



Stock code: 6269

Flexium Interconnect. Inc.

2021 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 : <https://www.flexium.com.tw>

Printed on March 31, 2022

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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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Table of Content

One. A message to shareholders	1
Two. Company profile	5
I. Date of establishment.....	5
II. Company history.....	5
Three. Corporate governance report	6
I. Organization system.....	6
II. Profiles of directors, president, vice presidents, assistant VPs, and heads of the branches/departments.....	8
III. Remuneration to director, president and vice presidents in recent years.....	15
IV. Corporate governance operating status.....	19
V. Attesting CPA professional fee information.....	47
VI. Change of CPA information.....	47
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.....	47
VIII. Changes in shareholding and shares pledged by directors, managerial officers and shareholders with 10% shareholdings.....	48
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.....	49
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.....	50
Four. Status of fund raising	51
I. Capital and shares.....	51
II. Status of corporate bond.....	56
III. Status of preferred shares.....	57
IV. Status of GDR/ADR.....	57
V. Status of employee stock option certificates.....	57
VI. Handling of restricted employee shares.....	58
VII. Mergers and acquisitions, or as assignee of new shares issued by another Company.....	63
VIII. Status of execution of capital utilization plan.....	64
Five. Overview of operations	65
I. Business contest.....	65
II. Overview of market and production and marketing.....	67
III. Employee information in the last 2 years up until the publication date of this annual report.....	72
IV. Environmental protection expenditure information.....	73
V. Labor relationship.....	73

VI	Important contracts.....	75
Six.	Financial overview	76
I.	Condensed balance sheet and income statement for the most recent five years.....	76
II.	Financial analysis for the most recent 5 years	80
III.	Audit report of the Audit Committee on the most recent financial report	83
IV.	Consolidated financial statement of the most recent year.....	83
V.	Individual financial statement of most recent year	83
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	83
Seven.	Review and analysis of the Company's financial position and financial performance, and a listing of risks	84
I	Financial status.....	84
II	Financial performance.....	84
III	Cash flow analysis	85
IV	Impact of major capital expenditure in recent years on financial operations	85
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.....	85
VI	Analysis and evaluation of risk factors in the most recent year and until the date of publication of the annual report	86
VII	Other important matters:	89
Eight.	Special notes.....	90
I	Relevant information of affiliates	90
II	During the most recent year and as of the publication date of the annual report, the status of private placement of securities	94
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.....	94
IV	Other supplementary information	94
Nine.	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.....	94
	Attachment 1: 2021 Consolidated Financial Report	95
	Attachment 2: 2021 Parent Only Financial Report	177

One. A message to shareholders

Since 2021, although the pandemic has been lingering over the world, with the expansion of Covid vaccination, relaxation of pandemic-containment measures in various countries, and large-scale fiscal stimulus and accommodative monetary policies, the world economy is emerging out of the decline. The strong demands from the post-pandemic recovery, and shortages of the supply chain, including labor, materials, and chips, has resulted in the increased prices of raw materials and wages, which in turns also increases the end product prices that drive global inflation. While embracing various challenges in such an environment, Flexium emphasizes three things in particular, namely: the services we committed to our customers, cares to our employees' health and safety, and the achievement of our operating goals. By staying true to our operational philosophy, "treasuring lucks, being appreciative, bearing responsibilities, and sharing," we have achieved these goals with all diligence.

Business operation outcome

In 2021, Flexium Interconnect's consolidated revenue was NT\$35.6 billion, or a 19.1% increase from NT\$29.9 billion in 2020. Gross profit was NT\$ 6.3 billion, an increase of 3.3% from NT\$6.1 billion in 2020, and gross margin was 17.8%, a 2.7% decrease from 20.5% in 2020. The net profit after tax was NT\$2.88 billion, an decrease of 1.7% compared to NT\$2.93 billion in 2020 and basic earnings per share (EPS) was NT\$8.19; this was an decrease of NT\$0.44 from the NT\$8.63 seen in 2020.

Note: No published financial forecasts were released for 2021, so no budget is forthcoming.

Market trend

For the robust development of electronic technologies, flexible printed circuit boards (FPC) are not only the key roles in the supply chain, but also a key industry among various product applications. 2021 has been a very challenging year for Flexium. Under the impacts of Covid pandemic and the Dual Control System of Total Energy Consumption and Energy Intensity in China, many vendors at the up- and downstream of the supply chain were suspended several times.

However, with capacity deployments and crisis management, the production lines resumed rapidly, and impacts on the overall operation were moderate.

The impacts of Covid has not only changed humans' behaviors and activities, but also accelerate the adjustment of product structures and production allocation, that accelerate the transformation of the overall electronic goods and digital industries. Benefitted from the remote application opportunities, developments like 5G/6G telecommunication, smart home, automotive electronics, and AR/VR have enhanced the swift development of metaverse, with strong demands

emerging. Comparing to other Rigid PCB, FPCs featured being compact and flexible, are more advantageous. The expansion of FPC applications has driven the momentum of the industry's development. Flexium Interconnect focuses and constantly positions the R&D technologies of high-frequencies and inductions, while launching new products from the R&D with our strategic partners for multi-aspect solutions including complete modular design, simulation platform, testing, among other things. Currently, the Company is at the phase of rapid enhancement for product specifications (electrical properties, layers, line width/spacing, integration). In the future, we'll develop toward market trends such as high density, high speed/frequency, and multi-function.

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. To providing faster, more intensive, and more precise modules, Flexium has applied Polyimide as the foundation of the materials and manufacturing process to build the market in the past two decades. During the recent six years, Flexium has continuously developed and improved the infrastructure, and selected LCP as the material base to develop the FPC 2.0 process, with the name "Meta." This technology provides high speed and layers (20L), while maintaining flexibility. However, for better technology, in 2021, Flexium has developed the FPC 2.1 process, with the name "MetaLink." This process technology will increase the process efficiency by 30% and the space utilization by 20%; more importantly, the high frequency capability will be increased by at least 65%. Finally, comparing to FPC 1.0 PI, the energy and carbon will be saved by 50%. However, Flexium has not stopped developments. For the basic technologies with better performance, Flexium has developed the next-generation FPC 3.0 technology, named "Neuro Circuit." It is expected to provide the production pattern with better efficiency and applications with higher speed. Also the technology is expected to provide more complete technological demand objectives for the metaverse. The 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

Flexium Interconnect values the implementation of corporate social responsibility (CSR) and the contributions to the society and environment. The vision of CSR is "becoming the activist of

CSR to bring more love to the society and better environment,” with the five major CSR policies, namely “great love, health, green, ethics, and improvement.” In 2021, Flexium Interconnect continued to complete the sustainability report recognized by SGS. This is the fifth sustainability report, and an pro-active initiatives for the sustainable development. Looking to 2022, Flexium’s sustainability report will be upgraded from CSR in the past to environment, social and governance (ESG), especially for the climate change risk issues, including the strategies and actions for carbon footprint and carbon neutrality. Flexium Interconnect has planned to introduce the Task Force on Climate-related Financial Disclosures (TCFD) structure for enhancing the Company’s climate resilience in the future, while planning to join RE100 in 2022.

Future outlook

To respond the start of 5G communication application and realization of its commercial applications that drive the great demands to FPC antenna with high-frequency and low transmission loss, Flexium Interconnect will focus on the research and development of MPI and LCP. In the commercial electronic applications, with the space limits, FPC may be the best solution for high-frequency, low transmission loss and AIP modules. Flexium also is positive to the development of electric vehicles (EVs), and actively working on the related industries for the long run. We are optimistic that the FPC technologies will penetrate to the semiconductor substrates, EVs, and high-performance energy batteries in three to five years. In the world of meta universe, Flexium will not be absent. The hardware devices for metaverses, i.e. the AR/VR/MR devices, are the infrastructure enabling users to enter a metaverse. These devices require powerful communications, computation, camera modules, batteries, sensors, and cloud server equipment where the FPC related applications are seen. With the collaborative development with our customers, these are becoming the new engines pushing the metaverse’ explosion. Flexium Interconnect has continuously establish new capacities cross-straight to respond the robust development of these new advanced products with constant positioning and diversification strategies; With the operational philosophy, “treasuring lucks, being appreciative, bearing responsibilities, and sharing,” we continuously promote the technology developments, cohere the enterprise culture, grow the overall operation, and implement the feedback to the social responsibility.

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

Two. Company profile

I. Date of establishment

December 19, 1997

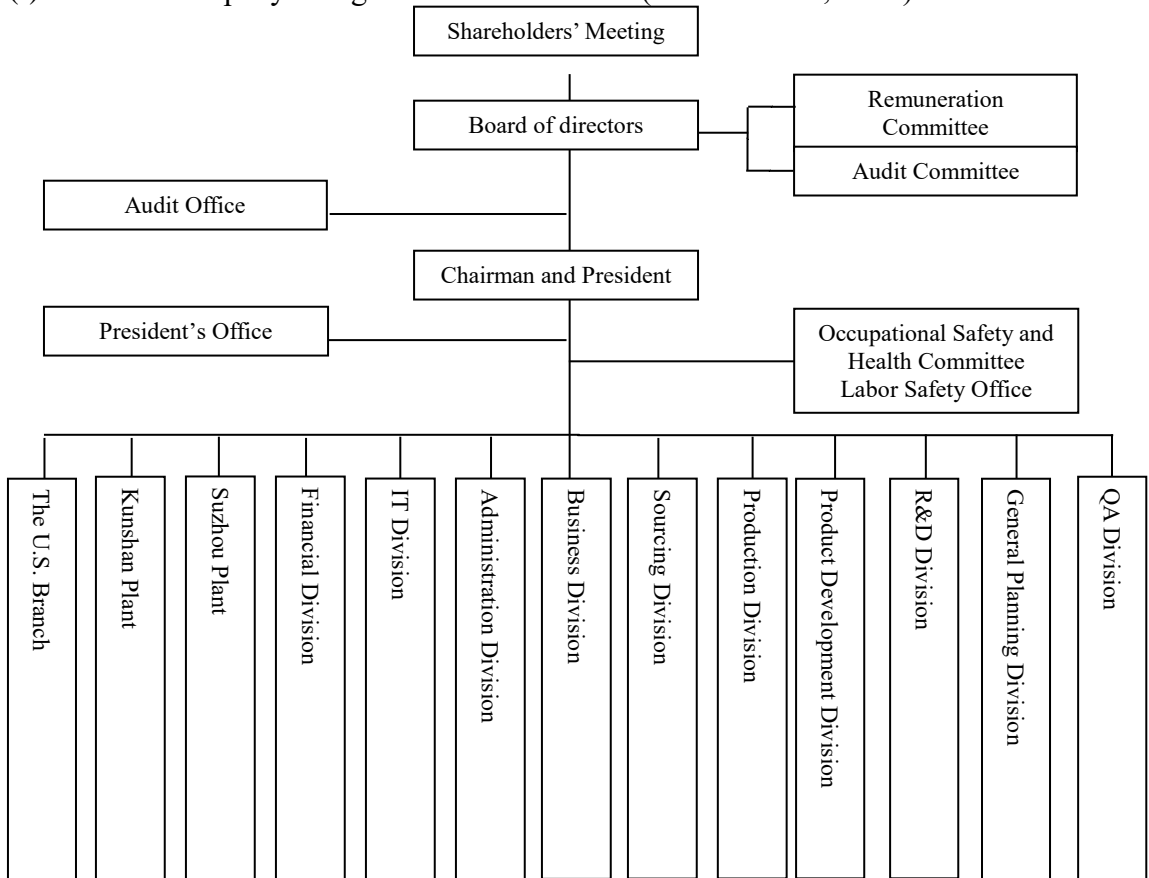
II. Company history

Year	Important events of the recent years and till the publication date of the annual report
January 2020	As approved by the Ministry of Economic Affairs on January 9, 2020, restricted employee shares were cancelled and convertible bonds converted into ordinary shares; 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 ordinary shares; 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 ordinary shares; 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 ordinary shares; 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 ordinary shares; 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 ordinary shares; the paid-in capital after the capital increase was NT\$3,619,829,590.
May 2021	As approved by the Ministry of Economic Affairs on May 25, 2021, restricted employee shares were issued. After the capital increase, paid-in capital amounted to NT\$3,612,025,590.
August 2021	As approved by the Ministry of Economic Affairs on August 25, 2021, restricted employee shares were issued. After the capital increase, paid-in capital amounted to NT\$3,513,917,590.
November 2021	As approved by the Ministry of Economic Affairs on November 22, 2021, restricted employee shares were issued. After the capital increase, paid-in capital amounted to NT\$3,513,308,790.
February 2022	As approved by the Ministry of Economic Affairs on February 22, 2022, restricted employee shares were issued. After the capital increase, paid-in capital amounted to NT\$3,504,018,790.

