Reinvestment in variable |
| FOREVER MASTER LIMITED | 2014.01.08 | Offshore Chambers, P.O. Box 217 , Apia, Samoa | 0 | Reinvestment in variable |
| BOOM BUSINESS LIMITED | 2016.09.21 | 2nd Floor,Building B , SNPF Plaza, Savalalo , Apia, Saoma | 1,064,460 | Reinvestment in variable businesses |
| CLEAR SUCCESS GLOBAL LIMITED | 2017.01.09 | Offshore Chambers, P.O. Box 217, Apia, Samoa | 1,064,460 | Reinvestment in variable |
| Chun-Hwa Technology (Kunshan) Co., Ltd. | 2000.11.16 | National High-Technology Industrial Park, No. 1399, Hanpu Rd., Kunshan City, Jiangsu Province | 2,329,414 | Research ,development, manufacturing and sales of new electronic components like flexible circuit boards |
| Jun Kun Technology (Suzhou) Co., Ltd. | 2017.04.11 | No. 1889, Hanpu Road, Yushan Township, Kunshan City, Jiangsu Province | 997,780 | Research ,development, manufacturing and sales of new electronic components like flexible circuit boards |

3. Shareholders presumed to have control and subordinate relationship with the same information: Not applicable.

4. Business covered by each afflicted company:

The businesses of the Company and affiliates cover the design, development, manufacturing and sale of Flexible Print Circuits (FPC), as well as assembly and sampling of modules and general investment business.

5. Information on directors, supervisors and presidents of affiliates

| Name of corporation | Job title | Name or representative | Shares held | |
|---|--------------------|---|-------------------------------|------------------------|
| | | | Shares held (thousand shares) | Shareholding ratio (%) |
| UFLEX TECHNOLOGY CO., LTD | Director | Flexium Interconnect. Inc. (Representative: Cheng Ming-Chi) | 50 | 100% |
| FLEXIUM INTERCONNECT INC | Director | Flexium Interconnect. Inc. (Representative: Cheng Ming-Chi) | 50 | 100% |
| Junfeng Investment Co., Ltd. | Chairman of Board | Flexium Interconnect. Inc. (Representative: Cheng Ming-Chi) | 5,000 | 100% |
| | Director | Flexium Interconnect. Inc. (Representative: Blue Lan) | | |
| | Director | Flexium Interconnect. Inc. (Representative: Su Shao-Shan) | | |
| | Supervisor | Flexium Interconnect. Inc. (Representative: Liao Yi-Wen) | | |
| FLEXIUM INTERCONNECT AMERICA LLC | Responsible person | David Cheng | - | 100% |
| SUCCESS GLORY INVESTMENTS LTD | Director | FLEXIUM INTERCONNECT INC. (Representative: Cheng Ming-Chi) | 23,510 | 100% |
| GRANDPLUS ENTERPRISES LTD | Director | FLEXIUM INTERCONNECT INC. (Representative: Cheng Ming-Chi) | 1,881 | 100% |
| CHOSEN GLORY LIMITED | Director | GRANDPLUS ENTERPRISES LTD. (Representative: Cheng Ming-Chi) | - | 100% |
| CHAMPION BEYOND LIMITED | Director | GRANDPLUS ENTERPRISES LTD. (Representative: Cheng Ming-Chi) | - | 100% |
| FOREVER MASTER LIMITED | Director | GRANDPLUS ENTERPRISES LTD. (Representative: Cheng Ming-Chi) | - | 100% |
| BOOM BUSINESS LIMITED | Director | Flexium Interconnect. Inc. (Representative: Cheng Ming-Chi) | 35,000 | 100% |
| CLEAR SUCCESS GLOBAL LIMITED | Director | BOOM BUSINESS LIMITED (Representative: Cheng Ming-Chi) | 35,000 | 100% |
| Chun-Hwa Technology (Kunshan) Co., Ltd. | Chairman of Board | Cheng Ming-Chi | Note | 100% |
| | Director | Cheng Wei | | |
| | Director | Chi-Feng Tsai | | |
| | Supervisor | Chen, Lung-Cheng | | |
| Jun Kun Technology (Suzhou) Co., Ltd. | Chairman of Board | Cheng Ming-Chi | Note | 100% |
| | Director | Chi-Feng Tsai | | |
| | Director | David Cheng | | |
| | Supervisor | Chen, Lung-Cheng | | |

Note: It is a limited company; therefore, there are no shares.

6. Operational overview of affiliates

Unit: NT\$ in thousand

| Name of corporation | Capital amount | Total amount of assets | Total amount of liabilities | Net value | Operating revenues | Operating profit | Current term income (after tax) | Earnings per share (NT\$) (after tax) |
|-----------------------------|----------------|------------------------|-----------------------------|-----------|--------------------|------------------|---------------------------------|---------------------------------------|
| FLEXIUM | 835,252 | 5,047,556 | - | 5,047,556 | - | - | 982,804 | - |
| UFLEX | 39,711 | 1,735,540 | - | 1,735,540 | - | - | 343,339 | - |
| Junfeng Investment | 50,000 | 41,085 | 45 | 41,040 | - | (785) | 10,923 | - |
| FLEXIUM (AMERICA) | 8,067 | 5,505 | 18 | 5,487 | - | (11,874) | (2,998) | - |
| SUCCESS | 719,042 | 5,192,740 | 39,621 | 5,153,119 | - | (35) | 982,961 | - |
| GRANDPLUS | 62,001 | 182 | - | 182 | 2,726,526 | (104) | (157) | - |
| CHOSEN | - | - | - | - | - | - | - | - |
| CHAMPION | - | - | - | - | 2,726,526 | - | (34) | - |
| FOREVER | - | 16,582 | 16,560 | 21 | - | - | - | - |
| BOOM | 1,064,460 | 1,123,016 | - | 1,123,016 | - | - | 23,173 | - |
| CLEAR | 1,064,460 | 1,123,016 | - | 1,123,016 | - | - | 23,173 | - |
| Flexium (Kunshan) Co., Ltd | 2,329,414 | 17,898,230 | 10,981,569 | 6,916,661 | 26,701,740 | 1,197,726 | 1,326,339 | - |
| Jun Kun Technology (Suzhou) | 997,780 | 1,392,602 | 269,586 | 1,123,016 | 603,021 | (27,227) | 23,173 | - |

The above foreign company's assets and liabilities are converted at the exchange rate on date of reporting date; the profit and loss amounts are converted at the average exchange rate during the reporting period

(II) Consolidated Financial Statement Announcement of Affiliates is as follows:

| |
|---|
| <p style="text-align: center;">Flexium Interconnect. Inc. and subsidiaries</p> <p style="text-align: center;">Declaration of consolidated financial statement of related parties.</p> <p>The entities that are required to be included in the combined financial statements of the Company for 2020 (from January 1, 2020 to December 31, 2020), under the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those included in IFRS 10. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, the Company and Subsidiaries do not prepare a separate set of combined financial statements.</p> <p>Hereby declare</p> <p style="text-align: right;">Company name: Flexium Interconnect. Inc. and subsidiaries</p> <p style="text-align: right;">Person in Charge: Cheng Ming-Chi</p> <p style="text-align: right;">February 17, 2021</p> |
|---|

(III) Affiliated enterprises report: None

II. During the most recent year and as of the publication date of the annual report, the status of private placement of securities

None

III. Status of holding or disposal of shares of the Company by the subsidiaries in recent years or up to the publication date of the annual report

None

IV. Other supplementary information

None

IX. Whether any of the situations listed in subparagraph 2, paragraph 3, Article 36 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the Company's securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report

None

Attachment 1: 2020 Consolidated Financial Report

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Flexium Interconnect, Inc.

PWCR20003268

Opinion

We have audited the accompanying consolidated balance sheets of Flexium Interconnect, Inc. and 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 audits 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. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

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

Key audit matter - Valuation of impairment of accounts receivable

Description

For the accounting policies on accounts receivable, please refer to Note 4(10). For the uncertainty of accounting estimates and assumptions in relation to accounts receivable, please refer to Note 5(2). For the details of net accounts receivable, please refer to Note 6(5).

The criteria that the Group uses to measure expected credit loss includes the aging of accounts receivable past due, financial situation of customers, internal credit ranking and historical transaction records. Based on this criterion, the Group estimates the amounts of allowance for accounts receivable that the Group has to provision. As the estimates are subject to management's judgement and involves uncertainty, the recoverable amount may be significantly affected. Thus, we consider the valuation of impairment of accounts receivable as one of the key audit matters.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

- A. Obtained an understanding of the Group's operation and sales customers. Assessed the reasonableness of policies and process applied in allowance for accounts receivable, including the objective evidence for the loss rate and compared whether the provision policies adopted in the different periods are consistently applied.
- B. Verified the consistency between the expected credit loss in the past due period for each group applied in calculating allowance for accounts receivable and the provision policies.
- C. Verified the accuracy of the classification for accounts receivable aging to confirm that the information in the reports is consistent with its policies.

D. Sampled and performed subsequent collection tests for material accounts receivable and evaluated their recoverability.

Key audit matter - Inventory valuation

Description

For the accounting policies on inventory valuation, please refer to Note 4(14). For the uncertainty of accounting estimates and assumptions in relation to inventory valuation, please refer to Note 5(2). For the details of inventory, please refer to Note 6(6).

The Group is primarily engaged in manufacturing and sales of flexible print circuit board which belongs to a rapidly changing industry and is easily affected by the market price. Thus, there is a higher risk of incurring inventory valuation losses or having obsolete inventory. The Group determines inventory value using the item-by-item approach and recognised at the lower of cost and net realisable value. For inventory that is over a certain age, the net realised value was calculated from the historical experience of disposing old inventories.

The determination of net realisable value for obsolete or slow-moving inventory are subject to management's judgement and involves uncertainty. Considering the Group's inventory balance and the allowance for inventory valuation losses are material to its financial statements, we consider the inventory valuation as one of the key audit matters.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

- A. Obtained an understanding of the Group's operation and industry. Assessed the reasonableness of the policy and procedures applied to recognise allowance for inventory valuation losses and whether the accounting policy has been consistently applied in the comparative periods of financial statements.
- B. Understood the Group's inventory control procedures. Participated in the annual inventory count in order to assess the effectiveness of the classification of obsolete inventory and internal control over obsolete inventory.
- C. Sampled and verified the accuracy of inventory aging calculation, confirmed and verified the reasonableness of obsolete inventories identification, the basis of net realisable value valuation of inventories to assess the reasonableness of provision of allowance for inventory valuation losses.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Flexium Interconnect, 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 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.

Chien-Chih Wu

Kuo-Hua Wang

PricewaterhouseCoopers, Taiwan

February 17, 2021

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.

FLEXIUM INTERCONNECT, 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 | % | |
| Current assets | | | | | | |
| 1100 | Cash and cash equivalents | 6(1) | \$ 9,122,564 | 21 | \$ 6,925,525 | 20 |
| 1110 | Financial assets at fair value through profit or loss | 6(2) | 1,329,825 | 3 | 1,275,354 | 4 |
| 1136 | Current financial assets at amortised cost | 6(4) | 9,275,320 | 22 | 8,037,220 | 23 |
| 1170 | Accounts receivable, net | 6(5) | 7,429,009 | 18 | 7,067,598 | 20 |
| 1200 | Other receivables | | 118,808 | - | 69,684 | - |
| 130X | Inventories | 6(6) | 3,883,814 | 9 | 2,360,044 | 7 |
| 1410 | Prepayments | | 725,080 | 2 | 214,890 | 1 |
| 1470 | Other current assets | | 62,251 | - | 1,694 | - |
| 11XX | Current Assets | | <u>31,946,671</u> | <u>75</u> | <u>25,952,009</u> | <u>75</u> |
| Non-current assets | | | | | | |
| 1517 | Non-current financial assets at fair value through other comprehensive income | 6(3) | 57,016 | - | 30,550 | - |
| 1600 | Property, plant and equipment | 6(7) | 8,485,676 | 20 | 7,323,353 | 21 |
| 1755 | Right-of-use assets | 6(8) | 267,307 | 1 | 143,039 | 1 |
| 1780 | Intangible assets | 6(10) | 20,645 | - | 46,150 | - |
| 1840 | Deferred tax assets | 6(28) | 62,832 | - | 113,378 | - |
| 1900 | Other non-current assets | 6(11) and 8 | 1,927,226 | 4 | 845,208 | 3 |
| 15XX | Non-current assets | | <u>10,820,702</u> | <u>25</u> | <u>8,501,678</u> | <u>25</u> |
| 1XXX | Total assets | | <u>\$ 42,767,373</u> | <u>100</u> | <u>\$ 34,453,687</u> | <u>100</u> |

(Continued)

FLEXIUM INTERCONNECT, 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 | % | |
| Current liabilities | | | | | | |
| 2120 | Financial liabilities at fair value through profit or loss - current | 6(2) | \$ - | - | \$ 448 | - |
| 2170 | Accounts payable | | 5,048,143 | 12 | 3,594,528 | 10 |
| 2200 | Other payables | 6(12) | 6,812,287 | 16 | 3,928,531 | 11 |
| 2230 | Income tax payable | | 1,070,568 | 2 | 561,039 | 2 |
| 2280 | Current lease liabilities | | 28,177 | - | 15,750 | - |
| 2320 | Long-term liabilities, current portion | 6(13) | 14,886 | - | - | - |
| 2399 | Other current liabilities, others | | 47,708 | - | 33,523 | - |
| 21XX | Current Liabilities | | <u>13,021,769</u> | <u>30</u> | <u>8,133,819</u> | <u>23</u> |
| Non-current liabilities | | | | | | |
| 2530 | Bonds payable | 6(13) | - | - | 2,093,521 | 6 |
| 2540 | Non-current portion of non-current borrowings | 6(14) | 2,955,362 | 7 | 1,349,962 | 4 |
| 2570 | Deferred tax liabilities | 6(28) | 1,162,822 | 3 | 884,776 | 3 |
| 2580 | Non-current lease liabilities | | 32,644 | - | 16,209 | - |
| 2600 | Other non-current liabilities | 6(15) | 37,287 | - | 47,598 | - |
| 25XX | Non-current liabilities | | <u>4,188,115</u> | <u>10</u> | <u>4,392,066</u> | <u>13</u> |
| 2XXX | Total Liabilities | | <u>17,209,884</u> | <u>40</u> | <u>12,525,885</u> | <u>36</u> |
| Equity attributable to owners of parent | | | | | | |
| Share capital 6(13)(16)(17) | | | | | | |
| 3110 | Share capital - common stock | | 3,613,734 | 9 | 3,329,549 | 10 |
| 3130 | Certificates of bond-to-stock conversion | | 4,064 | - | 16,779 | - |
| Capital surplus 6(13)(18) | | | | | | |
| 3200 | Capital surplus | | 4,771,691 | 11 | 4,285,961 | 14 |
| Retained earnings 6(19) | | | | | | |
| 3310 | Legal reserve | | 2,129,895 | 5 | 1,814,575 | 5 |
| 3320 | Special reserve | | 523,311 | 1 | 303,446 | 1 |
| 3350 | Unappropriated retained earnings | | 15,077,940 | 35 | 13,239,945 | 38 |
| Other equity interest 6(20) | | | | | | |
| 3400 | Other equity interest | | (563,146) | (1) | (771,663) | (3) |
| 3500 | Treasury stocks | 6(17) | - | - | (290,790) | (1) |
| 31XX | Equity attributable to owners of the parent | | <u>25,557,489</u> | <u>60</u> | <u>21,927,802</u> | <u>64</u> |
| 3XXX | Total equity | | <u>25,557,489</u> | <u>60</u> | <u>21,927,802</u> | <u>64</u> |
| Significant contingent liabilities and unrecognised contract commitments 9 | | | | | | |
| Significant events after the balance sheet date 11 | | | | | | |
| 3X2X | Total liabilities and equity | | <u>\$ 42,767,373</u> | <u>100</u> | <u>\$ 34,453,687</u> | <u>100</u> |

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

FLEXIUM INTERCONNECT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except earnings per share)

| | Items | Notes | Year ended December 31 | | | |
|------|--|------------------|------------------------|-----------|---------------------|-----------|
| | | | 2020 | | 2019 | |
| | | | AMOUNT | % | AMOUNT | % |
| 4000 | Sales revenue | 6(21) | \$ 29,897,996 | 100 | \$ 26,033,230 | 100 |
| 5000 | Operating costs | 6(6)(10)(26)(27) | (23,763,897) | (79) | (20,088,225) | (77) |
| 5900 | Net operating margin | | 6,134,099 | 21 | 5,945,005 | 23 |
| | Operating expenses | 6(10)(26)(27) | | | | |
| 6100 | Selling expenses | | (204,455) | (1) | (158,893) | (1) |
| 6200 | General and administrative expenses | | (664,589) | (2) | (568,461) | (2) |
| 6300 | Research and development expenses | | (1,826,427) | (6) | (1,420,631) | (6) |
| 6450 | Impairment gain and reversal of impairment loss determined in accordance with IFRS 9 | 12(2) | 691 | - | 93 | - |
| 6000 | Total operating expenses | | (2,694,780) | (9) | (2,147,892) | (9) |
| 6900 | Operating profit | | 3,439,319 | 12 | 3,797,113 | 14 |
| | Non-operating income and expenses | | | | | |
| 7100 | Interest income | 6(4)(22) | 137,348 | - | 147,628 | 1 |
| 7010 | Other income | 6(23) | 402,340 | 1 | 145,928 | - |
| 7020 | Other gains and losses | 6(2)(24) | (138,853) | - | (731) | - |
| 7050 | Finance costs | 6(25) | (43,213) | - | (88,169) | - |
| 7000 | Total non-operating income and expenses | | 357,622 | 1 | 204,656 | 1 |
| 7900 | Profit before income tax | | 3,796,941 | 13 | 4,001,769 | 15 |
| 7950 | Income tax expense | 6(28) | (862,898) | (3) | (848,566) | (3) |
| 8200 | Profit for the year | | <u>\$ 2,934,043</u> | <u>10</u> | <u>\$ 3,153,203</u> | <u>12</u> |
| | Other comprehensive income | | | | | |
| | Components of other comprehensive income that will not be reclassified to profit or loss | | | | | |
| 8311 | Other comprehensive income, before tax, actuarial (losses) gains on defined benefit plans | 6(15) | (\$ 613) | - | \$ 520 | - |
| 8316 | Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income | 6(3)(20) | (3,259) | - | - | - |
| | Components of other comprehensive income that will be reclassified to profit or loss | | | | | |
| 8361 | Financial statements translation differences of foreign operations | 6(20) | 98,245 | - | (219,865) | (1) |
| 8500 | Total comprehensive income for the year | | <u>\$ 3,028,416</u> | <u>10</u> | <u>\$ 2,933,858</u> | <u>11</u> |
| | Profit attributable to: | | | | | |
| 8610 | Owners of parent | | <u>\$ 2,934,043</u> | <u>10</u> | <u>\$ 3,153,203</u> | <u>12</u> |
| | Comprehensive income attributable to: | | | | | |
| 8710 | Owners of parent | | <u>\$ 3,028,416</u> | <u>10</u> | <u>\$ 2,933,858</u> | <u>11</u> |
| | Earnings per share | 6(29) | | | | |
| 9750 | Basic earnings per share | | <u>\$ 8.63</u> | | <u>\$ 10.02</u> | |
| 9850 | Diluted earnings per share | | <u>\$ 8.22</u> | | <u>\$ 9.08</u> | |

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

FLEXIUM INTERCONNECT, 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 | | | | | | | | | |
|--|---|--|------------------------------------|---------------------|---------------------|-------------------|----------------------------------|-----------------------|----------------------|----------------------|
| | Share capital | | | Retained earnings | | | | | | |
| | Common stock | Certificates of bond-to-stock conversion | Advance receipts for share capital | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings | Other equity interest | Treasury stocks | Total equity |
| Year ended December 31, 2019 | | | | | | | | | | |
| Balance at January 1, 2019 | \$ 3,182,142 | \$ - | \$ 812 | \$ 3,859,566 | \$ 1,550,104 | \$ 212,254 | \$ 11,225,027 | (\$ 303,446) | (\$ 524,782) | \$ 19,201,677 |
| Profit for the year | - | - | - | - | - | - | 3,153,203 | - | - | 3,153,203 |
| Other comprehensive income (loss) | - | - | - | - | - | - | 520 | (219,865) | - | (219,345) |
| Total comprehensive income | - | - | - | - | - | - | 3,153,723 | (219,865) | - | 2,933,858 |
| Appropriation and distribution of 2018 earnings: | | | | | | | | | | |
| Legal reserve | - | - | - | - | 264,471 | - | (264,471) | - | - | - |
| Special reserve | - | - | - | - | - | 91,192 | (91,192) | - | - | - |
| Cash dividends | - | - | - | - | - | - | (783,142) | - | - | (783,142) |
| Cash dividends from capital surplus | - | - | - | (783,142) | - | - | - | - | - | (783,142) |
| Share-based payment transactions | 6(16)(17)(18)(20) 57,660 | - | (812) | 283,526 | - | - | - | (248,352) | 233,992 | 326,014 |
| Issuance of convertible bonds | 6(13)(18) - | - | - | 246,517 | - | - | - | - | - | 246,517 |
| Conversion of convertible bonds | 6(13)(17)(18) 89,747 | 16,779 | - | 678,249 | - | - | - | - | - | 784,775 |
| Due to donated assets received | 6(18) - | - | - | 1,245 | - | - | - | - | - | 1,245 |
| Balance at December 31, 2019 | <u>\$ 3,329,549</u> | <u>\$ 16,779</u> | <u>\$ -</u> | <u>\$ 4,285,961</u> | <u>\$ 1,814,575</u> | <u>\$ 303,446</u> | <u>\$ 13,239,945</u> | <u>(\$ 771,663)</u> | <u>(\$ 290,790)</u> | <u>\$ 21,927,802</u> |
| Year ended December 31, 2020 | | | | | | | | | | |
| Balance at January 1, 2020 | \$ 3,329,549 | \$ 16,779 | \$ - | \$ 4,285,961 | \$ 1,814,575 | \$ 303,446 | \$ 13,239,945 | (\$ 771,663) | (\$ 290,790) | \$ 21,927,802 |
| Profit for the year | - | - | - | - | - | - | 2,934,043 | - | - | 2,934,043 |
| Other comprehensive income (loss) | - | - | - | - | - | - | (613) | 94,986 | - | 94,373 |
| Total comprehensive income | - | - | - | - | - | - | 2,933,430 | 94,986 | - | 3,028,416 |
| Appropriation and distribution of 2019 earnings: | | | | | | | | | | |
| Legal reserve | - | - | - | - | 315,320 | - | (315,320) | - | - | - |
| Special reserve | - | - | - | - | - | 219,865 | (219,865) | - | - | - |
| Cash dividends | - | - | - | - | - | - | (504,625) | - | - | (504,625) |
| Cash dividends from capital surplus | - | - | - | (1,177,458) | - | - | - | - | - | (1,177,458) |
| Share-based payment transactions | 6(16)(17)(18)(20) 7,640 | - | - | 43,308 | - | - | - | 113,531 | - | 164,479 |
| Conversion of convertible bonds | 6(13)(17)(18) 301,409 | (12,715) | - | 1,830,181 | - | - | - | - | - | 2,118,875 |
| Retirement of treasury share | 6(17)(18) (24,864) | - | - | (210,301) | - | - | (55,625) | - | 290,790 | - |
| Balance at December 31, 2020 | <u>\$ 3,613,734</u> | <u>\$ 4,064</u> | <u>\$ -</u> | <u>\$ 4,771,691</u> | <u>\$ 2,129,895</u> | <u>\$ 523,311</u> | <u>\$ 15,077,940</u> | <u>(\$ 563,146)</u> | <u>\$ -</u> | <u>\$ 25,557,489</u> |

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

FLEXIUM INTERCONNECT, 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 |
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | | |
| Profit before tax | | \$ 3,796,941 | \$ 4,001,769 |
| Adjustments | | | |
| Adjustments to reconcile profit (loss) | | | |
| Share-based payments | 6(16) | 164,479 | 89,249 |
| Expected credit gain | 12(2) | (691) | (93) |
| Provision for (reversal of) allowance sales returns and discounts | 6(5) | 126 | (50,071) |
| Depreciation expense | 6(7)(8)(26) | 1,599,085 | 1,244,129 |
| Depreciation expense from investment properties | 6(9)(26) | - | 4,167 |
| Amortization of intangible and other assests | 6(10)(26) | 40,441 | 52,881 |
| Profit on valuation of financial assets at fair value | 6(2)(24) | (225,226) | (43,356) |
| Interest expense | 6(25) | 43,213 | 88,169 |
| Interest income | 6(22) | (137,348) | (147,628) |
| Loss on disposal of property, plant and equipment | 6(24) | 47,914 | 14,056 |
| Changes in operating assets and liabilities | | | |
| Changes in operating assets | | | |
| Decrease in financial assets at fair value-current | | 184,697 | 6,364 |
| Increase in financial assets at amortised cost-current | | (1,238,100) | (5,423,900) |
| Increase in accounts receivable | | (360,846) | (198,712) |
| Increase in other receiavles | | (45,630) | (31,794) |
| (Increase) decrease in inventories | | (1,523,770) | 1,332,771 |
| Increase in prepayments | | (510,190) | (53,670) |
| Increase in other current assets | | (60,557) | (1,694) |
| Changes in operating liabilities | | | |
| Decrease in financial liabilities at fair value | | - | (1,401) |
| Increase (decrease) in accounts payable | | 1,453,615 | (483,390) |
| Increase in other payables | | 1,794,783 | 93,784 |
| Increase (decrease) in other current liabilities | | 14,185 | (114,545) |
| Cash inflow generated from operations | | 5,037,121 | 377,085 |
| Interest received | | 97,872 | 117,664 |
| Payment of interest | | (1,554) | (628) |
| Income tax paid | | (24,671) | (636,285) |
| Net cash flows from (used in) operating activities | | <u>5,108,768</u> | <u>(142,164)</u> |

(Continued)

FLEXIUM INTERCONNECT, 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 |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | | |
| Increase in financial assets at fair value | | (\$ 5,793,023) | (\$ 6,636,856) |
| Proceeds from disposal of financial assets at fair value through profit or loss, designated upon initial recognition | | 5,813,510 | 5,739,983 |
| Increase in financial assets at fair value through other comprehensive income-non-current | | (29,725) | (30,550) |
| Acquisition of property, plant and equipment | 6(30) | (2,706,473) | (2,345,299) |
| Proceeds from disposal of property, plant and equipment | | 12,934 | 16,272 |
| Acquisition of intangible assets | 6(10) | (14,836) | (13,450) |
| Acquisition of right-of-use assets | | (95,334) | - |
| Increase in refundable deposits | | (15,314) | (81,578) |
| Interest received | | 36,137 | 31,560 |
| Net cash flows used in investing activities | | (2,792,124) | (3,319,918) |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES</u> | | | |
| Payments of principal portion of lease liabilities | 6(31) | (33,853) | (23,131) |
| Proceeds from issuance of bonds | 6(31) | - | 3,069,952 |
| Proceeds from long-term borrowings | 6(31) | 1,605,400 | 1,349,962 |
| (Decrease) increase in other non-current liabilities | | (10,924) | 11,737 |
| Cash dividends paid | 6(18)(19) | (1,682,083) | (1,566,284) |
| Proceeds from issuance of stock from exercising employee stock options | 6(16) | - | 7,215 |
| Treasury stock transferred to employees | 6(16) | - | 229,550 |
| Donated assets received | 6(18) | - | 1,245 |
| Net cash flows (used in) from financing activities | | (121,460) | 3,080,246 |
| Effect of exchange rate changes on cash and cash equivalents | | 1,855 | (84,823) |
| Net increase (decrease) in cash and cash equivalents | | 2,197,039 | (466,659) |
| Cash and cash equivalents at beginning of year | 6(1) | 6,925,525 | 7,392,184 |
| Cash and cash equivalents at end of year | 6(1) | <u>\$ 9,122,564</u> | <u>\$ 6,925,525</u> |

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

FLEXIUM INTERCONNECT, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS OTHERWISE INDICATED)

(1) HISTORY AND ORGANISATION

- A. Flexium Interconnect, Inc. (the “Company”) was incorporated under the provisions of the Company Law of the Republic of China (R.O.C.) and other relevant regulations on December 19, 1997. The Company is primarily engaged in the following: (1) manufacturing of build-up copper clad laminate; (2) manufacturing, processing, research, development, trading and repair of build-up printed circuit boards, flexible printed circuit boards, related semi-finished goods and parts; (3) manufacturing, research, development, and trading of parts for semi-finished goods of polyimide film base copper clad laminate; (4) manufacturing, processing, repair, design, trading of moulds, tools and clamping apparatuses; and (5) sale of raw materials for the products mentioned above. The Company’s shares have been traded in the Taiwan Stock Exchange since September, 2003.
- B. Please refer to Note 4(3) B. for the descriptions on the primary business operations of the Company and its subsidiaries (collectively referred herein as the “Group”).

(2) THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorised for issuance by the Board of Directors on February 17, 2021.

(3) APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

- (c) 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 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 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.

(d) 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:

| New Standards, Interpretations and Amendments | 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.

(e) 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:

| New Standards, Interpretations and Amendments | 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 | 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.

(c) 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” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(d) Basis of preparation

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

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.
- (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its 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.

(e) 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 unrealised 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 recognised 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 recognised in profit or loss. All amounts previously recognised 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 recognised 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 (%) | | Note |
|---|--|---|---------------|------|------|
| | | | 2020 | 2019 | |
| FLEXIUM INTERCONNECT INC. | FLEXIUM INTERCONNECT INC. | Business investment | 100 | 100 | |
| FLEXIUM INTERCONNECT INC. | UFLEX TECHNOLOGY CO., LTD. | Business investment | 100 | 100 | |
| FLEXIUM INTERCONNECT INC. | FLEXIUM INTERCONNECT INVESTMENT CO., | Business investment | 100 | 100 | |
| FLEXIUM INTERCONNECT INC. | BOOM BUSINESS LIMITED | Business investment | 100 | 100 | |
| FLEXIUM INTERCONNECT INC. | FLEXIUM INTERCONNECT AMERICA LLC. | Marketing supporting, and technology services | 100 | 100 | |
| FLEXIUM INTERCONNECT INC. | SUCCESS GLORY INVESTMENTS LTD. | Business investment | 100 | 100 | |
| FLEXIUM INTERCONNECT INC. | GRANDPLUS ENTERPRISES LTD. | Business investment | 100 | 100 | |
| SUCCESS GLORY INVESTMENTS LTD. and UFLEX TECHNOLOGY CO., LTD. | FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION | Research, development, manufacturing and sale of new-type electronic components and devices (such as flexible printed circuit boards) | 100 | 100 | Note |
| GRANDPLUS ENTERPRISES LTD. | CHOSEN GLORY LIMITED | Business investment | 100 | 100 | |
| GRANDPLUS ENTERPRISES LTD. | CHAMPION BEYOND LIMITED | Business investment | 100 | 100 | |
| GRANDPLUS ENTERPRISES LTD. | FOREVER MASTER LIMITED | Business investment | 100 | 100 | |
| BOOM BUSINESS LIMITED | CLEAR SUCCESS GLOBAL LIMITED | Business investment | 100 | 100 | |
| CLEAR SUCCESS GLOBAL LIMITED | FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION | Research, development, manufacturing and sale of new-type electronic components and devices (such as flexible printed circuit boards) | 100 | 100 | |

Note: As of December 31, 2020 and 2019, the ownership percentages of SUCCESS GLORY INVESTMENTS LTD. were both 74.11%, and the ownership percentages of UFLEX TECHNOLOGY CO., LTD. were both 25.89%.

- C. Subsidiaries not included in the consolidated financial statements: None.
- D. Adjustments for subsidiaries with different balance sheet dates: None.
- E. Significant restrictions: None.
- F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(f) 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 recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised 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 recognised 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

- (a) The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognised in other comprehensive income.

(b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group still retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(g) 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 realised, 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 realised 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.

(h) 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. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(i) 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 recognised and derecognised using settlement date accounting.

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

(j) 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 recognise 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 recognised and derecognised using settlement date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:

The changes in fair value of equity investments that were recognised 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 recognised 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.

(k) Financial assets at amortised cost

The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(l) 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.

(m) Impairment of financial assets

For financial assets at amortised cost, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises 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 that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(n) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(o) Operating leases (lessor)

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

(p) Inventories

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

(q) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised 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 derecognised. 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 | 2 ~ 35 years |
| Machinery equipment | 3 ~ 15 years |
| Transportation equipment | 2 ~ 15 years |
| Office equipment | 5 ~ 10 years |
| Other equipment | 2 ~ 10 years |

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

- A. Leases are recognised 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 recognised 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 fixed payments, less any lease incentives receivable.

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

- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (a) The amount of the initial measurement of lease liability; and
- (b) Any lease payments made at or before the commencement date.

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 recognised as an adjustment to the right-of-use asset.

(s) 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 3 years.

(t) Intangible assets

Computer software is stated at cost and amortized using the straight-line method over its estimated economic service life.

(u) 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 recognised 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 recognised.

(v) Borrowings

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

(w) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(x) Financial liabilities at fair value through profit or loss

- A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges or financial liabilities at fair value through profit or loss. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss at initial recognition:

(a) Hybrid (combined) contracts; or

(b) They eliminate or significantly reduce a measurement or recognition inconsistency; or

(c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

- B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(y) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(z) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(aa) Financial liabilities and equity instruments

Bonds payable

Convertible corporate bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Group's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Group classifies the bonds payable and derivative features embedded in convertible corporate bonds on initial recognition as a financial asset, a financial liability or an equity instrument ('capital surplus-stock warrants') in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument. Convertible corporate bonds are accounted for as follows:

- A. Call options and put options embedded in convertible corporate bonds are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.
- B. Bonds payable of convertible corporate bonds is initially recognised at fair value and subsequently stated at amortised cost. Any difference between the proceeds and the redemption value is accounted for as the premium or discount on bonds payable and presented as an addition to or deduction from bonds payable, which is amortised in profit or loss as an adjustment to the 'finance costs' over the period of bond circulation using the effective interest method.
- C. Conversion options embedded in convertible corporate bonds issued by the Group, which meet the definition of an equity instrument, are initially recognised in 'capital surplus-stock warrants' at the residual amount of total issue price less amounts of 'financial assets or financial liabilities at fair value through profit or loss' and 'bonds payable-net' as stated above. Conversion options are not subsequently remeasured.
- D. Any transaction costs directly attributable to the issuance of convertible corporate bonds are allocated to the liability and equity components in proportion to the allocation of proceeds.
- E. When bondholders exercise conversion options, the liability component of the bonds (including 'bonds payable' and 'financial assets or financial liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The book value of common shares issued due to the conversion shall be based on the adjusted book value of the abovementioned liability component plus the book value of capital surplus - stock warrants.