Three. Corporate governance report

I. Organization system

(I) The Company's Organizational Structure (December 31, 2021)



(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.
Kungshan 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)

March 31, 2022 Unit: Thousand shares; %

Job Title	Nationality or place of registration	Name	Gender/Age	Election (appointment) date	Term of office	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	Other officers, directors or supervisors with spouses, or relatives within the second degree of kinship			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Job title	Name	Relationship	
Chairman of Board	the R.O.C.	Cheng Ming-Chi	Male 51-60 years old	June 18, 2019	3 years	December 9, 1997	4,106	1.31	4,380	1.25	395	0.11	-	-	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 Tawei 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. Flexium Interconnect (Kunshan) Inc. Flexium Interconnect (Suzhou) Inc.	-	-	-	Note 2
Name of corporate shareholder	the R.O.C.	Chi Lien Investment Co., Ltd.	-	June 18, 2019	3 years	June 9, 2010	2,825	0.90	2,825	0.81	-	-	-	-	None	None	-	-	-	
Corporate director	the R.O.C.	Chi Lien Investment Co., Ltd. Representative: Chen Yong-Chang	Male 61-70 years old	June 18, 2019	3 years	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. Independent director and member of remuneration committee of Run Long Construction Co., Ltd.	-	-	-	
Corporate director	the R.O.C.	Chi Lien Investment Co., Ltd. Representative: Chuang Xun-Po	Male 71-80 years old	June 18, 2019	3 years	June 13, 2012	-	-	415	0.12	-	-	-	-	Chairman of Xiang-Mei Management Consulting Ltd.	None	-	-	-	
Name of corporate shareholder	the R.O.C.	Tai-Peng Development Inc.	-	June 18, 2019	3 years	December 9, 1997	15,460	4.93	15,460	4.41	-	-	-	-	None	None	-	-	-	
Corporate director	the R.O.C.	Tai-Peng Development Inc. Representative: Ji-Yan Liang	Male 61-70 years old	June 18, 2019	3 years	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	Independent Director of Excelliance MOS Co., Ltd. Independent Director, Ennostar Inc. Member of remuneration committee, Shinkong Textile Co., Ltd Member of remuneration committee, Sesoda Corporation 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 71-80 years old	June 18, 2019	3 years	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 41-50 years old	June 18, 2019	3 years	June 28, 2016	-	-	218	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 51-60 years old	June 18, 2019	3 years	June 9, 2010	1,459	0.47	1,459	0.40	341	0.09	-	-	Department of Foreign Languages and Literatures, NCHU	Chairperson of the Board, Tai-Cheng Investment Corporation Chairman, Hesheng Investment Co., Ltd. Person in charge, Sound and Color Co., Ltd.	-	-	-	
Director	the U.S.A.	David Cheng	Male 31-40 years old	June 18, 2019	3 years	June 18, 2019	174	0.06	331	0.09	124	0.04	-	-	Product R&D Assistant Manager, Flexium Interconnect Inc. University of California, Irvine Electrical Engineering.	Deputy Director of the Company's Product Development Division Currently at the Company's invested affiliates: Director, Flexium Interconnect (Suzhou) Inc. Responsible person of FLEXIUM INTERCONNECT AMERICA LLC.	-	-	-	

Job Title	Nationality or place of registration	Name	Gender/Age	Election (appointment) date	Term of office	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	Other officers, directors or supervisors with spouses, or relatives within the second degree of kinship			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Job title	Name	Relationship	
Independent director	the R.O.C.	Xin-Bin Fu	Male 61-70 years old	June 18, 2019	3 years	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 61-70 years old	June 18, 2019	3 years	June 18, 2019	-	-	-	-	-	-	-	-	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 President, Taiwan High Court Taichung Branch Committee member, Civil Service Disciplinary Committee Master of Law, Chinese Cultural University	Chairman, Chinese Law Society	-	-	-	
Independent director	the R.O.C.	Wu Pei-Jun	Female 51-60 years old	June 18, 2019	3 years	June 18, 2019	-	-	-	-	-	-	167	0.05	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. PhD of Laws degree at Keio University, Japan Master of Law, Keio University, Japan Graduated from the Law Department of National Taiwan University	Associate Professor and Dean, Department of Finance and Law, Associate Professor 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 calculated after the total outstanding shares 350,401,879 shares on March 31, 2022 .

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

March 31, 2022

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	39.61%
	Cheng Ming-Chi	60.39%

3. Major shareholders of major corporate shareholders

March 31, 2022

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)

(1) Disclosure of Directors' Professional Qualifications and Independent Directors' Independence

March 31, 2022

Qualifications Name	Professional Qualification and Experience	Independence	Number of public companies where the person holds the title as an independent director
Cheng Ming-Chi	Educational background: EMBA, National Sun Yat-sen University Career background: Chairman of Board, Tai Peng Development Co., Ltd.	Not in contravention of Article 30 of the Company Act.	0
Chen Yong-Chang (Representative of Chi Lien)	Educational background: Department of Law, National Taiwan University Career background: 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	Not in contravention of Article 30 of the Company Act.	4
Chuang Xun-Po (Representative of Chi Lien)	Educational background: Gang Wei Elementary School, Madou Career background: Chairman, Xiang-Mei Management Consulting Ltd.	Not in contravention of Article 30 of the Company Act.	0
Ji-Yan Liang (Representative of Tai Peng)	Educational background: MBA, National Chengchi University Bachelor of Department of Chemical Engineering of National Tsing Hua University Career background: Executive vice-president, China Development Venture Capital Corporation Sales Manager of Commercial Computer department, Hewlett-Packard of USA Adjunct Lecturer, Department of Business Administration, Soochow University	Not in contravention of Article 30 of the Company Act.	2
Jeng Xi Shih (Representative of Tai Peng)	Educational background: Department Of Mechanical Engineering, National Cheng Kung University Career background: Assistant Vice-President, Taiwan Hitachi Electronic Corp. Vice President of Tong-Bao Technology Corp. Executive Vice President of Flexium Interconnect, Inc.	Not in contravention of Article 30 of the Company Act.	0
Blue Lan (Representative of Tai Peng)	Educational background: PhD in Business Management of National Sun Yat-sen University Career background: Special assistant of Chairman, Flexium	Not in contravention of Article 30 of the Company Act.	0
Lin Pei-Ru	Educational background: Department of Foreign Languages and Literatures, NCHU Career background: None	Not in contravention of Article 30 of the Company Act.	0
David Cheng	Educational background: University of California, Irvine, Electrical Engineering Career background: Product R&D Assistant Manager, Flexium Interconnect Inc.	Not in contravention of Article 30 of the Company Act.	0
Xin-Bin Fu (Independent director)	Educational background: Ph.D., Institute of Engineering, National Chiao Tung University Master of Engineering, University of Missouri Columbia, USA Career background: 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	The directors have been met the following independence criteria during the two years prior to being elected or during the term of the office. (1) Not an employee of the Company or any of its affiliates. (2) Not a director or supervisor of the Company or any of its affiliates (the same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, 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	0
Wu Pei-Jun (Independent director)	Educational background: PhD of Laws degree at Keio University, Japan Master of Law, Keio University, Japan Graduated from the Law Department of National Taiwan University Career background: Associate Professor / Dean of Department of Finance and Law, Ming Chuan University Chairman, Masterlink Futures Co., Ltd. Chairman, Masterlink Insurance Company Professional qualification:		1

Qualifications Name	Professional Qualification and Experience	Independence	Number of public companies where the person holds the title as an independent director
Huang Shui-Tong (Independent director)	Educational background: Master of Law, Chinese Cultural University Career background: 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 President, Taiwan High Court Taichung Branch Committee member, Civil Service Disciplinary Committee Professional qualification: Passed Judicial Officer / Lawyer Higher Examination, 1972	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.	0

(2) Diversification and Independence of the Board:

A. Diversification of the Board:

The board of directors shall direct company strategies, supervise the management, and be responsible to the company and shareholders. The various procedures and arrangements of its corporate governance system shall ensure that, in exercising its authority, the board of directors complies with laws, regulations, its articles of incorporation, and the resolutions of its shareholders meetings. The composition of the board of directors shall be determined by taking diversity into consideration and formulating an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs. It is advisable that the policy include, without being limited to, the following two general standards:

- i. Basic requirements and values: Gender, age, nationality, and culture.
- ii. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience.

The members of the Board of Directors are diversified and possess technology and finance backgrounds and experience of management practices in order to build the whole structure of the Company's Board of Directors. Meanwhile, the Company also emphasizes the gender equality of board's composition, at least two female director. Currently, Our goal is achieved.

The implementation status is as following:

Name	Qualifications Main academic qualification	Basic composition				Industry experience					Professional capabilities		
		Nationality	Gender	Age	Independent director's term of office and seniority	Finance and taxation	Business Administration	Law	Industry knowledge	Insurance and finance	Law	Finance and accounting	Business Administration
Cheng Ming-Chi	National Sun Yat-sen University EMBA	the R.O.C.	Male	51~60	-	-	✓	-	✓	-	-	✓	✓
Chen Yong-Chang (Representative of Chi Lien)	Department of Law, National Taiwan University	the R.O.C.	Male	61~70	-	-	-	✓	✓	-	✓	-	-
Chuang Xun-Po (Representative of Chi Lien)	Gang Wei Elementary School, Madou	the R.O.C.	Male	71~80	-	-	✓	-	✓	-	-	-	✓
Ji-Yan Liang (Representative of Tai Peng)	Graduate School of Business Administration of National Chengchi University	the R.O.C.	Male	61~70	-	-	✓	-	✓	-	-	-	✓
Jeng Xi Shih (Representative of Tai Peng)	Department Of Mechanical Engineering, National Cheng Kung University	the R.O.C.	Male	71~80	-	-	✓	-	✓	-	-	-	✓
Blue Lan (Representative of Tai Peng)	National Sun Yat-sen University National Sun Yat-sen University	the R.O.C.	Male	41~50	-	-	✓	-	✓	-	✓	-	✓
Lin Pei-Ru	NCHU Department of Foreign Languages and Literatures	the R.O.C.	Female	51~60	-	-	✓	-	✓	-	-	-	✓
David Cheng	University of California, Irvine Electrical Engineering	the U.S.A.	Male	31~40	-	-	✓	-	✓	-	-	-	✓
Xin-Bin Fu (Independent director)	National Chiao Tung University Ph.D of Engineering	the R.O.C.	Male	61~70	Within 3 years	-	✓	-	✓	-	-	✓	✓
Wu Pei-Jun (Independent director)	PhD of Laws degree at Keio University, Japan	the R.O.C.	Female	51~60	Within 3 years	✓	-	-	-	✓	-	✓	-
Huang Shui-Tong (Independent director)	Master of Law, Chinese Cultural University	the R.O.C.	Male	71~80	Within 3 years	-	-	✓	-	-	✓	-	-

B. Independence of the Board:

The current board consists of eleven directors, including eight directors and three independent directors, as 27% of them are independent directors. All independent directors comply with the restrictions regarding positions concurrently held specified in the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies," and none of them concurrently serves as an independent director of more than three other public companies. In conclusion, the independence of the Company's Board is not affected.