(bb) Non-hedging derivatives

Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.

(cc) Employee benefits

ii. 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 recognised as expense in that period when the employees render service.

iii. Pensions

(1) Defined contribution plans

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

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised 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 high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.

ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iv. Employees', directors' and supervisors' remuneration

Employees' remuneration and directors' and supervisors' remuneration are recognised 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. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(dd) Employee share-based payment

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

B. Employee restricted shares:

- (a) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period.
- (b) The issued employee restricted shares before meeting the vesting conditions are not entitled to appropriation of earnings (including but not limited to dividend, bonus and the distribution rights of capital surplus) and share options of cash capital increase.
- (c) For restricted stocks where employees do not need to pay to acquire those stocks. If employees resign during the vesting period, the Company will redeem without consideration and retire those stocks.

(ee) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised 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 recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business

combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

- D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised 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 recognised amounts and there is an intention to settle on a net basis or realise 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 realise the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(ff) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(gg) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved 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.

(hh) Revenue recognition

1. The Group manufactures and sells flexible printed circuit board products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
 - B. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts and sales discounts and allowances.
 - C. A receivable is recognised 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.

(ii) Government grants

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

(jj) 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 is responsible for allocating resources and assessing performance of the operating segments.

(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. The above information is addressed below:

1. Critical judgements in applying the Group's accounting policies

None.

2. Critical accounting estimates and assumptions

1. Expected credit losses for accounts receivable

The Group shall measure the loss allowance at an amount equal to lifetime expected credit losses for accounts receivable. When assessing expected credit losses, the Group must use judgements to determine the influence factors for the collectibility of accounts receivable such as customers' operation conditions and historical transaction records which may influence the payment abilities of customers also consider the time value of money and future economic conditions to estimate reasonable and supporting information. The aforementioned judgements and considerations may all have significant impacts on the measurement outcome of expected credit losses.

2. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable 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 realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

(6) DETAILS OF SIGNIFICANT ACCOUNTS

1. Cash and cash equivalents

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|--------------------------|--------------------------|
| Cash: | | |
| Cash on hand and revolving funds | \$ 907 | \$ 1,018 |
| Checking accounts and demand deposits | 3,163,910 | 3,003,757 |
| | <u>3,164,817</u> | <u>3,004,775</u> |
| Cash equivalents: | | |
| Time deposits | 5,957,747 | 3,670,729 |
| Bonds sold under repurchase agreements | - | 250,021 |
| | <u>5,957,747</u> | <u>3,920,750</u> |
| | <u>\$ 9,122,564</u> | <u>\$ 6,925,525</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.

C. The above time deposits and bonds sold under the repurchase agreement with original maturities of less than three months were classified as cash equivalents.

(kk) Financial assets and liabilities 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 | | |
| Listed stocks | \$ 16,074 | \$ 31,664 |
| Forward foreign exchange | 55,702 | 8,303 |
| Structured certificates of deposit | <u>1,267,041</u> | <u>1,251,504</u> |
| | 1,338,817 | 1,291,471 |
| Valuation adjustments | (<u>9,014</u>) | (<u>16,117</u>) |
| | <u>1,329,803</u> | <u>1,275,354</u> |
| Financial assets designated as at fair value through profit or loss | | |
| Put options of convertible bonds | <u>22</u> | <u>-</u> |
| | <u>\$ 1,329,825</u> | <u>\$ 1,275,354</u> |

Current items:

Financial liabilities designated as at fair value through profit or loss

| | | |
|----------------------------------|-------------|---------------|
| Put options of convertible bonds | <u>-</u> | <u>448</u> |
| | <u>\$ -</u> | <u>\$ 448</u> |

- The Group recognised net gain of \$225,226 and \$43,356, respectively, for the years ended December 31, 2020 and 2019.
- The Group entered into contracts relating to derivative financial assets which were not accounted for under hedge accounting. The information is listed below:

| Derivative Financial Assets | December 31, 2020 | |
|------------------------------------|---|-----------------|
| | Contract Amount (notional principal) | Contract Period |
| Current items: | | |
| Structured certificates of deposit | RMB 30,000 thousand | 2020.10~2021.01 |
| Structured certificates of deposit | RMB 40,000 thousand | 2020.10~2021.02 |
| Structured certificates of deposit | RMB 110,000 thousand | 2020.11~2021.02 |
| Structured certificates of deposit | RMB 110,000 thousand | 2020.12~2021.03 |
| Forward foreign exchange contracts | USD 132,000 thousand | 2020.10~2021.03 |
| Forward foreign exchange contracts | USD 2,000 thousand | 2020.11~2021.01 |

| Derivative Financial Assets | December 31, 2019 | |
|------------------------------------|---|-----------------|
| | Contract Amount (notional principal) | Contract Period |
| Current items: | | |
| Structured certificates of deposit | RMB 170,000 thousand | 2019.10~2020.01 |
| Structured certificates of deposit | RMB 70,000 thousand | 2019.12~2020.02 |
| Structured certificates of deposit | RMB 50,000 thousand | 2019.12~2020.03 |
| Forward foreign exchange contracts | RMB 33,000 thousand | 2019.11~2020.02 |

3. The Group has no financial assets at fair value through profit or loss pledged to others.
4. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

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

| Items | December 31, 2020 | December 31, 2019 |
|-----------------------|-------------------|-------------------|
| Non-current items: | | |
| Equity instruments | | |
| Unlisted stocks | \$ 60,275 | \$ 30,550 |
| Valuation adjustments | (3,259) | - |
| | <u>\$ 57,016</u> | <u>\$ 30,550</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 \$57,016 and \$30,550, respectively, as at December 31, 2020 and 2019.
- B. Amounts that the Group recognised in other comprehensive income for the years ended December 31, 2020 and 2019 in relation to the financial assets at fair value through other comprehensive income were (\$3,259) and \$0, respectively.
- C. The Group has no financial assets at fair value through other comprehensive income pledged to others as collateral.

(mm) Financial assets at amortised cost

| Items | December 31, 2020 | December 31, 2019 |
|---|---------------------|---------------------|
| Current items | | |
| Time deposits maturing in excess of three | <u>\$ 9,275,320</u> | <u>\$ 8,037,220</u> |

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

| | For the years ended December 31, | |
|-----------------|----------------------------------|------------------|
| | 2020 | 2019 |
| Interest income | <u>\$ 48,657</u> | <u>\$ 41,421</u> |

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

(nn) Accounts receivable

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|--------------------------|--------------------------|
| Accounts receivable | \$ 7,429,709 | \$ 7,068,863 |
| Less: Allowance for doubtful accounts | (415) | (1,106) |
| Allowance for sales returns and discounts | (285) | (159) |
| | <u>\$ 7,429,009</u> | <u>\$ 7,067,598</u> |

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

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|-----------------|--------------------------|--------------------------|
| Up to 90 days | \$ 7,408,649 | \$ 7,043,497 |
| 91 to 180 days | 2,369 | 6,735 |
| 181 to 365 days | 1,411 | 88 |
| Over one year | <u>17,550</u> | <u>18,543</u> |
| | <u>\$ 7,429,979</u> | <u>\$ 7,068,863</u> |

The above ageing analysis was based on overdue dates.

B. As of December 31, 2020 and 2019, and January 1, 2019, the balances of receivables from contracts with customers amounted to \$7,429,709, \$7,068,863 and \$6,870,153, respectively.

C. The Group does not hold collateral as security for accounts receivable.

D. 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 accounts receivable were \$7,429,009 and \$7,067,598, respectively.

E. Information relating to credit risk of accounts receivable is provided in Note 12(2).

(oo) Inventories

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|--------------------------|--------------------------|
| Raw materials | \$ 677,665 | \$ 476,045 |
| Work in process and semi-finished goods | 1,431,758 | 827,135 |
| Finished goods | <u>1,774,391</u> | <u>1,056,864</u> |
| | <u>\$ 3,883,814</u> | <u>\$ 2,360,044</u> |

The cost of inventories recognised as expense for the years ended December 31, 2020 and 2019, was \$23,763,897 and \$20,088,225 respectively, including the amount of \$313,837 for the year ended December 31, 2020, that the Group reversed from a previous inventory write-down and accounted for as reduction of cost of goods sold because the related inventory were scrapped or sold, as well as the amount of \$238,842 for the year ended December 31, 2019, that the Group wrote down from cost to net realizable value accounted for as increase of cost of good sold.

(pp) Property, plant and equipment

1. Book values of property, plant and equipment are as follows:

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|--------------------------|--------------------------|
| Land | \$ 786,599 | \$ 786,599 |
| Buildings | 1,335,499 | 1,029,368 |
| Machinery | 4,459,340 | 4,832,717 |
| Transportation equipment | 5,667 | 8,079 |
| Office equipment | 962 | 966 |
| Other equipment | 153,400 | 100,390 |
| Construction in progress and equipment under acceptance | 1,744,209 | 565,234 |
| | <u>\$ 8,485,676</u> | <u>\$ 7,323,353</u> |

2. Changes in property, plant and equipment are as follows:

| Cost | For the year ended December 31, 2020 | | | | |
|--|--------------------------------------|-----------------------------------|---------------------|---|------------------------------------|
| | <u>Opening net book amount</u> | <u>Additions and transfer</u> | <u>Deduction</u> | <u>Effects of exchange rate changes</u> | <u>Closing net book amount</u> |
| Land | \$ 786,599 | \$ - | \$ - | \$ - | \$ 786,599 |
| Buildings | 1,956,702 | 450,561 (| 16,229) | 31,010 | 2,422,044 |
| Machinery | 9,816,657 | 985,898 (| 108,902) | 87,251 | 10,780,904 |
| Transportation equipment | 24,520 | 181 | - | 191 | 24,892 |
| Office equipment | 13,967 | - | (85) | 108 | 13,990 |
| Other equipment | 414,353 | 121,662 (| 34,345) | 4,031 | 505,701 |
| Construction in progress and equipment under acceptance | 565,234 | 1,170,418 | - | 8,557 | 1,744,209 |
| | <u>\$ 13,578,032</u> | <u>\$ 2,728,720</u> | <u>(\$ 159,561)</u> | <u>\$ 131,148</u> | <u>\$ 16,278,339</u> |

For the year ended December 31, 2019

| Cost | Opening net book amount | Additions and transfer | Deduction | Reclassifications | Effects of exchange rate changes | Closing net book amount |
|--|----------------------------|---------------------------|---------------------|-------------------|-------------------------------------|----------------------------|
| Land | \$ 657,573 | \$ - | \$ - | \$ 129,026 | \$ - | \$ 786,599 |
| Buildings | 1,894,215 | 86,189 | - | 29,998 | (53,700) | 1,956,702 |
| Machinery | 7,661,439 | 2,532,867 | (205,197) | - | (172,452) | 9,816,657 |
| Transportation equipment | 20,735 | 3,172 | (2,443) | 3,482 | (426) | 24,520 |
| Office equipment | 14,374 | - | - | - | (407) | 13,967 |
| Other equipment | 393,369 | 40,230 | (8,224) | (3,482) | (7,540) | 414,353 |
| Construction in progress and equipment under acceptance | 342,910 | 226,416 | - | - | (4,092) | 565,234 |
| | <u>\$ 10,984,615</u> | <u>\$ 2,888,874</u> | <u>(\$ 215,864)</u> | <u>\$ 159,024</u> | <u>(\$ 238,617)</u> | <u>\$ 13,578,032</u> |

For the year ended December 31, 2020

| Cost | Opening net book amount | Additions and transfer | Deduction | Effects of exchange rate changes | Closing net book amount |
|--------------------------|----------------------------|---------------------------|--------------------|-------------------------------------|----------------------------|
| Buildings | \$ 927,334 | \$ 147,894 | (\$ 262) | \$ 11,579 | \$ 1,086,545 |
| Machinery | 4,983,940 | 1,365,322 | (88,688) | 60,990 | 6,321,564 |
| Transportation equipment | 16,441 | 2,620 | - | 164 | 19,225 |
| Office equipment | 13,001 | 17 | (85) | 95 | 13,028 |
| Other equipment | 313,963 | 45,611 | (9,678) | 2,405 | 352,301 |
| | <u>\$ 6,254,679</u> | <u>\$ 1,561,464</u> | <u>(\$ 98,713)</u> | <u>\$ 75,233</u> | <u>\$ 7,792,663</u> |

For the year ended December 31, 2019

| Cost | Opening net book amount | Additions and transfer | Deduction | Reclassifications | Effects of exchange rate changes | Closing net book amount |
|--------------------------|----------------------------|---------------------------|---------------------|-------------------|-------------------------------------|----------------------------|
| Buildings | \$ 802,646 | \$ 125,750 | \$ - | \$ 27,499 | (\$ 28,561) | \$ 927,334 |
| Machinery | 4,229,496 | 1,053,562 | (182,343) | - | (116,775) | 4,983,940 |
| Transportation equipment | 15,473 | 2,427 | (2,443) | 1,404 | (420) | 16,441 |
| Office equipment | 13,334 | 38 | - | - | (371) | 13,001 |
| Other equipment | 293,095 | 36,229 | (7,781) | (1,404) | (6,176) | 313,963 |
| | <u>\$ 5,354,044</u> | <u>\$ 1,218,006</u> | <u>(\$ 192,567)</u> | <u>\$ 27,499</u> | <u>(\$ 152,303)</u> | <u>\$ 6,254,679</u> |

C. No borrowing costs were capitalized as part of property, plant and equipment for the years ended December 31, 2020 and 2019.

D. Details of property, plant and equipment transferred from investment property for the years ended December 31, 2020 and 2019 are provided in Note 6(9) B.

E. The Group did not have property, plant and equipment pledged to others as collaterals.

F. Property, plant and equipment were not classified as operating leases assets.

(qq) 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 50 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 for leasing, subleasing, selling or any action affecting the ownership of the lessor.
- B. Short-term leases with a lease term of 12 months or less comprise of certain machinery and equipment, business vehicles and accommodations.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|--------------------------|--------------------------|
| | <u>Carrying amount</u> | <u>Carrying amount</u> |
| Land | \$ 205,807 | \$ 110,890 |
| Buildings | 56,812 | 32,067 |
| Transportation equipment (Business vehicles) | 4,688 | 82 |
| | <u>\$ 267,307</u> | <u>\$ 143,039</u> |

| | <u>For the years ended December 31,</u> | |
|--|---|----------------------------|
| | <u>2020</u> | <u>2019</u> |
| | <u>Depreciation charge</u> | <u>Depreciation charge</u> |
| Land | \$ 4,238 | \$ 3,192 |
| Buildings | 31,801 | 22,440 |
| Transportation equipment (Business vehicles) | 1,582 | 491 |
| | <u>\$ 37,621</u> | <u>\$ 26,123</u> |

- D. For the years ended December 31, 2020 and 2019, the additions to right-of-use assets was \$157,015 and \$15,555, respectively.
- E. Information on profit or loss in relation to lease contracts is as follows:

| | <u>For the years ended December 31,</u> | |
|---------------------------------------|---|-------------|
| <u>Items affecting profit or loss</u> | <u>2020</u> | <u>2019</u> |
| Interest expense on lease liabilities | \$ 794 | \$ 467 |
| Expense on short-term lease contracts | 50,112 | 34,724 |

- F. For the years ended December 31, 2020 and 2019, the Group's total cash outflow for leases was \$84,759 and \$58,322, respectively..

(rr) Investment property

There was no such transaction as of December 31, 2020.

| | 2019 | | |
|---|-------------------|-----------------|-------------------|
| | Land | Buildings | Total |
| At January 1 | | | |
| Cost | \$ 129,026 | \$ 29,998 | \$ 159,024 |
| Accumulated depreciation and impairment | - | (23,332) | (23,332) |
| | <u>\$ 129,026</u> | <u>\$ 6,666</u> | <u>\$ 135,692</u> |
| Opening net book amount as at January 1 | \$ 129,026 | \$ 6,666 | \$ 135,692 |
| Reclassifications | (129,026) | (2,499) | (131,525) |
| Depreciation | - | (4,167) | (4,167) |
| Closing net book amount as at December 31 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| At December 31 | | | |
| Cost | \$ - | \$ - | \$ - |
| Accumulated depreciation and impairment | - | - | - |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

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

| | For the year ended December 31, 2019 |
|---|---|
| Rental income from investment property | <u>\$ 3,399</u> |
| Direct operating expenses arising from the investment property that generated rental income during the period | <u>\$ 4,446</u> |

- B. Investment property reclassified to property, plant and equipment amounted to \$131,525, due to the use of investment property was changed to self-use in 2019.

(ss) Intangible assets-computer software cost

- A. Changes in computer software cost are as follows:

| | 2020 | 2019 |
|----------------------------------|------------------|------------------|
| At January 1 | \$ 46,150 | \$ 85,717 |
| Additions-acquired separately | 14,836 | 13,450 |
| Amortization | (40,441) | (52,881) |
| Effects of exchange rate changes | 100 | (136) |
| At December 31 | <u>\$ 20,645</u> | <u>\$ 46,150</u> |

B. Details of amortization on intangible assets are as follows:

| | For the years ended December 31, | |
|-----------------------------------|----------------------------------|------------------|
| | 2020 | 2019 |
| Operating costs | \$ 131 | \$ 37 |
| Administrative expenses | 11,478 | 11,951 |
| Research and development expenses | 28,832 | 40,893 |
| | <u>\$ 40,441</u> | <u>\$ 52,881</u> |

(tt) Other non-current assets

| Items | December 31, 2020 | December 31, 2019 |
|-------------------------------|---------------------|-------------------|
| Prepayment for land purchases | \$ 366,659 | \$ 582,435 |
| Prepayment for equipment | 1,285,405 | 2,925 |
| Refundable deposits | 275,162 | 259,848 |
| | <u>\$ 1,927,226</u> | <u>\$ 845,208</u> |

Information about the refundable deposits that were pledged to others as collaterals is provided in Note 8.

(uu) Other payables

| | December 31, 2020 | December 31, 2019 |
|---|---------------------|---------------------|
| Processing fees payable | \$ 2,402,739 | \$ 765,658 |
| Wages and salaries payable | 537,384 | 370,667 |
| Payables on employees' compensation and remuneration to directors and supervisors | 203,000 | 172,763 |
| Payables on machinery and equipment | 2,133,232 | 1,044,282 |
| Other payables | 1,535,932 | 1,575,161 |
| | <u>\$ 6,812,287</u> | <u>\$ 3,928,531</u> |

(vv) Bonds payable

| | December 31, 2020 | December 31, 2019 |
|---|-------------------|---------------------|
| Third overseas unsecured convertible bonds | \$ 15,419 | \$ 2,241,923 |
| Less: Discount on bonds payable | (533) | (148,402) |
| | 14,886 | 2,093,521 |
| Less: current portion | | |
| (Shown as long-term liabilities, current portion) | (14,886) | - |
| | <u>\$ -</u> | <u>\$ 2,093,521</u> |

The terms of the Third overseas unsecured convertible bonds issued by the Company are as follows:

- A. On January 22, 2019, the Company issued 0% coupon, 3-year unsecured convertible bonds in the amount of US\$100 million. Except for the Company's bonds that were redeemed, repurchased and retired or had their conversion rights exercised by the bondholders (the "bondholders"), the bonds are repayable in full by cash at face value at maturity. Redemption price at maturity would be translated into NTD at the fixed exchange rate of 30.838, then translate the NTD into USD using the currency rate on that day for repayment. The bonds were traded in the Singapore Exchange Limited since January 22, 2019.
- B. Except for the bond redeemed early, repurchased and retired, bonds that were converted by their bondholders and the mandatory stop transfer period regulated by law and agreed in the bond indenture separately, the bondholders have the right to ask for conversion of the bonds into common shares of the Company in accordance with the relevant regulation and the bond indenture during the period from the date after 90 days of the bonds issue to 10 days before the maturity date, or on the day that the bondholders exercise the put option, or the fifth business day before the issue company exercise the early redemption.

As at December 31, 2020, the bonds with face value in the amount of US\$ 98,500 thousand had been converted into 39,116 thousand shares of common stocks (shown as 'Share capital - common stock' of \$391,156 and 'capital surplus, additional paid-in capital arising from bond conversion' of \$2,725,585). And the registration was completed. In addition, the bonds with face value in the amount of US\$ 1,000 thousand had been converted into 406 thousand shares of common stocks (shown as 'certificates of bond-to-stock conversion' of \$4,064 and 'capital surplus, additional paid-in capital arising from bond conversion' of \$28,130), however, the registration is not yet completed.

- C. The conversion price is set up according to the terms of the bonds and is subject to adjustments when the anti-dilution provisions occur. The conversion price was set at NT\$83.95 (in dollars) per share on issuance. If the conversion price reset according to the terms is higher than the original conversion price of current year, then the conversion price will not be adjusted. At the time of conversion, the principal of the bond is multiplied by the fixed exchange rate of 30.838 agreed on the pricing date as the numerator, and the conversion price at the time of conversion is used as the denominator to calculate the number of shares convertible into common stocks. As at December 31, 2020, the conversion price was adjusted to NT\$75.88 (in dollars) per share.
- D. The rules of put options are as follows:
- (a) The bondholders have no right to ask for whole or partial redemption of the bonds, except the following:
- i. Except for the bond redeemed early, repurchased and retired, bonds that were converted by their bondholders, the bondholders have right to ask for whole or partial redemption of the bonds with an added interest rate of 0.425% per annum (compounded semi-annually) on the face value as the premium which is equivalent to 100.8527% of the face value (the "early redemption price for the bondholders"), after two years from the issue date.

- ii. If the Company's common shares are unlisted from the Taiwan Stock Exchange or ceased trading over 30 consecutive business days, the bondholders have right to ask for only whole redemption of the bonds with an added interest rate of 0.425% per annum on the face value as the premium (the "early redemption amount").
 - iii. If any changes occurs to the Company's controlling power as defined in the bond indenture (the "bond indenture"), the bondholders have right to ask for only whole redemption of the bonds.
- (b) The exercise of the aforementioned put options by the bondholders and the acceptance of the bondholders' requests by the Company shall in accordance with the procedures of the bond indenture. The early redemption price for the bondholders and the early redemption amount of bonds shall be paid on the payment date defined in the bond indenture by cash.
 - (c) The early redemption price for the bondholders and the early redemption amount of bonds shall be translated into NTD at the fixed exchange rate of 30.838, then translate the NTD into USD using the currency rate on that day for repayment.
- E. The rules of redemption are as follows:
- (a) For the period starting 2 years from the issue date until the maturity date, if the closing price (If the ex-right or the ex-dividend incurred, the adoption of the closing price shall be imputed to the price before ex-right and ex-dividend during the transaction date of the ex-right or the ex-dividend to the effective date of the ex-rights) of the issuing company's common shares converted to USD using the currency exchange rate of the day on the Taiwan Stock Exchange reaches 130% of the total amount of the early redemption price multiply conversion price on that day (using the fixed currency exchange rate on the price settlement date to convert to USD) divided by the face value for 30 consecutive business days, the issuing company has the right to redeem all or part of bonds at the early redemption price.
 - (b) If over 90% of the outstanding bonds' is redeemed, converted repurchased or retired, the Company can redeem all the bonds that are still outstanding at the early redemption price.
 - (c) If changes to the R.O.C.'s tax regulations occur after the issue date and cause the Company to bear more tax or to pay extra interest expenses or increase in costs for the bonds, the Company can redeem all the bonds at the early redemption price in accordance with the bond indenture. And the bondholders have no right to ask the issuing company covers the extra tax and expense for their nonparticipation of the redemption.
 - (d) The early redemption amount of bonds shall all be translated into NTD at the fixed exchange rate of 30.838, then translate the NTD into USD using the currency rate on that day for repayment.
- F. Under the terms of the bonds, all bonds redeemed (including from secondary market), matured and converted will be retired and not to be reissued.
- G. Regarding the issuance of convertible bonds, the equity conversion options amounting to \$246,517 were separated from the liability component and were recognised in 'capital surplus - share options' in accordance with IAS 32. As of December 31, 2020, the balance of "Capital reserve from stock options" after adjusting the amount converted into common stock is \$1,232. The non-equity redeem options, put options embedded in bonds payable were separated from their host contracts and were recognised in 'financial assets or liabilities at fair value through

profit or loss' in net amount in accordance with IAS 9 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts.

The annual effective interest rate of the bonds payable after separation is 3.335%.

(ww) Long-term borrowings

| Type of borrowings | Borrowing period and repayment term | Interest rate range | Collateral | December 31, 2020 |
|---------------------------|--|---------------------|------------|-------------------|
| Long-term bank borrowings | | | | |
| Unsecured borrowings | Borrowing period is from May 20, 2019 to May 20, 2026; interest is payable monthly; principal is repayable in instalments from June, 2022. | 0.03%~1.30% | None | \$ 800,000 |
| Unsecured borrowings | Borrowing period is from May 20, 2019 to May 20, 2029; interest is payable monthly; principal is repayable in instalments from June, 2022. | 0.03%~1.30% | None | 764,051 |
| Unsecured borrowings | Borrowing period is from July 15, 2019 to July 15, 2026; interest is payable monthly; principal is repayable in instalments from August, 2022. | 0.03%~1.30% | None | 1,391,311 |
| | | | | 2,955,362 |
| Less: Current portion | | | | - |
| | | | | \$ 2,955,362 |

| Type of borrowings | Borrowing period and repayment term | Interest rate range | Collateral | December 31, 2019 |
|---------------------------|--|---------------------|------------|-------------------|
| Long-term bank borrowings | | | | |
| Unsecured borrowings | Borrowing period is from May 20, 2019 to May 20, 2026; interest is payable monthly; principal is repayable in instalments from June, 2022. | 0.05%~1.30% | None | \$ 413,518 |
| Unsecured borrowings | Borrowing period is from May 20, 2019 to May 20, 2029; interest is payable monthly; principal is repayable in instalments from June, 2022. | 0.05%~1.30% | None | 379,552 |
| Unsecured borrowings | Borrowing period is from July 15, 2019 to July 15, 2026; interest is payable monthly; principal is repayable in instalments from August, 2022. | 0.05%~1.30% | None | 556,892 |
| | | | | 1,349,962 |
| Less: Current portion | | | | - |
| | | | | \$ 1,349,962 |

Details of interest expense of bank borrowings recognised in profit or loss are provided in Note 6(25).

(xx) Pensions

A. Defined benefit plans

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

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

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|--------------------------|--------------------------|
| Present value of defined benefit obligations | \$ 65,257 | \$ 62,733 |
| Fair value of plan assets | (44,578) | (41,300) |
| Net defined benefit liability | | |
| (shown as 'Other non-current liabilities') | <u>\$ 20,679</u> | <u>\$ 21,433</u> |

1. Changes in present value of defined benefit obligations are as follows:

| | <u>Present value of defined benefit obligations</u> | <u>Fair value of plan assets</u> | <u>Net defined benefit liability</u> |
|--|---|--------------------------------------|--|
| <u>For the year ended December 31, 2020</u> | | | |
| Balance at January 1 | (\$ 62,733) | \$ 41,300 | (\$ 21,433) |
| Interest (expense) income | (816) | 548 | (268) |
| | <u>(\$ 63,549)</u> | <u>\$ 41,848</u> | <u>(\$ 21,701)</u> |
| Remeasurements: | | | |
| Return on plan assets (excluding amounts included in interest income or expense) | - | 1,095 | 1,095 |
| Experience adjustments | (1,708) | - | (1,708) |
| | <u>(1,708)</u> | <u>1,095</u> | <u>(613)</u> |
| Pension fund contribution | - | 1,635 | 1,635 |
| Balance at December 31 | <u>(\$ 65,257)</u> | <u>\$ 44,578</u> | <u>(\$ 20,679)</u> |

| | Present value of defined benefit obligations | Fair value of plan assets | Net defined benefit liability |
|--|--|------------------------------|----------------------------------|
| <u>For the year ended December 31, 2019</u> | | | |
| Balance at January 1 | (\$ 61,344) | \$ 38,091 | (\$ 23,253) |
| Interest (expense) income | (950) | 603 | (347) |
| | <u>(\$ 62,294)</u> | <u>\$ 38,694</u> | <u>(\$ 23,600)</u> |
| Remeasurements: | | | |
| Return on plan assets (excluding amounts included in interest income or expense) | - | 959 | 959 |
| Experience adjustments | (439) | - | (439) |
| | <u>(439)</u> | <u>959</u> | <u>520</u> |
| Pension fund contribution | - | 1,647 | 1,647 |
| Balance at December 31 | <u>(\$ 62,733)</u> | <u>\$ 41,300</u> | <u>(\$ 21,433)</u> |

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and 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 securitization 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 authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2019 and 2018 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.
- (e) The principal actuarial assumptions used were as follows:

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|-------------------------|--------------------------|--------------------------|
| Discount rate | <u>1.05%</u> | <u>1.30%</u> |
| Future salary increases | <u>3.00%</u> | <u>3.00%</u> |

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

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

| | Discount rate | | Future salary increases | |
|---|---------------|----------|-------------------------|------------|
| | Increase | Decrease | Increase | Decrease |
| | 0.25% | 0.25% | 1% | 1% |
| December 31, 2020 | | | | |
| Effect on present value of defined benefit obligation | (\$ 2,533) | \$ 2,660 | \$ 11,244 | (\$ 9,444) |
| December 31, 2019 | | | | |
| Effect on present value of defined benefit obligation | (\$ 2,602) | \$ 2,738 | \$ 11,639 | (\$ 9,687) |

The sensitivity analysis above is based on other conditions that are unchanged but only one assumption is changed. 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 method and assumptions used for the preparation of sensitivity analysis during 2019 and 2018 are the same.

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2021 amount to \$1,635.

(g) As of December 31, 2020, the weighted average duration of that retirement plan is 17.7 years.

B. Defined contribution plan

(a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, Taiwan-based companies of the Group contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The Company’s mainland China subsidiaries, have a defined contribution plan. 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.

(c) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2020 and 2019 were \$170,957 and \$164,549, respectively.

(yy) Share-based payment

A. Options granted after January 1, 2008

(a) The exercise price under stock-based employee compensation plan in 2010 was determined at the closing price (\$46.95 in dollars per share) of the Company's common stock upon issuance of the stock option. If there is a change in common stock or the Company distributes cash dividend, the exercise price would be adjusted according to specific formulas. As of December 31, 2020, the exercise price of employee share options was adjusted to NT\$ 21.90 (in dollars). The expected vesting period is 10 years. After 2 years from the date of grant, an employee may exercise the options in accordance with certain schedules as prescribed by the employee option plan.

(b) Details of the share-based payment arrangements are as follows:

| Stock options | 2020 | | 2019 | |
|------------------------------------|-------------------------------------|--|-------------------------------------|--|
| | Number of options (in thousands) | Weighted-average exercise price (in dollars) | Number of options (in thousands) | Weighted-average exercise price (in dollars) |
| Options outstanding at January 1 | 118 | \$ 21.90 | 429 | \$ 23.20 |
| Options exercised | - | - | (311) | 23.20 |
| Options expired | (118) | 21.90 | - | - |
| Options outstanding at December 31 | <u>-</u> | - | <u>118</u> | 21.90 |
| Options exercisable at December 31 | <u>-</u> | - | <u>118</u> | 21.90 |

1. The weighted-average stock price of stock options at exercise dates for the year ended December 31, 2019 was \$96.70.
2. The information on outstanding employee stock compensation plans is set forth below:

| December 31, 2020 | | | | | |
|--------------------------------|--|---|--|--|--|
| Stock options outstanding | | | Stock options exercisable | | |
| Exercise price (in dollars) | Number of options (in thousands) | Weighted-average expected remaining period | Weighted-average exercise price (in dollars) | Number of options (in thousands) | Weighted-average exercise price (in dollars) |
| \$ 21.90 | 118 | 2 months | \$ 21.90 | 118 | \$ 21.90 |

(e) The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

| | <u>March 18, 2010</u> |
|--|-----------------------|
| Dividend yield rate | 0% |
| Expected price volatility | 40% |
| Risk-free interest rate | 2% |
| Expected terms | 10 years |
| Weighted-average fair value per share (in dollars) | 11.10~16.91 |

3. Expenses incurred on equity-settled share-based payment transactions for the years ended December 31, 2020 and 2019 were both \$0.

B. On July 3, 2020 and July 1, 2019, the Board of Directors of the Company has resolved to issue employee restricted shares:

(a) Details of the share-based payment arrangements are as follows:

| <u>Type of arrangement</u> | <u>Grant date</u> | <u>Number of shares granted (in thousands)</u> | <u>Contract period</u> | <u>Vesting conditions</u> |
|--|-------------------|--|----------------------------|---|
| Restricted stock transferred to employees (Note 1) | 2020.07.03 | 1,000 | 3 years | Service period and performance condition (Note 2) |
| Restricted stock transferred to employees (Note 1) | 2019.07.01 | 5,500 | 3 years | Service period and performance condition (Note 2) |

Note 1: The restricted shares issued by the Company cannot be transferred during the vesting period before meeting the vesting conditions. The right of attendance, proposal, presentation, voting and election at the shareholders' meeting are the same as the Company's issued ordinary shares, except appropriation of earnings (including but not limited to dividend, bonus and the distribution rights of capital surplus) and share options of cash capital increase. The Company has rights to take back the unvested shares at no consideration and retire the shares if employees resign during the vesting period.

Note 2: For the employees who are currently working in the Company, whose services have reached 1 year, 2 years and 3 years since the allocation of restricted shares and who achieved the target performance and have made contributions, the ceiling of accumulated vested share ratio is 30%, 30% and 40%, respectively.

(b) Details of the share-based payment arrangements are as follows: (Shares in thousands)

| | <u>2020</u> | <u>2019</u> |
|---|--------------|--------------|
| Employee restricted shares at January 1 | 5,420 | - |
| Options issued for the year | 1,000 | 5,500 |
| Options retired for the year | (236) | (80) |
| Unrestriction for the year | (1,554) | - |
| Employee restricted shares at December 31 | <u>4,630</u> | <u>5,420</u> |

(c) Expenses incurred on share-based payment transactions amounted to \$164,479 and \$89,249 for the years ended December 31, 2020 and 2019.

C. On July 12, 2018, the Board of Directors adopted a resolution to transfer treasury stocks purchased from the ninth purchase to employees.