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

March 31, 2022 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			Remark
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
President	the R.O.C	Cheng Ming-Chi	Male	June 23, 1995	4,380	1.25	395	0.11	-	-	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. Flexium Interconnect (Kunshan) Inc. Flexium Interconnect (Suzhou) Inc.	-	-	-	Note 2
Special Assistant	the R.O.C	Tsai Chi-Feng	Male	February 7, 2018	453	0.13	-	-	-	-	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: Flexium Interconnect (Kunshan) Inc. Flexium Interconnect (Suzhou) Inc.	-	-	-	
Vice President of Business Division	the U.S.A.	Tang Chia-Hsien	Male	June 19, 2014	142	0.04	323	0.09	-	-	Apple, Global Supply & Procurement Manager Volex, project manager Golden Gate University, Master of Computer Information System	None	-	-	-	
Vice President of QA	the R.O.C	Shan Yi-Wen	Male	October 29, 2014	344	0.10	1	-	-	-	Tom Tom, Asia-Pacific Zone, QA Director National Taiwan University of Technology, Institute of Engineering/National Chengchi University, EMBA	None	-	-	-	
Director of Plant	the R.O.C	Ma Ruei-Chun	Male	August 1, 2011	459	0.13	-	-	-	-	Section Chief of MEKTEC, Director of Foreman of Kunshan Plant of CMI Oriental Institute of Technology, Department of Electrical Engineering	None	-	-	-	
Director of Sourcing Division	the R.O.C	Gong Chao-Rong	Male	2004/8/1	427	0.12	-	-	-	-	Business engineer of MEKTEC National Taipei University of Technology, Textile Engineering	None	-	-	-	
Administration Division Director	the R.O.C	Blue Lan	Male	February 4, 2015	218	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 Shiang	Male	August 9, 2012	335	0.10	-	-	-	-	Director of Accounting Division of ASE Group East Michigan University, MBA	None	-	-	-	

Note 1: The current shareholdings are calculated after the total outstanding shares 350,401,879 shares on March 31, 2022.

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, 2021 Unit: NT\$ thousand; thousand shares; %

Job title	Name	Remuneration to directors								The sum of A, B, C and D in proportion to Earnings After Tax		Remuneration in the capacity as employees						The sum of A, B, C, D, E, F and G to earnings after tax (%)		Remuneration from the investees 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 amount	Share amount	Cash amount	Share amount		The Company	All companies included into the financial statement					
Director	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	-	-	-	-	16,250	16,250	400	400	16,650	16,650	24,776	28,737	-	-	4,236	-	4,236	-	45,662	49,623	1.59%	1.72%		None	
	Director	Tai-Peng Development Corporation: Ji-Yan Liang																									
	Director	Tai-Peng Development Corporation Representative: Blue Lan																									
	Director	David Cheng																									
Independent director	Independent director	Xin-Bin Fu																									
	Independent director	Wu Pei-Jun	-	-	-	-	3,750	3,750	330	330	4,080	4,080	-	-	-	-	-	-	-	-	4,080	4,080	0.14%	0.14%		None	
	Independent director	Huang Shui-Tong																									

In addition to the disclosure of the above table, the remuneration collected by the directors for providing all services (such as acting as non-employee consultants) to the Company within the financial report in recent years is: NT\$ 0 thousand

Breakdown of remuneration

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 Representative of Tai-Peng Development Corporation: Ji-Yan Liang / Jeng Xi Shih / Blue Lan	Representative of Chi-Lian Investment Corporation: Chen Yong-Chang / Chuang Xun-Po Representative of Tai-Peng Development Corporation: Ji-Yan Liang / Jeng Xi Shih / Blue Lan	CHENG DAVID Representative of Chi-Lian Investment Corporation: Chen Yong-Chang / Chuang Xun-Po Representative of Tai-Peng Development Corporation: Ji-Yan Liang / Jeng Xi Shih / Blue Lan	Representative of Chi-Lian Investment Corporation: Chen Yong-Chang / Chuang Xun-Po Representative of Tai-Peng Development Corporation: Ji-Yan Liang / Jeng Xi Shih / Blue Lan
NT\$10,000,000 (inclusive)-NT\$15,000,000 (exclusive)	-	-		CHENG DAVID
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

(II) Remuneration to president and vice presidents (aggregate information, with the name(s) indicated for each remuneration range)
December 31, 2021 Unit: NT\$ thousand; thousand shares; %

Job title	Name	Salary (A)		Pension (B)		Bonus and special allowance, <i>et al.</i> (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	14,438	18,626	-	-	23,831	23,831	6,581	-	6,581	-	44,850 1.56%	49,038 1.70%	None
Special Assistant	Tsai Chi-Feng													
Vice President of Business Division	Tang Chia-Hsien													
Vice President of QA	Shan Yi-Wen													

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 statement E
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)	Tang Chia-Hsien	-
NT\$5,000,000 (inclusive)-NT\$10,000,000 (exclusive)	Shan Yi-Wen	Tang Chia-Hsien / Shan Yi-Wen
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	4	4

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

2021 Unit: NT\$ thousand

	Job title (Note)	Name (Note)	Share amount	Cash amount	Total	Proportion to Earnings After Tax (%)
Manager	President	Cheng Ming-Chi	-	8,349	8,349	0.29
	Chief Operating Officer	Tsai Chi-Feng				
	Vice President of Business Division	Tang Chia-Hsien				
	Director of Kaohsiung Plant	Shan Yi-Wen				
	Director of Kunshan Plant	Ma Ruei-Chun				
	Director of Sourcing Division	Gong Chao-Rong				
	Director of Administration Division	Blue Lan				
	CFO	Arthur Shiung				
	Corporate Governance Director	Eva Liao				

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	
	2020	2021	2020	2021
Remuneration to directors	21,000	20,730	21,000	20,730
Remuneration to directors as a percentage of net income (%)	0.72	0.72	0.72	0.72
Remuneration to the President and Vice President	41,592	44,850	45,771	49,038
Remuneration to the President and Vice President as a Proportion to Earnings After Tax (%)	1.42	1.56	1.56	1.70

The total amount of directors' remunerations in 2021 and its difference from the same in 2020 has no material impact; the total amount of remunerations to the President and the Vice President in 2021 increased from 2020 because of an increase in number.

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. For the procedure of determining remuneration, other than the overall operating performance of the Company, future business risks and development trends of the industry, it also takes into account the moral risk incidents of directors and managerial officers, or other risk incidents that have negative impacts on the Company's image and goodwill, improper internal management, or personnel corruptions, while taking comprehensive consideration of the goal achievement rate, profitability, operating efficiency, contributions of directors and managerial officers, to calculate their remuneration proportion, and give reasonable remuneration. The relevant performance appraisals and reasonableness of remunerations have been reviewed by the Remuneration Committee and the Board of Directors, and the remuneration system will be reviewed timely according to the actual operating conditions and relevant laws and regulations, to achieve a balance between the Company's sustainable management and risk control.

IV. Corporate governance operating status

(I) Board of Director operation status

In 2021, the Company has held 5 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	5	0	100%	Re-elected on June 18, 2019
Director	Tai-Peng Development Corporation: Ji-Yan Liang	5	0	100%	Re-elected on June 18, 2019
Director	Tai-Peng Development Corporation representative: Jeng Xi Shih	5	0	100%	Re-elected on June 18, 2019
Director	Tai-Peng Development Corporation representative: Blue Lan	5	0	100%	Re-elected on June 18, 2019
Director	Chi-Lian Investment Corporation representative: Chen Yong-Chang	5	0	100%	Re-elected on June 18, 2019
Director	Chi-Lian Investment Corporation representative: Chuang Xun-Po	5	0	100%	Joined on June 18, 2019
Director	David Cheng	5	0	100%	Joined on June 18, 2019
Director	Lin Pei-Ru	5	0	100%	Joined on June 18, 2019
Independent director	Xin-Bin Fu	5	0	100%	Joined on June 18, 2019
Independent director	Wu Pei-Jun	4	1	80%	Joined on June 18, 2019
Independent director	Huang Shui-Tong	5	0	100%	Joined on June 18, 2019

Attendance Status of Independent Directors of each time of Board of Directors' Meeting in 2021 ◎: Attended in person; ☆: Attended by a proxy; * : Absent

2021	2/17	5/5	7/6	8/4	11/3
Xin-Bin Fu	◎	◎	◎	◎	◎
Wu Pei-Jun	☆	◎	◎	◎	◎
Huang Shui-Tong	◎	◎	◎	◎	◎

Other notes:

- 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:
 - 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.
 - 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.

2. 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 13th session of the 9th Board held on February 17, 2021
 1. Discussion on the 2020 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 2020 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.

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

Assessment period	Assessment method	Assessment scope	Assessment content	Assessment results
2021	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 4.90 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 4.80 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 4.90 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.

4. 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, 2021, none of the three independent directors has had a continuous term of more than 9 years.

(II) Audit Committee Operations

The Company met 5 times in the Audit Committee in 2021 (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	5	0	100%	
Member	Wu Pei-Jun	4	1	80%	
Member	Huang Shui-Tong	5	0	100%	

- I. The main function of the Audit Committee is to supervise the following matters:
 - (I) Fair presentation of the financial reports of the Company
 - (II) The hiring (and dismissal), independence, and performance of CPAs.
 - (III) The effective implementation of the internal control system of the Company
 - (IV) Compliance with relevant laws and regulations by the Company
 - (V) Management of the existing or potential risks of the Company.

- II. The powers of the Audit Committee are as follows:
 - (I) The adoption of or amendments to the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
 - (II) Assessment of the effectiveness of the internal control system.
 - (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.
 - (IV) Matters in which a director is an interested party.
 - (V) Asset transactions or derivatives trading of a material nature.
 - (VI) Loans of funds, endorsements, or provision of guarantees of a material nature.
 - (VII) The offering, issuance, or private placement of equity-type securities.
 - (VIII) The hiring or dismissal of a certified public accountant, or their compensation.
 - (IX) The appointment or discharge of a financial, accounting, or internal audit officer.
 - (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.
 - (XI) Other material matters as may be required by this Corporation or by the competent authority.

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. 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.

- III. Other notes:
 - (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:
 - 1. Matters listed in Article 14-5 of the Securities and Exchange Act
 - 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

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
February 17, 2021 The 9th Term 13th	1. Proposal 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.	V	None
	Audit Committee Resolution Results (February 17, 2021): 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.		
May 5, 2021 The 9th Term 14th	1. Proposal of the Company's indirect investment in the mainland	V	None
	2. The Company plans to repurchase the Company's shares in accordance with relevant regulations	V	None
	Audit Committee Resolution Results (May 5, 2021): 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 4, 2021 The 9th Term 16th	1. Proposal for the loan of funds to subsidiaries	V	None
	Audit Committee Resolution Results (August 4, 2021): 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 3, 2021 The 9th Term 17th	1. In cooperation with the internal adjustment of the auditing and attesting CPA firm of the Company, CPA was accordingly	V	None
	Audit Committee Resolution Results (November 3, 2021): 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 2021 were as follows:

Date	Method	Communication counterparty	Communication items	Result
November 3, 2021	Independent Meeting	All Directors	Corporate governance 3.0 - ESG	Fully communicated and discussed.

(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				

Item	Status		Summary	Deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof
	Yes	No		
(I) Has the board of directors formulated the policy on diversity and concrete management goals and fully implemented such accordingly?	✓		(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 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. Please refer to Page 13 of the Annual Report.	No deviation
(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 20 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	No deviation

Item	Status		Summary	Deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof
	Yes	No		
			directors on December 23, 2020 for approval. The latest evaluation report was submitted to the board of directors on November 3, 2021 and approved. For the appraisal on independence of the independent auditor, please see Page 32 of the annual report.	
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 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)?	✓		<p>1. The Company appointed the head of finance, Eva Liao as the corporate governance officer, upon the resolution of the Board meeting on May 5, 2021, in order to protect shareholders' interests and reinforce the Board's functions. The major duties include handling matters relating to board meetings and shareholders meetings according to laws, furnishing information required for business execution by directors, collecting the most updated regulatory developments related to corporate management, assisting directors with legal compliance, and assisting in onboarding and continuous development of directors. The head of financial has worked in financial affairs, stock affairs, or corporate governance affairs with more than ten years; the Financial Division also jointly takes charge of corporate governance related affairs, namely:</p> <p>(1) Providing documents necessary for the board of directors to perform their duties, preparation related to handling of board of directors' meeting and shareholders' meeting according to the law as well as preparation of meeting agenda and records.</p> <p>(2) Assist in facilitating and strengthening corporate governance.</p> <p>(3) Handling company registration and change registration.</p> <p>2. The 2021 development of the corporate governance officer, total 24 hours of continuing education were attended.</p>	No deviation

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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	✓		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.		No deviation																																				

Item	Status		Summary	Deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof
	Yes	No		
as responds to the important CSR issues concerned by the interested parties properly?			<p>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.</p> <p>3. The ESG 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 ESG are compiled and reviewed by the Chair of the Committee then submitted to the Board for report. The latest report on status of communication with each stakeholder was submitted to the board of directors on November 3, 2021. .</p>	
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				
(I) Whether the Company has established a website for disclosure of its financial position and status of corporate governance?	✓		(I) The Company has established a website (https://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
(II) Has the Company adopted other information disclosure methods (such as, establishing an English website, designating a responsible person for	✓		(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	No deviation