(a) Information on the stock options is as follows:

| <u>Type of arrangement</u> | <u>Grant date</u> | <u>Number of shares (in thousands)</u> | <u>Vesting conditions</u> |
|--|-------------------|--|---------------------------|
| Treasury stock transferred to employee | 2018.7.12 | \$ 2,506 | Vested immediately |

(b) Details of the share-based payment arrangements are as follows:

| <u>Stock options</u> | <u>2019</u> | |
|------------------------------------|---|---|
| | <u>Number of options (in thousands)</u> | <u>Weighted-average exercise price (in dollars)</u> |
| Options outstanding at January 1 | 2,506 | \$ 93.37 |
| Options exercised | (2,506) | 91.60 |
| Options outstanding at December 31 | - | - |
| Options exercisable at December 31 | - | - |

(c) The fair value of stock options on the grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

| <u>Type of arrangement</u> | <u>Grant date</u> | <u>Weighted-average stock price (in dollars)</u> | <u>Exercise price (in dollars)</u> | <u>Expected price volatility</u> | <u>Expected option life (in years)</u> | <u>Risk-free interest rate</u> | <u>Fair value per share (in dollars)</u> |
|---|-------------------|--|--|--------------------------------------|--|------------------------------------|--|
| Treasury stock transferred to employees | 2018.7.12 | \$ 97.90 | \$ 93.37 | 39.74% | 0.05 | 0.11% | \$ 6.19 |

(d) The compensation cost recognised at the grant date was \$15,512.

(zz) Share capital

A. As of December 31, 2020, the Company's authorized capital was \$4,600,000 (including 20,000 thousand shares reserved for employee stock options and convertible bonds issued by the Company), and the paid-in capital was \$3,613,734, consisting of 361,374 thousand shares of ordinary stock, with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

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

| | <u>2020</u> | <u>2019</u> |
|---|----------------|----------------|
| At January 1 | 330,469 | 313,222 |
| Employee stock options exercised | - | 346 |
| Employee restricted shares | 1,000 | 5,500 |
| Employee restricted shares cancellation (| 236) (| 80) |
| Conversion of convertible bonds | 30,141 | 8,975 |
| Treasury share transferred to employees | - | 2,506 |
| At December 31 | <u>361,374</u> | <u>330,469</u> |

B. For the year ended December 31, 2019, the additions to employee restricted shares was \$3,460,

and the registration was completed.

- C. The Board of Directors during its meeting on July 3, 2020 adopted a resolution to issue employee restricted ordinary shares (see Note 6(16)) with the effective date set on September 4, 2020. The subscription price is \$0 (in dollars) per share. The employee restricted ordinary shares issued are subject to certain transfer restrictions before their vesting conditions are met. After meeting their vesting conditions, the rights and obligations of these shares issued are the same as other issued ordinary shares.
- D. The Board of Directors during its meeting on July 1, 2019 adopted a resolution to issue employee restricted ordinary shares (see Note 6(16)) with the effective date set on September 5, 2019. The subscription price is \$0 (in dollars) per share. The employee restricted ordinary shares issued are subject to certain transfer restrictions before their vesting conditions are met. After meeting their vesting conditions, the rights and obligations of these shares issued are the same as other issued ordinary shares.
- E. The information on conversion requests on convertible bonds for the year ended December 31, 2020 and 2019 is provided in Note 6(13).

F. Treasury shares

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

There was no such transaction as of December 31, 2020.

| Name of company holding the shares | Reason for reacquisition | December 31, 2019 | |
|---------------------------------------|--------------------------|----------------------------------|-----------------|
| | | Number of shares in thousands | Carrying amount |
| The Company | For conversion of equity | 2,486 | 290,790 |

- (b) Pursuant to the R.O.C. Securities and Exchange Law, 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 realised capital surplus.
- (c) Pursuant to the R.O.C. Securities and Exchange Law, 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 Law, treasury shares should be reissued to the employees or be distributed for equity transfer within three years from the reacquisition date and shares not reissued within the three-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.
- (e) To maintain the Company's credit and the stockholders' equity, the Board of Directors during their meeting resolved to repurchase the Company's shares in the amount of 5 million shares

that in accordance with related regulations on November 1, 2017. In addition, the Board of Directors resolved to change the purpose of repurchased shares for equity transfer on December 21, 2017. The ordinary shares transferred from convertible bonds in 2018 were 2,514 thousand shares. As of December 31, 2020, the Company has repurchased its own shares in the amount of 5 million shares, including 2,514 thousand shares were distributed from equity transfer, remaining 2,486 thousand shares were retired.

(f) The shares which were repurchased by the Company and transferred to employees amounted to 5 million shares in accordance with related regulations, and as resolved by the Board of Directors on June 11, 2018. The shares transferred to the employees in 2019 were 2,506 thousand shares. As of December 31, 2020, the Company has repurchased its own shares in the amount of 2,506 thousand shares and all 2,506 thousand shares were transferred to employees.

(g) Information on treasury shares reissued to employees is provided in Note 6(16).

(aaa) 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 Law requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

| | 2020 | | | | | | |
|---|---------------------|-------------------|-----------------|-------------------|-----------------|-------------------|------------------------------|
| | Share | Treasury | Employee | Stock | Donated | Employee | Total |
| | premium | share | stock | options | assets | restricted | |
| At January 1, 2020 | \$ 3,622,219 | \$ 198,106 | \$ 1,771 | \$ 179,218 | \$ 1,245 | \$ 283,402 | \$ - \$ 4,285,961 |
| Employee stock options expired | - | - | (1,771) | - | - | - | 1,771 - |
| Employee restricted shares | - | - | - | - | - | 43,308 | - 43,308 |
| Treasury shares cancellation | (12,195) | (198,106) | - | - | - | - | (210,301) |
| Cash dividends from capital surplus | (1,177,458) | - | - | - | - | - | (1,177,458) |
| Conversion option of convertible bonds | <u>2,008,167</u> | <u>-</u> | <u>-</u> | <u>(177,986)</u> | <u>-</u> | <u>-</u> | <u>- 1,830,181</u> |
| At December 31, 2020 | <u>\$ 4,440,733</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,232</u> | <u>\$ 1,245</u> | <u>\$ 326,710</u> | <u>\$ 1,771 \$ 4,771,691</u> |
| | 2019 | | | | | | |
| | Share | Treasury | Employee | Stock | Donated | Employee | Total |
| | premium | share | stock | options | assets | restricted | |
| At January 1, 2019 | \$3,651,766 | \$ 187,037 | \$ 20,763 | \$ - | \$ - | \$ - | \$3,859,566 |
| Employee stock options exercised | 8,047 | - | (3,480) | - | - | - | 4,567 |
| Treasury stock transferred to employees | - | 11,069 | (15,512) | - | - | - | (4,443) |
| Employee restricted shares | - | - | - | - | - | 283,402 | 283,402 |
| Due to donated assets received | - | - | - | - | 1,245 | - | 1,245 |
| Cash dividends from capital surplus | (783,142) | - | - | - | - | - | (783,142) |
| Conversion option of convertible bonds | <u>745,548</u> | <u>-</u> | <u>-</u> | <u>179,218</u> | <u>-</u> | <u>-</u> | <u>- 924,766</u> |
| At December 31, 2019 | <u>\$3,622,219</u> | <u>\$ 198,106</u> | <u>\$ 1,771</u> | <u>\$ 179,218</u> | <u>\$ 1,245</u> | <u>\$ 283,402</u> | <u>\$4,285,961</u> |

2. On June 18, 2020, the shareholders during their meeting resolved to distribute cash dividends from capital surplus in the amount of \$1,177,458, at NT\$2.5 per share. On June 18, 2019, the shareholders during their meeting resolved to distribute cash dividends from capital surplus in the amount of \$783,142, at NT\$2.5 per share. The above mentioned relevant shareholders' meeting resolutions and distribution please refer to "Market Observation Post System" at the website of the Taiwan Stock Exchange.
3. On February 17, 2021, the Board of Directors decided to distribute cash dividend from capital surplus in the amount of \$1,786,765, at NT\$ 5 per share.
4. For details of capital reserve from stock options, please refer to Note 6(13).

(bbb) Retained earnings

1. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the total capital stock balance, and setting aside or reversal for special reserve in accordance with related laws or Competent Authority's rule, if any, the Board of Directors should present the distribution of the remaining earnings along with undistributed earnings at beginning of periods for the approval of the shareholders based on the capital condition and economic development.

In accordance with Article 240, Item 5 of the Company Law and Article 241 of the Company Law, the Company authorizes the Board of Directors to have more than two-thirds of directors present and resolutions of more than half of the directors present to distribute dividends or legal reserve and capital surplus are distributed in cash and reported to the shareholders meeting.

- B. The Company's dividend policy is in line with the development plan and capital requirement for expanding production line in the near future as the Company is currently in the growth phase. Therefore, the Board of Directors proposed the appropriation of unappropriated retained earnings at the shareholders' meeting for approval. Cash dividend shall be more than 5% of total dividends, but will not be distributed if it is lower than \$0.1 per share, which will instead be distributed in the form of stocks.
- 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 25% of the Company's paid-in capital.
- D. (a) 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.
(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are

investment property of land, and reversed over the use period if the assets are investment property other than land.

E. The Company resolved that total dividends for the distribution of earnings for 2019 was \$783,142 (\$2.5 (in dollars) per share). On June 18, 2020, the shareholders resolved that total dividends for the distribution of earnings for 2019 was \$504,625 (\$1.5 (in dollars) per share).

(ccc) Other equity items

| | 2020 | | | |
|--|-----------------------------|------------------------------|--|---------------------|
| | <u>Currency translation</u> | <u>Unearned compensation</u> | <u>Unearned gain (losses) on valuation</u> | <u>Total</u> |
| At January 1 | (\$ 523,311) | (\$ 248,352) | \$ - | (\$ 771,663) |
| Currency translation differences: | | | | |
| –Group | 98,245 | - | - | 98,245 |
| Issuance of employee restricted shares | - | (89,763) | - | (89,763) |
| Compensation cost of share-based payment | | 164,479 | - | 164,479 |
| Valuation adjustments | <u>-</u> | <u>38,815</u> | <u>(3,259)</u> | <u>35,556</u> |
| At December 31 | <u>(\$ 425,066)</u> | <u>(\$ 134,821)</u> | <u>(\$ 3,259)</u> | <u>(\$ 563,146)</u> |
| | 2019 | | | |
| | <u>Currency translation</u> | <u>Unearned compensation</u> | <u>Unearned gain (losses) on valuation</u> | <u>Total</u> |
| At January 1 | (\$ 303,446) | \$ - | \$ - | (\$ 303,446) |
| Currency translation differences: | | | | |
| –Group | (219,865) | - | - | (219,865) |
| Issuance of employee restricted shares | <u>-</u> | <u>(248,352)</u> | <u>-</u> | <u>(248,352)</u> |
| At December 31 | <u>(\$ 523,311)</u> | <u>(\$ 248,352)</u> | <u>\$ -</u> | <u>(\$ 771,663)</u> |

(ddd) Operating revenue

Disaggregation of revenue from contracts with customers

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

| | <u>For the years ended December 31,</u> | |
|-----------------------------------|---|----------------------|
| | <u>2020</u> | <u>2019</u> |
| | <u>Revenue</u> | <u>Revenue</u> |
| Taiwan | \$ 1,449,038 | \$ 1,530,903 |
| China | 8,418,561 | 9,344,453 |
| Asia (excluding Taiwan and China) | 1,416,503 | 1,093,057 |
| Europe and America | <u>18,613,894</u> | <u>14,064,817</u> |
| | <u>\$ 29,897,996</u> | <u>\$ 26,033,230</u> |

(eee) Interest income

| | For the years ended December 31, | |
|------------------------------------|----------------------------------|-------------------|
| | 2020 | 2019 |
| Interest income from bank deposits | \$ 95,816 | \$ 116,068 |
| Other interest income | 41,532 | 31,560 |
| | <u>\$ 137,348</u> | <u>\$ 147,628</u> |

(fff) Other income

| | For the years ended December 31, | |
|--------------|----------------------------------|-------------------|
| | 2020 | 2019 |
| Rent income | 2,695 | 3,682 |
| Other income | 399,645 | 142,246 |
| | <u>\$ 402,340</u> | <u>\$ 145,928</u> |

(ggg) Other gains and losses

| | For the years ended December 31, | |
|--|----------------------------------|-----------------|
| | 2020 | 2019 |
| Losses on disposal of property, plant and equipment | (\$ 47,914) | (\$ 14,056) |
| Foreign exchange losses | (257,217) | (18,050) |
| Net gain on financial assets/ liabilities at fair value through profit or loss | 225,226 | 43,356 |
| Others | (58,948) | (11,981) |
| | <u>(\$ 138,853)</u> | <u>(\$ 731)</u> |

(hhh) Finance costs

| | For the years ended December 31, | |
|-------------------|----------------------------------|------------------|
| | 2020 | 2019 |
| Interest expense: | | |
| Bank borrowings | \$ 773 | \$ 189 |
| Convertible bonds | 41,636 | 87,409 |
| Others | 804 | 571 |
| | <u>\$ 43,213</u> | <u>\$ 88,169</u> |

(iii) Expenses by nature

| | For the years ended December 31, | |
|--|----------------------------------|--------------|
| | 2020 | 2019 |
| Employee benefit expense | \$ 4,265,894 | \$ 3,631,407 |
| Depreciation charge on property, plant and equipment | 1,561,464 | 1,218,006 |
| Depreciation expenses on right-of-use assets | 37,621 | 26,123 |
| Depreciation charge on investment property | - | 4,167 |
| Amortisation on intangible assets | 40,441 | 52,881 |

(jjj) Employee benefit expense

| | For the years ended December 31, | |
|---------------------------------|----------------------------------|---------------------|
| | 2020 | 2019 |
| Wages and salaries | \$ 3,618,154 | \$ 3,086,045 |
| Employee restricted stock | 164,479 | 89,249 |
| Labor and health insurance fees | 149,581 | 147,015 |
| Pension costs | 171,225 | 164,896 |
| Other personnel expenses | 162,455 | 144,202 |
| | <u>\$ 4,265,894</u> | <u>\$ 3,631,407</u> |

- A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, if any, shall not be less than 1% for employees' compensation, and shall be less than 2% for directors' and supervisors' remuneration. However, if the Company has accumulated deficit, the earnings shall first be reserved to offset the deficit.
- B. For the years ended December 31, 2020 and 2019, employees' compensation was accrued at \$83,000 and \$100,000, respectively; directors' and supervisors' remuneration were both \$20,000, respectively, the employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on certain proportion of distributable profit of current year as of the end of reporting period.

Employees' compensation and directors' and supervisors' remuneration of 2019 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2019 financial statements.

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

(kkk) Income tax

A. Income tax expense

Components of income tax expense:

| | For the years ended December 31, | |
|---|----------------------------------|-------------------|
| | 2020 | 2019 |
| Current tax : | | |
| Current tax on profits for the year | \$ 529,283 | \$ 745,470 |
| Tax on undistributed earnings | 105,696 | 75,928 |
| Overestimation of prior year's income tax | (100,779) | (29,658) |
| Total current tax | <u>534,200</u> | <u>791,740</u> |
| Deferred tax: | | |
| Origination and reversal of temporary differences | <u>328,698</u> | <u>56,826</u> |
| Income tax expense | <u>\$ 862,898</u> | <u>\$ 848,566</u> |

B. Reconciliation between income tax expense and accounting profit

| | For the years ended December 31, | |
|--|----------------------------------|-------------------|
| | 2020 | 2019 |
| Tax calculated based on profit before tax and statutory tax rate | \$ 960,599 | \$ 880,993 |
| Effect from items adjusted in accordance with tax regulation | (102,618) | (78,697) |
| Tax on undistributed earnings | 105,696 | 75,928 |
| Overestimation of prior year's income tax | (100,779) | (29,658) |
| Income tax expense | <u>\$ 862,898</u> | <u>\$ 848,566</u> |

Note: The basis for computing the applicable tax rate are the rates applicable in the respective countries where the Group entities operate.

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

| | For the year ended December 31, 2020 | | | | |
|--|--------------------------------------|---------------------|----------------------|---------------------|-----------------------|
| | | Recognised in | Recognised in other | Effects of exchange | |
| | January 1 | profit or loss | comprehensive income | rate changes | December 31 |
| Temporary differences: | | | | | |
| – Deferred tax assets: | | | | | |
| Allowance for obsolescence and decline | \$ 83,189 | (\$ 42,866) | \$ - | \$ 110 | \$ 40,433 |
| Unrealised gross profit in market value of inventories | 11,002 | 668 | - | - | 11,670 |
| Unrealised compensated absences | 4,686 | 1,372 | - | - | 6,058 |
| Cost of bond issuance | 1,846 | (923) | - | - | 923 |
| Unrealised exchange loss | 5,493 | (5,493) | - | - | - |
| Refund liability | 3,591 | - | - | - | 3,591 |
| Unrealised estimated expense | 2,401 | (2,394) | - | - | 7 |
| Impairment of assets | 951 | (877) | - | (4) | 70 |
| Others | 219 | (139) | - | - | 80 |
| Subtotal | <u>\$ 113,378</u> | <u>(\$ 50,652)</u> | <u>\$ -</u> | <u>\$ 106</u> | <u>\$ 62,832</u> |
| – Deferred tax liabilities: | | | | | |
| Gain on foreign investment accounted for under equity method | (882,911) | (269,360) | - | - | (1,152,271) |
| Pension expense | (1,842) | (273) | - | - | (2,115) |
| Unrealised exchange gain | - | (8,392) | - | - | (8,392) |
| Others | (23) | (21) | - | - | (44) |
| Subtotal | <u>(\$ 884,776)</u> | <u>(\$ 278,046)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>(1,162,822)</u> |
| Total | <u>(\$ 771,398)</u> | <u>(\$ 328,698)</u> | <u>\$ -</u> | <u>\$ 106</u> | <u>(\$ 1,099,990)</u> |

For the year ended December 31, 2019

| | January 1 | Recognised in profit or loss | Recognised in other comprehensive income | Effects of exchange rate changes | December 31 |
|--|---------------------|---------------------------------|---|-------------------------------------|---------------------|
| Temporary differences: | | | | | |
| – Deferred tax assets: | | | | | |
| Allowance for sales returns and discounts | \$ 31,312 | (\$ 31,312) | \$ - | \$ - | \$ - |
| Allowance for obsolescence and decline in market value of inventories | 4,910 | 81,351 | - | (3,072) | 83,189 |
| Unrealised gross profit | 13,969 | (2,967) | - | - | 11,002 |
| Unrealised compensated absences | 3,272 | 1,414 | - | - | 4,686 |
| Cost of bond issuance | - | 1,846 | - | - | 1,846 |
| Unrealised exchange loss | - | 5,493 | - | - | 5,493 |
| Refund liability | - | 3,591 | - | - | 3,591 |
| Unrealised estimated expense | 1,748 | 653 | - | - | 2,401 |
| Impairment of assets | - | 988 | - | (37) | 951 |
| Others | 254 | (35) | - | - | 219 |
| Subtotal | <u>\$ 55,465</u> | <u>\$ 61,022</u> | <u>\$ -</u> | <u>(\$ 3,109)</u> | <u>\$ 113,378</u> |
| – Deferred tax liabilities: | | | | | |
| Gain on foreign investment accounted for under equity method | (760,493) | (122,418) | - | - | (882,911) |
| Pension expense | (1,582) | (260) | - | - | (1,842) |
| Unrealised exchange gain | (4,854) | 4,854 | - | - | - |
| Others | - | (24) | - | 1 | (23) |
| Subtotal | <u>(\$ 766,929)</u> | <u>(\$ 117,848)</u> | <u>\$ -</u> | <u>\$ 1</u> | <u>(884,776)</u> |
| Total | <u>(\$ 711,464)</u> | <u>(\$ 56,826)</u> | <u>\$ -</u> | <u>(\$ 3,108)</u> | <u>(\$ 771,398)</u> |

2. The Company's income tax returns through 2017 have been assessed and approved by the Tax Authority.

(III)Earnings per share

| | <u>For the year ended December 31, 2020</u> | | |
|--|---|---|--|
| | <u>Amount after tax</u> | <u>Weighted average number of ordinary shares outstanding (shares 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>\$ 2,934,043</u> | <u>340,009</u> | <u>\$ 8.63</u> |
| <u>Diluted earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent | \$ 2,934,043 | 340,009 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' stock options | - | 20 | |
| Employees' compensation | - | 823 | |
| Convertible bonds | 31,816 | 16,100 | |
| Employee restricted stock | <u>-</u> | <u>3,972</u> | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | <u>\$ 2,965,859</u> | <u>360,924</u> | <u>\$ 8.22</u> |
| | <u>For the year ended December 31, 2019</u> | | |
| | <u>Amount after tax</u> | <u>Weighted average number of ordinary shares outstanding (shares 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>\$ 3,153,203</u> | <u>314,636</u> | <u>\$ 10.02</u> |
| <u>Diluted earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent | \$ 3,153,203 | 314,636 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' stock options | - | 154 | |
| Employees' compensation | - | 1,046 | |
| Convertible bonds | 44,248 | 35,592 | |
| Employee restricted stock | <u>-</u> | <u>853</u> | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | <u>\$ 3,197,451</u> | <u>352,281</u> | <u>\$ 9.08</u> |

(mmm) Supplemental cash flow information

A. Investing activities with partial cash payments:

| | <u>For the years ended December 31,</u> | |
|--|---|---------------------|
| | <u>2020</u> | <u>2019</u> |
| Purchase of property, plant and equipment (including prepayments for business facilities) | \$ 3,795,423 | \$ 3,191,769 |
| Add: opening balance of payable on equipment | 1,044,282 | 197,812 |
| Less: ending balance of payable on equipment | (2,133,232) | (1,044,282) |
| Cash paid during the period | <u>\$ 2,706,473</u> | <u>\$ 2,345,299</u> |

B. Financing activities with no cash flow effects:

| | <u>For the years ended December 31,</u> | |
|---|---|-------------------|
| | <u>2020</u> | <u>2019</u> |
| Convertible bonds being converted to capital stocks and capital surplus | <u>\$ 2,118,875</u> | <u>\$ 784,775</u> |

(nnn) Changes in liabilities from financing activities

| | <u>2020</u> | | | |
|---|------------------------|----------------------|-----------------------------|--|
| | <u>Lease liability</u> | <u>Bonds payable</u> | <u>Long-term borrowings</u> | <u>Liabilities from financing activities-gross</u> |
| At January 1 | \$ 31,959 | \$ 2,093,521 | \$ 1,349,962 | \$ 3,475,442 |
| Changes in cash flow from financing activities | (33,853) | - | 1,605,400 | 1,571,547 |
| Increase in lease liabilities | 61,681 | - | - | 61,681 |
| Amortisation of discounts on bonds payable | - | 41,636 | - | 41,636 |
| Put options of convertible bonds | - | (1,396) | - | (1,396) |
| Convertible bonds converted to capital stocks and capital surplus | - | (2,118,875) | - | (2,118,875) |
| Impact of changes in foreign exchange rate | 1,034 | - | - | 1,034 |
| At December 31 | <u>\$ 60,821</u> | <u>\$ 14,886</u> | <u>\$ 2,955,362</u> | <u>\$ 3,031,069</u> |
| | <u>2019</u> | | | |
| | <u>Lease liability</u> | <u>Bonds payable</u> | <u>Long-term borrowings</u> | <u>Liabilities from financing activities-gross</u> |
| At January 1 | \$ 40,439 | \$ - | \$ - | \$ 40,439 |
| Changes in cash flow from financing activities | (23,131) | 3,069,952 | 1,349,962 | 4,396,783 |
| Increase in lease liabilities | 15,555 | - | - | 15,555 |
| Amortisation of discounts on bonds payable | - | 87,409 | - | 87,409 |
| Conversion rights of convertible bonds | - | (246,517) | - | (246,517) |
| Put options of convertible bonds | - | (32,548) | - | (32,548) |
| Convertible bonds converted to capital stocks and capital surplus | - | (784,775) | - | (784,775) |
| Impact of changes in foreign exchange rate | (904) | - | - | (904) |
| At December 31 | <u>\$ 31,959</u> | <u>\$ 2,093,521</u> | <u>\$ 1,349,962</u> | <u>\$ 3,475,442</u> |

(7) RELATED PARTY TRANSACTIONS

Key management compensation

| | For the years ended December 31, | |
|------------------------------|----------------------------------|-------------------|
| | 2020 | 2019 |
| Short-term employee benefits | \$ 70,987 | \$ 81,174 |
| Post-employment benefits | 161 | 187 |
| Share-based payments | 36,543 | 20,929 |
| | <u>\$ 107,691</u> | <u>\$ 102,290</u> |

(8) PLEDGED ASSETS

| Pledged asset | Book value | | Purpose |
|---|-------------------|-------------------|--------------------------------|
| | December 31, 2020 | December 31, 2019 | |
| Refundable deposits (recorded in “Other current assets” and “Other non-current assets”) | <u>\$ 259,479</u> | <u>\$ 244,439</u> | Guarantee for land bid and gas |

(9) COMMITMENTS AND CONTINGENT LIABILITIES

- (1) As of December 31, 2020 and 2019, the Group issued promissory notes amounting to \$3,701,055 and \$2,111,387 for loans, sales on credit and forward exchange contracts, respectively.
- (2) As of December 31, 2020 and 2019, the Group entered into several contracts for construction and acquisition of machinery with total values of \$7,441,094 and \$5,419,602, respectively, and the unpaid balance on these contracts amounted to \$4,133,575 and \$4,278,881, respectively.

(10) SIGNIFICANT CATASTROPHE

None.

(11) SUBSEQUENT EVENTS

- (1) On November 4, 2020, the Board of Directors resolved to issue the Company’s fourth time overseas unsecured convertible bonds at 102% of face value, and the total issuance amount was US\$120 million, cover a 3-year period of issuance. The issuance of the unsecured convertible bonds was approved by the FSC, and the unsecured convertible bonds was listed on Singapore Exchange Limited on January 25, 2021.
- (2) To fulfil working capital needs and repay bank borrowings and corporate bonds, while taking into consideration the timeliness and feasibility of financing and issue cost, the Board of Directors during their meeting on February 17, 2021 resolved to raise capital from strategic investors through public or private offering or a combination of the two to issue common shares, issue new shares to participate in global depository receipt or issue foreign or domestic convertible bonds at several times or at the same time at an appropriate timing, and their actual issuing shares or convertible shares will be delegated to the Board of Directors issuing within 36,000 thousand shares depending on the condition of capital market after proposing to the shareholder for approval.

(12) OTHERS

1. Capital management

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

During 2020, the Group's strategy, which was unchanged from 2019, was to maintain the balance of the capital structure. The gearing ratio at December 31, 2020 and 2019 were as follows:

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|-------------------|--------------------------|--------------------------|
| Total liabilities | \$ 17,209,884 | \$ 12,525,885 |
| Total assets | \$ 42,767,373 | \$ 34,453,687 |
| Gearing ratio | <u>40</u> | <u>36</u> |

2. Financial instruments

A. Financial instruments by category

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|--------------------------|--------------------------|
| <u>Financial assets</u> | | |
| Financial assets at fair value through profit or loss | | |
| Financial assets mandatorily measured at fair value through profit or loss | \$ 1,329,803 | \$ 1,275,354 |
| Financial assets designated at fair value through profit or loss on initial recognition | <u>22</u> | <u>-</u> |
| | <u>\$ 1,329,825</u> | <u>\$ 1,275,354</u> |
| Financial assets at fair value through other comprehensive income | | |
| Designation of equity instrument | <u>\$ 57,016</u> | <u>\$ 30,550</u> |
| Financial assets at amortised cost | | |
| Cash and cash equivalents | \$ 9,122,564 | \$ 6,925,525 |
| Financial assets at amortised cost | 9,275,320 | 8,037,220 |
| Accounts receivable | 7,429,009 | 7,067,598 |
| Other receivables | 118,808 | 69,684 |
| Refundable deposits | <u>336,645</u> | <u>259,848</u> |
| | <u>\$ 26,282,346</u> | <u>\$ 22,359,875</u> |

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|--------------------------|--------------------------|
| <u>Financial liabilities</u> | | |
| Financial liabilities at fair value through profit or loss | | |
| Financial liabilities designated at fair value through profit or loss | \$ - | \$ 448 |
| Financial liabilities at amortised cost | | |
| Accounts payable | \$ 5,048,143 | \$ 3,594,528 |
| Other payables | 6,812,287 | 3,928,531 |
| Bonds payable (including current portion) | 14,886 | 2,093,521 |
| Long-term borrowings (including current portion) | 2,955,362 | 1,349,962 |
| Guarantee deposits received | 14,232 | 26,165 |
| | <u>\$ 14,844,910</u> | <u>\$ 10,992,707</u> |
| Lease liabilities | <u>\$ 60,821</u> | <u>\$ 31,959</u> |

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts are used to hedge certain exchange rate risk. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.
- (b) 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 and RMB. Exchange rate risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. Exchange rate risk is measured through a forecast of highly probable USD and RMB expenditures. Forward foreign exchange contracts are adopted to minimise the volatility of the exchange rate affecting cost of forecast inventory purchases.

- iii. The Group hedges foreign exchange rate by using forward exchange contracts. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2).
- iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD and RMB). 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 | | Sensitivity analysis | | | |
| | amount (In thousands) | Exchange rate | Book value (NTD) | Degree of variation | Effect on profit or loss | Effect on other comprehensive income |
| (Foreign currency: functional currency) | | | | | | |
| <u>Financial assets</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD:NTD | \$ 379,350 | 28.508 | \$ 10,814,510 | 1% | \$ 108,145 | \$ - |
| USD:RMB | 296,000 | 6.5249 | 8,438,368 | 1% | 84,384 | - |
| <u>Non-monetary items</u> | | | | | | |
| USD:NTD | 2,000 | 28.508 | 57,016 | 1% | - | 570 |
| <u>Financial liabilities</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD:NTD | 353,333 | 28.508 | 10,072,817 | 1% | (100,728) | - |
| USD:RMB | 177,751 | 6.5249 | 5,067,326 | 1% | (50,673) | - |
| December 31, 2019 | | | | | | |
| | Foreign currency | | Sensitivity analysis | | | |
| | amount (In thousands) | Exchange rate | Book value (NTD) | Degree of variation | Effect on profit or loss | Effect on other comprehensive income |
| (Foreign currency: functional currency) | | | | | | |
| <u>Financial assets</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD:NTD | \$ 349,054 | 30.1060 | \$ 10,508,620 | 1% | \$ 105,086 | \$ - |
| USD:RMB | 206,267 | 6.9762 | 6,209,874 | 1% | 62,099 | - |
| <u>Non-monetary items</u> | | | | | | |
| USD:NTD | 1,000 | 30.1060 | 30,550 | 1% | - | 306 |
| <u>Financial liabilities</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD:NTD | 233,573 | 30.1060 | 7,031,949 | 1% | (70,319) | - |
| USD:RMB | 135,962 | 6.9762 | 4,093,272 | 1% | (40,933) | - |

- v. The total exchange loss, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2020 and 2019 amounted to \$257,217 and \$18,050, respectively.

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group's investments in equity securities comprise shares issued 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 \$71 and \$155, respectively, as a result of gains/losses on equity securities classified as at fair value thorough profit or loss. Other components of equity would have increased/decreased by \$570 and \$306, 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 issued zero coupon liability financial instruments with embedded conversion options and call options. The fair value of the financial instrument is exposed under the risk of market fluctuation. There was no cash flow risk arising from significant changes in interest rate after assessment.
1. The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. As of December 31, 2020 and 2019, the Group's borrowings at variable rate were mainly denominated in New Taiwan dollars.
2. If borrowing interest rate had increased/decreased by 0.25% with all other variables held constant, profit, net of tax for the years ended December 31, 2020 and 2019 would have increased/decreased by \$7,388 and \$3,375, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. The Group manages their 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 analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

- iii. If the contract payments were past due over certain days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
3. The default occurs when the contract payments are expected unrecoverable and are transferred to overdue receivables.
4. The Group classifies customers' accounts receivable in accordance with credit risk on trade. The Group applies the simplified approach using provision matrix to estimate expected credit loss under the provision matrix basis.
- vi. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. As of December 31, 2020 and 2019, the provision matrix classified by customers are as follows:

| | Group A | Group B | Group C | Group D | Group E | Total |
|---|---------------------|------------------|---------------------|-------------------|-------------------|---------------------|
| December 31, 2020 | | | | | | |
| Total book value | \$ 5,372,354 | \$ 8,028 | \$ 1,434,279 | \$ 334,844 | \$ 280,204 | \$ 7,429,709 |
| Allowance for sales returns and discounts | (285) | - | - | - | - | (285) |
| Book value | <u>\$ 5,372,069</u> | <u>\$ 8,028</u> | <u>\$ 1,434,279</u> | <u>\$ 334,844</u> | <u>\$ 280,204</u> | <u>\$ 7,429,424</u> |
| Expected loss rate | 0.00% | 0.00% | 0.01% | 0.01% | 0.01% | |
| Loss allowance | <u>\$ 246</u> | <u>\$ -</u> | <u>\$ 121</u> | <u>\$ 26</u> | <u>\$ 22</u> | <u>\$ 415</u> |
| | Group A | Group B | Group C | Group D | Group E | Total |
| December 31, 2019 | | | | | | |
| Total book value | \$ 4,141,352 | \$ 23,550 | \$ 2,370,307 | \$ 453,904 | \$ 79,750 | \$ 7,068,863 |
| Allowance for sales returns and discounts | (159) | - | - | - | - | (159) |
| Book value | <u>\$ 4,141,193</u> | <u>\$ 23,550</u> | <u>\$ 2,370,307</u> | <u>\$ 453,904</u> | <u>\$ 79,750</u> | <u>\$ 7,068,704</u> |
| Expected loss rate | 0.01% | 0.01% | 0.02% | 0.03% | 0.00% | |
| Loss allowance | <u>\$ 411</u> | <u>\$ 3</u> | <u>\$ 572</u> | <u>\$ 117</u> | <u>\$ 3</u> | <u>\$ 1,106</u> |

Accounts receivable is grouped based on stock liquidity, paid-in capital, current ratio and debt ratio of counterparties.

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

| | 2020 | 2019 |
|----------------------------------|---------------------|---------------------|
| | Accounts receivable | Accounts receivable |
| At January 1 | \$ 1,106 | \$ 1,201 |
| Reversal of impairment loss | (691) | (93) |
| Effects of exchange rate changes | - | (2) |
| At December 31 | <u>\$ 415</u> | <u>\$ 1,106</u> |

For provisioned loss for the years ended December 31, 2020 and 2019, the reversal of impairment loss and impairment loss arising from customers' contracts is \$691 and \$93, respectively.