Item	Status		Summary	Deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof
	Yes	No		
<p>collecting and disclosing information of the Company, substantiating the spokesman system, placing the juristic person seminar program on the Company's website, etc.)?</p> <p>(III) 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?</p>	✓		<p>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.</p> <p>(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).</p>	No deviation
<p>VIII. Whether the Company has other important information helpful in understanding the Company governance operation status?</p> <p>(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.</p> <p>(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.</p> <p>(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 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.</p>				

Item	Status			Deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof
	Yes	No	Summary	
(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	Continued education Hours
Chen Yong-Chang	2021/08/30	Taiwan Corporate Governance Association	Directors' fiduciary duties and principles of commercial judgement	3.0
	2021/10/18	Taipei Exchange	OTC-listed company's insider trading promotional presentation	3.0
Ji-Yan Liang	2021/08/04	Securities and Futures Development Foundation	Discussion for corruption cases of enterprises' financial statements	3.0
	2021/11/10	Taiwan Corporate Governance Association	Discussion of incentive strategies for enterprises' employees and applications of tools	3.0
Blue Lan	2021/11/09	Securities and Futures Development Foundation	2021 Annual Conference on Prevention of Insider Trading	3.0
Xun-Po Chuang	2021/11/05	Securities and Futures Development Foundation	2021 Annual Conference on Prevention of Insider Trading	3.0
Lin Pei-Ru	2021/08/09	Taiwan Securities Association	Global economic trends and investment strategies in the post-pandemic era	3.0
	2021/09/16	Securities and Futures Development Foundation	The value of information security in the post-pandemic era and under the China-US trade war	3.0
	2021/09/23	Taiwan Corporate Governance Association	Be aware not to touch the redline of concerted actions	3.0
Xin-Bin Fu (Independent director)	2021/11/12	Securities and Futures Development Foundation	2021 Annual Conference on Prevention of Insider Trading	3.0
Wu Pei-Jun (Independent director)	2021/09/01	Financial Supervision Commission, Executive Yuan	Morning session of the "13th Taipei Corporate Governance Forum"	3.0
	2021/09/01	Financial Supervision Commission, Executive Yuan	Afternoon session of the "13th Taipei Corporate Governance Forum"	3.0
Huang Shui-Tong (Independent director)	2021/11/05	Securities and Futures Development Foundation	2021 Annual Conference on Prevention of Insider Trading	3.0

Item	Status			Deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof												
	Yes	No	Summary													
(VI)			Status of implementation of risk management policy and risk measurement standards: Please refer to “VI. Risk analysis and Evaluation” on page 87 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:													
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(IX)			<p>Succession planning and implementation for the Company's board members and important members of management:</p> <p>1. Succession planning for important members of management: In order to meet the needs of the group's business operation and human resources development, the Human Resources Department of the company plans every year for the promotion of the management level above the class level. In addition to considering whether they have excellent professional and management skills, their values must be consistent with the company's philosophy, and they must have personality traits such as integrity, steadfastness, innovation and entrepreneurial spirit. For the training content of management successors, the Human Resources Department of the company regularly arranges courses such as "Project Management" and "Leadership Development" to comprehensively cultivate the decision-making ability of senior executives.</p> <p>2. Succession planning for board members As said above, the Company possess sufficient talents to succeed the future vacant seats of 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. The Company also specifies the “Procedures of Board Performance Assessment;” via the measurement items in the performance assessment, including the grasp of the company's goals and missions, the recognition of director's duties, the degree of participation in the company's operations, the management of</p>													

Item	Status		Summary	Deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof
	Yes	No		
<p>internal relationships and communication, the professionalism and continuing professional education, the internal controls and concrete expressions of the opinions, to verify the effectiveness of the Board's operation and assess the directors' performances, as the reference for the future director selection.</p> <p>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 items in the Corporate Governance Evaluation that the Company failed to get scores are explained as following:</p> <ol style="list-style-type: none"> 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. 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

Capacity (Note)	Qualifications Name	Professional Qualification and Experience	Independence	Number of public companies where the person holds the title as Remuneration Committee member
Independent director (Convener)	Xin-Bin Fu	<p>Educational background: Ph.D., Institute of Engineering, National Chiao Tung University Master of Engineering, University of Missouri Columbia, USA</p> <p>Career background: 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</p>	<p>The directors have been met the following independence criteria during the two years prior to being elected or during the term of the office.</p> <p>(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</p>	0
Independent director	Wu Pei-Jun	<p>Educational background: PhD of Laws degree at Keio University, Japan Master of Law, Keio University, Japan Graduated from the Law Department of National Taiwan University</p> <p>Career background: Associate Professor / Dean of Department of Finance and Law, Ming Chuan University Chairman, Masterlink Futures Co., Ltd. Chairman, Masterlink Insurance Company Professional qualification:</p>	<p>(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</p>	1

Capacity (Note)	Qualifications Name	Professional Qualification and Experience	Independence	Number of public companies where the person holds the title as Remuneration Committee member
Independent director	Huang Shui-Tong	<p>Educational background: Master of Law, Chinese Cultural University</p> <p>Career background: 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 President, Taiwan High Court Taichung Branch Committee member, Civil Service Disciplinary Committee Professional qualification: Passed Judicial Officer / Lawyer Higher Examination, 1972</p>	<p>of the same parent company in accordance with this law or local laws, this limitation shall not apply.)</p> <p>(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.)</p> <p>(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).</p> <p>(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.</p> <p>(10) Not a spouse to or kin at the second pillar under the Civil Code to any other director</p> <p>(11) Not under any circumstances as stipulated in Article 30 of Company Act.</p> <p>(12) Not elected as a government or corporate representative according to Article 27 of The Company Act.</p>	0

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 2021 (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	Joined on June 18, 2019
Member	Wu Pei-Jun	1	1	50	Joined on June 18, 2019
Member	Huang Shui-Tong	2	0	100	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
February 17, 2021 Fifth meeting of the 4th session	Proposal for 2020 distribution of employees' remunerations to managerial officers Proposal for 2020 distribution of directors' remunerations Report on the outcomes of the Board appraisal	All members agreed to pass	The board of directors was approved by all the directors present
November 3, 2021 Sixth meeting of the 4th session	Amendments to the organization charter of the Remuneration Committee	All members agreed to pass	The board of directors was approved by all the directors present

(V) The status of the Company's implementation of sustainable development promotion, any deviation and causes of deviation from the Sustainable Development 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. Did the company have established the governance framework for promoting sustainable development a designated unit in charge of promoting sustainable development, and the senior management is authorized by the board of directors for handling, as well as the status of board of directors' oversight?	✓		(I) The Company has set up a ESG 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 ESG management system. ESG budgets, management plans, implementation process are formulated every 6 months and the management representative reports to the Board meeting at least once each year. The lasted report was made to the Board on November 3, 2021.	No deviation															
II. 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?	✓		<p>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 Management Procedures," and "Hazard Identification and Risk Assessment Management Procedures."</p> <table border="1"> <thead> <tr> <th>Aspect</th> <th>Material issue</th> <th>Importance of risk assessment</th> <th>Policies or strategies of risk management</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Economy/ governance</td> <td>Corporate governance</td> <td>Safeguard the interests of shareholders and treat shareholders equally; strengthen the structure and operation of the Board of Directors</td> <td>1. At least one investor conference is convened every quarter. 2. At least six meetings of the Board of Directors are convened every year.</td> </tr> <tr> <td>Management of ethics</td> <td>The Company must conduct business activities based on the principles of fairness, honesty, trustworthiness and transparency.</td> <td>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.</td> </tr> <tr> <td>Environment</td> <td>Water resources management</td> <td>Establish the professional environmental leadership, enhance personal environmental sensitivity, and guide positive environmental</td> <td>1. Reduce the consumption of fresh water. 2. The use of main water inlet valves of production lines is inspected to reduce the pure-water consumption of processes when not operating.</td> </tr> </tbody> </table>	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	1. Reduce the consumption of fresh water. 2. The use of main water inlet valves of production lines is inspected to reduce the pure-water consumption of processes when not operating.	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.																
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Environment	Water resources management	Establish the professional environmental leadership, enhance personal environmental sensitivity, and guide positive environmental	1. Reduce the consumption of fresh water. 2. The use of main water inlet valves of production lines is inspected to reduce the pure-water consumption of processes when not operating.																

Item	Status			Summary	Deviation from the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof
	Yes	No			
				<p>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.</p> <p>3. Adding pipelines and equipment of reusing reverse osmosis rejected water for each scrubbing towers/cooling water tower.</p> <p>1. Increase the use of green energies. 2. Use energy-efficient equipment to reduce energy waste.</p> <p>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.</p> <p>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.</p> <p>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.</p>	
<p>III. Environmental Issues</p> <p>(I) Does the company have an appropriate environmental management system established in accordance with its industrial character?</p> <p>(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>	<p>✓</p> <p>✓</p>			<p>(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.</p> <p>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 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>(II) 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 2021, 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 216,269 tons. It also has required qualified resource recycling companies to convert the recycled precious metals into usable resources, while maintaining 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>	<p>No deviation</p> <p>No deviation</p>

Item	Status			Deviation from the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof
	Yes	No	Summary	
(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
(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 2020 and 2021, greenhouse gas emissions were 26,904.280 and 31,008.436 tons of CO ₂ e, respectively. The Company replaces the equipment with higher energy consumption and lower efficiency gradually every year. In 2021, the water outlet temperature of the air-conditioner chiller has been raised for one Celsius degree, and two chillers were replaced; It not only to meets the room temperature requirements of the production lines, but also implement the energy saving goal, with the overall energy saving efficiency of 21%. At the same time, an assembling line power consumption monitoring mechanism has been implemented continuously, 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. In 2020 and 2021, the tap water consumption was 911,198 and 780,441 M ³ , respectively. The Company defines the improvement target of the reuse percentage of the reclaimed water for each year, to reduce the demand of tap water consumption. The 2021 annual targets for the overall plant were defined as 25% for reclaimed water, and whole year reclaiming rate is 28.28%; both targets were met. Comparing to the 2020 reclaiming rate of 22.12%, there was an improvement by 6.16%; thus it is obvious that the program to introducing reusing reverse osmosis rejected water to each scrubbing towers/cooling water tower has significantly improved the overall water reusing rate. 3. The amount of waste generated in 2020 and 2021 was 3,218 tons and 2,934 tons, respectively. The copper waste liquid electrolytic recovery equipment recovered total of 9.96 tons of copper rods were recovered. 4. From 2021, a task force has been established to verify water consumption status; for the wet-processes, the random inspections are made at the workstations and processes daily, to ensure whether the main water inlet valves are closed as required when the production lines are not in operation, to save the unnecessary water consumption. The final performance of water-saving for the year is 9.8%.	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 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	No deviation

Item	Status			Deviation from the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof
	Yes	No	Summary	
(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?	✓		<p>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.</p> <p>(II) The Company's operating conditions are described as follows:</p> <ol style="list-style-type: none"> 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 ESG 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. 5. In 2021, the salaries were adjusted plant-widely, for average multitude of 7% and more. 	No deviation
(III) Whether or not the Company provides its employees with a safe and health working environment, and regularly implements employee's safety and health education measures?	✓		<p>(III) 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. 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.</p>	No deviation
(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</p>	No deviation

Item	Status			Deviation from the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof
	Yes	No	Summary	
(V) Regarding issues such as 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 or customer protection policies and appeal procedures?	✓		<p>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 develop professional functions for employees while at the same time creating maximum benefits for the Company.</p>	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?	✓		<p>(V) The company is not the manufacturer of the final product and this evaluation item is not applicable.</p> <p>(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.</p>	No deviation
V. Whether the company refers to the internationally-prepared reporting standards or guidelines, preparation of corporate social responsibility reports and other reports that disclose the	✓		<p>Since 2017, the Company has prepared its own corporate social responsibility reports, and the "2017 Corporate Social Responsibility Report" was issued externally for the first time in 2018. For the fifth year, in 2021, we renamed the "Corporate Social Responsibility Report" to "Sustainability Report," to continue voluntarily disclose the Company's philosophy in sustainable operation and management, as well as the promotion practices to these stakeholders care about Flexium. Flexium Interconnect complies with the GRI Standards and the AA 1000 SES standards, to conduct the materiality analysis through the</p>	No deviation

Item	Status			Deviation from the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof
	Yes	No	Summary	
company's non-financial information? Did the preliminary report obtain the confidence or assurance opinion of the third-party verification unit?			engagement and discussion of CRS Decision-Making Committee. In 2020, the materiality analysis results from 2018 were continued, and the outcomes of Flexium's promotion of sustainability commitment were demonstrated continuously, with the completion of the "2020 Sustainability 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>VI. For companies who had established principles of sustainable development in accordance with the "Sustainable Development 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. (It was officially renamed as "Sustainability Report" in June 2021)</p> <p>VII. Other important information that helps understand the implementations of promoting sustainable development: The Company has compiled a "Sustainability Report" with the sustainable development 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			Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof
	Yes	No	Summary	
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 preventive measures specified in Paragraph 2, Article 7 “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”?	✓		(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
(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?	✓		(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.	No deviation
II. Implementation of ethical management				
(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?	✓		(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.	No deviation

Item	Status			Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof
	Yes	No	Summary	
(II) Has the company set up a dedicated responsible unit to 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)?	✓		(II) To fulfill the oversight duty of the ethical management, the Company has the Ethic Committee in place, consisting of the Administration Division, legal unit, audit unit, and the dedicate unit under the Board, to take the charges of reviewing and improving the Company’s ethical management policies and promotional measures, as well as monitoring the development of international and domestic regulations related to the ethical management. This dedicated unit reported its execution to the Board on November 3, 2021.	No deviation
(III) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	✓		(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.	No deviation
(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 an account to carry out the review?	✓		(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.	No deviation
(V) Does the Company regularly hold internal and external educational trainings on ethical management?	✓		(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 2021, 2,671 people took part contributing 9,742 hours.	No deviation
III. Operations of the Company’s complaining system				
(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?	✓		(I) The Company's “Ethical Corporate Management Best Practice Principles” clearly specifies 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 (https://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

Item	Status			Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof
	Yes	No	Summary	
(II) Has the company implemented any standard procedures and/or subsequent measures after carrying out an investigation or confidentiality measures for handling reported misconduct?	✓		(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”.	No deviation
(III) Has the company taken appropriate measures to protect the whistle-blower from suffering any consequences of reporting an incident?	✓		(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	No deviation
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 <https://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:

Flexium Interconnect. Inc.
Statement on Internal Control System

Date: February 9, 2022

Based on the findings of self-assessment, the Company states that the following with regard to its internal control system during 2021:

- 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.
- 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.
- 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.
- IV. The Company has inspected the design and operating effectiveness of its internal control system in accordance with the aforementioned Regulations.
- V. Based on the findings of such evaluation, the Company believes that, on December 31, 2021, 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.
- 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.
- VII. This Statement has been passed by the Board of Directors in their meeting held on February 9, 2022 none of the attending 11 directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Flexium Interconnect. Inc.

Chairman and President: Cheng Ming-Chi Signature

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:
August 31, 2021 General Shareholders' Meeting	Proposals: 1. The Company's 2020 annual business report and financial statements. 2. The Company's 2020 earnings distributions.	1. The resolution has been followed. 2. The resolution has been followed.
	Discussions: 1. Amendment of the Company's "Articles of Incorporation." 2. Removal of the restriction on the prohibition of competition by directors of the Company. 3. 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. 4. Approved to amend the Company's "Procedures for Acquiring or Disposing of Assets." 5. Approved to amend the Company's "Loans and Other Operating Procedures." 6. Approved to amend the Company's "Endorsement Guarantee Procedures."	1. The registration was approved by the Ministry of Economic Affairs on September 25, 2021. 2. The resolution has been followed. 3. By considering the capital market conditions, it is intended to discontinue the aforesaid capital increase. 4. Operated according to the amended procedures. 5. Operate according to the amended procedures. 6. Operate according to the amended procedures.

Date	Important Resolutions of the Board Meeting	
February 17, 2021	<ol style="list-style-type: none"> 1. Approved the Company's employee remuneration and directors' remuneration 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 in cash with the capital reserve 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 	
May 5, 2021	<ol style="list-style-type: none"> 1. Approved the appointment of the Company's corporate governance officer 2. Approved the matters connected to the setting of the dividend record date for the Company's cash dividend distribution 3. Approved to amend the Company's "Procedures for Acquiring or Disposing of Assets." 4. Approved to amend the Company's "Loans and Other Operating Procedures." 5. Approved to amend the Company's "Endorsement Guarantee Procedures." 6. Approved the Company's investment proposals 7. Approved the Company's indirect investment in the mainland 8. Approval on the proposal for repurchasing the Company's shares in accordance with related regulations 	
August 4, 2021	<ol style="list-style-type: none"> 1. Approved the date and venue for the postponed regular shareholders' meeting for 2021 2. Approved the proposal for the cancellation of treasury shares 3. Approved the proposal for the loan of funds to subsidiaries 	
November 3, 2021	<ol style="list-style-type: none"> 1. Approved the proposal to apply for bank's credit facilities 2. In cooperation with the internal adjustment of the auditing and attesting CPA firm of the Company, CPA was accordingly 3. Approved the independence and adequacy assessment for the Company's attesting public accountants 4. Approved the organization charter of the Remuneration Committee 	
January 5, 2022	<ol style="list-style-type: none"> 1. Approved drafting of the 2022 business plan 2. Approved the proposal for the personnel and organization restructuring of the Company 3. Approved the review for the proposal of 2022 capital expenditure budgets 4. Approved the Company's employee remuneration and directors' remuneration distribution in 2021 5. Approved the proposal of Company's 2021 operating bonus and salary adjustment for managerial officers 	
February 9, 2022	<ol style="list-style-type: none"> 1. Approved the Company's 2021 internal control system declaration form 2. Approved the Company's 2021 annual financial report and business report 3. Approved the amendment of the Company's "Articles of Incorporation" 4. Approved the convening of the Company's 2022 General Shareholders' Meeting 5. Approval on the proposal for repurchasing the Company's shares in accordance with related regulations 	

Date	Important Resolutions of the Board Meeting
March 16, 2022	<ol style="list-style-type: none"> 1. Approved the Company's 2021 profit distribution 2. Approved the Company's distribution in cash with the capital reserve 3. Approved the matters connected to the setting of the dividend record date for the Company's cash dividend distribution 4. Approved the issuance of restricted employee shares for 2022 5. 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 6. Approved to amend the Company's "Rules of Procedure for Shareholders Meetings." 7. Approved to amend the Company's "Procedures for Election of Directors." 8. Approved to amend a portion of the Company's "Procedures for Acquiring or Disposing of Assets" 9. Approval on the proposal for repurchasing the Company's shares in accordance with related regulations

(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:

Title	Name	On-board Date	Date of Resignation or Dismissal	Summary of Resignation or Dismissal
Internal Auditor	Alice Hung	2008/10/01	2022/01/05	Position Adjustment

V. Attesting CPA professional fee information

(I) The Company shall disclose the amounts of the audit fees and non-audit fees paid to the attesting certified public accountants and to the accounting firm to which they belong and to any affiliated enterprises as well as the details of non-audit services:

Unit: NT\$ thousand

Name of Accounting Firm	CPA's Name	CPA audit period	Audit fees	Non-audit fees	Total	Remark
PwC Taiwan	Wu Jian-Chi	January 1, 2021 to December 31, 2021	4,526	847	5,373	Non-audit fee items: reporting of inventory write-offs, transfer pricing report, new restricted employee shares, and other matters conducted on behalf of the Company
	Wang Kuo-Hua					

(II) 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.

(III) 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	2021		As of March 31, 2022	
		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	54,000	0	0	0
Name of corporate shareholder	Chilien Investment Co., Ltd.	0	0	0	0
Representative of juristic-person director	Chen Yong-Chang	0	0	0	0
Representative of juristic-person director	Chuang Xun-Po	0	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
Representative of juristic-person director	Jeng Xi Shih	0	0	0	0
Representative of juristic-person director and managerial officers	Blue Lan	10,000	0	0	0
Director	Lin Pei-Ru	0	0	0	0
Director	David Cheng	21,600	0	0	0
Independent director	Xin-Bin Fu	0	0	0	0
Independent director	Huang Shui-Tong	(10,000)	0	0	0
Independent director	Wu Pei-Jun	0	0	0	0
Managerial Officers	Tsai Chi-Feng	91,000	0	4,000	0
Managerial Officers	Shan Yi-Wen	21,600	0	0	0
Managerial Officers	Gong Chao-Rong	3,000	0	0	0
Managerial Officers	Tang Chia-Hsien	16,200	0	0	0
Managerial Officers	Arthur Shiung	16,200	0	0	0
Managerial Officers	Ma Ruei-Chun	(2,000)	0	0	0
Managerial Officers	Eva Liao	3,300	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

June 21, 2021 Unit: Thousand 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	25,115,958	7.19%	0	0	0	0	None	None	
Tai Peng Development Co., Ltd.	15,459,784	4.43%	0	0	0	0	Cheng Ming-Chi	Chairman of Board	
China Life Insurance Co., Ltd.	13,669,000	3.91%	0	0	0	0	None	None	
Fubon Life Insurance Co., Ltd.	11,795,117	3.38%	0	0	0	0	None	None	
Labor pension under the new system	7,433,100	2.13%	0	0	0	0	None	None	
Standard Chartered International Commercial Bank Business Department as entrusted with custody of Prodigy Fund SPC Investment Account	4,945,441	1.42%	0	0	0	0	None	None	
Business department of Standard Chartered Bank trusted GMO Emergency Market Fund Investment Account Managed by GMO LLC	4,749,000	1.36%	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	4,546,990	1.30%	0	0	0	0	None	None	
Cheng Ming-Chi	4,326,360	1.24%	283	0.83%	0	0	Tai Peng Development Co., Ltd.	Chairman of Board	
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	4,013,334	1.15%	0	0	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%
Flexium Interconnect (Kunshan) Inc.	-	-	(Note)	100%	(Note)	100%
Flexium Interconnect (Suzhou) Inc.	-	-	(Note)	100%	(Note)	100%

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

Four. 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 2021	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 1
March 2021	10	460,000,000	4,600,000,000	361,982,959	3,619,829,590	Converted convertible bonds NT\$6,096,060	-	Note 2
May 2021	10	460,000,000	4,600,000,000	361,202,559	3,612,025,590	Cancellation of new restricted employee shares NT\$7,804,000	-	Note 3
August 2021	10	460,000,000	4,600,000,000	351,391,759	3,513,917,590	Cancellation of new restricted employee shares NT\$88,000 Cancellation of treasury shares NT\$98,020,000	-	Note 4
November 2021	10	600,000,000	6,000,000,000	351,330,879	3,513,308,790	Cancellation of new restricted employee shares NT\$608,800	-	Note 5
February 2022	10	600,000,000	6,000,000,000	350,401,879	3,504,018,790	Cancellation of new restricted employee shares NT\$9,290,000	-	Note 6

Note 1:	January 26, 2021	Jing-Shou-Shang-Tzi No.	11001001840	Letter approval.
Note 2:	March 11, 2021	Jing-Shou-Shang-Tzi No.	11001036390	Letter approval.
Note 3:	May 25, 2021	Jing-Shou-Shang-Tzi No.	11001087700	Letter approval.
Note 4:	August 25, 2021	Jing-Shou-Shang-Tzi No.	11001145930	Letter approval.
Note 5:	November 22, 2021	Jing-Shou-Shang-Tzi No.	11001209550	Letter approval.
Note 6:	February 22, 2022	Jing-Shou-Shang-Tzi No.	11101027010	Letter approval.

Type of share	Authorized capital stock			Remark
	Outstanding shares	Unissued shares	Total	
ordinary shares	350,401,879	249,598,121	600,000,000	Publicly listed

Note: Shelf registration system related information: Not applicable.