(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 while maintaining sufficient headroom on its undrawn committed borrowing facilities.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management are invested in interest bearing current accounts, time deposits, Bonds with repurchase agreements, structured certificates of deposit and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. As of December 31, 2020 and 2019, the Group held money market position of \$19,671,078 and \$16,228,778, respectively, that are expected to readily generate cash inflows for managing liquidity risk.
- iii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

| <u>December 31, 2020</u> | <u>Less than 1 year</u> | <u>Between 1 and 2 years</u> | <u>Over 2 years</u> |
|---|-------------------------|------------------------------|---------------------|
| Non-derivative financial liabilities: | | | |
| Accounts payable | \$ 5,048,143 | \$ - | \$ - |
| Other payables | 6,812,287 | - | - |
| Lease liabilities | 29,526 | 27,784 | 5,820 |
| Bonds payable | 15,419 | - | - |
| Long-term borrowings | 887 | 326,132 | 2,631,823 |
| Derivative financial liabilities: None. | | | |
| <u>December 31, 2019</u> | <u>Less than 1 year</u> | <u>Between 1 and 2 years</u> | <u>Over 2 years</u> |
| Non-derivative financial liabilities: | | | |
| Accounts payable | \$ 3,594,528 | \$ - | \$ - |
| Other payables | 3,928,531 | - | - |
| Lease liabilities | 16,086 | 8,834 | 7,925 |
| Bonds payable | - | 2,241,923 | - |
| Long-term borrowings | 675 | 675 | 1,351,939 |
| Derivative financial liabilities: | | | |
| Put options of convertible bonds | 448 | - | - |

5. 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 with quoted market prices 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 certain derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value

The carrying amounts of financial instruments not measured at fair value, including cash and cash equivalents, financial assets at amortised cost, accounts receivable, other receivables, guarantee deposits paid (recorded in "Other current assets" and "Other non-current assets"), accounts payable, other payables, lease liabilities, bonds payable, long-term borrowings and guarantee deposits received (recorded in "Other non-current assets-others"), are approximate to their fair values.

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

(a) The related information of natures of the assets and liabilities is as follows:

| <u>December 31, 2020</u> | <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 | | | | |
| Equity securities | \$ 7,060 | \$ - | \$ - | \$ 7,060 |
| Forward foreign exchange contracts | - | 55,702 | - | 55,702 |
| Structured certificates of deposit | - | 1,267,041 | - | 1,267,041 |
| Put options of convertible bonds | - | - | 22 | 22 |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity securities | - | - | 57,016 | 57,016 |
| | <u>\$ 7,060</u> | <u>\$ 1,322,743</u> | <u>\$ 57,038</u> | <u>\$ 1,386,841</u> |
| Liabilities: None. | | | | |

| <u>December 31, 2019</u> | <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 | | | | |
| Equity securities | \$ 15,547 | \$ - | \$ - | \$ 15,547 |
| Forward foreign exchange contracts | - | 8,303 | - | 8,303 |
| Structured certificates of deposit | - | 1,251,504 | - | 1,251,504 |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity securities | - | - | 30,550 | 30,550 |
| | <u>\$ 15,547</u> | <u>\$ 1,259,807</u> | <u>\$ 30,550</u> | <u>\$ 1,305,904</u> |
| Liabilities | | | | |
| <u>Recurring fair value measurements</u> | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| Put options of convertible bonds | \$ - | \$ - | \$ 448 | \$ 448 |

- (b) The methods and assumptions the Group used to measure fair value are as follows:
- i. The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

- | | <u>Listed shares</u> |
|--|----------------------|
| Market quoted price | Closing price |
| ii. The assessment of structured certificates of deposit is calculated based on the product revenue that is provided by counterparties. | |
| iii. Forward exchange contracts are usually valued based on the current forward exchange rate. | |
| iv. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date. | |
| v. For high-complexity financial instruments, the fair value is measured by using self-developed valuation model based on the valuation method and technique widely used within the same industry. The valuation model is normally applied to derivative financial instruments, debt instruments with embedded derivatives or securitised instruments. Certain inputs used in the valuation model are not observable at market, and the Group must make reasonable estimates based on its assumptions. The effect of unobservable inputs to the valuation of financial instruments is provided in Note 12(3)H. | |

D. For the years ended December 31, 2020 and 2019, there was no transfer between Level 1 and Level 2.

E. The following chart is the movement of Level 3 for the year ended December 31, 2020 and 2019:

| | 2020 | |
|---|-------------------------------|--|
| | <u>Derivative instruments</u> | <u>Non-derivative equity instruments</u> |
| At January 1 | (\$ 448) | \$ 30,550 |
| Investments in the year | - | 29,725 |
| Gains recognised in profit or loss (Note) | 1,866 | - |
| Losses recognised in other comprehensive income | - | (3,259) |
| Conversion in the year | (1,396) | - |
| December 31 | <u>\$ 22</u> | <u>\$ 57,016</u> |

Movement of unrealised gain in profit or loss of assets

| | | |
|---|-----------------|-------------|
| and liabilities held as of December 31, 2020 (Note) | <u>\$ 1,866</u> | <u>\$ -</u> |
|---|-----------------|-------------|

| | 2019 | |
|---|-------------------------------|--|
| | <u>Derivative instruments</u> | <u>Non-derivative equity instruments</u> |
| At January 1 | \$ - | \$ - |
| Issued in the period | (32,848) | - |
| Gains recognised in profit or loss (Note) | 32,100 | - |
| Investments in the year | - | 30,550 |
| Conversion in the year | 300 | - |
| December 31 | <u>(\$ 448)</u> | <u>\$ 30,550</u> |

Movement of unrealised gain in profit or loss of assets

| | | |
|---|------------------|-------------|
| and liabilities held as of December 31, 2019 (Note) | <u>\$ 32,100</u> | <u>\$ -</u> |
|---|------------------|-------------|

Note: Recorded as non-operating income and expense.

F. For the years ended December 31, 2020 and 2019, there was no transfer into or out from Level 3.

G. Treasury 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 using the actuarial reports issued by external experts. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

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

| | Fair value at December 31, 2020 | Valuation technique | Significant unobservable input | Range (weighted average) | Relationship of inputs to fair value |
|---------------------------------------|------------------------------------|--|---|-----------------------------|--|
| Hybrid instruments: | | | | | |
| Convertible bonds | \$ 22 | Binary tree Convertible bond valuation | Stock price volatility | 35.77%~43.60% | The higher the stock price volatility, the lower the fair value |
| Non-derivative equity instruments: | | | | | |
| Unlisted shares | \$ 57,016 | Discounted cash flow | Long-term revenue growth rate and long- term pre-tax operating margin | N/A | The higher the long- term revenue growth rate and long-term pre-tax operating margin, the higher the fair value |

| | Fair value at December 31, 2019 | Valuation technique | Significant unobservable input | Range (weighted average) | Relationship of inputs to fair value |
|---------------------------------------|------------------------------------|--|---|-----------------------------|--|
| Hybrid instruments: | | | | | |
| Convertible bonds | (\$ 448) | Binary tree Convertible bond valuation | Stock price volatility | 34.32%~37.56% | The higher the stock price volatility, the lower the fair value |
| Non-derivative equity instruments: | | | | | |
| Unlisted shares | \$ 30,550 | Discounted cash flow | Long-term revenue growth rate and long- term pre-tax operating margin | N/A | The higher the long- term revenue growth rate and long-term pre-tax operating margin, the higher the fair value |

I. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

| | December 31, 2020 | | | | | |
|--------------------|---------------------------|--------|------------------------------|---------------------|--|---------------------|
| | Input | Change | Recognised in profit or loss | | Recognised in other comprehensive income | |
| | | | Favourable change | Unfavourable change | Favourable change | Unfavourable change |
| Financial assets | | | | | | |
| Equity instruments | \$ 57,016 | ±1% | \$ - | \$ - | \$ 570 | (\$ 570) |
| Hybrid instruments | Stock price volatility | ±5% | \$ 2,663 | (\$ 1,775) | \$ - | \$ - |

| | | December 31, 2019 | | | | | |
|-----------------------|------------------------|-------------------|--------|------------------------------|---------------------|--|---------------------|
| | | | | Recognised in profit or loss | | Recognised in other comprehensive income | |
| | | Input | Change | Favourable change | Unfavourable change | Favourable change | Unfavourable change |
| Financial assets | | | | | | | |
| Equity instruments | \$ | 30,550 | ±1% | \$ - | \$ - | \$ 306 | (\$ 306) |
| Financial liabilities | | | | | | | |
| Hybrid instruments | Stock price volatility | | ±5% | \$ 309 | \$ - | \$ - | \$ - |

(13) SUPPLEMENTARY DISCLOSURES

1. Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: None.

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 \$300 million or 20% of the Company's paid-in capital: None.

E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: Please refer to table 3.

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 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 Notes 6(2) and 12(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 9.

4. Major shareholders information

Names of shareholders who hold more than 5% of the Company: None.

(14) SEGMENT INFORMATION

1. General information

The Group operates business in manufacturing and sale of flexible PCBs. The Group allocates resources and assesses performance of the Group as a whole, and has identified that the Group has only one reportable operating segment.

2. Measurement of segment information

The Group evaluates the performances of the operating segments based on their net income (loss).

3. Information about segment profit or loss, assets and liabilities

The segment information is provided to the Chief Operating Decision-Maker for the reportable segments. Please refer to the balance sheet and statement of comprehensive income.

4. Reconciliation for segment income (loss)

The revenue from customers reported to the Chief Operating Decision-Maker is measured in a manner consistent with that in the statement of comprehensive income. The amounts provided to the Chief Operating Decision-Maker with respect to total assets and liabilities are measured in a manner consistent with that of the financial statements.

5. Information on products and services

Revenue from external customers is mainly from sales of flexible printed circuit boards and related raw materials and supplies.

6. Revenue information by geographic areas

Revenue information by geographic areas of the Group for 2020 and 2019 is shown below:

| | For the years ended December 31, | | | |
|-----------------------------------|----------------------------------|----------------------|----------------------|---------------------|
| | 2020 | | 2019 | |
| | Revenue | Non-Current Assets | Revenue | Non-Current Assets |
| Taiwan | \$ 1,449,038 | \$ 6,454,640 | \$ 1,530,903 | \$ 4,565,836 |
| China | 8,418,561 | 4,246,173 | 9,344,453 | 3,791,854 |
| Asia (excluding Taiwan and China) | 1,416,503 | - | 1,093,057 | - |
| Europe and America | <u>18,613,894</u> | <u>41</u> | <u>14,064,817</u> | <u>60</u> |
| | <u>\$ 29,897,996</u> | <u>\$ 10,700,854</u> | <u>\$ 26,033,230</u> | <u>\$ 8,357,750</u> |

Revenue recognition is based on clients' geographic locations and non-current assets are classified based on their locations.

7. Information on major customers

| | For the years ended December 31, | | | | |
|------------|----------------------------------|------------|--------------|---------|------------|
| | 2020 | | 2019 | | |
| | Company Name | Revenue | Company Name | Revenue | |
| A customer | \$ | 18,401,562 | A customer | \$ | 13,931,732 |

Flexium Interconnect Inc.
Loans to others
For the year ended December 31, 2020

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

| No. | Creditor | Borrower | General ledger account | Is a related party | Maximum | Balance at | Actual amount drawn down | Interest rate | Nature of loan | Amount of transactions with the borrower | Reason for short-term financing | Allowance for doubtful accounts | Collateral | | Limit on loans granted to a single party (Note 2) | Ceiling on total loans granted (Note 3) | Footnote |
|-----|---------------------------|--|-------------------------------------|--------------------|---|-------------------|--------------------------|---------------|----------------|--|---------------------------------|---------------------------------|------------|-------|---|---|----------|
| | | | | | outstanding balance during the year ended December 31, 2020 | December 31, 2020 | | | | | | | Item | Value | | | |
| 0 | FLEXIUM INTERCONNECT INC. | FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION | Other receivables - related parties | Yes | \$ 1,277,874 | \$ 1,227,874 | \$ - | - | Note 1 | \$ - | Company operation | \$ - | - | \$ - | \$ 2,555,748 | \$ 10,222,995 | - |
| 0 | FLEXIUM INTERCONNECT INC. | FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION | Other receivables - related parties | Yes | 1,277,874 | 1,277,874 | - | - | Note 1 | - | Company operation | - | - | - | 2,555,748 | 10,222,995 | - |

Note 1: Fill in purpose of loan when nature of loan is for short-term financing.

Note 2: In accordance with the Company's "Procedures for Provision of Loans", limit on loans to a single party with business transactions is the higher value of purchasing and selling during current year on the year of financing and is 20% of the Company's net asset based on the latest audited or reviewed consolidated financial statements; limit on loans to a single party with short-term financing is 10% of the Company's net assets based on the latest audited or reviewed financial statements.

Note 3: In accordance with the Company's "Procedures for Provision of Loans", ceiling on total loans is 40% of the Company's net assets based on the latest audited or reviewed financial statements.

Flexium Interconnect Inc.

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

For the year ended 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 | General ledger account | As of December 31, 2020 | | | | Footnote |
|--|-----------------------------------|--|---|-------------------------|------------|---------------|------------|----------|
| | | | | Number of shares | Book value | Ownership (%) | Fair value | |
| FLEXIUM INTERCONNECT INC. | Etherdyne Technologies, Inc | None. | Financial assets at fair value through other comprehensive income - non-current | 1,607,548 | \$ 57,016 | 15.00% | \$ 57,016 | - |
| FLEXIUM INTERCONNECT INVESTMENT CO., LTD. | Mycenax Biotech Inc. (Stock) | None. | Financial assets at fair value through profit or loss - current | 128,124 | 7,060 | Note 2 | 7,060 | - |

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: Not applicable since the percentage of ownership is less than 5%.

Flexium Interconnect Inc.
Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more
For the year ended December 31, 2020

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

| If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below: | | | | | | | | | | | | | |
|---|-----------------------------|----------------------|-----------------------|----------------------|---------------------------------------|--|---|---|-------------------------------------|--------|--|---|---|
| Real estate acquired by | Real estate acquired | Date of the event | Transaction amount | Status of payment | Counterparty | Relationship with the counterparty | Original owner who sold the real estate to the counterparty | Relationship between the original owner and the acquirer | Date of the original transaction | Amount | Basis or reference used in setting the price | Reason for acquisition of real estate and status of the real estate | Other commitments |
| FLEXIUM INTERCONNECT INC. | Land | September 12, 2018 | \$ 1,671,593 | \$ 250,494 | Kaohsiung City government | Non-related party | - | - | - | \$ - | - Subscription based on the notice released by the Kaohsiung city government | Building plants | The land shall be constructed within 3 years starting from the next day of the land turned over |
| FLEXIUM INTERCONNECT INC. | Buildings and structures | March 11, 2019 | 777,000 | 559,440 | Li Jin engineering Co., Ltd. | Non-related party | - | - | - | - | - Price comparison and negotiation | Building plants | None |
| FLEXIUM INTERCONNECT INC. | Buildings and structures | July 30, 2019 | 458,000 | 135,464 | Lee Ming construction Co., Ltd. | Non-related party | - | - | - | - | - Price comparison and negotiation | Building plants | None |
| FLEXIUM INTERCONNECT INC. | Land | February 27, 2020 | 774,432 | 116,165 | Kaohsiung City government | Non-related party | - | - | - | - | - Subscription based on the notice released by the Kaohsiung city government | Building plants | The land shall be constructed within 3 years starting from the next day of the land turned over |
| FLEXIUM INTERCONNECT INC. | Buildings and structures | October 8, 2020 | 555,975 | - | Acter Technology Co., Ltd. | Non-related party | - | - | - | - | - Price comparison and negotiation | Building plants | None |
| FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION | Land | December 12, 2019 | 606,038 | 606,038 | Taiflex (Kunshan) incorporation | Non-related party | - | - | - | - | - Price appraisal and negotiation | Building plants | None |
| | | | (Note) | (Note) | | | | | | | | | |

Note: The real estate acquired was appraised pursuant to the regulations amounting to RMB 138,710, and the numbers in this table are expressed in New Taiwan Dollars. Translated at exchanges rate of NT\$4.37 : RMB1.00.

Flexium Interconnect Inc.

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

For the year ended December 31, 2020

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

| Purchaser/seller | Counterparty | Relationship with the counterparty | Purchases (sales) | Transaction | | | Differences in transaction terms compared to third party transactions | | Notes/accounts receivable (payable) | | Footnote |
|---|---|------------------------------------|-------------------|-------------|---------------------------------------|-------------|---|-------------|-------------------------------------|---|----------|
| | | | | Amount | Percentage of total purchases (sales) | Credit term | Unit price | Credit term | Balance | Percentage of total notes/accounts receivable (payable) | |
| FLEXIUM INTERCONNECT INC. | GRANDPLUS ENTERPRISES LTD. | Subsidiary | Sales (\$ | 497,109) | 2 | 180 days | Note 2 | Note 2 | \$ - | - | Note 9 |
| GRANDPLUS ENTERPRISES | CHAMPION BEYOND LIMITED | Subsidiary | Sales (| 497,109) | 18 | 180 days | Note 3 | Note 3 | - | - | Note 9 |
| CHAMPION BEYOND LIMITED | FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | Subsidiary | Sales (| 497,109) | 18 | 180 days | Note 4 | Note 4 | - | - | Note 9 |
| FLEXIUM INTERCONNECT INC. | FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | Subsidiary | Sales (| 3,652,252) | 12 | 180 days | Note 2 | Note 2 | 1,965,011 | 21 | Note 9 |
| FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | CHAMPION BEYOND LIMITED | Subsidiary | Sales (| 2,226,512) | 8 | 90 days | Note 5 | Note 5 | - | - | Note 9 |
| CHAMPION BEYOND LIMITED | GRANDPLUS ENTERPRISES LTD. | Subsidiary | Sales (| 2,226,512) | 82 | 90 days | Note 6 | Note 6 | - | - | Note 9 |
| GRANDPLUS ENTERPRISES LTD. | FLEXIUM INTERCONNECT INC. | The Company | Sales (| 2,226,512) | 82 | 90 days | Note 7 | Note 7 | - | - | Note 9 |
| FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | FLEXIUM INTERCONNECT INC. | The Company | Sales (| 18,218,136) | 68 | 90 days | Note 5 | Note 5 | 8,230,111 | 98 | |
| FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION | FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | Subsidiary | Sales (| 603,021) | 100 | 90 days | Note 8 | Note 8 | 413,404 | 100 | |

Note 1: If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, only sales transaction is required to disclose.

Note 2: In the sales to related parties, the price of work in progress is based on mutual agreement. The price cannot be compared with regular sales due to a lack of similar counterparties. The price of materials and supplies is determined by adding the margin to the cost. adding the margin to the cost. The collection period to third parties is approximately 180 days after the end of each month while those to related parties are 45~120 days after the end of each month.

Note 3: The transaction is sales from GRANDPLUS ENTERPRISES LTD. to CHAMPION BEYOND LIMITED, and the collection period is approximately 180 days after the end of each month.

Note 4: The transaction is sales from CHAMPION BEYOND LIMITED to FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION, and the collection period is approximately 180 days after the end of each month.

Note 5: The transaction is sales from FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION to CHAMPION BEYOND LIMITED, and the collection period is approximately 90 days after the end of each month.

Note 6: The transaction is sales from CHAMPION BEYOND LIMITED to GRANDPLUS ENTERPRISES LTD., and the collection period is approximately 90 days after the end of each month.

Note 7: The transaction prices to related parties are similar with those to third parties. The collection periods to third parties are 60 to 90 days after the end of each month while those to related parties are 90 days after the end of each month.

Note 8: The transaction is sales from FLEXIUM TECHNOLOGY(SUZHOU) INCORPORATION to FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION, and the collection period is approximately 90 days after the end of each month.

Note 9: The purchase (sales) amount is contained the eliminates to sales revenue and operating costs (merchandise purchase) arising from raw material processing, which are provided by the Company through the offshore company that is in the third place to the subsidiary, FLEXIUM INTERCONNECT(KUNSHAN). The eliminated amount was \$4,149,361 for the year ended December 31, 2020.

Flexium Interconnect Inc.

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

For the 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 | | |
| FLEXIUM INTERCONNECT INC. | FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | Subsidiary | Accounts receivable \$1,965,011 | 3.72 | \$ - | - | \$ 798,303 | \$ - |
| FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | FLEXIUM INTERCONNECT INC. | The Company | Accounts receivable \$8,230,111 | 4.43 | - | - | 5,804,576 | - |
| FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION | FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | Subsidiary | Accounts receivable \$ 413,404 | 1.50 | - | - | 71,923 | - |

Flexium Interconnect Inc.
Significant inter-company transactions during the reporting periods
For the year ended December 31, 2020

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Details of significant inter-company transactions reaching NT\$100 million or 20% of paid-in capital or more are as follows:

| Number (Note 1) | Company name | Counterparty | Relationship (Note 2) | Transaction | | | Percentage of consolidated total operating revenues or total assets |
|--------------------|--|--|--------------------------|------------------------|------------|-------------------|--|
| | | | | General ledger account | Amount | Transaction terms | |
| 0 | FLEXIUM INTERCONNECT INC. | GRANDPLUS ENTERPRISES LTD. | 1 | Sales | \$ 497,109 | Note 3 | 2 |
| 0 | FLEXIUM INTERCONNECT INC. | FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | 1 | Sales | 3,652,252 | Note 3 | 12 |
| 0 | FLEXIUM INTERCONNECT INC | FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | 1 | Accounts receivable | 1,965,011 | Note 3 | 5 |
| 1 | GRANDPLUS ENTERPRISES LTD. | CHAMPION BEYOND LIMITED | 3 | Sales | 497,109 | Note 5 | 2 |
| 1 | GRANDPLUS ENTERPRISES LTD. | FLEXIUM INTERCONNECT INC. | 2 | Sales | 2,226,512 | Note 4 | 7 |
| 2 | CHAMPION BEYOND LIMITED | FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | 3 | Sales | 497,109 | Note 6 | 2 |
| 2 | CHAMPION BEYOND LIMITED | GRANDPLUS ENTERPRISES LTD. | 3 | Sales | 2,226,512 | Note 7 | 7 |
| 3 | FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | CHAMPION BEYOND LIMITED | 3 | Sales | 2,226,512 | Note 8 | 7 |
| 3 | FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | FLEXIUM INTERCONNECT INC. | 2 | Sales | 18,218,136 | Note 8 | 61 |
| 3 | FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | FLEXIUM INTERCONNECT INC. | 2 | Accounts receivable | 8,230,111 | Note 8 | 19 |
| 4 | FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION | FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | 3 | Sales | 603,021 | Note 9 | 2 |
| 4 | FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION | FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | 3 | Accounts receivable | 413,404 | Note 9 | 1 |

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

- (1) Parent company is "0".
- (2) The subsidiaries are numbered in order starting from "1".

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

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: In the sales to related parties, the price of work in progress is based on mutual agreement. The price cannot be compared with regular sales due to a lack of similar counterparties. The price of materials and supplies is determined by adding the margin to the cost. The collection period to third parties is approximately 180 days after the end of each month while those to related parties are 45-120 days after the end of each month.

Note 4: The processing prices were determined in accordance with mutual agreements. The collection period to third parties is 60 to 90 days after the end of each month while those to related parties is 90 days after the end of each month.

Note 5: The transaction is sales from GRANDPLUS ENTERPRISES LTD. to CHAMPION BEYOND LIMITED, and the collection period is approximately 180 days after the end of each month.

Note 6: The transaction is sales from CHAMPION BEYOND LIMITED to FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION, and the collection period is approximately 180 days after the end of each month.

Note 7: The transaction is sales from CHAMPION BEYOND LIMITED to GRANDPLUS ENTERPRISES LTD., and the collection period is approximately 90 days after the end of each month.

Note 8: The transaction is sales from FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION to CHAMPION BEYOND LIMITED and the collection period is approximately 90 days after the end of each month.

Note 9: The transaction is sales from FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION to FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION, and the collection period is approximately 90 days after the end of each month.

Flexium Interconnect Inc.
Information on investees
For the year ended December 31, 2020

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

| Investor | Investee (Notes 1 and 2) | 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 (Note 2(2)) | Investment income (loss) recognised by the Company for the year ended December 31, 2020 (Note 2(3)) | Footnote |
|----------------------------|---|------------------------|---|---------------------------------------|---------------------------------------|-------------------------------------|------------------|--------------|--|--|----------|
| | | | | Balance as at December 31, 2020 | Balance as at December 31, 2019 | Number of shares | Ownership (%) | Book value | | | |
| | | | | | | | | | | | |
| FLEXIUM INTERCONNECT INC. | FLEXIUM INTERCONNECT INC. | British Virgin Islands | General investments | \$ 835,252 | \$ 835,252 | 50,000 | 100 | \$ 5,047,556 | \$ 982,804 | \$ 983,976 | Note 1 |
| FLEXIUM INTERCONNECT INC. | UFLEX TECHNOLOGY CO., LTD. | British Virgin Islands | General investments | 39,711 | 39,711 | 50,000 | 100 | 1,735,540 | 343,339 | 343,749 | Note 1 |
| FLEXIUM INTERCONNECT INC. | FLEXIUM INTERCONNECT INVESTMENT CO., LTD. | Taiwan | General investments | 50,000 | 50,000 | 5,000,000 | 100 | 41,040 | 10,923 | 10,923 | |
| FLEXIUM INTERCONNECT INC. | BOOM BUSINESS LIMITED | Samoa | General investments | 1,064,460 | 1,064,460 | 35,000,000 | 100 | 1,123,016 | 23,173 | 23,173 | |
| FLEXIUM INTERCONNECT INC. | FLEXIUM INTERCONNECT AMERICA LLC. | U.S.A | Marketing, customer support and supporting technical services | 8,067 | 8,067 | - | 100 | 5,487 | (2,998) | (2,998) | |
| FLEXIUM INTERCONNECT INC. | GRANDPLUS ENTERPRISES LTD. | Samoa | General investments | 62,001 | 62,001 | 1,880,578 | 100 | 182 | (157) | - | Note 2 |
| FLEXIUM INTERCONNECT INC. | SUCCESS GLORY INVESTMENTS LTD. | Samoa | General investments | 719,042 | 719,042 | 23,510,000 | 100 | 5,153,119 | 982,961 | - | Note 2 |
| GRANDPLUS ENTERPRISES LTD. | CHOSEN GLORY LIMITED | Samoa | General investments | - | - | - | 100 | - | - | - | |
| GRANDPLUS ENTERPRISES LTD. | CHAMPION BEYOND LIMITED | Samoa | General investments | - | - | - | 100 | - | (34) | - | Note 2 |
| GRANDPLUS ENTERPRISES LTD. | FOREVER MASTER LIMITED | Samoa | General investments | - | - | - | 100 | 21 | - | - | Note 2 |
| BOOM BUSINESS LIMITED | CLEAR SUCCESS GLOBAL LIMITED | Samoa | General investments | 1,064,460 | 1,064,460 | 35,000,000 | 100 | 1,123,016 | 23,173 | - | Note 2 |

Note 1: Investment income (loss) recognised by the Company for the year ended December 31, 2018 included elimination of unrealised gain (loss).

Note 2: Profit (loss) of investee has been included in the investor, and will not be disclosed separately.

Flexium Interconnect Inc.
Information on investments in Mainland China
For the year ended December 31, 2020

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

| Investee in Mainland China | Main business activities | Paid-in capital | Investment method | 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 of investee as of December 31, 2020 | Ownership held by the Company (direct or indirect) | Investment income (loss) recognised 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 |
|---|---|-----------------|---|--|----------------------------|--|---|--|--|---|---|----------|
| | | | | Remitted to Mainland China | Remitted back to Taiwan | | | | | | | |
| FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION | Research, development, manufacture and sale of new-type electronic components and devices such as flexible printed circuit boards. | \$ 2,329,414 | Through investing in an existing company in the third area, which then invested in the investee in Mainland China. | \$ 736,903 | \$ - | \$ 736,903 | \$ 1,326,339 | 100 | \$ 1,326,339 | \$ 6,916,661 | \$ - | Note 1、3 |
| FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION | Research, development, manufacture and sale of new-type electronic components and devices such as flexible printed circuit boards. | 997,780 | Through investing in an existing company in the third area, which then invested in the investee in Mainland China. | 997,780 | - | 997,780 | 23,173 | 100 | 23,173 | 1,123,016 | - | Note 1、4 |

Note 1: The financial statements are audited and attested by R.O.C. parent company's CPA.

Note 2: The numbers in this table are expressed in New Taiwan Dollars. Translated at exchanges rate of NT\$28.208 US\$1.00.

Note 3: The Group invested in the company through FLEXIUM INTERCONNECT INC., SUCCESS GLORY INVESTMENTS LTD., and UFLEX TECHNOLOGY CO., LTD.

Note 4: The Group invested in the company through BOOM BUSINESS LIMITED and CLEAR SUCCESS GLOBAL LIMITED.

| 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 |
|---------------------------|--|---|------|---|
| | | | | |
| FLEXIUM INTERCONNECT INC. | \$ 1,734,683 | \$ 3,210,320 | \$ - | - |

Note: In accordance with 'Regulations Governing the Approval of Investment or Technical Cooperation in Mainland China' amended by Ministry of Economic Affairs effective on August 29, 2008, as the Company has obtained the certificate of being qualified for operating headquarters, issued by the Industrial Development Bureau, MOEA, the ceiling amount of the investment in Mainland China is not applicable to the Company.

Flexium Interconnect Inc.

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

For the year ended December 31, 2020

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

| Investee in Mainland China | Sale (purchase) | | Property transaction | | Accounts receivable (payable) | | Provision of endorsements/guarantees or collaterals | | Financing | | | Others | | |
|--|-----------------|----|----------------------|---|-------------------------------|----|---|---------|---|------------------------------|---------------|--------|--|-----------|
| | Amount | % | Amount | % | Balance at December 31, 2020 | % | Balance at December 31, 2020 | Purpose | Maximum balance during the year ended December 31, 2020 | Balance at December 31, 2020 | Interest rate | | Interest during the year ended December 31, 2020 | |
| FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION | (\$ 20,444,648) | 71 | \$ - | - | (\$ 8,230,111) | 91 | \$ - | - | \$ - | \$ - | - | \$ - | Other expenses | \$ 58,143 |
| | 4,149,361 | 14 | | | 1,965,011 | 21 | | | | | | | Other receivables | 27,863 |
| | | | | | | | | | | | | | Other payables | 35,627 |

Note: The Company has reversed the sales revenue and operating cost (merchandise purchase) arising from raw material processing which are provided by the Company through the offshore company that is in the third place to the subsidiary, FLEXIUM INTERCONNECT(KUNSHAN), when preparing the financial statements. The eliminated amount for the year ended December 31, 2020 was \$4,149,361.

Attachment 2: 2020 Parent Only Financial Report

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR20003112

To the Board of Directors and Shareholders of Flexium Interconnect, Inc.

Opinion

We have audited the accompanying balance sheets of Flexium Interconnect, Inc. (the “Company”) as at December 31, 2020 and 2019, and the related statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying 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 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 audits 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. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the 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 financial statements of the current period are stated as follows:

Key audit matter - Valuation of impairment of accounts receivable

Description

For the accounting policies on accounts receivable, please refer to Note 4(9). For the uncertainty of accounting estimates and assumptions in relation to accounts receivable, please refer to Note 5(2). For the details of net accounts receivable, please refer to Note 6(5).

The criteria that the Company uses to measure expected credit loss includes the aging of accounts receivable past due, financial situation of customers, internal credit ranking and historical transaction records. Based on this criterion, the Company estimates the amounts of allowance for accounts receivable that the Company has to provision. As the estimates are subject to management's judgement and involves uncertainty, the recoverable amount may be significantly affected. Thus, we consider the valuation of impairment of accounts receivable as one of the key audit matters.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

- A. Obtained an understanding of the Company's operation and sales customers. Assessed the reasonableness of policies and process applied in allowance for accounts receivable, including the objective evidence for the loss rate and compared whether the provision policies adopted in the different periods are consistently applied.
- B. Verified the consistency between the expected credit loss in the past due period for each group applied in calculating allowance for accounts receivable and the provision policies.
- C. Verified the accuracy of the classification for accounts receivable aging to confirm that the information in the reports is consistent with its policies.
- D. Sampled and performed subsequent collection tests for material accounts receivable and evaluated their recoverability.

Key audit matter - Inventory valuation

Description

For the accounting policies on inventory valuation, please refer to Note 4(13). For the uncertainty of accounting estimates and assumptions in relation to inventory valuation, please refer to Note 5(2). For the details of inventory, please refer to Note 6(6).

The Company is primarily engaged in manufacturing and sales of flexible print circuit board which belongs to a rapidly changing industry and is easily affected by the market price. Thus, there is a higher risk of incurring inventory valuation losses or having obsolete inventory. The Company determines inventory value using the item-by-item approach and recognised at the lower of cost and net realisable value. For inventory that is over a certain age, the net realised value was calculated from the historical experience of disposing old inventories.

The determination of net realisable value for obsolete or slow-moving inventory are subject to management's judgement and involves uncertainty. Considering the Company's inventory balance and the allowance for inventory valuation losses are material to its financial statements, we consider the inventory valuation as one of the key audit matters.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

- A. Obtained an understanding of the Company's operation and industry. Assessed the reasonableness of the policy and procedures applied to recognise allowance for inventory evaluation losses and whether the accounting policy has been consistently applied in the comparative periods of financial statements.
- B. Understood the Company's inventory control procedures. Participated in the annual inventory count in order to assess the effectiveness of the classification of obsolete inventory and internal control over obsolete inventory.
- C. Sampled and verified the accuracy of inventory aging calculation, confirmed and verified the reasonableness of obsolete inventories identification, the basis of net realisable value valuation of inventories to assess the reasonableness of provision of allowance for inventory valuation losses.

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

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 audit committee, are responsible for overseeing the Company’s financial reporting process.

Auditors’ responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the 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 financial statements. We are responsible for the direction, supervision and performance of the company 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 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.

Chien-Chih Wu

Kuo-Hua Wang

PricewaterhouseCoopers, Taiwan

February 17, 2021

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.