(II) Composition of shareholders

June 21, 2021

Composition of shareholders Quantity	Government apparatus	Financial organization	Other juristic persons	Individual	Foreign institute and foreigner	Total
	number of people	5	22	263	48,079	270	48,639
Shares held	12,030,589	66,233,128	35,724,555	155,427,827	79,791,860	349,207,959
Shareholding ratio	3.44%	18.97%	10.23%	44.51%	22.85%	100.00%

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

(III) Distribution of Ownership:

June 21, 2021

Range of shares	Number of shareholders	Shares held (shares)	Shareholding ratio (%)
1-999 shares	14,791	1,876,390	0.54%
1,000-5,000 shares	28,832	52,781,746	15.11%
5,001-10,000 shares	2,738	21,532,905	6.17%
10,001-15,000 shares	742	9,481,141	2.72%
15,001-20,000 shares	449	8,350,267	2.39%
20,001-30,000 shares	371	9,542,056	2.73%
30,001-40,000 shares	158	5,751,099	1.65%
40,001-50,000 shares	103	4,758,855	1.36%
50,001-100,000 shares	194	14,294,521	4.09%
100,001-200,000 shares	102	14,401,847	4.12%
200,001-400,000 shares	66	19,430,499	5.56%
400,001-600,000 shares	24	11,432,502	3.27%
600,001-800,000 shares	12	8,430,838	2.41%
800,001-1,000,000 shares	12	10,855,651	3.11%
1,000,001 shares and above	45	156,287,642	44.75%
Total (Note)	48,639	349,207,959	100.00%

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

(IV) Roster of major shareholders

June 21, 2021

Name of major shareholder	Shares	Shares held	Shareholding ratio
Cathay Life Insurance		25,115,958	7.19%
Tai Peng Development Co., Ltd.		15,459,784	4.43%
China Life Insurance Co., Ltd.		13,669,000	3.91%
Fubon Life Insurance Co., Ltd.		11,795,117	3.38%
Labor pension under the new system		7,433,100	2.13%
Standard Chartered International Commercial Bank Business Department as entrusted with custody of Prodigy Fund SPC Investment Account		4,945,441	1.42%
Business department of Standard Chartered Bank trusted GMO Emergency Market Fund Investment Account Managed by GMO LLC		4,749,000	1.36%
JPMorgan Chase Bank, N.A. Taipei Branch trusted Vanguard Emergency Market Stock Index Fund Investment Account Managed by Vanguard Group Corporation		4,546,990	1.30%
Cheng Ming-Chi		4,326,360	1.24%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds		4,013,334	1.15%

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

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

Unit: NT\$ / thousand shares

Item	Year		2020	2021	Current year up to March 31, 2022
	Market value per share	Highest		150.00	137.00	104.5
Lowest		79.50	92.50	93.30	
Average		118.35	115.53	98.50	
Net value per share	Before distribution		70.72	73.11	(Note 6)
	After distribution		65.78	68.36	Not applicable
Earnings per share	Weighted average shares (thousand shares)		340,009	351,470	(Note 6)
	EPS (Note 1)		8.63	8.19	(Note 6)
Dividends per share	Cash dividends		5.0	5.0	
	Free-Gratis dividends	Retained shares distribution	0	0	
		Shares distribution with the capital reserve	0	0	
	Retained dividends (Note 2)		0	0	
Return on investment analysis	Price-Earnings Ratio (Note 3)		13.71	14.11	
	Dividend yield (Note 4)		23.67	23.11	
	Cash dividend yield (Note 5)		4.22%	4.33%	

Note 1: If it is necessary to make adjustment retroactively due to Free-Gratis dividends, please identify the EPS before and after adjustment.

Note 2: 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 3: Price-Earnings Ratio = Average closing price per share in current year/earnings per share.

Note 4: Dividend yield = average closing price per share in current year/cash dividend per share.

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

Note 6: 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 formulate a proposal; if such distribution is made in the manner of issuing new shares, the distribution shall be submitted for approval in the shareholders meeting. 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. Pursuant to the special resolution of the Board meeting on March 16, 2022, the Company will distribute cash for NT\$5 per share with the capital reserve.
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' remuneration, and no higher than 2% of the profit as remuneration 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 remuneration may be distributed in stocks or cash, The parties to whom the remuneration distributed to may include employees of affiliated companies The distribution of employees' remuneration and directors' remuneration shall be decided by the board of directors with a resolution made by at least two-thirds of the directors present and a majority of the directors in agreement, and this shall be reported to the shareholders meeting.

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 proposal of 2021 distribution approved by the Company's Board of Directors meeting held on January 5, 2022 is as follows:

A. Proposal of remuneration to directors 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. The Company want to attract and retain talent needed, issuance of restricted stock awards and connect operating performance, please see page 59 of the annual report for the related assessments.

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

The proposal of 2021 distribution approved by the Company's Board of Directors meeting held on February 17, 2021 is as follows:

Item	Estimated amount for the year (NT\$)	Actual distribution (NT\$)	Difference
Employee remuneration	83,000,000	83,000,000	None
Remuneration of directors and supervisors	20,000,000	20,000,000	None

(IX) Repurchase of the Company's shares:

1. Completed:

March 31, 2022

No. of repurchase	12th	13th
Purpose of repurchase	Maintain company credit and shareholders' rights and benefits	Maintain company credit and shareholders' rights and benefits
Repurchase period:	May 6, 2021 to July 5, 2021	February 10, 2022 to April 8, 2022
Price range of repurchase	NT\$95 to NT\$130	NT\$86 to NT\$117
Type and quantity of repurchased shares	9,802,000 ordinary shares	15,000,000 ordinary shares
Amount of repurchased shares	NT\$1,131,818,363	NT\$1,442,539,245
The number of repurchased shares to estimated repurchase number (%)	65.35%	100.00%
Number of shares canceled or transferred	9,802,000 shares	0 share
Accumulated shares held	0 share	15,000,000 shares
Shares cumulatively held to total shares authorized to issue (%)	0%	4.27%

2. Still undergoing implementation:

March 31, 2022

No. of repurchase	14th
Purpose of repurchase	Maintain company credit and shareholders' rights and benefits
Repurchase period:	March 18, 2022 to May 16, 2022
Price range of repurchase	NT\$86 to NT\$117
Type and quantity of repurchased shares	4,362,000 ordinary shares
Amount of repurchased shares	NT\$ 444,562,247
The number of repurchased shares to estimated repurchase number (%)	29.08%
Number of shares canceled or transferred	0 share
Accumulated shares held	19,362,000 shares
Shares cumulatively held to total shares authorized to issue (%)	5.53%

II. Status of corporate bond

Status of corporate bond

March 31, 2022

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, Attorney-at-Law	K&L Gates Cheng-Yang Chen, Attorney-at-Law
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 March 31, 2022)	US\$0 thousand	US\$120,000 thousand
Terms for redemption or early repayment	<ol style="list-style-type: none"> 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 ordinary shares 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. 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. 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 redeem all bonds in advance at the early redemption price according to the trustee's contract. 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). 	<ol style="list-style-type: none"> 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 ordinary shares 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. 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. 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 redeem all bonds in advance at the early redemption price according to the trustee's contract. 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).
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 publication date of the annual report	USD100,000 thousand (NT\$3,083,800 thousand)
	Issuance and conversion (traded or subscribed) regulations	See MOPS-various exclusive sections-bond section
Possible dilution of equity and impact on equity of existing shareholders	As of the publication date, all bonds have been converted.	6.87%; 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
Year		Current year up to January 31, 2021 (Note 1)	Current year up to March 31, 2022
Item			
Market value of convertible corporate bond (Note 2)	Highest	164	119
	Lowest	160	100
	Average	162	108
Conversion price (NT\$)		NT\$75.88	NT\$130.05
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 duty		Issuance of new shares	Issuance of new shares

Note 1: The third unsecured overseas convertible corporate bonds were fully converted on January 11, 2021.

Note 2: Referring to Bloomberg's 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

March 31, 2022

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> <ol style="list-style-type: none"> 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%. 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%. 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>(2) Operational performance: The Company will use basic earnings per share as its operating performance standard</p> <ol style="list-style-type: none"> 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, 	<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> <ol style="list-style-type: none"> 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%. 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%. 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>(2) Operational performance: The Company will use basic earnings per share as its operating performance standard</p> <ol style="list-style-type: none"> 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

	<p>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, 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>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, 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>
<p>Restrictions on 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 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>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 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>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>V. 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 acquired conditions after being allocated or subscribed for new shares	For employees who have been assigned restricted employee shares in accordance with this method, if the time limit set in 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.	For employees who have been assigned restricted employee shares in accordance with this method, if the time limit set in 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	1,802,800 shares	292,280 shares
Number of shares of restricted employee shares released	2,463,900 shares	164,700 shares
Number of shares of restricted	1,233,300 shares	543,020 shares

employee shares still unreleased		
Ratio of unreleased restricted employee shares vs. total issuance of shares (%)	0.35%	0.15%
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

March 31, 2022

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	0.37%	980	-	-	0.28%	310	0	0	0.09%
	Chief Operating Officer	Tsai Chi-Feng										
	Vice President of Business Division	Tang Chia-Hsien										
	Project Foreman	Cheng Yu-tai (Dismissed)										
	Director of Kunshan Plant	Ma Ruei-Chun										
	Director of Kaohsiung Plant	Shan Yi-Wen										
	CQO	Lu Yu-hung										
	Director of Sourcing Division	Gong Chao-Rong										
	Director of Administration Division	Blue Lan										
	CFO	Arthur Shiung										
Employee	Vice Director	Cheng Yang	750	0.21%	584	-	-	0.17%	166	0	0	0.05%
	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

March 31, 2022

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)	
Employee	Project Director	Song, Guang-Tao	293	0.08%	149	-	-	0.04%	144	-	-	0.04%
	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 (Note)	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 %	

Note: The execution of the third unsecured overseas convertible corporate bonds was completed in Q1, 2021.

(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 2022	Reason why the plan is ahead of or fall behind the schedule, and improvement plan
			Amount	
Purchase of materials with foreign currency	Expenditure	Scheduled	1,399,095	The actual funds raised in this project to paid for purchases of materials in foreign currency were US\$48,328 thousand (approximately equivalent to NT\$1,399,095 thousand). As of March 31, 2022, all the funds raised have been paid for purchases of materials in foreign currency, so there is no unspent fund.
		Actual	1,399,095	
	Progress (%)	Scheduled	100.00 %	
		Actual	100.00 %	
Purchase of machinery equipment with foreign currency.	Expenditure	Scheduled	3,073,680	The project was to meet the funds required for purchases of machinery equipment in foreign currency. As of March 31, 2022, 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 expectation.
		Actual	1,837,833	
	Progress (%)	Scheduled	100.00 %	
		Actual	59.79 %	

Five. 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:

Year	2020		2021	
	Operating amount (NT\$ thousand dollars)	Business proportion (%)	Operating amount (NT\$ thousand dollars)	Business proportion (%)
Main products				
Flexible printed circuit (FPC)	29,897,996	100.00	35,568,666	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 5G and high-frequency antenna boards

(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 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.