FLEXIUM INTERCONNECT, 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 | % | |
| Current assets | | | | | | |
| 1100 | Cash and cash equivalents | 6(1) | \$ 7,605,739 | 18 | \$ 5,994,442 | 17 |
| 1110 | Financial assets at fair value through profit or loss - current | 6(2) | 816 | - | - | - |
| 1136 | Current financial assets at amortised cost | 6(4) | 9,275,320 | 22 | 8,037,220 | 23 |
| 1170 | Accounts receivable, net | 6(5) | 7,296,538 | 17 | 6,930,112 | 20 |
| 1180 | Accounts receivable - related parties | 6(5) and 7 | 1,965,011 | 5 | 1,857,527 | 5 |
| 1200 | Other receivables | 7 | 175,549 | 1 | 260,374 | 1 |
| 130X | Inventories | 6(6) | 1,320,679 | 3 | 742,554 | 2 |
| 1410 | Prepayments | | 21,565 | - | 34,644 | - |
| 1470 | Other current assets | | 62,130 | - | 278 | - |
| 11XX | Current Assets | | <u>27,723,347</u> | <u>66</u> | <u>23,857,151</u> | <u>68</u> |
| Non-current assets | | | | | | |
| 1517 | Non-current financial assets at fair value through other comprehensive income | 6(3) | 57,016 | - | 30,550 | - |
| 1550 | Investments accounted for under equity method | 6(7) | 7,952,639 | 19 | 6,498,908 | 19 |
| 1600 | Property, plant and equipment | 6(8) and 7 | 4,580,154 | 11 | 3,893,642 | 11 |
| 1755 | Right-of-use assets | 6(9) | 15,461 | - | 16,115 | - |
| 1780 | Intangible assets | 6(11) | 16,291 | - | 42,395 | - |
| 1840 | Deferred income tax assets | 6(29) | 29,668 | - | 33,939 | - |
| 1900 | Other non-current assets | 6(12) and 8 | 1,842,734 | 4 | 613,684 | 2 |
| 15XX | Non-current assets | | <u>14,493,963</u> | <u>34</u> | <u>11,129,233</u> | <u>32</u> |
| 1XXX | Total assets | | <u>\$ 42,217,310</u> | <u>100</u> | <u>\$ 34,986,384</u> | <u>100</u> |

(Continued)

FLEXIUM INTERCONNECT, 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 | % | |
| Current liabilities | | | | | | |
| 2120 | Financial liabilities at fair value through profit or loss - current | 6(2) | \$ - | - | \$ 448 | - |
| 2170 | Accounts payable | | 775,371 | 2 | 653,637 | 2 |
| 2180 | Accounts payable - related parties | 7 | 8,230,111 | 19 | 6,105,225 | 18 |
| 2200 | Other payables | 6(13) and 7 | 2,490,437 | 6 | 1,409,942 | 4 |
| 2230 | Current income tax liabilities | | 952,939 | 2 | 489,388 | 1 |
| 2280 | Current lease liabilities | | 7,472 | - | 6,293 | - |
| 2320 | Long-term liabilities, current portion | 6(14) | 14,886 | - | - | - |
| 2399 | Other current liabilities, others | | 27,113 | - | 21,467 | - |
| 21XX | Current Liabilities | | <u>12,498,329</u> | <u>29</u> | <u>8,686,400</u> | <u>25</u> |
| Non-current liabilities | | | | | | |
| 2530 | Corporate bonds payable | 6(14) | - | - | 2,093,521 | 6 |
| 2540 | Non-current portion of non-current borrowings | 6(15) | 2,955,362 | 7 | 1,349,962 | 4 |
| 2570 | Deferred income tax liabilities | 6(29) | 1,162,778 | 3 | 884,753 | 2 |
| 2580 | Non-current lease liabilities | | 8,126 | - | 9,905 | - |
| 2600 | Other non-current liabilities | 6(16) | 35,226 | - | 34,041 | - |
| 25XX | Non-current liabilities | | <u>4,161,492</u> | <u>10</u> | <u>4,372,182</u> | <u>12</u> |
| 2XXX | Total Liabilities | | <u>16,659,821</u> | <u>39</u> | <u>13,058,582</u> | <u>37</u> |
| Equity | | | | | | |
| Share capital 6(14)(17)(18) | | | | | | |
| 3110 | Share capital - common stock | | 3,613,734 | 9 | 3,329,549 | 10 |
| 3130 | Certificate of entitlement to new shares from convertible bond | | 4,064 | - | 16,779 | - |
| Capital surplus 6(14)(19) | | | | | | |
| 3200 | Capital surplus | | 4,771,691 | 11 | 4,285,961 | 13 |
| Retained earnings 6(20) | | | | | | |
| 3310 | Legal reserve | | 2,129,895 | 5 | 1,814,575 | 5 |
| 3320 | Special reserve | | 523,311 | 1 | 303,446 | 1 |
| 3350 | Unappropriated retained earnings | | 15,077,940 | 36 | 13,239,945 | 38 |
| Other equity interest 6(21) | | | | | | |
| 3400 | Other equity interest | | (563,146) | (1) | (771,663) | (3) |
| 3500 | Treasury stocks | 6(18) | - | - | (290,790) | (1) |
| 3XXX | Total equity | | <u>25,557,489</u> | <u>61</u> | <u>21,927,802</u> | <u>63</u> |
| Significant contingent liabilities and unrecognised contract commitments 9 | | | | | | |
| Significant events after the balance sheet date 11 | | | | | | |
| 3X2X | Total liabilities and equity | | <u>\$ 42,217,310</u> | <u>100</u> | <u>\$ 34,986,384</u> | <u>100</u> |

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

FLEXIUM INTERCONNECT, INC.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except earnings per share)

| | Items | Notes | Year ended December 31 | | | |
|------|---|---------------------------|------------------------|--------------|---------------------|--------------|
| | | | 2020 | | 2019 | |
| | | | AMOUNT | % | AMOUNT | % |
| 4000 | Sales revenue | 6(22) and 7 | \$ 29,674,189 | 100 | \$ 25,681,858 | 100 |
| 5000 | Operating costs | 6(6)(11)(27)(28) and 7 | (26,295,938) | (89) | (21,498,936) | (84) |
| 5900 | Net operating margin | | <u>3,378,251</u> | <u>11</u> | <u>4,182,922</u> | <u>16</u> |
| | Operating expenses | 6(11)(27)(28) and 7 | | | | |
| 6100 | Selling expenses | | (107,716) | (1) | (79,981) | - |
| 6200 | General and administrative expenses | | (403,246) | (1) | (343,468) | (1) |
| 6300 | Research and development expenses | | (654,969) | (2) | (526,850) | (2) |
| 6450 | Impairment gain and reversal of impairment loss determined in accordance with IFRS 9 | 12(2) | <u>677</u> | - | <u>113</u> | - |
| 6000 | Total operating expenses | | (<u>1,165,254</u>) | (<u>4</u>) | (<u>950,186</u>) | (<u>3</u>) |
| 6900 | Operating profit | | <u>2,212,997</u> | <u>7</u> | <u>3,232,736</u> | <u>13</u> |
| | Non-operating income and expenses | | | | | |
| 7100 | Interest income | 6(4)(23) | 77,374 | - | 103,204 | - |
| 7010 | Other income | 6(24) and 7 | 77,843 | - | 150,130 | 1 |
| 7020 | Other gains and losses | 6(2)(25) | 653 | - | 20,749 | - |
| 7050 | Finance costs | 6(26) | (42,659) | - | (87,876) | - |
| 7070 | Share of profit of associates and joint ventures accounted for using equity method, net | 6(7) | <u>1,358,823</u> | <u>5</u> | <u>608,844</u> | <u>2</u> |
| 7000 | Total non-operating income and expenses | | <u>1,472,034</u> | <u>5</u> | <u>795,051</u> | <u>3</u> |
| 7900 | Profit before income tax | | <u>3,685,031</u> | <u>12</u> | <u>4,027,787</u> | <u>16</u> |
| 7950 | Income tax expense | 6(29) | (<u>750,988</u>) | (<u>2</u>) | (<u>874,584</u>) | (<u>4</u>) |
| 8200 | Profit for the year | | <u>\$ 2,934,043</u> | <u>10</u> | <u>\$ 3,153,203</u> | <u>12</u> |
| | Other comprehensive income | | | | | |
| | Components of other comprehensive income that will not be reclassified to profit or loss | | | | | |
| 8311 | Other comprehensive income, before tax, actuarial (losses) gains on defined benefit plans | 6(16) | (\$ 613) | - | \$ 520 | - |
| 8316 | Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income | 6(3)(21) | (3,259) | - | - | - |
| | Components of other comprehensive income that will be reclassified to profit or loss | | | | | |
| 8361 | Financial statements translation differences of foreign operations | 6(21) | <u>98,245</u> | - | (<u>219,865</u>) | (<u>1</u>) |
| 8500 | Total comprehensive income for the year | | <u>\$ 3,028,416</u> | <u>10</u> | <u>\$ 2,933,858</u> | <u>11</u> |
| | Earnings per share | 6(30) | | | | |
| 9750 | Basic earnings per share | | <u>\$ 8.63</u> | | <u>\$ 10.02</u> | |
| 9850 | Diluted earnings per share | | <u>\$ 8.22</u> | | <u>\$ 9.08</u> | |

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

FLEXIUM INTERCONNECT, 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 | | | Capital surplus, additional paid-in capital | Retained earnings | | | | | |
|--|-------------------|--------------|---|--|---|-------------------|-----------------|-------------------------------------|-----------------------|-----------------|---------------|
| | | Common stock | Certificate of bond- to-stock conversion | Advance receipts for share capital | | Legal reserve | Special reserve | Unappropriated retained earnings | Other equity interest | Treasury stocks | Total equity |
| Year ended December 31, 2019 | | | | | | | | | | | |
| Balance at January 1, 2019 | | \$ 3,182,142 | \$ - | \$ 812 | \$ 3,859,566 | \$ 1,550,104 | \$ 212,254 | \$ 11,225,027 | (\$ 303,446) | (\$ 524,782) | \$ 19,201,677 |
| Profit for the year | | - | - | - | - | - | - | 3,153,203 | - | - | 3,153,203 |
| Other comprehensive income (loss) | 6(16)(21) | - | - | - | - | - | - | 520 | (219,865) | - | (219,345) |
| Total comprehensive income (loss) | | - | - | - | - | - | - | 3,153,723 | (219,865) | - | 2,933,858 |
| Appropriation and distribution of 2018 earnings: | | | | | | | | | | | |
| Legal reserve | | - | - | - | - | 264,471 | - | (264,471) | - | - | - |
| Special reserve | | - | - | - | - | - | 91,192 | (91,192) | - | - | - |
| Cash dividends | 6(20) | - | - | - | - | - | - | (783,142) | - | - | (783,142) |
| Cash dividends from capital surplus | 6(19) | - | - | - | (783,142) | - | - | - | - | - | (783,142) |
| Share-based payment transactions | 6(17)(18)(19)(21) | 57,660 | - | (812) | 283,526 | - | - | - | (248,352) | 233,992 | 326,014 |
| Issuance of convertible bonds | 6(14)(19) | - | - | - | 246,517 | - | - | - | - | - | 246,517 |
| Conversion of convertible bonds | 6(14)(18)(19) | 89,747 | 16,779 | - | 678,249 | - | - | - | - | - | 784,775 |
| Due to donated assets received | 6(19) | - | - | - | 1,245 | - | - | - | - | - | 1,245 |
| Balance at December 31, 2019 | | \$ 3,329,549 | \$ 16,779 | \$ - | \$ 4,285,961 | \$ 1,814,575 | \$ 303,446 | \$ 13,239,945 | (\$ 771,663) | (\$ 290,790) | \$ 21,927,802 |
| Year ended December 31, 2020 | | | | | | | | | | | |
| Balance at January 1, 2020 | | \$ 3,329,549 | \$ 16,779 | \$ - | \$ 4,285,961 | \$ 1,814,575 | \$ 303,446 | \$ 13,239,945 | (\$ 771,663) | (\$ 290,790) | \$ 21,927,802 |
| Profit for the year | | - | - | - | - | - | - | 2,934,043 | - | - | 2,934,043 |
| Other comprehensive income (loss) | 6(16)(21) | - | - | - | - | - | - | (613) | 94,986 | - | 94,373 |
| Total comprehensive income | | - | - | - | - | - | - | 2,933,430 | 94,986 | - | 3,028,416 |
| Appropriation and distribution of 2019 earnings: | | | | | | | | | | | |
| Legal reserve | | - | - | - | - | 315,320 | - | (315,320) | - | - | - |
| Special reserve | | - | - | - | - | - | 219,865 | (219,865) | - | - | - |
| Cash dividends | 6(20) | - | - | - | - | - | - | (504,625) | - | - | (504,625) |
| Cash dividends from capital surplus | 6(19) | - | - | - | (1,177,458) | - | - | - | - | - | (1,177,458) |
| Share-based payment transactions | 6(17)(18)(19)(21) | 7,640 | - | - | 43,308 | - | - | - | 113,531 | - | 164,479 |
| Conversion of convertible bonds | 6(14)(18)(19) | 301,409 | (12,715) | - | 1,830,181 | - | - | - | - | - | 2,118,875 |
| Retirement of treasury share | 6(18)(19) | (24,864) | - | - | (210,301) | - | - | (55,625) | - | 290,790 | - |
| Balance at December 31, 2020 | | \$ 3,613,734 | \$ 4,064 | \$ - | \$ 4,771,691 | \$ 2,129,895 | \$ 523,311 | \$ 15,077,940 | (\$ 563,146) | \$ - | \$ 25,557,489 |

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

FLEXIUM INTERCONNECT, 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 |
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | | |
| Profit before tax | | \$ 3,685,031 | \$ 4,027,787 |
| Adjustments | | | |
| Adjustments to reconcile profit (loss) | | | |
| Share-based payments | 6(17) | 164,479 | 89,249 |
| Expected credit gain | 12(2) | (677) | (113) |
| Reversal of allowance for sales returns and discounts | | - | (49,876) |
| Depreciation expense | 6(8)(9)(27) | 664,259 | 483,002 |
| Depreciation expense from investment properties | 6(10)(27) | - | 4,167 |
| Amortization expense | 6(11)(27) | 32,873 | 47,110 |
| Net gain on financial assets or liabilities at fair value through profit or loss | 6(2)(25) | (22,038) | (32,771) |
| Interest expense | 6(26) | 42,659 | 87,876 |
| Interest income | 6(23) | (77,374) | (103,204) |
| Share of profit of associates and joint ventures accounted for using equity method | 6(7) | (1,358,823) | (608,844) |
| Gain on disposal of property, plant and equipment | 6(25) | - | (395) |
| Unrealized profit from sales | | 58,347 | 55,010 |
| Realized profit on from sales | | (55,010) | (69,845) |
| Changes in operating assets and liabilities | | | |
| Changes in operating assets | | | |
| Decrease in financial assets at fair value-current | | 19,378 | 2,072 |
| Increase in financial assets at amortised cost-current | | (1,238,100) | (5,423,900) |
| Increase in accounts receivable | | (365,749) | (137,086) |
| Increase in accounts receivable due from related parties | | (107,484) | (622,034) |
| Decrease (increase) in other receivables | | 96,217 | (170,301) |
| (Increase) decrease in inventories | | (578,125) | 315,511 |
| Decrease (increase) in other prepayments | | 13,079 | (9,148) |
| Increase in other current assets | | (61,852) | (278) |
| Changes in operating liabilities | | | |
| Decrease in financial liabilities at fair value-current | | - | (1,401) |
| Increase in notes payable | | 121,734 | 156,954 |
| Increase (decrease) in accounts payable to related parties | | 2,124,886 | (223,938) |
| (Decrease) increase in other payables | | (3,977) | 74,274 |
| Increase (decrease) in other current liabilities | | 5,646 | (89,596) |
| Cash inflow (outflow) generated from operations | | 3,159,379 | (2,199,718) |
| Interest received | | 76,719 | 102,770 |
| Interest paid | | (1,000) | (394) |
| Income tax paid | | (5,141) | (601,324) |
| Net cash flows from (used in) operating activities | | <u>3,229,957</u> | <u>(2,698,666)</u> |

(Continued)

FLEXIUM INTERCONNECT, 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 |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | | |
| Increase in financial assets at fair value through other comprehensive income-non-current | 12(3) | (\$ 29,725) | (\$ 30,550) |
| Acquisition of investments accounted for using equity method | | - | (8,067) |
| Proceeds from capital reduction of investments accounted for using equity method | | - | 568,803 |
| Acquisition of property, plant and equipment | 6(31) | (1,482,470) | (1,132,688) |
| Proceeds from disposal of property, plant and equipment | | - | 395 |
| Acquisition of intangible assets | 6(11) | (6,769) | (11,940) |
| Increase in refundable deposits | | (16,668) | (78,473) |
| Interest received | | 855 | 227 |
| Net cash flows used in investing activities | | (1,534,777) | (692,293) |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES</u> | | | |
| Payments of principal portion of lease liabilities | 6(32) | (7,772) | (6,260) |
| Proceeds from issuance of bonds | 6(32) | - | 3,069,952 |
| Proceeds from long-term borrowings | 6(32) | 1,605,400 | 1,349,962 |
| Increase in other non-current liabilities | | 572 | 1,516 |
| Cash dividends paid | 6(19)(20) | (1,682,083) | (1,566,284) |
| Proceeds from issuance of stock from exercising employee stock options | 6(17) | - | 7,215 |
| Treasury stock transferred to employees | 6(17) | - | 229,550 |
| Donated assets received | 6(19) | - | 1,245 |
| Net cash flows (used in) from financing activities | | (83,883) | 3,086,896 |
| Net increase (decrease) in cash and cash equivalents | | 1,611,297 | (304,063) |
| Cash and cash equivalents at beginning of year | 6(1) | 5,994,442 | 6,298,505 |
| Cash and cash equivalents at end of year | 6(1) | \$ 7,605,739 | \$ 5,994,442 |

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

FLEXIUM INTERCONNECT, INC.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

A. HISTORY AND ORGANISATION

Flexium Interconnect, Inc. (the “Company”) was incorporated under the provisions of the Company Law of the Republic of China (R.O.C.) and other relevant regulations on December 19, 1997. The Company is primarily engaged in the following: (1) manufacturing of build-up copper clad laminate; (2) manufacturing, processing, research, development, trading and repair of build-up printed circuit boards, flexible printed circuit boards, related semi-finished goods and parts; (3) manufacturing, research, development, and trading of parts for semi-finished goods of polyimide film base copper clad laminate; (4) manufacturing, processing, repair, design, trading of moulds, tools and clamping apparatuses; and (5) sale of raw materials for the products mentioned above. The Company’s shares have been traded in the Taiwan Stock Exchange since September, 2003.

B. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These financial statements authorised for issuance by the Board of Directors on February 17, 2021.

C. 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 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 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 |
| 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.

D. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Compliance statement

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

B. Basis of preparation

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

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.
- (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with 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 parent company only financial statements are disclosed in Note 5.

C. Foreign currency translation

Items included in the financial statements of each of the Company’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The financial statements are presented in New Taiwan dollars, which is the Company’s functional 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 recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised 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 recognised 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

- (a) The operating results and financial position of all the Company entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Company still retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

D. 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 realised, 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 realised 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.

E. 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. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

F. 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 recognised and derecognised using settlement date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Company recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

G. 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 recognise 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 recognised and derecognised using settlement date accounting.
- 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 recognised 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 recognised 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.

H. Financial assets at amortised cost

The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

I. 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.

J. Impairment of financial assets

For financial assets at amortised cost, at each reporting date, the Company recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises 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 that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

K. Derecognition of financial assets

The Company derecognises a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Company has not retained control of the financial asset.

L. Operating leases (lessor)

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

M. Inventories

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

N. Investments accounted for using equity method / subsidiaries 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. Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Company 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 recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised 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 recognise losses in proportion to its ownership.
- D. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (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 recognised directly in equity.
- E. When the Company loses control of a subsidiary, the Company 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 recognised in profit or loss. All amounts previously recognised 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 Company loses control of a subsidiary, all gains or losses previously recognised 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.
- F. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- G. The Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised 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 recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

- H. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognises the Company's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- I. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- J. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised 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 recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- K. In accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers", the profit or loss and other comprehensive income or loss presented on the parent company only financial statements are consistent with those presented on the consolidated financial statements. In addition, owner's equity presented on the parent company only is consistent with equity attributable to owners of parent presented on the consolidated financial statements.
- O. Property, plant and equipment
- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised 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 derecognised. 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 | 2 ~ 35 years |
| Machinery equipment | 3 ~ 15 years |
| Transportation equipment | 2 ~ 15 years |
| Office equipment | 5 ~ 10 years |
| Other equipment | 2 ~ 10 years |

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

A. Leases are recognised 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 recognised 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 fixed payments, less any lease incentives receivable.

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

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (a) The amount of the initial measurement of lease liability; and
- (b) Any lease payments made at or before the commencement date.

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 recognised as an adjustment to the right-of-use asset.

Q. 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 3 years.

R. Intangible assets

Computer software is stated at cost and amortized using the straight-line method over its estimated economic service life.

S. 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 recognised 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 recognised.

T. Borrowings

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

U. Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

V. Financial liabilities at fair value through profit or loss

A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges or financial liabilities at fair value through profit or loss. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss at initial recognition:

(a) Hybrid (combined) contracts; or

(b) They eliminate or significantly reduce a measurement or recognition inconsistency; or

(c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

B. At initial recognition, the Company measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Company subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

W. Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

X. Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Y. Financial liabilities and equity instruments

Bonds payable

Convertible corporate bonds issued by the Company contain conversion options (that is, the bondholders have the right to convert the bonds into the Company's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Company classifies the bonds payable and derivative features embedded in convertible corporate bonds on initial recognition as a financial asset, a financial liability or an equity instrument ('capital surplus - stock warrants') in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument. Convertible corporate bonds are accounted for as follows:

A. Call options and put options embedded in convertible corporate bonds are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.

B. Bonds payable of convertible corporate bonds is initially recognised at fair value and subsequently stated at amortised cost. Any difference between the proceeds and the redemption value is accounted for as the premium or discount on bonds payable and presented as an addition to or deduction from bonds payable, which is amortised in profit or loss as an adjustment to the 'finance costs' over the period of bond circulation using the effective interest method.

C. Conversion options embedded in convertible corporate bonds issued by the Company, which meet the definition of an equity instrument, are initially recognised in 'capital surplus - stock warrants' at the residual amount of total issue price less amounts of 'financial assets or financial liabilities at fair value through profit or loss' and 'bonds payable - net' as stated above. Conversion options are not subsequently remeasured.

D. Any transaction costs directly attributable to the issuance of convertible corporate bonds are allocated to the liability and equity components in proportion to the allocation of proceeds.

E. When bondholders exercise conversion options, the liability component of the bonds (including 'bonds payable' and 'financial assets or financial liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The book value of common shares issued due to the conversion shall be based on the adjusted book value of the abovementioned liability component plus the book value of capital surplus - stock warrants.

Z. Non-hedging derivatives

Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.

AA. Employee benefits

(1) Short-term employee benefits

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

(2) Pensions

(i) Defined contribution plans

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

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised 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 high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Company uses interest rates of government bonds (at the balance sheet date) instead.

ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

(3) Employees', directors' and supervisors' remuneration

Employees' remuneration and directors' and supervisors' remuneration are recognised 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. If employee compensation is paid by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

BB. Employee share-based payment

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

(2) Employee restricted shares:

- (a) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period.
- (b) The issued employee restricted shares before meeting the vesting conditions are not entitled to appropriation of earnings (including but not limited to dividend, bonus and the distribution rights of capital surplus) and share options of cash capital increase.
- (c) For restricted stocks where employees do not need to pay to acquire those stocks. If employees resign during the vesting period, the Company will redeem without consideration and retire those stocks.

CC. Income tax

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

- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred 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, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.
- DD. Share capital
- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

EE. Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved 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.

FF. Revenue recognition

- A. The Company manufactures and sells flexible printed circuit board products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.
- B. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts and sales discounts and allowances.
- C. A receivable is recognised 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.

GG. Government grants

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

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

The preparation of these 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. The above information is addressed below:

A. Critical judgements in applying the Company's accounting policies

None.

HH. Critical accounting estimates and assumptions

1. Expected credit losses for accounts receivable

The Company shall measure the loss allowance at an amount equal to lifetime expected credit losses for accounts receivable. When assessing expected credit losses, the Company must use judgements to determine the influence factors for the collectibility of accounts receivable such as customers' operation conditions and historical transaction records which may influence the payment abilities of customers also consider the time value of money and future economic conditions to estimate reasonable and supporting information. The aforementioned judgements and considerations may all have significant impacts on the measurement outcome of expected credit losses.

2. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable 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 realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

F. DETAILS OF SIGNIFICANT ACCOUNTS

1. Cash and cash equivalents

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|--------------------------|--------------------------|
| Cash: | | |
| Cash on hand and revolving funds | \$ 456 | \$ 644 |
| Checking accounts and demand deposits | <u>2,454,453</u> | <u>2,404,747</u> |
| | <u>2,454,909</u> | <u>2,405,391</u> |
| Cash equivalents: | | |
| Time deposits | 5,150,830 | 3,339,030 |
| Bonds sold under repurchase agreements | <u>-</u> | <u>250,021</u> |
| | <u>5,150,830</u> | <u>3,589,051</u> |
| | <u>\$ 7,605,739</u> | <u>\$ 5,994,442</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.
- C. The above time deposits and bonds sold under the repurchase agreement with original maturities of less than three months were classified as cash equivalents.

II. Financial assets and liabilities 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 | | |
| Forward foreign exchange | \$ 794 | \$ - |
| Financial assets designated as at fair value through profit or loss | | |
| Put options of convertible bonds | 22 | - |
| | <u>\$ 816</u> | <u>\$ -</u> |
| Current items: | | |
| Financial liabilities designated as at fair value through profit or loss | | |
| Put options of convertible bonds | <u>\$ -</u> | <u>\$ 448</u> |

- The Company recognised net gain of \$22,038 and 32,771, respectively, for the years ended December 31, 2020 and 2019.
- The Company entered into contracts relating to derivative financial assets which were not accounted for under hedge accounting. The information is listed below:

| | December 31, 2020 | |
|------------------------------------|---|-----------------|
| Derivative Financial assets: | Contract amount (notional principal) | Contract period |
| Forward foreign exchange contracts | USD 2,000 thousand | 2020.11~2021.01 |

- The Company has no financial assets at fair value through profit or loss pledged to others.
- Information relating to credit risk of financial asset at fair value through profit or loss is provided in Note 12(2).

JJ. Financial assets at fair value through other comprehensive income

| Items | December 31, 2020 | December 31, 2019 |
|-----------------------|-------------------|-------------------|
| Non-current items: | | |
| Equity instruments | | |
| Unlisted stocks | \$ 60,275 | \$ 30,550 |
| Valuation adjustments | (3,259) | - |
| | <u>\$ 57,016</u> | <u>\$ 30,550</u> |

- 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 \$57,016 and \$30,550, respectively, as at December 31, 2020 and 2019.

B. Amounts that the Company recognised in other comprehensive income for the years ended December 31, 2020 and 2019 in relation to the financial assets at fair value through other comprehensive income were (\$3,259) and \$0, respectively.

C. The Company has no financial assets at fair value through other comprehensive income pledged to others as collateral.

KK. Financial assets at amortized cost

| Items | December 31, 2020 | December 31, 2019 |
|--|---------------------|---------------------|
| Current items: | | |
| Time deposits maturing in excess of three months | \$ <u>9,275,320</u> | \$ <u>8,037,220</u> |

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

| | For the years ended December 31, | |
|-----------------|----------------------------------|------------------|
| | 2020 | 2019 |
| Interest income | \$ <u>48,657</u> | \$ <u>41,421</u> |

B. The Company has no financial assets at amortised cost pledged to others.

LL. Accounts receivable

| | December 31, 2020 | December 31, 2019 |
|---------------------------------------|---------------------|---------------------|
| Accounts receivable | \$ 7,296,943 | \$ 6,931,194 |
| Less: Allowance for doubtful accounts | (<u>405</u>) | (<u>1,082</u>) |
| | \$ <u>7,296,538</u> | \$ <u>6,930,112</u> |
| Accounts receivable-related parties | \$ <u>1,965,011</u> | \$ <u>1,857,527</u> |

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

| | December 31, 2020 | December 31, 2019 |
|-----------------|---------------------|---------------------|
| Up to 90 days | \$ 8,429,326 | \$ 8,763,353 |
| 91 to 180 days | 813,945 | 6,735 |
| 181 to 365 days | 1,133 | 90 |
| Over one year | <u>17,550</u> | <u>18,543</u> |
| | \$ <u>9,261,954</u> | \$ <u>8,788,721</u> |

The above ageing analysis was based on overdue dates.

B. As of December 31, 2020 and 2019, and January 1, 2019, the balances of receivables (including related parties) from contracts with customers amounted to \$9,261,954, \$8,788,721 and \$8,029,601, respectively.

C. The Company does not hold collateral as security for accounts receivable.

D. 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 accounts receivable (including related parties) were \$9,261,549 and \$8,787,639, respectively.

E. Information relating to credit risk of accounts receivable is provided in Note 12(2).

MM. Inventories

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|--------------------------|--------------------------|
| Raw materials | \$ 120,325 | \$ 67,573 |
| Work in process and semi-finished goods | 203,010 | 148,614 |
| Finished goods and merchandise inventory | <u>997,344</u> | <u>526,367</u> |
| | <u>\$ 1,320,679</u> | <u>\$ 742,554</u> |

The cost of inventories recognised as expense for the years ended December 31, 2020 and 2019, was \$26,295,938 and \$21,498,936, respectively, including the amount of \$13,192 for the years ended December 31, 2020, that the Company reversed from a previous inventory write-down and accounted for as reduction of cost of goods sold because the related inventory were scrapped or sold, as well as the amount of \$1,042 for the year ended December 31, 2019, that the Company wrote down from cost to net realizable value accounted for as increase of cost of good sold.

NN. Investments accounted for using equity method

1. Details are as follows:

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|--------------------------|--------------------------|
| FLEXIUM INTERCONNECT INC. | \$ 5,047,556 | \$ 4,004,918 |
| UFLEX TECHNOLOGY CO., LTD. | 1,735,540 | 1,369,736 |
| FLEXIUM INTERCONNECT INVESTMENT CO., LTD. | 41,040 | 30,117 |
| BOOM BUSINESS LIMITED | 1,123,016 | 1,085,264 |
| FLEXIUM INTERCONNECT AMERICA LLC. | <u>5,487</u> | <u>8,873</u> |
| | <u>\$ 7,952,639</u> | <u>\$ 6,498,908</u> |

2. Subsidiaries

(a) For the information about the subsidiaries, please refer to Note 4(3) in the consolidated financial statements for the year ended December 31, 2020.

(b) For the years ended December 31, 2020 and 2019, gains on investments accounted for using equity method amounted to \$1,358,823 and \$608,844, respectively.

OO. Property, plant and equipment

1. Book values of property, plant and equipment are as follows:

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|--------------------------|--------------------------|
| Land | \$ 786,599 | \$ 786,599 |
| Buildings | 298,522 | 317,492 |
| Machinery | 2,060,231 | 2,232,992 |
| Transportation equipment | 3,027 | 4,285 |
| Other equipment | 36,474 | 44,955 |
| Construction in progress and equipment under acceptance | <u>1,395,301</u> | <u>507,319</u> |
| | <u>\$ 4,580,154</u> | <u>\$ 3,893,642</u> |

2. Changes in property, plant and equipment are as follows:

| Cost | <u>For the year ended December 31, 2020</u> | | | Closing net book amount |
|---|---|------------------------|--------------------|-------------------------|
| | Opening net book amount | Additions and transfer | Deduction | |
| Land | \$ 786,599 | \$ - | \$ - | \$ 786,599 |
| Buildings | 489,888 | 6,915 | - | 496,803 |
| Machinery | 4,209,602 | 456,642 (| 39,713) | 4,626,531 |
| Transportation equipment | 9,671 | - | - | 9,671 |
| Office equipment | 2,964 | - | (85) | 2,879 |
| Other equipment | 195,452 | 2,998 (| 320) | 198,130 |
| Construction in progress and equipment under acceptance | <u>507,319</u> | <u>887,982</u> | <u>-</u> | <u>1,395,301</u> |
| | <u>\$ 6,201,495</u> | <u>\$ 1,354,537</u> | <u>(\$ 40,118)</u> | <u>\$ 7,515,914</u> |

| For the year ended December 31, 2019 | | | | | |
|--|----------------------------|---------------------------|--------------------|-------------------|----------------------------|
| Cost | Opening net book amount | Additions and transfer | Deduction | Reclassifications | Closing net book amount |
| Land | \$ 657,573 | \$ - | \$ - | \$ 129,026 | \$ 786,599 |
| Buildings | 413,619 | 46,271 | - | 29,998 | 489,888 |
| Machinery | 2,985,438 | 1,238,298 | (14,134) | - | 4,209,602 |
| Transportation equipment | 8,942 | 3,172 | (2,443) | - | 9,671 |
| Office equipment | 2,964 | - | - | - | 2,964 |
| Other equipment | 185,490 | 9,962 | - | - | 195,452 |
| Construction in progress and equipment under acceptance | 230,081 | 277,238 | - | - | 507,319 |
| | <u>\$ 4,484,107</u> | <u>\$ 1,574,941</u> | <u>(\$ 16,577)</u> | <u>\$ 159,024</u> | <u>\$ 6,201,495</u> |

| For the year ended December 31, 2020 | | | | |
|---|----------------------------|-------------------|--------------------|----------------------------|
| Accumulated depreciation and impairment | Opening net book amount | Additions | Deduction | Closing net book amount |
| Buildings | \$ 172,396 | \$ 25,885 | \$ - | \$ 198,281 |
| Machinery | 1,976,610 | 617,811 | (28,121) | 2,566,300 |
| Transportation equipment | 5,386 | 1,258 | - | 6,644 |
| Office equipment | 2,964 | - | (85) | 2,879 |
| Other equipment | 150,497 | 11,479 | (320) | 161,656 |
| | <u>\$ 2,307,853</u> | <u>\$ 656,433</u> | <u>(\$ 28,526)</u> | <u>\$ 2,935,760</u> |

| Accumulated depreciation and impairment | For the year ended December 31, 2019 | | | | Closing net book amount |
|--|--------------------------------------|-------------------|--------------------|-------------------|----------------------------|
| | Opening net book amount | Additions | Deduction | Reclassifications | |
| Buildings | \$ 123,705 | \$ 21,192 | \$ - | \$ 27,499 | \$ 172,396 |
| Machinery | 1,546,048 | 444,696 | (14,134) | - | 1,976,610 |
| Transportation equipment | 6,984 | 845 | (2,443) | - | 5,386 |
| Office equipment | 2,964 | - | - | - | 2,964 |
| Other equipment | 140,571 | 9,926 | - | - | 150,497 |
| | <u>\$ 1,820,272</u> | <u>\$ 476,659</u> | <u>(\$ 16,577)</u> | <u>\$ 27,499</u> | <u>\$ 2,307,853</u> |

- C. No borrowing costs were capitalized as part of property, plant and equipment for the years ended December 31, 2020 and 2019.
- D. Details of property, plant and equipment transferred from investment property for the years ended December 31, 2020 and 2019 are provided in Note 6(10) B.
- E. The Company did not have property, plant and equipment pledged to others as collaterals.
- F. Property, plant and equipment were not classified as operating leases assets.

PP. Leasing arrangements – lessee

- A. The Company leases various assets including buildings and business vehicles. Rental contracts are typically made for periods of 2 to 5 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 for leasing, subleasing, selling or any action affecting the ownership of the lessor.
- B. Short-term leases with a lease term of 12 months or less comprise of certain machinery and equipment, business vehicles and accommodations.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|--------------------------|--------------------------|
| | <u>Carrying amount</u> | <u>Carrying amount</u> |
| Buildings | \$ 10,773 | \$ 16,033 |
| Transportation equipment (Business vehicles) | 4,688 | 82 |
| | <u>\$ 15,461</u> | <u>\$ 16,115</u> |

| | <u>For the years ended December 31,</u> | |
|--|---|----------------------------|
| | <u>2020</u> | <u>2019</u> |
| | <u>Depreciation charge</u> | <u>Depreciation charge</u> |
| Buildings | \$ 6,244 | \$ 5,852 |
| Transportation equipment (Business vehicles) | 1,582 | 491 |
| | <u>\$ 7,826</u> | <u>\$ 6,343</u> |

- D. For the years ended December 31, 2020 and 2019, the additions to right-of-use assets were \$7,127 and \$2,946, respectively.
- E. Information on profit or loss in relation to lease contracts is as follows:

| | <u>For the years ended December 31,</u> | |
|---------------------------------------|---|-------------|
| <u>Items affecting profit or loss</u> | <u>2020</u> | <u>2019</u> |
| Interest expense on lease liabilities | \$ 240 | \$ 234 |
| Expense on short-term lease contracts | 665 | 839 |

1. For the years ended December 31, 2020 and 2019, the Company's total cash outflow for leases were \$8,677 and \$7,333, respectively.

QQ. Investment property

There was no such transaction as of December 31, 2020.

| | 2019 | | |
|---|-------------------|-----------------|-------------------|
| | Land | Buildings | Total |
| At January 1 | | | |
| Cost | \$ 129,026 | \$ 29,998 | \$ 159,024 |
| Accumulated depreciation and impairment | - | (23,332) | (23,332) |
| | <u>\$ 129,026</u> | <u>\$ 6,666</u> | <u>\$ 135,692</u> |
| Opening net book amount as at January 1 | \$ 129,026 | \$ 6,666 | \$ 135,692 |
| Reclassifications | (129,026) | (2,499) | (131,525) |
| Depreciation | - | (4,167) | (4,167) |
| Closing net book amount as at December 31 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| At December 31 | | | |
| Cost | \$ - | \$ - | \$ - |
| Accumulated depreciation and impairment | - | - | - |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

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

| | For the year ended December 31, 2019 |
|---|---|
| Rental income from investment property | <u>\$ 3,399</u> |
| Direct operating expenses arising from the investment property that generated rental income during the year | <u>\$ 4,446</u> |

2. Investment property reclassified to property, plant and equipment amounted to \$131,525, due to the use of investment property was changed to self-use in 2019.

RR. Intangible assets-computer software cost

A. Changes in computer software cost are as follows:

| | <u>2020</u> | <u>2019</u> |
|-------------------------------|------------------|------------------|
| At January 1 | \$ 42,395 | \$ 77,565 |
| Additions-acquired separately | 6,769 | 11,940 |
| Amortization | (32,873) | (47,110) |
| At December 31 | <u>\$ 16,291</u> | <u>\$ 42,395</u> |

B. Details of amortization on intangible assets are as follows:

| | <u>For the years ended December 31,</u> | |
|-----------------------------------|---|------------------|
| | <u>2020</u> | <u>2019</u> |
| Manufacturing expenses | \$ 95 | \$ - |
| Administrative expenses | 7,315 | 10,175 |
| Research and development expenses | <u>25,463</u> | <u>36,935</u> |
| | <u>\$ 32,873</u> | <u>\$ 47,110</u> |

SS. Other non-current assets

| <u>Items</u> | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|-------------------------------|--------------------------|--------------------------|
| Prepayment for land purchases | \$ 366,659 | \$ 366,659 |
| Prepayment for equipment | 1,212,382 | - |
| Refundable deposits | <u>263,693</u> | <u>247,025</u> |
| | <u>\$ 1,842,734</u> | <u>\$ 613,684</u> |

Information about the refundable deposits that were pledged to others as collaterals is provided in Note 8.

TT. Other payables

| <u>Items</u> | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|--------------------------|--------------------------|
| Wages and salaries payable | \$ 251,746 | \$ 173,777 |
| Payables on employees' compensation and remuneration to directors and supervisors | 203,000 | 172,763 |
| Payable on machinery and equipment | 1,746,707 | 662,258 |
| Other payables | <u>288,984</u> | <u>401,144</u> |
| | <u>\$ 2,490,437</u> | <u>\$ 1,409,942</u> |

UU. Bonds payable

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|--------------------------|--------------------------|
| Third overseas unsecured convertible bonds | \$ 15,419 | \$ 2,241,923 |
| Less: Discount on bonds payable | (533) | (148,402) |
| | 14,886 | 2,093,521 |
| Less: current portion | | |
| (Shown as long-term liabilities, current portion) | (14,886) | - |
| | <u>\$ -</u> | <u>\$ 2,093,521</u> |

The terms of the Third overseas unsecured convertible bonds issued by the Company are as follows:

A. On January 22, 2019, the Company issued 0% coupon, 3-year unsecured convertible bonds in the amount of US\$100 million. Except for the Company's bonds that were redeemed, repurchased and retired or had their conversion rights exercised by the bondholders (the "bondholders"), the bonds are repayable in full by cash at face value at maturity. Redemption price at maturity would be translated into NTD at the fixed exchange rate of 30.838, then translate the NTD into USD using the currency rate on that day for repayment. The bonds were traded in the Singapore Exchange Limited since January 22, 2019.

B. Except for the bond redeemed early, repurchased and retired, bonds that were converted by their bondholders and the mandatory stop transfer period regulated by law and agreed in the bond indenture separately, the bondholders have the right to ask for conversion of the bonds into common shares of the Company in accordance with the relevant regulation and the bond indenture during the period from the date after 90 days of the bonds issue to 10 days before the maturity date, or on the day that the bondholders exercise the put option, or the fifth business day before the issue company exercise the early redemption.

As of December 31, 2020, the bonds with face value in the amount of US\$ 98,500 million had been converted into 39,116 thousand shares of common stocks (shown as 'Share capital - common stock' of \$391,156 and 'capital surplus, additional paid-in capital arising from bond conversion' of \$2,725,585). And the registration was completed. In addition, the bonds with face value in the amount of US\$ 1,000 thousand had been converted into 406 thousand shares of common stocks (shown as 'certificates of bond-to-stock conversion' of \$4,064 and 'capital surplus, additional paid-in capital arising from bond conversion' of \$28,130), however, the registration is not yet completed.

C. The conversion price is set up according to the terms of the bonds and is subject to adjustments when the anti-dilution provisions occur. The conversion price was set at NT\$83.95 (in dollars) per share on issuance. If the conversion price reset according to the terms is higher than the original conversion price of current year, then the conversion price will not be adjusted. At the time of conversion, the principal of the bond is multiplied by the fixed exchange rate of 30.838 agreed on the pricing date as the numerator, and the conversion price at the time of conversion is used as the denominator to calculate the number of shares convertible into common stocks. As of December 31, 2020, the conversion price was adjusted to NT\$75.88 (in dollars) per share.

D. The rules of put options are as follows:

- (a) The bondholders have no right to ask for whole or partial redemption of the bonds, except the following:
 - i. Except for the bond redeemed early, repurchased and retired, bonds that were converted by their bondholders, the bondholders have right to ask for whole or partial redemption of the bonds with an added interest rate of 0.425% per annum (compounded semi-annually) on the face value as the premium which is equivalent to 100.8527% of the face value (the “early redemption price for the bondholders”), after two years from the issue date.
 - ii. If the Company’s common shares are unlisted from the Taiwan Stock Exchange or ceased trading over 30 consecutive business days, the bondholders have right to ask for only whole redemption of the bonds with an added interest rate of 0.425% per annum on the face value as the premium (the “early redemption amount”).
 - iii. If any changes occurs to the Company’s controlling power as defined in the bond indenture (the “bond indenture”), the bondholders have right to ask for only whole redemption of the bonds.
- (b) The exercise of the aforementioned put options by the bondholders and the acceptance of the bondholders’ requests by the Company shall in accordance with the procedures of the bond indenture. The early redemption price for the bondholders and the early redemption amount of bonds shall be paid on the payment date defined in the bond indenture by cash.
- (c) The early redemption price for the bondholders and the early redemption amount of bonds shall be translated into NTD at the fixed exchange rate of 30.838, then translate the NTD into USD using the currency rate on that day for repayment.

E. The rules of redemption are as follows:

- (a) For the period starting 2 years from the issue date until the maturity date, if the closing price (If the ex-right or the ex-dividend incurred, the adoption of the closing price shall be imputed to the price before ex-right and ex-dividend during the transaction date of the ex-right or the ex-dividend to the effective date of the ex-rights) of the issuing company’s common shares converted to USD using the currency exchange rate of the day on the Taiwan Stock Exchange reaches 130% of the total amount of the early redemption price multiply conversion price on that day (using the fixed currency exchange rate on the price settlement date to convert to USD) divided by the face value for 30 consecutive business days, the issuing company has the right to redeem all or part of bonds at the early redemption price.
- (b) If over 90% of the outstanding bonds’ is redeemed, converted repurchased or retired, the Company can redeem all the bonds that are still outstanding at the early redemption price.
- (c) If changes to the R.O.C.’s tax regulations occur after the issue date and cause the Company to bear more tax or to pay extra interest expenses or increase in costs for the bonds, the Company can redeem all the bonds at the early redemption price in accordance with the bond indenture. And the bondholders have no right to ask the issuing company covers the extra tax and expense for their nonparticipation of the redemption.

(d) The early redemption amount of bonds shall all be translated into NTD at the fixed exchange rate of 30.838, then translate the NTD into USD using the currency rate on that day for repayment.

F. Under the terms of the bonds, all bonds redeemed (including from secondary market), matured and converted will be retired and not to be reissued.

G. Regarding the issuance of convertible bonds, the equity conversion options amounting to \$246,517 were separated from the liability component and were recognised in ‘capital surplus - share options’ in accordance with IAS 32. As of December 31, 2020, the balance of “Capital reserve from stock options” after adjusting the amount converted into common stock is \$1,232. The non-equity redeem options, put options embedded in bonds payable were separated from their host contracts and were recognised in ‘financial assets or liabilities at fair value through profit or loss’ in net amount in accordance with IAS 9 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The annual effective interest rate of the bonds payable after separation is 3.335%.

VV. Long-term borrowings

| Type of borrowings | Borrowing period and repayment term | Interest rate range | Collateral | December 31, 2020 |
|---------------------------|--|---------------------|------------|-------------------|
| Long-term bank borrowings | Borrowing period is from May 20, 2019 to May 20, 2026; interest is payable monthly; principal is repayable in instalments from June, 2022. | 0.03%~1.30% | None | \$ 800,000 |
| Unsecured borrowings | Borrowing period is from May 20, 2019 to May 20, 2029; interest is payable monthly; principal is repayable in instalments from June, 2022. | 0.03%~1.30% | None | 764,051 |
| Unsecured borrowings | Borrowing period is from July 15, 2019 to July 15, 2026; interest is payable monthly; principal is repayable in instalments from August, 2022. | 0.03%~1.30% | None | 1,391,311 |
| | | | | 2,955,362 |
| Less: Current portion | | | | - |
| | | | | \$ 2,955,362 |

| Type of borrowings | Borrowing period and repayment term | Interest rate range | Collateral | December 31, 2019 |
|---------------------------|--|---------------------|------------|-------------------|
| Long-term bank borrowings | Borrowing period is from May 20, 2019 to May 20, 2026; interest is payable monthly; principal is repayable in instalments from June, 2022. | 0.05%~1.30% | None | \$ 413,518 |
| Unsecured borrowings | Borrowing period is from May 20, 2019 to May 20, 2029; interest is payable monthly; principal is repayable in instalments from June, 2022. | 0.05%~1.30% | None | 379,552 |
| Unsecured borrowings | Borrowing period is from July 15, 2019 to July 15, 2026; interest is payable monthly; principal is repayable in instalments from August, 2022. | 0.05%~1.30% | None | 556,892 |
| | | | | 1,349,962 |
| Less: Current portion | | | | - |
| | | | | \$ 1,349,962 |

Details of interest expense of bank borrowings recognised in profit or loss are provided in Note 6(26).

WW. Pensions

A. Defined benefit plans

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

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

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|--------------------------|--------------------------|
| Present value of defined benefit obligations | \$ 65,257 | \$ 62,733 |
| Fair value of plan assets | (44,578) | (41,300) |
| Net defined benefit liability | | |
| (shown as 'Other non-current liabilities') | <u>\$ 20,679</u> | <u>\$ 21,433</u> |

1. Changes in present value of defined benefit obligations are as follows:

| | <u>Present value of defined benefit obligations</u> | <u>Fair value of plan assets</u> | <u>Net defined benefit liability</u> |
|--|---|--------------------------------------|--|
| <u>For the year ended December 31, 2020</u> | | | |
| Balance at January 1 | (\$ 62,733) | \$ 41,300 | (\$ 21,433) |
| Interest (expense) income | (816) | 548 | (268) |
| | <u>(\$ 63,549)</u> | <u>\$ 41,848</u> | <u>(\$ 21,701)</u> |
| Remeasurements: | | | |
| Return on plan assets (excluding amounts included in interest income or expense) | - | 1,095 | 1,095 |
| Experience adjustments | (1,708) | - | (1,708) |
| | <u>(1,708)</u> | <u>1,095</u> | <u>(613)</u> |
| Pension fund contribution | - | 1,635 | 1,635 |
| Balance at December 31 | <u>(\$ 65,257)</u> | <u>\$ 44,578</u> | <u>(\$ 20,679)</u> |

| | <u>Present value of defined benefit obligations</u> | <u>Fair value of plan assets</u> | <u>Net defined benefit liability</u> |
|--|---|--------------------------------------|--|
| <u>For the year ended December 31, 2019</u> | | | |
| Balance at January 1 | (\$ 61,344) | \$ 38,091 | (\$ 23,253) |
| Interest (expense) income | (950) | 603 | (347) |
| | <u>(\$ 62,294)</u> | <u>\$ 38,694</u> | <u>(\$ 23,600)</u> |
| Remeasurements: | | | |
| Return on plan assets (excluding amounts included in interest income or expense) | - | 959 | 959 |
| Experience adjustments | (439) | - | (439) |
| | <u>(439)</u> | <u>959</u> | <u>520</u> |
| Pension fund contribution | - | 1,647 | 1,647 |
| Balance at December 31 | <u>(\$ 62,733)</u> | <u>\$ 41,300</u> | <u>(\$ 21,433)</u> |

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and 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 securitization 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 authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset 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:

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|-------------------------|--------------------------|--------------------------|
| Discount rate | <u>1.05%</u> | <u>1.30%</u> |
| Future salary increases | <u>3.00%</u> | <u>3.00%</u> |

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

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

| | <u>Discount rate</u> | | <u>Future salary increases</u> | |
|---|----------------------|--------------|--------------------------------|------------|
| | Increase | Decrease | Increase | Decrease |
| | <u>0.25%</u> | <u>0.25%</u> | <u>1%</u> | <u>1%</u> |
| December 31, 2020 | | | | |
| Effect on present value of defined benefit obligation | (\$ 2,533) | \$ 2,660 | \$ 11,244 | (\$ 9,444) |
| December 31, 2019 | | | | |
| Effect on present value of defined benefit obligation | (\$ 2,602) | \$ 2,738 | \$ 11,639 | (\$ 9,687) |

The sensitivity analysis above is based on other conditions that are unchanged but only one assumption is changed. 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 method and assumptions used for the preparation of sensitivity analysis during 2020 and 2019 are the same.

(f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2021 amount to \$1,635.

(g) As of December 31, 2020, the weighted average duration of that retirement plan is 17.7 years.

B. Defined contribution plan

(a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, Taiwan-based companies of the Company contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The pension costs under the defined contribution pension plans of the Company for the years ended December 31, 2020 and 2019 were \$47,998 and \$44,411, respectively.

XX. Share-based payment

A. Options granted after January 1, 2008

(a) The initial exercise price under stock-based employee compensation plan in 2010 was \$46.95 (in dollars) per share. If there is a change in common stock or the Company distributes cash dividend, the exercise price would be adjusted according to specific formulas. As of December 31, 2020, the adjusted exercise price was NT\$21.90 (in dollars). The expected vesting period is 10 years. After 2 years from the date of grant, an employee may exercise the options in accordance with certain schedules as prescribed by the employee option plan.

(b) Details of the employee stock options are set forth below:

| Stock options | 2020 | | 2019 | |
|------------------------------------|-------------------------------------|--|-------------------------------------|--|
| | Number of options (in thousands) | Weighted-average exercise price (in dollars) | Number of options (in thousands) | Weighted-average exercise price (in dollars) |
| Options outstanding at January 1 | 118 | \$ 21.90 | 429 | \$ 23.20 |
| Options exercised | - | - | (311) | 23.20 |
| Options expired | (118) | 21.90 | - | - |
| Options outstanding at December 31 | - | - | 118 | 21.90 |
| Options exercisable at December 31 | - | - | 118 | 21.90 |

(c) The weighted-average stock price of stock options at exercise dates for the year ended December 31, 2019 was \$96.70.

(d) The information on outstanding employee stock compensation plans is set forth below:

| December 31, 2020 | | | | | |
|--------------------------------|--|---|--|--|--|
| Exercise price (in dollars) | Stock options outstanding | | | Stock options exercisable | |
| | Number of options (in thousands) | Weighted-average expected remaining period | Weighted-average exercise price (in dollars) | Number of options (in thousands) | Weighted-average exercise price (in dollars) |
| \$ 21.90 | 118 | 2 months | \$ 21.90 | 118 | \$ 21.90 |

(e) The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

| | March 18, 2010 |
|--|----------------|
| Dividend yield rate | 0% |
| Expected price volatility | 40% |
| Risk-free interest rate | 2% |
| Expected terms | 10 years |
| Weighted-average fair value per share (in dollars) | 11.10~16.91 |

(f) Expenses incurred on equity-settled share-based payment transactions for the years ended December 31, 2020 and 2019 were both \$0.

B. On July 1, 2019, the Board of Directors of the Company has resolved to issue employee restricted shares:

(a) Details of the share-based payment arrangements are as follows:

| Type of arrangement | Grant date | Number of shares granted (in thousands) | Contract period | Vesting conditions |
|--|------------|---|--------------------|---|
| Restricted stock transferred to employees (Note 1) | 2020.07.03 | \$ 1,000 | 3 years | Service period and performance condition (Note 2) |
| Restricted stock transferred to employees (Note 1) | 2019.07.01 | \$ 5,500 | 3 years | Service period and performance condition (Note 2) |

Note 1: The restricted shares issued by the Company cannot be transferred during the vesting period before meeting the vesting conditions. The right of attendance, proposal, presentation, voting and election at the shareholders' meeting are the same as the Company's issued ordinary shares, except appropriation of earnings (including but not limited to dividend, bonus and the distribution rights of capital surplus) and share options of cash capital increase. The Company has rights to take back the unvested shares at no consideration and retire the shares if employees resign during the vesting period.

Note 2: For the employees who are currently working in the Company, whose services have reached 1 year, 2 years and 3 years since the allocation of restricted shares and who achieved the target performance and have made contributions, the ceiling of accumulated vested share ratio is 30%, 30% and 40%, respectively.

(b) Details of the share-based payment arrangements are as follows: (Shares in thousands)

| | <u>2020</u> | <u>2019</u> |
|---|--------------|--------------|
| Employee restricted shares at January 1 | 5,420 | - |
| Option issued for the year | 1,000 | 5,500 |
| Option retired for the year | (236) | (80) |
| Unrestriction for the year | (1,554) | - |
| Employee restricted shares at December 31 | <u>4,630</u> | <u>5,420</u> |

(c) Expenses incurred on share-based payment transactions amounted to \$164,479 and \$89,249 for the years ended December 31, 2020 and 2019.

C. On July 12, 2018, the Board of Directors adopted a resolution to transfer treasury stocks purchased from the ninth purchase to employees.

(a) Information on the stock options is as follows:

| <u>Type of arrangement</u> | <u>Grant date</u> | <u>Number of shares (in thousands)</u> | <u>Vesting conditions</u> |
|--|-------------------|--|---------------------------|
| Treasury stock transferred to employee | 2018.7.12 | \$ 2,506 | Vested immediately |

(b) Details of the share-based payment arrangements are as follows:

| <u>Stock options</u> | <u>2019</u> | |
|------------------------------------|---|---|
| | <u>Number of options (in thousands)</u> | <u>Weighted-average exercise price (in dollars)</u> |
| Options outstanding at January 1 | 2,506 | \$ 93.37 |
| Options exercised | (2,506) | 91.60 |
| Options outstanding at December 31 | <u>-</u> | - |
| Options exercisable at December 31 | <u>-</u> | - |

(c) The fair value of stock options on the grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

| Type of arrangement | Grant date | Weighted-average stock price (in dollars) | Exercise price (in dollars) | Expected price volatility | Expected option life (in years) | Risk-free interest rate | Fair value per share (in dollars) |
|---|------------|---|-----------------------------|---------------------------|---------------------------------|-------------------------|-----------------------------------|
| Treasury stock transferred to employees | 2018.7.12 | \$ 97.90 | \$ 93.37 | 39.74% | 0.05 | 0.11% | \$ 6.19 |

(d) The compensation cost recognised at the grant date was \$15,512.

YY. Share capital

- A. As of December 31, 2020, the Company's authorized capital was \$4,600,000 (including 20,000 thousand shares reserved for employee stock options and convertible bonds issued by the Company), and the paid-in capital was \$3,613,734, consisting of 361,374 thousand shares of ordinary stock, with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

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

| | 2020 | 2019 |
|---|----------------|----------------|
| At January 1 | 330,469 | 313,222 |
| Employee stock options exercised | - | 346 |
| Employee restricted shares | 1,000 | 5,500 |
| Employee restricted shares cancellation | (236) | (80) |
| Conversion of convertible bonds | 30,141 | 8,975 |
| Treasury share transferred to employees | - | 2,506 |
| At December 31 | <u>361,374</u> | <u>330,469</u> |

- B. For the year ended December 31, 2019, the additions to employee restricted shares was \$3,460, and the registration was completed.
- C. The Board of Directors during its meeting on July 3, 2020 adopted a resolution to issue employee restricted ordinary shares (see Note 6(17)) with the effective date set on September 4, 2019. The subscription price is \$0 (in dollars) per share. The employee restricted ordinary shares issued are subject to certain transfer restrictions before their vesting conditions are met. After meeting their vesting conditions, the rights and obligations of these shares issued are the same as other issued ordinary shares.
- D. The Board of Directors during its meeting on July 1, 2019 adopted a resolution to issue employee restricted ordinary shares (see Note 6(17)) with the effective date set on September 5, 2019. The subscription price is \$0 (in dollars) per share. The employee restricted ordinary shares issued are subject to certain transfer restrictions before their vesting conditions are met. After meeting their vesting conditions, the rights and obligations of these shares issued are the same as other issued ordinary shares.

E. The information on conversion requests on convertible bonds for the year ended December 31, 2020 and 2019 is provided in Note 6(14).

F. Treasury shares

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

There was no such transaction as of December 31, 2020.

| | | December 31, 2019 | |
|---------------------------|---------------------------------|---------------------|------------------------|
| Name of company | | Number of shares | |
| <u>holding the shares</u> | <u>Reason for reacquisition</u> | <u>in thousands</u> | <u>Carrying amount</u> |
| The Company | For conversion of equity | <u>2,486</u> | <u>\$ 290,790</u> |

(b) Pursuant to the R.O.C. Securities and Exchange Law, 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 realised capital surplus.

(c) Pursuant to the R.O.C. Securities and Exchange Law, 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 Law, treasury shares should be reissued to the employees or be distributed for equity transfer within three years from the reacquisition date and shares not reissued within the three-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.

(e) To maintain the Company's credit and the stockholders' equity, the Board of Directors during their meeting resolved to repurchase the Company's shares in the amount of 5 million shares that in accordance with related regulations on November 1, 2017. In addition, the Board of Directors resolved to change the purpose of repurchased shares for equity transfer on December 21, 2017. The ordinary shares transferred from convertible bonds in 2018 were 2,514 thousand shares. As of December 31, 2020, the Company has repurchased its own shares in the amount of 5 million shares, including 2,514 thousand shares were distributed from equity transfer, remaining 2,486 thousand shares were retired.

(f) The shares which were repurchased by the Company and transferred to employees amounted to 5 million shares in accordance with related regulations, and as resolved by the Board of Directors on June 11, 2018. The shares transferred to the employees in 2019 were 2,506 thousand shares. As of December 31, 2020, the Company has repurchased its own shares in the amount of 2,506 thousand shares and all 2,506 thousand shares were transferred to employees.

(g) Information on treasury shares reissued to employees is provided in Note 6(17).

ZZ. 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 Law requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

| | 2020 | | | | | | | |
|--|---------------------|-----------------------------|----------------|-----------------|-----------------|---------------------|------------------|---------------------|
| | Share premium | Treasury share transactions | Employee stock | | Donated assets | Employee restricted | | Total |
| | | | options | options | | shares | Others | |
| At January 1, 2020 | \$ 3,622,219 | \$ 198,106 | \$ 1,771 | \$ 179,218 | \$ 1,245 | \$ 283,402 | \$ - | \$ 4,285,961 |
| Employee stock options expired | - | - | (1,771) | - | - | - | 1,771 | - |
| Employee restricted shares | - | - | - | - | - | 43,308 | 43,308 | 43,308 |
| Treasury share cancellation | (12,195) | (198,106) | - | - | - | - | - | (210,301) |
| Cash dividends from capital surplus | (1,177,458) | - | - | - | - | - | - | (1,177,458) |
| Conversion option of convertible bonds | 2,008,167 | - | - | (177,986) | - | - | - | 1,830,181 |
| At December 31, 2019 | <u>\$ 4,440,733</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,232</u> | <u>\$ 1,245</u> | <u>\$ 326,710</u> | <u>\$ 45,079</u> | <u>\$ 4,771,691</u> |

| | 2019 | | | | | | | |
|---|---------------------|-----------------------------|-----------------|-------------------|-----------------|---------------------|-------------|---------------------|
| | Share premium | Treasury share transactions | Employee stock | | Donated assets | Employee restricted | | Total |
| | | | options | options | | shares | Others | |
| January 1, 2019 | \$ 3,651,766 | \$ 187,037 | \$ 20,763 | \$ - | \$ - | \$ - | \$ - | \$ 3,859,566 |
| Employee stock options exercised | 8,047 | - | (3,480) | - | - | - | - | 4,567 |
| Treasury stock transferred to employees | - | 11,069 | (15,512) | - | - | - | - | (4,443) |
| Employee restricted shares | - | - | - | - | - | 283,402 | - | 283,402 |
| Due to donated assets received | - | - | - | - | 1,245 | - | - | 1,245 |
| Cash dividends from capital surplus | (783,142) | - | - | - | - | - | - | (783,142) |
| Conversion option of convertible bonds | 745,548 | - | - | 179,218 | - | - | - | 924,766 |
| At December 31, 2019 | <u>\$ 3,622,219</u> | <u>\$ 198,106</u> | <u>\$ 1,771</u> | <u>\$ 179,218</u> | <u>\$ 1,245</u> | <u>\$ 283,402</u> | <u>\$ -</u> | <u>\$ 4,285,961</u> |

- On June 18, 2020, the shareholders during their meeting resolved to distribute cash dividends from capital surplus in the amount of \$1,177,458, at NT\$3.5 per share. On June 18, 2019, the shareholders during their meeting resolved to distribute cash dividends from capital surplus in the amount of \$783,142, at NT\$2.5 per share. The above mentioned relevant shareholders' meeting resolutions and distribution please refer to "Market Observation Post System" at the website of the Taiwan Stock Exchange.
- On February 17, 2021, the Board of Directors decided to distribute cash dividend from capital surplus in the amount of \$1,786,765, at NT\$5 per share.
- For details of capital reserve from stock options, please refer to Note 6(14).

AAA. Retained earnings

1. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the total capital stock balance, and setting aside or reversal for special reserve in accordance with related laws or Competent Authority's rule, if any, the Board of Directors should present the distribution of the remaining earnings along with undistributed earnings at beginning of periods for the approval of the shareholders based on the capital condition and economic development.

In accordance with Article 240, Item 5 of the Company Law and Article 241 of the Company Law, the Company authorizes the Board of Directors to have more than two-thirds of directors present and resolutions of more than half of the directors present to distribute dividends or legal reserve and capital surplus are distributed in cash and reported to the shareholders meeting.

2. The Company's dividend policy is in line with the development plan and capital requirement for expanding production line in the near future as the Company is currently in the growth phase. Therefore, the Board of Directors proposed the appropriation of unappropriated retained earnings at the shareholders' meeting for approval. Cash dividend shall be more than 5% of total dividends, but will not be distributed if it is lower than \$0.1 per share, which will instead be distributed in the form of stocks.

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 25% of the Company's paid-in capital.

D. (a) 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.

(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.

E. The Company resolved that total dividends for the distribution of earnings for 2019 was \$783,142 (\$2.5 (in dollars) per share). On June 18, 2020, the shareholders resolved that total dividends for the distribution of earnings for 2019 was \$504,625 (\$1.5 (in dollars) per share).

BBB. Other equity items

| | 2020 | | | |
|--|----------------------|-----------------------|---------------------------------------|---------------------|
| | Currency translation | Unearned Compensation | Unrealised gain (losses) on valuation | Total |
| At January 1 | (\$ 523,311) | (\$ 248,352) | \$ - | (\$ 771,663) |
| Currency translation differences: | | | | |
| –Group | 98,245 | - | - | 98,245 |
| Issuance of employee restricted shares | - | (89,763) | - | (89,763) |
| Compensation cost of share-based payment | - | 164,479 | - | 164,479 |
| Valuation adjustments | - | 38,815 | (3,259) | 35,556 |
| At December 31 | <u>(\$ 425,066)</u> | <u>(\$ 134,821)</u> | <u>(\$ 3,259)</u> | <u>(\$ 563,146)</u> |

| | 2019 | | | |
|--|----------------------|-----------------------|---------------------------------------|---------------------|
| | Currency translation | Unearned Compensation | Unrealised gain (losses) on valuation | Total |
| At January 1 | (\$ 303,446) | \$ - | \$ - | (\$ 303,446) |
| Currency translation differences: | | | | |
| –Group | (219,865) | - | - | (219,865) |
| Issuance of employee restricted shares | - | (248,352) | - | (248,352) |
| At December 31 | <u>(\$ 523,311)</u> | <u>(\$ 248,352)</u> | <u>\$ -</u> | <u>(\$ 771,663)</u> |

CCC. Operating revenue

Disaggregation of revenue from contracts with customers

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

| | For the years ended December 31, | |
|-----------------------------------|----------------------------------|----------------------|
| | 2020 | 2019 |
| | Revenue | Revenue |
| Taiwan | \$ 1,448,669 | \$ 1,524,149 |
| China | 8,204,023 | 9,028,949 |
| Asia (excluding Taiwan and China) | 1,407,603 | 1,063,943 |
| Europe and America | 18,613,894 | 14,064,817 |
| | <u>\$ 29,674,189</u> | <u>\$ 25,681,858</u> |

DDD. Interest income

| | For the years ended December 31, | |
|------------------------------------|----------------------------------|-------------------|
| | 2020 | 2019 |
| | Revenue | Revenue |
| Interest income from bank deposits | \$ 76,498 | \$ 102,977 |
| Other interest income | 876 | 227 |
| | <u>\$ 77,374</u> | <u>\$ 103,204</u> |

EEE. Other income

| | For the years ended December 31, | |
|--------------|----------------------------------|-------------------|
| | 2020 | 2019 |
| Rent income | 438 | 3,682 |
| Other income | 77,405 | 146,448 |
| | <u>\$ 77,843</u> | <u>\$ 150,130</u> |

FFF. Other gains and losses

| | For the years ended December 31, | |
|--|----------------------------------|------------------|
| | 2020 | 2019 |
| Gains on disposal of property, plant and equipment | \$ - | \$ 395 |
| Foreign exchange losses | (21,385) | (7,143) |
| Net gain on financial assets/ liabilities at fair value through profit or loss | 22,038 | 32,771 |
| Others | - | (5,274) |
| | <u>\$ 653</u> | <u>\$ 20,749</u> |

GGG. Finance costs

| | For the years ended December 31, | |
|-------------------|----------------------------------|------------------|
| | 2020 | 2019 |
| Interest expense: | | |
| Bank borrowings | \$ 773 | \$ 189 |
| Convertible bonds | 41,636 | 87,409 |
| Others | 250 | 278 |
| | <u>\$ 42,659</u> | <u>\$ 87,876</u> |

HHH. Expenses by nature

| | For the years ended December 31, | |
|--|----------------------------------|--------------|
| | 2020 | 2019 |
| Employee benefit expense | \$ 1,702,645 | \$ 1,462,688 |
| Depreciation charge on property, plant and equipment | 656,433 | 476,659 |
| Depreciation expenses on right-of-use assets | 7,826 | 6,343 |
| Depreciation charge on investment property | - | 4,167 |
| Amortisation on intangible assets | 32,873 | 47,110 |

III. Employee benefit expense

| | For the years ended December 31, | |
|---------------------------------|----------------------------------|---------------------|
| | 2020 | 2019 |
| Wages and salaries | \$ 1,322,676 | \$ 1,171,441 |
| Employee restricted stock | 164,479 | 89,249 |
| Labor and health insurance fees | 109,756 | 104,957 |
| Pension costs | 48,266 | 44,758 |
| Other personnel expenses | 57,468 | 52,283 |
| | <u>\$ 1,702,645</u> | <u>\$ 1,462,688</u> |

- A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, if any, shall not be less than 1% for employees' compensation, and shall be less than 2% for directors' and supervisors' remuneration. However, if the Company has accumulated deficit, the earnings shall first be reserved to offset the deficit.
- B. For the years ended December 31, 2020 and 2019, employees' compensation was accrued at \$83,000 and \$100,000, respectively; directors' and supervisors' remuneration were both \$20,000, respectively, the employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on certain proportion of distributable profit of current year as of the end of reporting period.

Employees' compensation and directors' and supervisors' remuneration of 2019 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2019 financial statements.