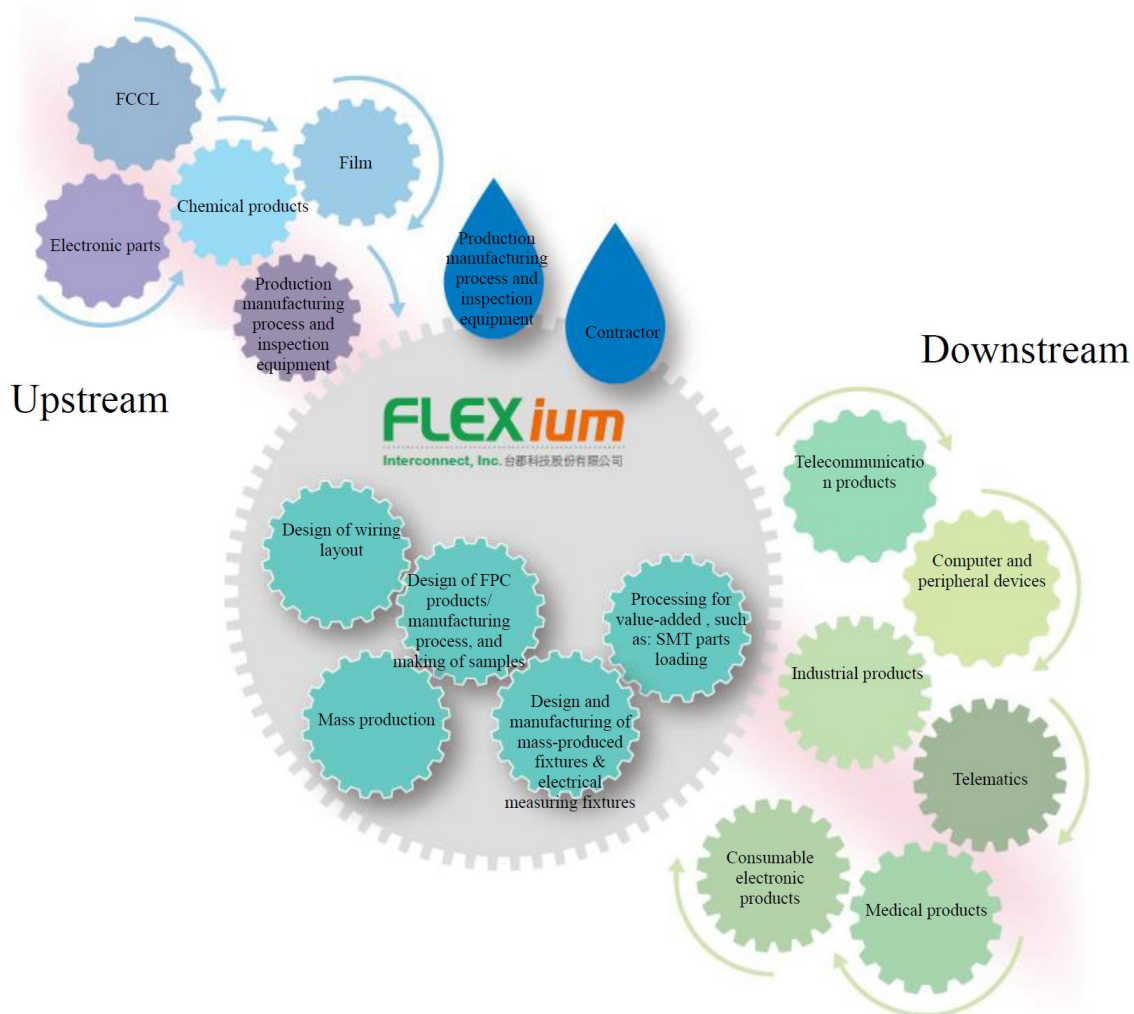
PCBs can be categorized into 3 types: rigid PCBs, flexible print circuits (FPCs) and IC substrates. Among these, FPCs are made by flexible copper clad laminates (FCCL) and a flexible insulating layer (FIL) using an adhesive. They then go through process such as etching to leave the necessary circuit 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, lighter, 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	2021
R&D expenses	2,055,340
Operating revenues	35,568,666
To operating revenue (%)	5.78

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		2020		2021	
		Amount	%	Amount	%
Domestic marketing		1,449,038	4.85	1,691,296	4.76
Export	Asian region	9,835,064	32.90	7,250,544	20.38
	Territories in Europe and the U.S.A.	18,613,894	62.25	26,626,826	74.86
	Sub-total	28,448,958	95.15	33,877,370	95.24
Total		29,897,996	100.00	35,568,666	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.

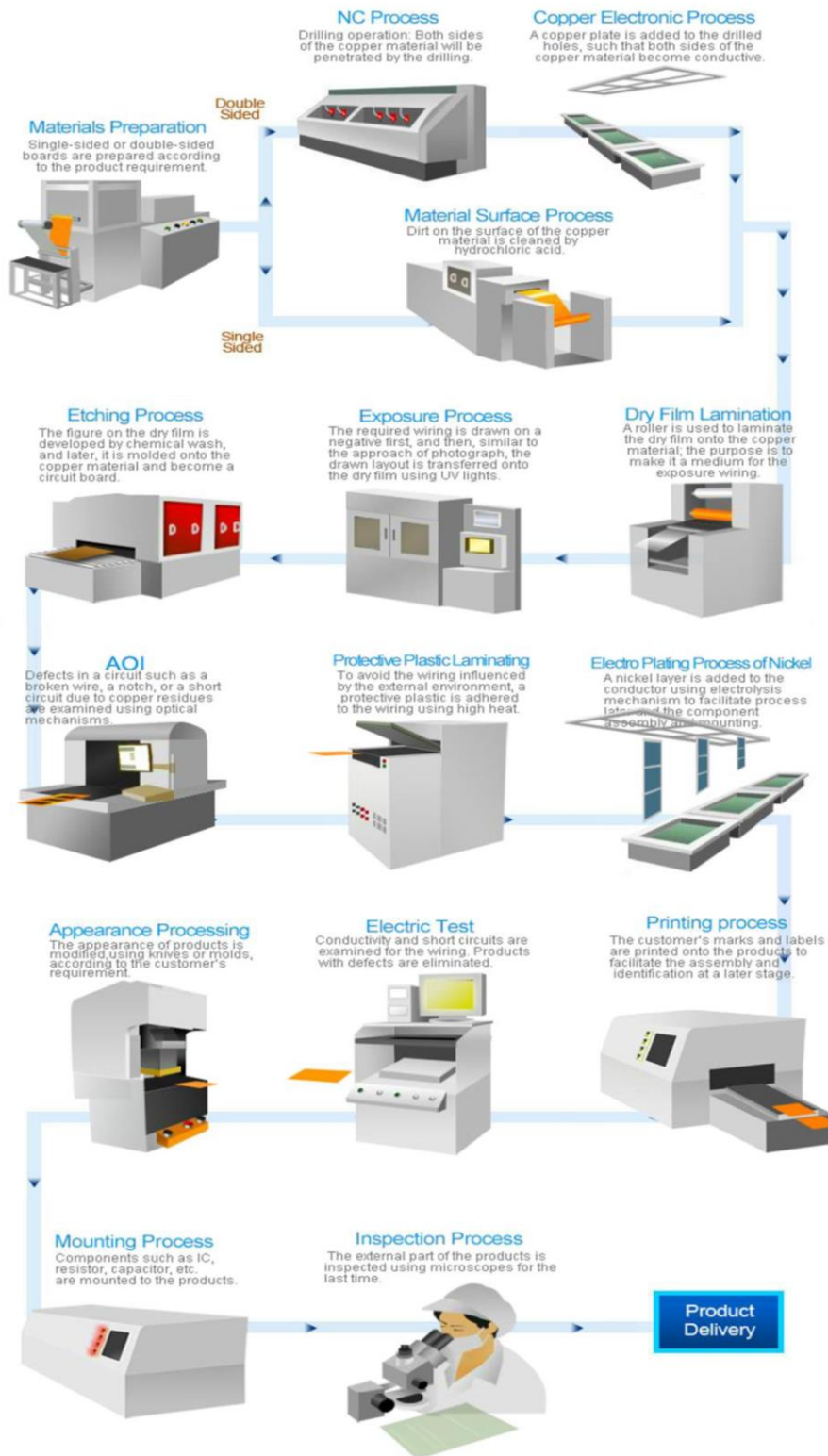
B. Transfer production of some middle-ranked and low-ranked products to the factory premises in Mainland China through the international breakdown, and introduce foreign employees adequately and perform professional training on them permanently to solve the problem about shortage of domestic labors and 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	2020				2021			
	Name	Amount	To the annual net purchase (%)	Relations hip with the issuer	Name	Amount	To the annual net purchase (%)	Relations hip with the issuer
1	Others	21,483,871	100.00	None	Company R	3,834,995	15	None
					Others	21,738,892	85	—
	Net purchase	21,483,871	100.00		Net purchase	25,573,887	2011	None

In 2021, the number of suppliers accounted for more than 10% of the material inbound of the Company is only one supplier, and the number of suppliers for material inbounds of the Company less than 10% accounts for 80%, which indicates that the main suppliers of the Company are in excellent cooperation, the material supply sources are stable, and there are no concentration of material inbound.

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

Unit: NT\$ thousand; %

Item	2020				2021			
	Name	Amount	To the annual net sale (%)	Relations hip with the issuer	Name	Amount	To the annual net sale (%)	Relations hip with the issuer
1	Company A	18,401,562	61.55	None	Company A	26,337,973	74.05	None
	Others	11,496,434	38.45	-	Others	9,230,693	25.95	-
	Net sale	29,897,996	100.00		Net sale	35,568,666	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 Production value Main product	2020			2021		
	Production capacity	Output	Output value	Production capacity	Output	Output value
Flexible printed circuit (FPC)	1,936,739	1,646,228	24,775,775	2,919,266	1,897,523	29,652,520
Total	1,936,739	1,646,228	24,775,775	2,919,266	1,897,523	29,652,520

(VI) Sales value in recent two years

Unit: thousand pieces/NT\$ thousand

Year Sale value Main product	2020				2021			
	Domestic marketing		Export		Domestic marketing		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Flexible printed circuit (FPC)	41,483	1,449,044	1,070,400	28,448,952	38,818	1,691,297	1,239,223	33,877,369
Total	41,483	1,449,044	1,070,400	28,448,952	38,818	1,691,297	1,239,223	33,877,369

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

Unit: person; %

Year		2020	2021	As of March 31, 2022
Number of employees	Direct labor	5,261	5,562	5,849
	Indirect labor	803	798	810
	Total	6,064	6,360	6,659
Average age		31.25	31.59	31.59
Average service seniority		3.54	3.35	3.40
Ratio of educational background	Ph.D	0.12%	0.04%	0.04%
	Master	3.30%	3.55%	3.54%
	University (college)	32.44%	33.60%	33.14%
	Senior high school	55.00%	55.66%	54.78%
	Below senior high school	9.13%	7.16%	8.51%

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: 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 172,216 employee training hours in 2021. The average training time per employee is 46 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\$19.18 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 intergrowth 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.

- (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 March 31, 2022

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 to March 14, 2021	Plant lease	None
Real estate lease contract	Wen-Chang Lu	May 1, 2020 to April 30, 2023	Lease of Office at Pingzhen	None
Engineering contract	Suzhou Yankey Electrical and Mechanical Engineering Ltd.	January 29, 2021 to June 1, 2021	CNY99.03 million	None
Long-term borrowing contract	CTBC Bank	May 2019 to May 2029	NT\$2 billion	None
Long-term borrowing contract	E. Sun Commercial Bank	May 2019 to July 2026	NT\$1.9 billion	None

Six. 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)				
		2017	2018	2019	2020	2021
Current assets		23,969,161	21,138,145	25,952,009	31,946,671	32,668,376
Property, plant and equipment		6,196,860	5,630,571	7,323,353	8,485,676	14,638,999
Intangible assets		37,325	85,717	46,150	20,645	13,914
Other assets		522,887	770,269	1,132,175	2,314,381	993,774
Total amount of assets		30,726,233	27,624,702	34,453,687	42,767,373	48,315,063
Current liabilities	Before distribution	12,214,136	7,619,715	8,133,819	13,021,769	14,323,684
	After distribution	13,758,629	9,185,999	9,815,902	14,808,534	15,991,812
Non-current liabilities		651,689	803,310	4,392,066	4,188,115	8,306,925
Total amount of liabilities	Before distribution	12,865,825	8,423,025	12,525,885	17,209,884	22,630,609
	After distribution	14,410,318	9,989,309	14,207,968	18,996,649	24,298,737
Equities belong to the owner of the parent Company		17,860,408	19,201,677	21,927,802	25,557,489	25,684,454
Capital		3,179,912	3,182,954	3,346,328	3,617,798	3,513,309
Capital reserve		3,990,243	3,859,566	4,285,961	4,771,691	3,048,710
Retained earnings	Before distribution	11,874,509	12,987,385	15,357,966	17,731,146	19,645,120
	After distribution	10,330,016	11,421,101	13,675,883	15,944,381	17,976,992
Other equities		(212,254)	(303,446)	(771,663)	(563,146)	(522,685)
Treasury stock		(972,002)	(524,782)	(290,790)	0	0
Non-controlling equities		0	0	0	0	0
Total amount of equities	Before distribution	17,860,408	19,201,677	21,927,802	25,557,489	25,684,454
	After distribution	16,315,905	17,635,393	20,245,719	23,770,724	24,016,326

Note : All of the financial information from 2017 to 2021 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.