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

JJJ. Income tax

A. Income tax expense

Components of income tax expense:

| | For the years ended December 31, | |
|---|----------------------------------|-------------------|
| | 2020 | 2019 |
| Current tax : | | |
| Current tax on profits for the year | \$ 460,101 | \$ 682,161 |
| Tax on undistributed earnings | 105,696 | 75,928 |
| Overestimation of prior year's income tax | (97,105) | (22,855) |
| Total current tax | <u>468,692</u> | <u>735,234</u> |
| Deferred tax: | | |
| Origination and reversal of temporary differences | <u>282,296</u> | <u>139,350</u> |
| Income tax expense | <u>\$ 750,988</u> | <u>\$ 874,584</u> |

B. Reconciliation between income tax expense and accounting profit

| | For the years ended December 31, | |
|---|----------------------------------|-------------------|
| | 2020 | 2019 |
| Tax calculated based on profit before tax and statutory tax rate | \$ 737,006 | \$ 805,557 |
| Effect from items adjusted in accordance with tax regulation | 5,391 | 15,954 |
| Tax on undistributed earnings | 105,696 | 75,928 |
| Overestimation of prior year's income tax | (97,105) | (22,855) |
| Income tax expense | <u>\$ 750,988</u> | <u>\$ 874,584</u> |

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

| | For the year ended December 31, 2020 | | | | |
|--|--------------------------------------|---------------------------------|---|-------------------------|-----------------------|
| | January 1 | Recognised in profit or loss | Recognised in other comprehensive income | Recognised in equity | December 31 |
| Temporary differences: | | | | | |
| – Deferred tax assets: | | | | | |
| Allowance for obsolescence and decline in market value of inventories | \$ 4,701 | \$ 2,638 | \$ - | \$ - | \$ 7,339 |
| Unrealised gross profit | 11,002 | 668 | - | - | 11,670 |
| Unrealised compensated absences | 4,686 | 1,372 | - | - | 6,058 |
| Cost of bond issuance | 1,846 | (923) | - | - | 923 |
| Unrealised exchange loss | 5,493 | (5,493) | - | - | - |
| Refund liability | 3,591 | - | - | - | 3,591 |
| Unrealised estimated expense | 2,401 | (2,394) | - | - | 7 |
| Others | 219 | (139) | - | - | 80 |
| Subtotal | <u>\$ 33,939</u> | <u>(\$ 4,271)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 29,668</u> |
| – Deferred tax liabilities: | | | | | |
| Gain on foreign investment accounted for under equity method | (\$ 882,911) | (\$ 269,360) | \$ - | \$ - | (\$ 1,152,271) |
| Pension expense | (1,842) | (273) | - | - | (2,115) |
| Unrealised exchange gain | - | (8,392) | - | - | (8,392) |
| Subtotal | <u>(884,753)</u> | <u>(278,025)</u> | <u>-</u> | <u>-</u> | <u>(1,162,778)</u> |
| Total | <u>(\$ 850,814)</u> | <u>(\$ 282,296)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>(\$ 1,133,110)</u> |
| | | | | | |
| | For the year ended December 31, 2019 | | | | |
| | January 1 | Recognised in profit or loss | Recognised in other comprehensive income | Recognised in equity | December 31 |
| Temporary differences: | | | | | |
| – Deferred tax assets: | | | | | |
| Allowance for sales returns and discounts | \$ 31,312 | (\$ 31,312) | \$ - | \$ - | \$ - |
| Allowance for obsolescence and decline in market value of inventories | 4,910 | (209) | - | - | 4,701 |
| Unrealised gross profit | 13,969 | (2,967) | - | - | 11,002 |
| Unrealised compensated absences | 3,272 | 1,414 | - | - | 4,686 |
| Cost of bond issuance | - | 1,846 | - | - | 1,846 |
| Unrealised exchange loss | - | 5,493 | - | - | 5,493 |
| Refund liability | - | 3,591 | - | - | 3,591 |
| Unrealised estimated expense | 1,748 | 653 | - | - | 2,401 |
| Others | 254 | (35) | - | - | 219 |
| Subtotal | <u>\$ 55,465</u> | <u>(\$ 21,526)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 33,939</u> |
| – Deferred tax liabilities: | | | | | |
| Gain on foreign investment accounted for under equity method | (\$ 760,493) | (\$ 122,418) | \$ - | \$ - | (\$ 882,911) |
| Pension expense | (1,582) | (260) | - | - | (1,842) |
| Unrealised exchange gain | (4,854) | 4,854 | - | - | - |
| Subtotal | <u>(766,929)</u> | <u>(117,824)</u> | <u>-</u> | <u>-</u> | <u>(884,753)</u> |
| Total | <u>(\$ 711,464)</u> | <u>(\$ 139,350)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>(\$ 850,814)</u> |

3. The Company's income tax returns through 2017 have been assessed and approved by the Tax Authority.

KKK. Earnings per share

| | For the year ended December 31, 2020 | | |
|---|--------------------------------------|---|---------------------------------------|
| | Amount after tax | Weighted average number of ordinary shares outstanding (shares in thousands) | Earnings per share (in dollars) |
| <u>Basic earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the Company | \$ 2,934,043 | 340,009 | \$ 8.63 |
| <u>Diluted earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the Company | \$ 2,934,043 | 340,009 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' stock options | - | 20 | |
| Employees' compensation | - | 823 | |
| Convertible bonds | 31,816 | 16,100 | |
| Employee restricted stock | - | 3,972 | |
| Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares | <u>\$ 2,965,859</u> | <u>360,924</u> | <u>\$ 8.22</u> |
| | For the year ended December 31, 2019 | | |
| | Amount after tax | Weighted average number of ordinary shares outstanding (shares in thousands) | Earnings per share (in dollars) |
| <u>Basic earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the Company | \$ 3,153,203 | 314,636 | \$ 10.02 |
| <u>Diluted earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the Company | \$ 3,153,203 | 314,636 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' stock options | - | 154 | |
| Employees' compensation | - | 1,046 | |
| Convertible bonds | 44,248 | 35,592 | |
| Employee restricted stock | - | 853 | |
| Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares | <u>\$ 3,197,451</u> | <u>352,281</u> | <u>\$ 9.08</u> |

LLL. Supplemental cash flow information

A. Investing activities with partial cash payments:

| | <u>For the years ended December 31,</u> | |
|--|---|---------------------|
| | <u>2020</u> | <u>2019</u> |
| Purchase of property, plant and equipment (including prepayments for business facilities) | \$ 2,566,919 | \$ 1,660,650 |
| Add: Opening balance of other payables (including related parties) | 662,258 | 134,296 |
| Less: Ending balance of other payables (including related parties) | (1,746,707) | (662,258) |
| Cash paid during the period | <u>\$ 1,482,470</u> | <u>\$ 1,132,688</u> |

B. Financing activities with no cash flow effects:

| | <u>For the years ended December 31,</u> | |
|--|---|-------------------|
| | <u>2020</u> | <u>2019</u> |
| Convertible bonds being converted to capital stocks and capital surplus | <u>\$ 2,118,875</u> | <u>\$ 784,775</u> |

MMM. Changes in liabilities from financing activities

| | <u>2020</u> | | | |
|--|------------------------|----------------------|-----------------------------|--|
| | <u>Lease liability</u> | <u>Bonds payable</u> | <u>Long-term borrowings</u> | <u>Liabilities from financing activities-gross</u> |
| At January 1 | \$ 16,198 | \$ 2,093,521 | \$ 1,349,962 | \$ 3,459,681 |
| Changes in cash flow from financing activities | (7,772) | - | 1,605,400 | 1,597,628 |
| Increase in lease liabilities | 7,172 | - | - | 7,172 |
| Amortisation of discounts on bonds payable | - | 41,636 | - | 41,636 |
| Put options of convertible bonds | - | (1,396) | - | (1,396) |
| Convertible bonds converted to capital stocks and capital surplus | - | (2,118,875) | - | (2,118,875) |
| At December 31 | <u>\$ 15,598</u> | <u>\$ 14,886</u> | <u>\$ 2,955,362</u> | <u>\$ 2,985,846</u> |

| | 2019 | | | |
|---|------------------|---------------------|----------------------|---|
| | Lease liability | Bonds payable | Long-term borrowings | Liabilities from financing activities-gross |
| At January 1 | \$ 19,512 | \$ - | \$ - | \$ 19,512 |
| Changes in cash flow from financing activities | (6,260) | 3,069,952 | 1,349,962 | 4,413,654 |
| Increase in lease liabilities | 2,946 | - | - | 2,946 |
| Amortisation of discounts on bonds payable | - | 87,409 | - | 87,409 |
| Conversion rights of convertible bonds | - | (246,517) | - | (246,517) |
| Put options of convertible bonds | - | (32,548) | - | (32,548) |
| Convertible bonds converted to capital stocks and capital surplus | - | (784,775) | - | (784,775) |
| At December 31 | <u>\$ 16,198</u> | <u>\$ 2,093,521</u> | <u>\$ 1,349,962</u> | <u>\$ 3,459,681</u> |

G. RELATED PARTY TRANSACTIONS

1. Names of related parties and relationship

| Names of related parties | Relationship with the Company |
|---|---|
| FLEXIUM INTERCONNECT INC. (“FLEXIUM”) | The Company's wholly-owned subsidiary |
| SUCCESS GLORY INVESTMENTS LTD. (“SUCCESS”) | FLEXIUM's wholly-owned subsidiary |
| GRANDPLUS ENTERPRISES LTD. (“GRANDLUS”) | FLEXIUM's wholly-owned subsidiary |
| UFLEX TECHNOLOGY CO., LTD. (“UFLEX”) | The Company's wholly-owned subsidiary |
| FLEXIUM INTERCONNECT AMERICA LLC (“FLEXIUM USA”) | UFLEX's wholly-owned subsidiary, while it became the wholly-owned subsidiary of the Company since the second quarter of 2019. |
| FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION (“FLEXIUM INTERCONNECT(KUNSHAN)”) | Subsidiary held by UFLEX and SUCCESS with 25.89% and 74.11% ownership, respectively. |
| FLEXIUM INTERCONNECT INVESTMENT Co., Ltd. (“FLEXIUM INTERCONNECT INVESTMENT”) | The Company's wholly-owned subsidiary |
| CHOSEN GLORY LIMITED (“CHOSEN”) | GRANDLUS's wholly-owned subsidiary |
| CHAMPION BEYOND LIMITED (“CHAMPION”) | GRANDLUS's wholly-owned subsidiary |
| FOREVER MASTER LIMITED (“FOREVER”) | GRANDLUS's wholly-owned subsidiary |
| BOOM BUSINESS LIMITED (“BOOM”) | The Company's wholly-owned subsidiary |
| CLEAR SUCCESS GLOBAL LIMITED (“CLEAR”) | BOOM's wholly-owned subsidiary |
| FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION (“FLEXIUM TECHNOLOGY (SUZHOU)”) | CLEAR's wholly-owned subsidiary |

NNN. Significant related party transactions

1. Sales revenue (from sales of materials and supplies) and operating costs (from purchases of goods) arising from processing services for the subsidiary, FLEXIUM INTERCONNECT (KUNSHAN), through an offshore entity were written off when preparing the parent company only financial statements. For the years ended December 31, 2020 and 2019, the write-offs amounted to \$4,149,361 and \$3,015,676, respectively.

Sales of work in progress to the related parties have no comparative transactions. The prices are based on mutual agreement. The prices of materials and supplies are costs plus margin. The credit terms are 180 days for related parties and 45~120 days for regular clients after monthly billing for related parties.

2. Purchases:

| | <u>For the years ended December 31,</u> | |
|------------------------------------|---|----------------------|
| | <u>2020</u> | <u>2019</u> |
| Purchases of goods: | | |
| - FLEXIUM INTERCONNECT(KUNSHAN) \$ | 14,565,884 | \$ - |
| - GRANDPLUS | <u>1,729,403</u> | <u>17,435,813</u> |
| | <u>\$ 16,295,287</u> | <u>\$ 17,435,813</u> |

(a) Sales revenue (from sales of materials and supplies) and operating costs (from purchases of goods) arising from processing services for the subsidiary, FLEXIUM INTERCONNECT(KUNSHAN), through an offshore entity were written off when preparing the parent company only financial statements.

(b) Prices of purchases from the related parties are the same with those from other suppliers. The payment terms are 90 days to the related parties and 60~90 days to other suppliers after monthly billing.

3. Miscellaneous income

| | <u>For the years ended December 31,</u> | |
|---------|---|-------------------|
| | <u>2020</u> | <u>2019</u> |
| SUCCESS | \$ 58,481 | \$ 78,976 |
| UFLEX | <u>-</u> | <u>26,486</u> |
| | <u>\$ 58,481</u> | <u>\$ 105,462</u> |

4. Other expenses

| | <u>For the years ended December 31,</u> | |
|-------------|---|-------------------|
| | <u>2020</u> | <u>2019</u> |
| SUCCESS | \$ 58,143 | \$ 70,043 |
| FLEXIUM USA | 8,897 | 8,342 |
| UFLEX | - | 36,306 |
| | <u>\$ 67,040</u> | <u>\$ 114,691</u> |

5. Accounts receivable

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|-------------------------------|--------------------------|--------------------------|
| FLEXIUM INTERCONNECT(KUNSHAN) | \$ 1,965,011 | \$ - |
| GRANDPLUS | - | 1,857,527 |
| | <u>\$ 1,965,011</u> | <u>\$ 1,857,527</u> |

6. Other receivables

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|-------------------------------|--------------------------|--------------------------|
| FOREVER | \$ 16,560 | \$ 148,574 |
| SUCCESS | 39,621 | 45,750 |
| FLEXIUM INTERCONNECT(KUNSHAN) | 11,303 | - |
| | <u>\$ 67,484</u> | <u>\$ 194,324</u> |

7. Accounts payable

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|-------------------------------|--------------------------|--------------------------|
| FLEXIUM INTERCONNECT(KUNSHAN) | \$ 8,230,111 | \$ - |
| GRANDPLUS | - | 6,105,225 |
| | <u>\$ 8,230,111</u> | <u>\$ 6,105,225</u> |

8. Other payables

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---------|--------------------------|--------------------------|
| SUCCESS | \$ 35,627 | \$ 36,926 |

9. Property transactions

1. Acquisition of property, plant and equipment

| | For the years ended December 31, | |
|---------|----------------------------------|-----------------|
| | 2020 | 2019 |
| FOREVER | \$ <u>872</u> | \$ <u>6,245</u> |

2. Proceeds from disposal of property, plant and equipment

| | For the years ended December 31, 2020 | |
|-------------------------------|---------------------------------------|---------------|
| | Amount | (Losses) gain |
| FLEXIUM INTERCONNECT(KUNSHAN) | \$ <u>11,592</u> | \$ <u>-</u> |

There was no such transaction as of December 31, 2019.

OOO. Key management compensation

| | For the years ended December 31, | |
|------------------------------|----------------------------------|------------------|
| | 2020 | 2019 |
| Short-term employee benefits | \$ 65,936 | \$ 73,796 |
| Post-employment benefits | 161 | 187 |
| Share-based payments | <u>36,543</u> | <u>20,929</u> |
| | \$ <u>102,640</u> | \$ <u>94,912</u> |

H. PLEGGED ASSETS

| Pledged asset | Book value | | Purpose |
|---|-------------------|-------------------|--------------------------------|
| | December 31, 2020 | December 31, 2019 | |
| Refundable deposits (recorded in “Other current assets” and “Other non-current assets”) | \$ <u>259,479</u> | \$ <u>244,439</u> | Guarantee for land bid and gas |

I. COMMITMENTS AND CONTINGENT LIABILITIES

- (1) As of December 31, 2020 and 2019, the Company issued promissory notes amounting to \$3,679,210 and \$2,089,810 for loans, sales on credit and forward exchange contracts, respectively.
- (2) As of December 31, 2020 and 2019, the Company entered into several contracts for construction and acquisition of machinery with total values of \$6,280,826 and \$4,643,153, respectively, and the unpaid balance on these contracts amounted to \$3,382,140 and \$3,778,776, respectively.

J. SIGNIFICANT CATASTROPHE

None.

K. SUBSEQUENT EVENTS

- (1) On November 4, 2020, the Board of Directors resolved to issue the Company's fourth time overseas unsecured convertible bonds at 102% of face value, and the total issuance amount was US\$120 million, cover a 3-year period of issuance. The issuance of the unsecured convertible bonds was approved by the FSC, and the unsecured convertible bonds was listed on Singapore Exchange Limited on January 25, 2021.
- (2) To fulfil working capital needs and repay bank borrowings and corporate bonds, while taking into consideration the timeliness and feasibility of financing and issue cost, the Board of Directors during their meeting on February 17, 2021 resolved to raise capital from strategic investors through a public or private offering or a combination of the two to issue common shares, issue new shares to participate in global depository receipt or issue foreign or domestic convertible bonds at several times or at the same time at an appropriate timing, and their actual issuing shares or convertible shares will be delegated to the Board of Directors issuing within 36,000 thousand shares depending on the condition of capital market after proposing to the shareholder for approval.

L. OTHERS

1. Capital management

The Company'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 Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Total debt is calculated as 'current and non-current liabilities' as shown in the consolidated balance sheet.

During 2020, the Company's strategy, which was unchanged from 2019, was to maintain the balance of the capital structure. The gearing ratio at December 31, 2020 and 2019 were as follows:

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|-------------------|--------------------------|--------------------------|
| Total liabilities | \$ 16,659,821 | \$ 13,058,582 |
| Total assets | \$ 42,217,310 | \$ 34,986,384 |
| Gearing ratio | <u>39</u> | <u>37</u> |

2. Financial instruments

A. Financial instruments by category

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|--------------------------|--------------------------|
| <u>Financial assets</u> | | |
| Financial assets at fair value through profit or loss | | |
| Financial assets mandatorily measured at fair value through profit or loss | \$ 794 | \$ - |
| Financial assets designated at fair value through profit or loss on initial recognition | 22 | - |
| | <u>\$ 816</u> | <u>\$ -</u> |
| Financial assets at fair value through other comprehensive income | | |
| Designation of equity instrument | <u>\$ 57,016</u> | <u>\$ 30,550</u> |
| Financial assets at amortised cost | | |
| Cash and cash equivalents | \$ 7,605,739 | \$ 5,994,442 |
| Financial assets at amortised cost | 9,275,320 | 8,037,220 |
| Accounts receivable (including related parties) | 9,261,549 | 8,787,639 |
| Other receivables | 175,549 | 260,374 |
| Refundable deposits | 325,176 | 247,025 |
| | <u>\$ 26,643,333</u> | <u>\$ 23,326,700</u> |
| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
| <u>Financial liabilities</u> | | |
| Financial liabilities at fair value through profit or loss | | |
| Financial liabilities designated at fair value through profit or loss | <u>\$ -</u> | <u>\$ 448</u> |
| Financial liabilities at amortised cost | | |
| Accounts payable (including related parties) | \$ 9,005,482 | \$ 6,758,862 |
| Other payables | 2,490,437 | 1,409,942 |
| Bonds payable (including current portion) | 14,886 | 2,093,521 |
| Long-term borrowings (including current portion) | 2,955,362 | 1,349,962 |
| Guarantee deposits received | 12,172 | 12,608 |
| | <u>\$ 14,478,339</u> | <u>\$ 11,624,895</u> |
| Lease liabilities | <u>\$ 15,598</u> | <u>\$ 16,198</u> |

B. Financial risk management policies

- (a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Company, derivative financial instruments, such as foreign exchange forward contracts are used to hedge certain exchange rate risk. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.
- (b) Risk management is carried out by a central treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, 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 Company 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 recognised assets and liabilities.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Company treasury. Exchange rate risk is measured through a forecast of highly probable USD expenditures. Forward foreign exchange contracts are adopted to minimise the volatility of the exchange rate affecting cost of forecast inventory purchases.
- iii. The Company hedges foreign exchange rate by using forward exchange contracts. However, the Company does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2).
- iv. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

| | | | | | | | December 31, 2020 | | | |
|---|---------------|---------------------|------------------------|-----------------------------|---|--------|-------------------|--|--|--|
| Foreign currency | | | Sensitivity analysis | | | | | | | |
| amount (In thousands) | Exchange rate | Book value (NTD) | Degree of variation | Effect on profit or loss | Effect on other comprehensive income | | | | | |
| (Foreign currency: functional currency) | | | | | | | | | | |
| <u>Financial assets</u> | | | | | | | | | | |
| <u>Monetary items</u> | | | | | | | | | | |
| USD:NTD | \$ 379,350 | 28.508 | \$ 10,814,510 | 1% | \$ 108,145 | \$ - | | | | |
| <u>Non-monetary items</u> | | | | | | | | | | |
| USD:NTD | 2,000 | 28.508 | 57,016 | 1% | - | 570 | | | | |
| <u>Long-term equity investments accounted for under equity method</u> | | | | | | | | | | |
| USD:NTD | 277,522 | 28.508 | 7,911,599 | 1% | - | 79,116 | | | | |
| <u>Financial liabilities</u> | | | | | | | | | | |
| <u>Monetary items</u> | | | | | | | | | | |
| USD:NTD | 353,333 | 28.508 | 10,072,817 | 1% | (100,728) | - | | | | |
| December 31, 2019 | | | | | | | | | | |
| Foreign currency | | | Sensitivity analysis | | | | | | | |
| amount (In thousands) | Exchange rate | Book value (NTD) | Degree of variation | Effect on profit or loss | Effect on other comprehensive income | | | | | |
| (Foreign currency: functional currency) | | | | | | | | | | |
| <u>Financial assets</u> | | | | | | | | | | |
| <u>Monetary items</u> | | | | | | | | | | |
| USD:NTD | \$ 349,054 | 30.1060 | \$ 10,508,620 | 1% | \$ 105,086 | \$ - | | | | |
| <u>Non-monetary items</u> | | | | | | | | | | |
| USD:NTD | 1,000 | 30.1060 | 30,550 | 1% | - | 306 | | | | |
| <u>Long-term equity investments accounted for under equity method</u> | | | | | | | | | | |
| USD:NTD | 214,867 | 30.1060 | 6,468,791 | 1% | - | 64,688 | | | | |
| <u>Financial liabilities</u> | | | | | | | | | | |
| <u>Monetary items</u> | | | | | | | | | | |
| USD:NTD | 233,573 | 30.1060 | 7,031,949 | 1% | (70,319) | - | | | | |

- v. The total exchange loss, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2020 and 2019 amounted to \$21,385 and \$7,143, respectively.

Price risk

- i. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- ii. The Company's investments in equity securities comprise shares issued 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, for the years ended December 31, 2020 and 2019 other components of equity would have increased/decreased by \$570 and \$306, 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 issued zero coupon liability financial instruments with embedded conversion options and call options. The fair value of the financial instrument is exposed under the risk of market fluctuation. There was no cash flow risk arising from significant changes in interest rate after assessment.
- ii. The Company's main interest rate risk arises from long-term borrowings with variable rates, which expose the Company to cash flow interest rate risk. As of December 31, 2020 and 2019, the Company's borrowings at variable rate were mainly denominated in New Taiwan dollars.
- iii. If borrowing interest rate had increased/decreased by 0.25% with all other variables held constant, profit, net of tax for the years ended December 31, 2020 and 2019 would have increased/decreased by \$7,388 and \$3,375, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. The Company manages their credit risk taking into consideration the entire company's concern. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

- iii. If the contract payments were past due over certain days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iv. The default occurs when the contract payments are expected unrecoverable and are transferred to overdue receivables
- v. The Company classifies customers' accounts receivable in accordance with credit risk on trade. The Company applies the simplified approach using provision matrix to estimate expected credit loss under the provision matrix basis.
- vi. The Company used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. As of December 31, 2020 and 2019, the provision matrix classified by customers is as follows:

| | Group A | Group B | Group C | Group D | Group E | Total |
|--------------------|--------------|----------|--------------|------------|------------|--------------|
| December 31, 2020 | | | | | | |
| Book value | \$ 5,258,935 | \$ 1,367 | \$ 1,433,263 | \$ 334,024 | \$ 269,354 | \$ 7,296,943 |
| Expected loss rate | 0.00% | 0.00% | 0.01% | 0.01% | 0.01% | |
| Loss allowance | \$ 237 | \$ - | \$ 121 | \$ 26 | \$ 21 | \$ 405 |
| December 31, 2019 | | | | | | |
| Book value | \$ 4,039,845 | \$ 1,686 | \$ 2,369,976 | \$ 452,849 | \$ 66,838 | \$ 6,931,194 |
| Expected loss rate | 0.01% | 0.01% | 0.02% | 0.03% | 0.00% | |
| Loss allowance | \$ 392 | \$ - | \$ 572 | \$ 117 | \$ 1 | \$ 1,082 |

Accounts receivable is grouped based on stock liquidity, paid-in capital, current ratio and debt ratio of counterparties.

- vii. Movements in relation to the Company applying the simplified approach to provide loss allowance for accounts receivable are as follows:

| | 2020 | 2019 |
|-----------------------------|----------|----------|
| At January 1 | \$ 1,082 | \$ 1,195 |
| Reversal of impairment loss | (677) | (113) |
| At December 31 | \$ 405 | \$ 1,082 |

For provisioned loss for the years ended December 31, 2020 and 2019, the reversal of impairment loss and provision for arising from customers' contracts are \$677 and \$113, respectively.

(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 while maintaining sufficient headroom on its undrawn committed borrowing facilities.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management are invested in interest bearing current accounts, time deposits, structured certificates of deposit and bonds sold under reprurchase agreement, 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 \$16,880,603 and \$14,031,018, respectively, that are expected to readily generate cash inflows for managing liquidity risk.
- iii. The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

| <u>December 31, 2020</u> | <u>Less than 1 year</u> | <u>Between 1 and 2 years</u> | <u>Over 2 years</u> |
|---|-------------------------|------------------------------|---------------------|
| Non-derivative financial liabilities: | | | |
| Accounts payable (including related parties) | \$ 9,005,482 | \$ - | \$ - |
| Other payables | 2,490,437 | - | - |
| Lease liabilities | 7,469 | 7,038 | 1,457 |
| Bonds payable | 15,419 | - | - |
| Long-term borrowings | 887 | 326,132 | 2,631,823 |
| <u>December 31, 2019</u> | <u>Less than 1 year</u> | <u>Between 1 and 2 years</u> | <u>Over 2 years</u> |
| Non-derivative financial liabilities: | | | |
| Accounts payable (including related parties) | \$ 6,758,862 | \$ - | \$ - |
| Other payables | 1,409,942 | - | - |
| Lease liabilities | 6,254 | 4,946 | 5,333 |
| Bonds payable | - | 2,241,923 | - |
| Long-term borrowings | 675 | 675 | 1,351,939 |
| Derivative financial liabilities: | | | |
| Put options of convertible bonds | 448 | - | - |

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 with quoted market prices 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 certain derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value

The carrying amounts of financial instruments not measured at fair value, including cash and cash equivalents, financial assets at amortised cost, accounts receivable, other receivables, guarantee deposits paid (recorded in "Other current assets" and "Other non-current assets-others"), accounts payable, other payables, lease liabilities, bonds payable, long-term borrowings and guarantee deposits received (recorded in "Other non-current assets"), are approximate to their fair values.

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

(a) The related information of natures of the assets and liabilities is as follows:

| <u>December 31, 2020</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|----------------|----------------|------------------|------------------|
| <u>Assets</u> | | | | |
| <u>Recurring fair value measurements</u> | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Forward foreign exchange contracts | \$ - | \$ 794 | \$ - | 794 |
| Put options of convertible bonds | | | 22 | 22 |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity securities | - | - | 57,016 | 57,016 |
| | <u>\$ -</u> | <u>\$ 794</u> | <u>\$ 57,038</u> | <u>\$ 57,832</u> |

Liabilities: None.

December 31, 2019

Assets

Recurring fair value measurements

Financial assets at fair value through other comprehensive income

| | | | | |
|-------------------|-------------|-------------|------------------|------------------|
| Equity securities | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 30,550</u> | <u>\$ 30,550</u> |
|-------------------|-------------|-------------|------------------|------------------|

Liabilities

Recurring fair value measurements

Financial liabilities at fair value through profit or loss

| | | | | |
|----------------------------------|-------------|-------------|---------------|---------------|
| Put options of convertible bonds | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 448</u> | <u>\$ 448</u> |
|----------------------------------|-------------|-------------|---------------|---------------|

- (b) The methods and assumptions the Company used to measure fair value are as follows:
- i. The instruments the Company used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

| | |
|---------------------|----------------------|
| | <u>Listed shares</u> |
| Market quoted price | Closing price |

- ii. The assessment of structured certificates of deposit is calculated based on the product revenue that is provided by counterparties.
- iii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the parent company only balance sheet date.
- iv. For high-complexity financial instruments, the fair value is measured by using self-developed valuation model based on the valuation method and technique widely used within the same industry. The valuation model is normally applied to derivative financial instruments, debt instruments with embedded derivatives or securitised instruments. Certain inputs used in the valuation model are not observable at market, and the Company must make reasonable estimates based on its assumptions. The effect of unobservable inputs to the valuation of financial instruments is provided in Note 12(3)H.

D. For the years ended December 31, 2020 and 2019, there was no transfer between Level 1 and Level 2.

E. The following chart is the movement of Level 3 for the year ended December 31, 2020 and 2019:

| | 2020 | | 2019 | |
|--|---------------------------|--------------------------------------|---------------------------|--------------------------------------|
| | Derivative instruments | Non-derivative equity instruments | Derivative instruments | Non-derivative equity instruments |
| At January 1 | (\$ 448) | \$ 30,550 | \$ - | \$ - |
| Issued in the year | - | - | (32,848) | - |
| Gains recognised in profit or loss (Note) | 1,866 | - | 32,100 | - |
| Losses recognised in othr comprehensive income | - | (3,259) | - | - |
| Investments in the year | - | 29,725 | - | 30,550 |
| Conversion in the year | (1,396) | - | 300 | - |
| December 31 | <u>\$ 22</u> | <u>\$ 57,016</u> | <u>(\$ 448)</u> | <u>\$ 30,550</u> |

Movement of unrealised gain in profit or loss of assets

| | | | | |
|--|-----------------|-------------|------------------|-------------|
| and liabilities held as at December 31, 2020 and 2019 (Note) | <u>\$ 1,866</u> | <u>\$ -</u> | <u>\$ 32,100</u> | <u>\$ -</u> |
|--|-----------------|-------------|------------------|-------------|

Note: Recorded as non-operating income and expense.

F. For the years ended December 31, 2020 and 2019, there was no transfer into or out from Level 3.

G. Treasury 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 using the actuarial reports issued by external experts. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

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

| | Fair value at December 31, 2020 | Valuation technique | Significant unobservable input | Range (weighted average) | Relationship of inputs to fair value |
|---------------------------------------|------------------------------------|--|---|-----------------------------|--|
| Hybrid instruments: | | | | | |
| Convertible bonds | \$ 22 | Binary tree Convertible bond valuation model | Stock price volatility | 35.77%~43.60% | The higher the stock price volatility, the lower the fair value |
| Non-derivative equity instruments: | | | | | |
| Unlisted shares | \$ 50,716 | Discounted cash flow | Long-term revenue growth rate and long-term pre-tax operating margin | N/A | The higher the long-term revenue growth rate and long-term pre-tax operating margin, the higher the fair value |
| | Fair value at December 31, 2019 | Valuation technique | Significant unobservable input | Range (weighted average) | Relationship of inputs to fair value |
| Hybrid instruments: | | | | | |
| Convertible bonds | (\$ 448) | Binary tree Convertible bond valuation model | Stock price volatility | 34.32%~37.56% | The higher the stock price volatility, the lower the fair value |
| Non-derivative equity instruments: | | | | | |
| Unlisted shares | \$ 30,550 | Discounted cash flow | Long-term revenue growth rate and long-term pre-tax operating margin | N/A | The higher the long-term revenue growth rate and long-term pre-tax operating margin, the higher the fair value |

I. The Company has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

| | | December 31, 2020 | | | | | |
|-----------------------|----|------------------------|--------|------------------------------|--------------|--|--------------|
| | | Input | Change | Recognised in profit or loss | | Recognised in other comprehensive income | |
| | | | | Favourable | Unfavourable | Favourable | Unfavourable |
| Financial assets | | | | | | | |
| Equity instruments | \$ | 57,016 | ±1% | \$ - | \$ - | \$ 570 | (\$ 570) |
| Hybrid instruments | | Stock price volatility | ±5% | \$ 2,663 | (\$ 1,775) | \$ - | \$ - |
| | | December 31, 2019 | | | | | |
| | | Input | Change | Recognised in profit or loss | | Recognised in other comprehensive income | |
| | | | | Favourable | Unfavourable | Favourable | Unfavourable |
| Financial assets | | | | | | | |
| Equity instruments | \$ | 30,550 | ±1% | \$ - | \$ - | \$ 306 | (\$ 306) |
| Financial liabilities | | | | | | | |
| Hybrid instruments | | Stock price volatility | ±5% | \$ 309 | \$ - | \$ - | \$ - |

M. SUPPLEMENTARY DISCLOSURES

1. Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: None.

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 \$300 million or 20% of the Company's paid-in capital: None.

E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: Please refer to table 3.

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 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 Notes 6(2) and 12(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

1. Basic information: Please refer to table 8.

2. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 9.

3. Major shareholders information

Names of shareholders who hold more than 5% of the Company: None.

N. Segment Information

None.

FLEXIUM INTERCONNECT, INC.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

| Items | Summary | Amount |
|----------------------------------|---|---------------------|
| Cash on hand and revolving funds | | \$ 456 |
| Demand deposits | NTD | 830,861 |
| | USD(US\$56,878 thousand at exchange rate of 28.51) | 1,621,482 |
| | Other foreign currency | 2,110 |
| Cash equivalents | | |
| NTD time deposits | Interest rate range: 0.29%~0.41% | |
| | Expiration date: From January 5, 2021 to March 30, 2021 | <u>5,150,830</u> |
| | | <u>\$ 7,605,739</u> |

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FLEXIUM INTERCONNECT, INC.
STATEMENT OF FINANCIAL ASSETS MEASURED AT AMORTIZED COST -CURRENT
DECEMBER 31, 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

| <u>Name</u> | <u>Summary</u> | <u>Contract period</u> | <u>Amount</u> | <u>Interest rate</u> | <u>Note</u> |
|----------------------------------|-------------------|------------------------|---------------------|----------------------|---------------------|
| Yuanta Commercial Bank Co., Ltd. | NTD time deposits | 2020.07~2021.06 | \$ 3,500,000 | 0.41%~0.45% | Fixed interest rate |
| Taishin International Bank | NTD time deposits | 2020.07~2021.05 | 3,100,000 | 0.30%~0.40% | Fixed interest rate |
| E.Sun Commercial Bank, Ltd. | NTD time deposits | 2020.08~2021.06 | 979,000 | 0.07%~0.49% | Fixed interest rate |
| DBS Bank Ltd. | NTD time deposits | 2020.08~2021.06 | 1,529,100 | 0.53% | Fixed interest rate |
| Hua Nan Commercial Bank | NTD time deposits | 2020.01~2021.01 | 5,980 | 0.82% | Fixed interest rate |
| Far Eastern International Bank | NTD time deposits | 2020.07~2021.04 | <u>161,240</u> | 0.53% | Fixed interest rate |
| | | | <u>\$ 9,275,320</u> | | |

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FLEXIUM INTERCONNECT, INC.
STATEMENT OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2020
 (EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

| <u>Customer name</u> | <u>Summary</u> | <u>Amount</u> | <u>Note</u> |
|--|----------------|---------------------|-------------|
| Non-related parties: | | | |
| A Company | Sales revenue | \$ 3,708,825 | |
| B Company | Sales revenue | 610,374 | |
| C Company | Sales revenue | 448,824 | |
| Others (minor amount less than 5%) | Sales revenue | <u>2,528,920</u> | |
| | | 7,296,943 | |
| Less: Allowance for uncollectible accounts | | (<u>405</u>) | |
| | | <u>\$ 7,296,538</u> | |
| Related parties: | | | |
| FLEXIUM INTERCONNECT | Sales revenue | <u>\$ 1,965,011</u> | |
| (KUNSHAN) INCORPORATION | | | |

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FLEXIUM INTERCONNECT, INC.
STATEMENT OF INVENTORIES
DECEMBER 31, 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

| <u>Items</u> | <u>Summary</u> | <u>Amount</u> | | <u>Note</u> |
|--|----------------|---------------------|-----------------------------|---|
| | | <u>Cost</u> | <u>Net realisable value</u> | |
| Materials and supplies | | \$ 131,664 | \$ 131,664 | Use the net realizable value be the market price |
| Work in progress and semi-finished goods | | 208,587 | 353,707 | Use the net realizable value be the market price |
| Finished goods and merchandise inventory | | <u>1,017,125</u> | <u>1,186,890</u> | Use the net realizable value be the market price |
| | | 1,357,376 | <u>\$ 1,672,261</u> | |
| Less: Allowance for inventory valuation losses | | (<u>36,697</u>) | | |
| | | <u>\$ 1,320,679</u> | | |

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FLEXIUM INTERCONNECT, INC.
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

| Name | Opening balance | | Additions (Note) | | Reductions (Note) | | Ending balance | | | Market price or net value per share | | Collateral or pledged | Note |
|---|----------------------|---------------------|----------------------|---------------------|----------------------|-------------------|----------------------|-----------|---------------------|-------------------------------------|---------------------|-----------------------|------|
| | Number of shares | | Number of shares | | Number of shares | | Number of shares | | % | Price | | | |
| | (per thousand share) | Amount | (per thousand share) | Amount | (per thousand share) | Amount | (per thousand share) | Ownership | | Amount | (in dollar) | | |
| FLEXIUM INTERCONNECT INC. | 50 | \$ 4,004,918 | - | \$ 1,045,112 | - | (\$ 2,474) | 50 | 100.00% | \$ 5,047,556 | \$ 103,066.18 | \$ 5,153,309 | None | |
| UFLEX TECHNOLOGY CO., LTD. | 50 | 1,369,736 | - | 366,668 | - | (864) | 50 | 100.00% | 1,735,540 | 35,499.68 | 1,772,484 | None | |
| FLEXIUM INTERCONNECT INVESTMENT CO., LTD. | 5,000 | 30,117 | - | 10,923 | - | - | 5,000 | 100.00% | 41,040 | 8.21 | 41,040 | None | |
| BOOM BUSINESS LIMITED | 35,000 | 1,085,264 | - | 37,752 | - | - | 35,000 | 100.00% | 1,123,016 | 32.09 | 1,123,016 | None | |
| FLEXIUM INTERCONNECT AMERICA LLC. | - | 8,873 | - | - | - | (3,386) | - | 100.00% | 5,487 | - | 5,487 | None | |
| | | <u>\$ 6,498,908</u> | | <u>\$ 1,460,455</u> | | <u>(\$ 6,724)</u> | | | <u>\$ 7,952,639</u> | | <u>\$ 8,095,336</u> | | |

Note: Including net income (losses) of the investee, realised (unrealised) gain (loss) and financial statements translation differences of foreign operations.

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FLEXIUM INTERCONNECT, INC.
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

The information on 'Property, plant and equipment' is provided in Note 6(8).

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FLEXIUM INTERCONNECT, INC.
STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND
EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

The information on 'Property, plant and equipment' is provided in Note 6(8). Please refer to Note 4(15), for the information of depreciation methods and useful lives.

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FLEXIUM INTERCONNECT, INC.
STATEMENT OF ACCOUNTS PAYABLE
DECEMBER 31, 2020
 (EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

| <u>Vendor name</u> | <u>Summary</u> | <u>Amount</u> | <u>Note</u> |
|------------------------------------|----------------|---------------------|-------------|
| Non-related parties: | | | |
| A supplier | Purchases | \$ 123,438 | |
| B supplier | Purchases | 119,807 | |
| C supplier | Purchases | 44,109 | |
| Others (minor amount less than 5%) | Purchases | <u>488,017</u> | |
| | | <u>\$ 775,371</u> | |
| Related parties: | | | |
| FLEXIUM INTERCONNECT | Purchases | <u>\$ 8,230,111</u> | |
| (KUNSHAN) INCORPORATION | | | |

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FLEXIUM INTERCONNECT, INC.
STATEMENT OF OTHER PAYABLES
DECEMBER 31, 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

The information on 'Other Payables' is provided in Note 6(13) and Note 7(2)H.

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FLEXIUM INTERCONNECT, INC.
STATEMENT OF BONDS PAYABLE
DECEMBER 31, 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

| Name of Bond | Guarantor | Period | Date of interest payment | Interest rate | Total issued amount | Repayment | Balance at December 31, 2020 | Balance at | Unamortised | Repayment method | Collateral or pledged | Note | |
|--|--|------------|-----------------------------|------------------|------------------------|-----------------------|---------------------------------|-----------------------|-------------|---------------------|--------------------------|------|--|
| | | | | | | | | December 31, 2020 | premium | | | | Book value |
| | | | | | | | | (NTD) | (discount) | | | | |
| Third overseas unsecured convertible bonds | KGI Securities Co. Ltd - Department of Trusts | 2019.01.22 | Note | Note | USD 100 million | (USD 99,500 thousand) | USD 500 thousand | \$ 15,419 | (\$ 533) | \$ 14,886 | Note | None | The bonds were traded in the Singapore Exchange Limited |
| | | | | | | | | Less: Current portion | | (14,886) | | | |
| | | | | | | | | | | \$ - | | | |

Note: Please refer to Note 6(14) for details.

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FLEXIUM INTERCONNECT, INC.
STATEMENT OF LONG-TERM BORROWINGS
DECEMBER 31, 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

| <u>Creditor</u> | <u>Summary</u> | <u>Amount</u> | <u>Contract period</u> | <u>Interest rate</u> | <u>Collateral or pledged</u> | <u>Note</u> |
|---------------------------------|----------------------|---------------------|------------------------|----------------------|----------------------------------|-------------|
| CTBC Bank | Unsecured borrowings | \$ 800,000 | 2019.05~2026.05 | 0.03%~1.30% | None | |
| CTBC Bank | Unsecured borrowings | 764,051 | 2019.05~2029.05 | 0.03%~1.30% | None | |
| E. Sun Commercial Bank, Ltd. | Unsecured borrowings | <u>1,391,311</u> | 2019.07~2026.07 | 0.03%~1.30% | None | |
| | | <u>\$ 2,955,362</u> | | | | |

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FLEXIUM INTERCONNECT, INC.
STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2020
 (EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

| <u>Items</u> | <u>Quantity</u> | <u>Amount</u> | <u>Note</u> |
|--------------------------------|------------------------|----------------------|-------------|
| Flexible printed circuit board | 1,149,530 thousand PCS | \$ 29,197,383 | |
| Other | | <u>591,813</u> | |
| | | 29,789,196 | |
| Less: Sales returns | | (20,024) | |
| Sales discounts | | <u>(97,983)</u> | |
| | | <u>\$ 29,671,189</u> | |

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FLEXIUM INTERCONNECT, INC.
STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

| Items | Amount |
|---|---------------|
| Opening merchandise inventory | \$ 513,999 |
| Add: Purchased during the year | 22,244,860 |
| Less: Goods transfer | (390,833) |
| Ending merchandise inventory | (1,001,717) |
| Scrapping of merchandises | (273,358) |
| Cost of goods manufactured and sold | 21,092,951 |
| Opening balance of raw materials | 70,659 |
| Add: Purchased during the year | 2,534,289 |
| Less: Ending balance of raw materials | (131,664) |
| Scrapping of raw materials | (869) |
| Reclassified to expenses | (452,677) |
| Raw materials for sale | (25,214) |
| Raw materials consumption | 1,994,524 |
| Direct labours | 602,556 |
| Manufacturing expenses | 2,051,317 |
| Manufacturing costs | 4,648,397 |
| Add: Opening work in progress and semi-finished | 151,121 |
| Purchased during the year | 103,125 |
| Finished goods and merchandise inventory | 402,806 |
| Less: Ending work in progress and semi-finished | (208,587) |
| Scrapped work in progress | (453) |
| Reclassified to expenses | (264,666) |
| Work in progress for sale | (5,783,198) |
| Cost of finished goods | (951,455) |
| Add: Opening finished goods | 30,280 |
| Purchased during the year | 55,632 |
| Less: Ending finished goods | (15,408) |
| Scrapping finished goods | (2,365) |
| Finished product transfer | (11,973) |
| Reclassified to expenses | (373) |
| Production and marketing costs | (895,662) |
| Other operating costs- raw materials for sale | 25,214 |
| Other operating costs- work in progress | 5,783,198 |
| Loss for market price decline and slow-moving inventories | 13,192 |
| Loss on scrapping of inventories | 277,045 |
| Cost of sales | \$ 26,295,938 |

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FLEXIUM INTERCONNECT, INC.
STATEMENT OF MANUFACTURING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
 (EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

| <u>Items</u> | <u>Summary</u> | <u>Amount</u> | <u>Note</u> |
|------------------------------------|----------------|---------------------|-------------|
| Depreciation | | \$ 608,872 | |
| Wages and salaries | | 388,780 | |
| Spent material | | 388,648 | |
| Utilities expense | | 177,364 | |
| Repairs and maintenance expense | | 171,912 | |
| Others (minor amount less than 5%) | | <u>315,741</u> | |
| | | <u>\$ 2,051,317</u> | |

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FLEXIUM INTERCONNECT, INC.
STATEMENT OF SELLING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
 (EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

| <u>Items</u> | <u>Summary</u> | <u>Amount</u> | <u>Note</u> |
|---------------------------------------|----------------|-------------------|-------------|
| Wages and salaries | | \$ 62,444 | |
| Rent expense | | 16,117 | |
| Import and export expenses | | 16,154 | |
| Others (minor amount less than 5%) | | 13,001 | |
| | | <u>\$ 107,716</u> | |

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FLEXIUM INTERCONNECT, INC.
STATEMENT OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
 (EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

| <u>Items</u> | <u>Summary</u> | <u>Amount</u> | <u>Note</u> |
|------------------------------------|----------------|-------------------|-------------|
| Wages and salaries | | \$ 255,828 | |
| Employee benefits/welfare | | 25,885 | |
| Depreciation | | 23,606 | |
| Others (minor amount less than 5%) | | <u>97,927</u> | |
| | | <u>\$ 403,246</u> | |

FLEXIUM INTERCONNECT, INC.
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
 (EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

| <u>Items</u> | <u>Summary</u> | <u>Amount</u> | <u>Note</u> |
|------------------------------------|----------------|-------------------|-------------|
| Wages and salaries | | \$ 239,226 | |
| Research and development expense | | 233,788 | |
| Molding expense | | 72,895 | |
| Others (minor amount less than 5%) | | <u>109,060</u> | |
| | | <u>\$ 654,969</u> | |

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FLEXIUM INTERCONNECT, INC.
STATEMENT OF NET AMOUNT OF OTHER REVENUES AND GAINS AND EXPENSES AND LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

The information on ‘Net Amount of Other Revenues and Gains and Expenses and Losses’ is provided in Note 6(25).

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FLEXIUM INTERCONNECT, INC.
STATEMENT OF FINANCE COST
FOR THE YEAR ENDED DECEMBER 31, 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

The information on 'Finance Cost' is provided in Note 6(26).

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FLEXIUM INTERCONNECT, INC.
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION, DEPLETION AND AMORTIZATION EXPENSES BY FUNCTION
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

| By function By nature | Years ended December 31, | | | | | | | |
|----------------------------------|--------------------------|--------------------|------------------------|--------------|-----------------|--------------------|------------------------|--------------|
| | 2020 | | | | 2019 | | | |
| | Operating costs | Operating expenses | Non-operating expenses | Total | Operating costs | Operating expenses | Non-operating expenses | Total |
| Employee benefit expense (Note) | | | | | | | | |
| Salary and bonus | \$ 915,285 | \$ 386,391 | \$ - | \$ 1,301,676 | \$ 851,622 | \$ 298,919 | \$ - | \$ 1,150,541 |
| Employee restricted shares | 29,639 | 134,840 | - | 164,479 | 16,358 | 72,891 | - | 89,249 |
| Labour and health insurance fees | 79,774 | 29,982 | - | 109,756 | 76,017 | 28,940 | - | 104,957 |
| Pension costs | 32,999 | 15,267 | - | 48,266 | 30,232 | 14,526 | - | 44,758 |
| Directors' remuneration | - | 21,000 | - | 21,000 | - | 20,900 | - | 20,900 |
| Others | 21,782 | 35,686 | - | 57,468 | 20,547 | 31,736 | - | 52,283 |
| Depreciation | 608,872 | 55,387 | - | 664,259 | 452,343 | 30,659 | 4,167 | 487,169 |
| Amortisation | 95 | 32,778 | - | 32,873 | - | 47,110 | - | 47,110 |
| Total | \$ 1,688,446 | \$ 711,331 | \$ - | \$ 2,399,777 | \$ 1,447,119 | \$ 545,681 | \$ 4,167 | \$ 1,996,967 |

Note1 : As of December 31, 2020 and 2019, the numbers of employees of the Company were 1,913 and 1,938, respectively, including the numbers of directors who were not employees were both 8.

Note2: (a) Average employee benefit expense in current year was \$883; average employee benefit expense in previous year was \$747.

(b) Average employee salaries in current year were \$770; average employee salaries in previous year was \$642 (including salary and bonus, employee restricted shares and employee share options).

(c) Adjustments of average employee salaries were 19.94%.

(d) The Company has established the audit committee to replace supervisors, therefore no supervisors' remuneration was accrued.

(e) The Company's salary and remuneration policy : Directors' remuneration is not higher than 2% in accordance with Article 29-1 of the Company's Articles of Incorporation. A reasonable remuneration of directors is granted taking into consideration the Company's operating result and directors' contribution to the Company's performance. General managers', vice general managers' and managers' remuneration are determined based on the Company's payment standard of salary and their education and experience and operating performance. The assessment standard of employees' salary is determined based on their education and experience, skill, job responsibilities and dangerous degree of environment. Also, the Company's salary and remuneration policy is conducted in compliance with the Company's Management for Employee Remuneration and Management Measures for Performance Assessment.

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Flexium Interconnect Inc.
Loans to others
For the year ended December 31, 2020

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

| No. | Creditor | Borrower | General ledger account | Is a related party | Maximum | Balance at | Actual amount drawn down | Interest rate | Nature of loan | Amount of transactions with the borrower | Reason for short-term financing | Allowance for doubtful accounts | Collateral | | Limit on loans granted to a single party (Note 2) | Ceiling on total loans granted (Note 3) | Footnote |
|-----|---------------------------|--|-------------------------------------|--------------------|---|-------------------|--------------------------|---------------|----------------|--|---------------------------------|---------------------------------|------------|-------|---|---|----------|
| | | | | | outstanding balance during the year ended December 31, 2020 | December 31, 2020 | | | | | | | Item | Value | | | |
| 0 | FLEXIUM INTERCONNECT INC. | FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION | Other receivables - related parties | Yes | \$ 1,277,874 | \$ 1,227,874 | \$ - | - | Note 1 | \$ - | Company operation | \$ - | - | \$ - | \$ 2,555,748 | \$ 10,222,995 | - |
| 0 | FLEXIUM INTERCONNECT INC. | FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION | Other receivables - related parties | Yes | 1,277,874 | 1,277,874 | - | - | Note 1 | - | Company operation | - | - | - | 2,555,748 | 10,222,995 | - |

Note 1: Fill in purpose of loan when nature of loan is for short-term financing.

Note 2: In accordance with the Company's "Procedures for Provision of Loans", limit on loans to a single party with business transactions is the higher value of purchasing and selling during current year on the year of financing and is 20% of the Company's net asset based on the latest audited or reviewed consolidated financial statements; limit on loans to a single party with short-term financing is 10% of the Company's net assets based on the latest audited or reviewed financial statements.

Note 3: In accordance with the Company's "Procedures for Provision of Loans", ceiling on total loans is 40% of the Company's net assets based on the latest audited or reviewed financial statements.

Flexium Interconnect Inc.

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

For the year ended 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 | General ledger account | As of December 31, 2020 | | | | Footnote |
|--|-----------------------------------|--|---|-------------------------|------------|---------------|------------|----------|
| | | | | Number of shares | Book value | Ownership (%) | Fair value | |
| FLEXIUM INTERCONNECT INC. | Etherdyne Technologies, Inc | None. | Financial assets at fair value through other comprehensive income - non-current | 1,607,548 | \$ 57,016 | 15.00% | \$ 57,016 | - |
| FLEXIUM INTERCONNECT INVESTMENT CO., LTD. | Mycenax Biotech Inc. (Stock) | None. | Financial assets at fair value through profit or loss - current | 128,124 | 7,060 | Note 2 | 7,060 | - |

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: Not applicable since the percentage of ownership is less than 5%.

Flexium Interconnect Inc.
Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more
For the year ended December 31, 2020

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

| If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below: | | | | | | | | | | | | | |
|---|-----------------------------|----------------------|-----------------------|----------------------|---------------------------------------|--|---|---|-------------------------------------|--------|--|---|---|
| Real estate acquired by | Real estate acquired | Date of the event | Transaction amount | Status of payment | Counterparty | Relationship with the counterparty | Original owner who sold the real estate to the counterparty | Relationship between the original owner and the acquirer | Date of the original transaction | Amount | Basis or reference used in setting the price | Reason for acquisition of real estate and status of the real estate | Other commitments |
| FLEXIUM INTERCONNECT INC. | Land | September 12, 2018 | \$ 1,671,593 | \$ 250,494 | Kaohsiung City government | Non-related party | - | - | - | \$ - | - Subscription based on the notice released by the Kaohsiung city government | Building plants | The land shall be constructed within 3 years starting from the next day of the land turned over |
| FLEXIUM INTERCONNECT INC. | Buildings and structures | March 11, 2019 | 777,000 | 559,440 | Li Jin engineering Co., Ltd. | Non-related party | - | - | - | - | - Price comparison and negotiation | Building plants | None |
| FLEXIUM INTERCONNECT INC. | Buildings and structures | July 30, 2019 | 458,000 | 135,464 | Lee Ming construction Co., Ltd. | Non-related party | - | - | - | - | - Price comparison and negotiation | Building plants | None |
| FLEXIUM INTERCONNECT INC. | Land | February 27, 2020 | 774,432 | 116,165 | Kaohsiung City government | Non-related party | - | - | - | - | - Subscription based on the notice released by the Kaohsiung city government | Building plants | The land shall be constructed within 3 years starting from the next day of the land turned over |
| FLEXIUM INTERCONNECT INC. | Buildings and structures | October 8, 2020 | 555,975 | - | Acter Technology Co., Ltd. | Non-related party | - | - | - | - | - Price comparison and negotiation | Building plants | None |
| FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION | Land | December 12, 2019 | 606,038 | 606,038 | Taiflex (Kunshan) incorporation | Non-related party | - | - | - | - | - Price appraisal and negotiation | Building plants | None |
| | | | (Note) | (Note) | | | | | | | | | |

Note: The real estate acquired was appraised pursuant to the regulations amounting to RMB 138,710, and the numbers in this table are expressed in New Taiwan Dollars. Translated at exchanges rate of NT\$4.37 : RMB1.00.

Flexium Interconnect Inc.

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

For the year ended December 31, 2020

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

| Purchaser/seller | Counterparty | Relationship with the counterparty | Purchases (sales) | Transaction | | | Differences in transaction terms compared to third party transactions | | Notes/accounts receivable (payable) | | Footnote |
|---|---|------------------------------------|-------------------|-------------|---------------------------------------|-------------|---|-------------|-------------------------------------|---|----------|
| | | | | Amount | Percentage of total purchases (sales) | Credit term | Unit price | Credit term | Balance | Percentage of total notes/accounts receivable (payable) | |
| FLEXIUM INTERCONNECT INC. | GRANDPLUS ENTERPRISES LTD. | Subsidiary | Sales (\$ | 497,109) | 2 | 180 days | Note 2 | Note 2 | \$ - | - | Note 9 |
| GRANDPLUS ENTERPRISES | CHAMPION BEYOND LIMITED | Subsidiary | Sales (| 497,109) | 18 | 180 days | Note 3 | Note 3 | - | - | Note 9 |
| CHAMPION BEYOND LIMITED | FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | Subsidiary | Sales (| 497,109) | 18 | 180 days | Note 4 | Note 4 | - | - | Note 9 |
| FLEXIUM INTERCONNECT INC. | FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | Subsidiary | Sales (| 3,652,252) | 12 | 180 days | Note 2 | Note 2 | 1,965,011 | 21 | Note 9 |
| FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | CHAMPION BEYOND LIMITED | Subsidiary | Sales (| 2,226,512) | 8 | 90 days | Note 5 | Note 5 | - | - | Note 9 |
| CHAMPION BEYOND LIMITED | GRANDPLUS ENTERPRISES LTD. | Subsidiary | Sales (| 2,226,512) | 82 | 90 days | Note 6 | Note 6 | - | - | Note 9 |
| GRANDPLUS ENTERPRISES LTD. | FLEXIUM INTERCONNECT INC. | The Company | Sales (| 2,226,512) | 82 | 90 days | Note 7 | Note 7 | - | - | Note 9 |
| FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | FLEXIUM INTERCONNECT INC. | The Company | Sales (| 18,218,136) | 68 | 90 days | Note 5 | Note 5 | 8,230,111 | 98 | |
| FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION | FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | Subsidiary | Sales (| 603,021) | 100 | 90 days | Note 8 | Note 8 | 413,404 | 100 | |

Note 1: If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, only sales transaction is required to disclose.

Note 2: In the sales to related parties, the price of work in progress is based on mutual agreement. The price cannot be compared with regular sales due to a lack of similar counterparties. The price of materials and supplies is determined by adding the margin to the cost. adding the margin to the cost. The collection period to third parties is approximately 180 days after the end of each month while those to related parties are 45~120 days after the end of each month.

Note 3: The transaction is sales from GRANDPLUS ENTERPRISES LTD. to CHAMPION BEYOND LIMITED, and the collection period is approximately 180 days after the end of each month.

Note 4: The transaction is sales from CHAMPION BEYOND LIMITED to FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION, and the collection period is approximately 180 days after the end of each month.

Note 5: The transaction is sales from FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION to CHAMPION BEYOND LIMITED, and the collection period is approximately 90 days after the end of each month.

Note 6: The transaction is sales from CHAMPION BEYOND LIMITED to GRANDPLUS ENTERPRISES LTD., and the collection period is approximately 90 days after the end of each month.

Note 7: The transaction prices to related parties are similar with those to third parties. The collection periods to third parties are 60 to 90 days after the end of each month while those to related parties are 90 days after the end of each month.

Note 8: The transaction is sales from FLEXIUM TECHNOLOGY(SUZHOU) INCORPORATION to FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION, and the collection period is approximately 90 days after the end of each month.

Note 9: The purchase (sales) amount is contained the eliminates to sales revenue and operating costs (merchandise purchase) arising from raw material processing, which are provided by the Company through the offshore company that is in the third place to the subsidiary, FLEXIUM INTERCONNECT(KUNSHAN). The eliminated amount was \$4,149,361 for the year ended December 31, 2020.

Flexium Interconnect Inc.

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

For the 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 | | |
| FLEXIUM INTERCONNECT INC. | FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | Subsidiary | Accounts receivable \$1,965,011 | 3.72 | \$ - | - | \$ 798,303 | \$ - |
| FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | FLEXIUM INTERCONNECT INC. | The Company | Accounts receivable \$8,230,111 | 4.43 | - | - | 5,804,576 | - |
| FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION | FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | Subsidiary | Accounts receivable \$ 413,404 | 1.50 | - | - | 71,923 | - |

Flexium Interconnect Inc.
Significant inter-company transactions during the reporting periods
For the year ended December 31, 2020

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Details of significant inter-company transactions reaching NT\$100 million or 20% of paid-in capital or more are as follows:

| Number (Note 1) | Company name | Counterparty | Relationship (Note 2) | Transaction | | | Percentage of consolidated total operating revenues or total assets |
|--------------------|--|--|--------------------------|------------------------|------------|-------------------|--|
| | | | | General ledger account | Amount | Transaction terms | |
| 0 | FLEXIUM INTERCONNECT INC. | GRANDPLUS ENTERPRISES LTD. | 1 | Sales | \$ 497,109 | Note 3 | 2 |
| 0 | FLEXIUM INTERCONNECT INC. | FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | 1 | Sales | 3,652,252 | Note 3 | 12 |
| 0 | FLEXIUM INTERCONNECT INC | FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | 1 | Accounts receivable | 1,965,011 | Note 3 | 5 |
| 1 | GRANDPLUS ENTERPRISES LTD. | CHAMPION BEYOND LIMITED | 3 | Sales | 497,109 | Note 5 | 2 |
| 1 | GRANDPLUS ENTERPRISES LTD. | FLEXIUM INTERCONNECT INC. | 2 | Sales | 2,226,512 | Note 4 | 7 |
| 2 | CHAMPION BEYOND LIMITED | FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | 3 | Sales | 497,109 | Note 6 | 2 |
| 2 | CHAMPION BEYOND LIMITED | GRANDPLUS ENTERPRISES LTD. | 3 | Sales | 2,226,512 | Note 7 | 7 |
| 3 | FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | CHAMPION BEYOND LIMITED | 3 | Sales | 2,226,512 | Note 8 | 7 |
| 3 | FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | FLEXIUM INTERCONNECT INC. | 2 | Sales | 18,218,136 | Note 8 | 61 |
| 3 | FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | FLEXIUM INTERCONNECT INC. | 2 | Accounts receivable | 8,230,111 | Note 8 | 19 |
| 4 | FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION | FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | 3 | Sales | 603,021 | Note 9 | 2 |
| 4 | FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION | FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION | 3 | Accounts receivable | 413,404 | Note 9 | 1 |

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

- (1) Parent company is "0".
- (2) The subsidiaries are numbered in order starting from "1".

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

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: In the sales to related parties, the price of work in progress is based on mutual agreement. The price cannot be compared with regular sales due to a lack of similar counterparties. The price of materials and supplies is determined by adding the margin to the cost. The collection period to third parties is approximately 180 days after the end of each month while those to related parties are 45~120 days after the end of each month.

Note 4: The processing prices were determined in accordance with mutual agreements. The collection period to third parties is 60 to 90 days after the end of each month while those to related parties is 90 days after the end of each month.

Note 5: The transaction is sales from GRANDPLUS ENTERPRISES LTD. to CHAMPION BEYOND LIMITED, and the collection period is approximately 180 days after the end of each month.

Note 6: The transaction is sales from CHAMPION BEYOND LIMITED to FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION, and the collection period is approximately 180 days after the end of each month.

Note 7: The transaction is sales from CHAMPION BEYOND LIMITED to GRANDPLUS ENTERPRISES LTD., and the collection period is approximately 90 days after the end of each month.

Note 8: The transaction is sales from FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION to CHAMPION BEYOND LIMITED and the collection period is approximately 90 days after the end of each month.

Note 9: The transaction is sales from FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION to FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION, and the collection period is approximately 90 days after the end of each month.

Flexium Interconnect Inc.
Information on investees
For the year ended December 31, 2020

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

| Investor | Investee (Notes 1 and 2) | 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 (Note 2(2)) | Investment income (loss) recognised by the Company for the year ended December 31, 2020 (Note 2(3)) | Footnote |
|----------------------------|---|------------------------|---|---------------------------------------|---------------------------------------|-------------------------------------|------------------|--------------|--|--|----------|
| | | | | Balance as at December 31, 2020 | Balance as at December 31, 2019 | Number of shares | Ownership (%) | Book value | | | |
| | | | | | | | | | | | |
| FLEXIUM INTERCONNECT INC. | FLEXIUM INTERCONNECT INC. | British Virgin Islands | General investments | \$ 835,252 | \$ 835,252 | 50,000 | 100 | \$ 5,047,556 | \$ 982,804 | \$ 983,976 | Note 1 |
| FLEXIUM INTERCONNECT INC. | UFLEX TECHNOLOGY CO., LTD. | British Virgin Islands | General investments | 39,711 | 39,711 | 50,000 | 100 | 1,735,540 | 343,339 | 343,749 | Note 1 |
| FLEXIUM INTERCONNECT INC. | FLEXIUM INTERCONNECT INVESTMENT CO., LTD. | Taiwan | General investments | 50,000 | 50,000 | 5,000,000 | 100 | 41,040 | 10,923 | 10,923 | |
| FLEXIUM INTERCONNECT INC. | BOOM BUSINESS LIMITED | Samoa | General investments | 1,064,460 | 1,064,460 | 35,000,000 | 100 | 1,123,016 | 23,173 | 23,173 | |
| FLEXIUM INTERCONNECT INC. | FLEXIUM INTERCONNECT AMERICA LLC. | U.S.A | Marketing, customer support and supporting technical services | 8,067 | 8,067 | - | 100 | 5,487 | (2,998) | (2,998) | |
| FLEXIUM INTERCONNECT INC. | GRANDPLUS ENTERPRISES LTD. | Samoa | General investments | 62,001 | 62,001 | 1,880,578 | 100 | 182 | (157) | - | Note 2 |
| FLEXIUM INTERCONNECT INC. | SUCCESS GLORY INVESTMENTS LTD. | Samoa | General investments | 719,042 | 719,042 | 23,510,000 | 100 | 5,153,119 | 982,961 | - | Note 2 |
| GRANDPLUS ENTERPRISES LTD. | CHOSEN GLORY LIMITED | Samoa | General investments | - | - | - | 100 | - | - | - | |
| GRANDPLUS ENTERPRISES LTD. | CHAMPION BEYOND LIMITED | Samoa | General investments | - | - | - | 100 | - | (34) | - | Note 2 |
| GRANDPLUS ENTERPRISES LTD. | FOREVER MASTER LIMITED | Samoa | General investments | - | - | - | 100 | 21 | - | - | Note 2 |
| BOOM BUSINESS LIMITED | CLEAR SUCCESS GLOBAL LIMITED | Samoa | General investments | 1,064,460 | 1,064,460 | 35,000,000 | 100 | 1,123,016 | 23,173 | - | Note 2 |

Note 1: Investment income (loss) recognised by the Company for the year ended December 31, 2018 included elimination of unrealised gain (loss).

Note 2: Profit (loss) of investee has been included in the investor, and will not be disclosed separately.

Flexium Interconnect Inc.
Information on investments in Mainland China
For the year ended December 31, 2020

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

| Investee in Mainland China | Main business activities | Paid-in capital | Investment method | 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 January 1, 2020 | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020 | Net income of investee as of December 31, 2020 | Ownership held by the Company (direct or indirect) | Investment income (loss) recognised 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 |
|---|---|-----------------|---|--|----------------------------|--|--|---|--|--|---|---|----------|
| | | | | Remitted to Mainland China | Remitted back to Taiwan | | | | | | | | |
| FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION | Research, development, manufacture and sale of new-type electronic components and devices such as flexible printed circuit boards. | \$ 2,329,414 | Through investing in an existing company in the third area, which then invested in the investee in Mainland China. | \$ 736,903 | \$ - | \$ 736,903 | \$ 1,326,339 | 100 | \$ 1,326,339 | \$ 6,916,661 | \$ - | Note 1、3 | |
| FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION | Research, development, manufacture and sale of new-type electronic components and devices such as flexible printed circuit boards. | 997,780 | Through investing in an existing company in the third area, which then invested in the investee in Mainland China. | 997,780 | - | 997,780 | 23,173 | 100 | 23,173 | 1,123,016 | - | Note 1、4 | |

Note 1: The financial statements are audited and attested by R.O.C. parent company's CPA.

Note 2: The numbers in this table are expressed in New Taiwan Dollars. Translated at exchanges rate of NT\$28.208 US\$1.00.

Note 3: The Group invested in the company through FLEXIUM INTERCONNECT INC., SUCCESS GLORY INVESTMENTS LTD., and UFLEX TECHNOLOGY CO., LTD.

Note 4: The Group invested in the company through BOOM BUSINESS LIMITED and CLEAR SUCCESS GLOBAL LIMITED.

| 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 |
|---------------------------|--|---|------|---|
| | | | | |
| FLEXIUM INTERCONNECT INC. | \$ 1,734,683 | \$ 3,210,320 | \$ - | |

Note: In accordance with 'Regulations Governing the Approval of Investment or Technical Cooperation in Mainland China' amended by Ministry of Economic Affairs effective on August 29, 2008, as the Company has obtained the certificate of being qualified for operating headquarters, issued by the Industrial Development Bureau, MOEA, the ceiling amount of the investment in Mainland China is not applicable to the Company.

Flexium Interconnect Inc.

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

For the year ended December 31, 2020

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)

| Investee in Mainland China | Sale (purchase) | | Property transaction | | Accounts receivable (payable) | | Provision of endorsements/guarantees or collaterals | | Financing | | | Others | | |
|--|-----------------|----|----------------------|---|-------------------------------|----|---|---------|---|------------------------------|---------------|--------|--|-----------|
| | Amount | % | Amount | % | Balance at December 31, 2020 | % | Balance at December 31, 2020 | Purpose | Maximum balance during the year ended December 31, 2020 | Balance at December 31, 2020 | Interest rate | | Interest during the year ended December 31, 2020 | |
| FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION | \$ 20,444,648 | 71 | \$ - | - | (\$ 8,230,111) | 91 | \$ - | - | \$ - | \$ - | - | \$ - | Other expenses | \$ 58,143 |
| | 4,149,361 | 14 | | | 1,965,011 | 21 | | | | | | | Other receivables | 27,863 |
| | | | | | | | | | | | | | Other payables | 35,627 |

Note: The Company has reversed the sales revenue and operating cost (merchandise purchase) arising from raw material processing which are provided by the Company through the offshore company that is in the third place to the subsidiary, FLEXIUM INTERCONNECT(KUNSHAN), when preparing the financial statements. The eliminated amount for the year ended December 31, 2020 was \$4,149,361.