(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)				
		2017	2018	2019	2020	2021
Operating revenues		25,846,403	26,770,491	26,033,230	29,897,996	35,568,666
Operating gross profit		5,661,828	5,120,283	5,945,005	6,134,099	6,329,498
Operating income		3,960,866	3,152,974	3,797,113	3,439,319	3,272,961
Non-operating revenues and expenses		(84,080)	327,729	204,656	357,622	540,968
Net profit before tax		3,876,786	3,480,703	4,001,769	3,796,941	3,813,929
Net profit of the current term from continuing operations		3,056,836	2,644,712	3,153,203	2,934,043	2,879,750
Loss from discontinued operations		0	0	0	0	0
Net profit (loss) of the current term		3,056,836	2,644,712	3,153,203	2,934,043	2,879,750
Other comprehensive income (net amount after tax) of the current term		(144,157)	(78,535)	(219,345)	94,373	(53,231)
Total amount of comprehensive income of the current term		2,912,679	2,566,177	2,933,858	3,028,416	2,826,519
Net profit belonging to the owner of the parent Company		3,056,836	2,644,712	3,153,203	2,934,043	2,879,750
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		2,912,679	2,566,177	2,933,858	3,028,416	2,826,519
Total amount of comprehensive income belonging to the non-controlling equities		0	0	0	0	0
Earnings per share		10.07	8.55	10.02	8.63	8.19

Note : All of the financial information from 2017 to 2021 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)				
		2017	2018	2019	2020	2021
Current assets		20,005,453	18,063,782	23,857,151	27,723,347	27,080,847
Property, plant and equipment		2,643,810	2,663,835	3,893,642	4,580,154	9,619,974
Intangible assets		31,127	77,565	42,395	16,291	12,056
Other assets		5,823,003	7,296,489	7,193,196	9,897,518	9,937,747
Total amount of assets		28,503,393	28,101,671	34,986,384	42,217,310	46,650,624
Current liabilities	Before distribution	10,015,293	8,100,020	8,686,400	12,498,329	12,682,106
	After distribution	11,559,786	9,666,304	10,368,483	14,285,094	14,350,234
Non-current liabilities		627,692	799,974	4,372,182	4,161,492	8,284,064
Total amount of liabilities	Before distribution	10,642,985	8,899,994	13,058,582	16,659,821	20,966,170
	After distribution	12,187,478	10,466,278	14,740,665	18,446,586	22,634,298
Equities belong to the owner of the parent Company		17,860,408	19,201,677	21,927,802	25,557,489	25,684,454
Capital		3,179,912	3,182,954	3,346,328	3,617,798	3,513,309
Capital reserve		3,990,243	3,859,566	4,285,961	4,771,691	3,048,710
Retained earnings	Before distribution	11,874,509	12,987,385	15,357,966	17,731,146	19,645,120
	After distribution	10,330,016	11,421,101	13,675,883	15,944,381	17,976,992
Other equities		(212,254)	(303,446)	(771,663)	(563,146)	(522,685)
Treasury stock		(972,002)	(524,782)	(290,790)	0	0
Non-controlling equities		0	0	0	0	0
Total amount of equities	Before distribution	17,860,408	19,201,677	21,927,802	25,557,489	25,684,454
	After distribution	16,315,915	17,635,393	20,245,719	23,770,724	24,016,326

Note : All of the financial information from 2017 to 2021 have been audited and certified by the CPA.

(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)				
		2017	2018	2019	2020	2021
Operating revenues		25,425,049	26,629,126	25,681,858	29,674,189	35,426,904
Operating gross profit		3,982,755	3,070,630	4,182,922	3,378,251	3,244,518
Operating income		3,219,214	2,274,497	3,232,736	2,212,997	-1,227,749
Non-operating revenues and expenses		652,478	1,153,360	795,051	1,472,034	1,623,456
Net profit before tax		3,871,692	3,427,857	4,027,787	3,685,031	3,640,225
Net profit of the current term from continuing operations		3,056,836	2,644,712	3,153,203	2,934,043	2,879,750
Loss from discontinued operations		0	0	0	0	0
Net profit (loss) of the current term		3,056,836	2,644,712	3,153,203	2,934,043	2,879,750
Other comprehensive income (net amount after tax) of the current term		(144,157)	(78,535)	(219,345)	94,373	(53,231)
Total amount of comprehensive income of the current term		2,912,679	2,566,177	2,933,858	3,028,416	2,826,519
Net profit belonging to the owner of the parent Company		3,056,836	2,644,712	3,153,203	2,934,043	2,879,750
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		2,912,679	2,566,177	2,933,858	3,028,416	2,826,519
Total amount of comprehensive income belonging to the non-controlling equities		0	0	0	0	0
Earnings per share		10.07	8.55	10.02	8.63	8.19

Note : All of the financial information from 2017 to 2021 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
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	
2021	PwC Taiwan	Wu Jian-Chi and Wang Kuo-Hua	Unqualified opinion	

II. Financial analysis for the most recent 5 years

(I) (I) Consolidated Financial Analysis Under International Financial Reporting Standards (IFRS)

Analysis item		Year	Financial analysis for the most recent 5 years (Note)				
			2017	2018	2019	2020	2021
Financial structure	Liabilities to assets (%)		41.87	30.49	36.36	40.24	46.84
	Long-term capitals to property, plant and equipment (%)		298.73	355.29	359.40	350.54	232.20
Solvency	Current ratio (%)		196.24	277.41	319.06	245.33	228.07
	Quick ratio (%)		153.61	226.83	287.39	209.46	188.33
	Times Interest Earned (TIE) (%)		239.47	659.85	46.39	88.87	147.11
Operating ability	Receivable turnover (times)		4.15	3.57	3.74	4.12	4.44
	Average collection days		87.95	102.24	97.59	88.59	82.20
	Inventory turnover (times)		5.55	4.72	5.80	6.77	6.44
	Payable turnover (times)		3.73	3.77	5.24	5.50	5.34
	Average inventory turnover days		65.76	77.33	62.93	53.91	56.67
	Property, plant and equipment turnover (times)		4.61	4.53	4.02	3.78	3.08
	Total assets turnover (times)		0.95	0.92	0.84	0.77	0.78
Profitability	Return on assets (%)		11.32	9.08	10.39	7.69	6.37
	Return on equities (%)		18.31	14.27	15.33	12.36	11.24
	Net profit before tax to paid-in capital (%)		121.91	99.06	119.59	105.07	108.56
	Net profit ratio (%)		11.83	9.88	12.11	9.81	8.10
	Earnings per share (NT\$)		10.07	8.55	10.02	8.63	8.19
Cash flow	Cash flow ratio (%)		25.36	40.77	(1.75)	39.23	38.85
	Cash flow adequacy ratio (%)		106.02	118.22	87.68	58.45	58.85
	Cash reinvestment ratio (%)		8.02	6.23	(5.30)	9.23	8.78
Leverage	Operating leverage		1.26	1.40	1.34	1.48	1.58
	Financial leverage		1.00	1.00	1.02	1.01	1.01
Reasons of financial ratio changes reaching 20% in the most recent two years							
1	Long-term capitals to property, plant and equipment		Due to the good business operation in 2021 and the continual the expansion of plants, resulting in the increase of property, plant and equipment, and thus the total ratio is decreased.				
2	Times Interest Earned (TIE)		Because the interest expenses from the conversion of overseas convertible corporate bonds decreased.				

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)				
			2017	2018	2019	2020	2021
Financial structure	Liabilities as a percentage assets (%)		37.34	31.67	37.32	39.46	44.94
	Long-term capitals to property, plant and equipment (%)		699.3	750.86	675.46	648.86	353.10
Solvency	Current ratio		199.75	223.01	274.65	221.82	213.54
	Quick ratio		181.72	209.63	265.70	210.58	198.63
	Times Interest Earned (TIE)		249.25	649.85	46.83	87.38	145.01
Operating ability	Receivable turnover (times)		4.17	3.61	3.74	3.29	3.47
	Average collection days		87.52	101.10	97.59	January 2022	105.19
	Inventory turnover (times)		15.85	16.14	23.26	24.77	20.25
	Payable turnover (times)		3.88	3.31	3.17	3.34	3.61
	Average inventory turnover days		23.02	22.61	15.69	14.74	18.02
	Property, plant and equipment turnover (times)		13.11	10.03	7.83	7.00	4.99
	Total assets turnover (times)		1.00	0.94	0.81	0.77	0.80
Profitability	Return on assets (%)		12.04	9.36	10.22	7.69	6.53
	Return on equities (%)		18.31	14.27	15.33	12.36	11.24
	Net profit before tax to paid-in capital (%)		121.75	107.69	120.36	101.97	103.61
	Net profit ratio (%)		12.02	9.93	12.28	9.89	8.13
	Earnings per share (NT\$)		10.07	8.55	10.02	8.63	8.19
Cash flow	Cash flow ratio (%)		14.15	48.93	(31.07)	25.84	11.65
	Cash flow adequacy ratio (%)		134.17	169.31	87.81	67.66	51.74
	Cash reinvestment ratio (%)		0.61	11.22	(14.97)	4.76	-0.82
Leverage	Operating leverage		1.10	1.23	1.17	1.32	1.44
	Financial leverage		1.00	1.00	1.03	1.02	1.01
Reasons of financial ratio changes reaching 20% in the most recent two years							
1	Long-term capitals to property, plant and equipment		Due to the good business operation in 2021 and the continual the expansion of plants, resulting in the increase of property, plant and equipment, and thus the total ratio is decreased.				
2	Times Interest Earned (TIE)		Because the interest expenses from the conversion of overseas convertible corporate bonds decreased.				
3	Average inventory turnover days		Due to increases in sales costs.				
4	Real estate, plants and equipment turnover (times)		Due to the good business operation in 2021 and the continual the expansion of plants, resulting in the increase of property, plant and equipment, and thus the total ratio is decreased.				
5	Cash flow ratio (%)		As the orders in 2021 concentrated at the year-end, resulting increase in receivables but cash flow in later, and thus the net cash flow from operating activities is decreased.				
6	Cash flow adequacy ratio (%)		As the orders in 2021 concentrated at the year-end, resulting increase in receivables but cash flow in later, and thus the net cash flow from operating activities is decreased.				
7	Cash reinvestment ratio (%)		As the orders in 2021 concentrated at the year-end, resulting increase in receivables but cash flow in later, and thus the net cash flow from operating activities is decreased.				

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 × (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 2021 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 9, 2022

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

Seven. 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	2021	2020	Difference	
				Amount	%
Current assets		32,668,376	31,946,671	721,705	2.26
Non-current assets		15,646,687	10,820,702	4,825,985	44.60
Total assets		48,315,063	42,767,373	5,547,690	12.97
Current liabilities		14,323,684	13,021,769	1,301,915	10.00
Non-current liabilities		8,306,925	4,188,115	4,118,810	98.35
Total liabilities		22,630,609	17,209,884	5,420,725	31.50
Capital		3,513,309	3,617,798	(104,489)	-2.89
Capital reserve		3,048,710	4,771,691	(1,722,981)	-36.11
Retained earnings		19,645,120	17,731,146	1,913,974	10.79
Other equities		(522,685)	(563,146)	40,461	-7.18
Total equity		25,684,454	25,557,489	126,965	0.50
<p>1. Main reasons for materials changes (20% or more) during the most recent two years:</p> <p>(1) Increase of non-current assets is mainly resulted from the good business operation in 2021 and the continual expansion of plants, resulting in the increase of property, plant and equipment.</p> <p>(2) Increase of non-current liabilities is mainly resulted from the issuance of corporate bonds in 2021.</p> <p>(3) Increase in total liabilities is mainly resulted from increases in accounts payable and processing expense payable to meet the production demands, and the issuance of corporate bonds in 2021.</p> <p>(4) Decrease in the capital reserve: mainly due to the distribution of cash dividends for 2020 with the capital reserve.</p> <p>2. The effect of material changes in the past 2 fiscal years and the measures to be taken in response in the future: The overall performance of the Company and subsidiaries does not indicate any material abnormality, so no measures shall be taken in response.</p>					

II Financial performance

Unit: NT\$ in thousand

Item	Year	2021	2020	Amount increased (decreased)	Ratio of change (%)
Operating costs		29,239,168	23,763,897	5,475,271	23.04
Operating expenses		3,056,537	2,694,780	361,757	13.42
Operating profit		3,272,961	3,439,319	(166,358)	-4.84
Non-operating revenues and expenses		540,968	357,622	183,346	51.27
Net profit before tax		3,813,929	3,796,941	16,988	0.45
Income tax expenses		934,179	862,898	71,281	8.26
Net income this period		2,879,750	2,934,043	(54,293)	-1.85
Other comprehensive income		(53,231)	94,373	(147,604)	-156.40
Total amount of comprehensive income of the current term		2,826,519	3,028,416	(201,897)	-6.67
<p>1. Main reasons for materials changes (20% or more) during the most recent two years:</p> <p>(1) Increase in operating costs is mainly due to increases in materials and costs to meet production needs.</p> <p>(2) Increase in non-operating revenues and expenses: mainly due to the increase in the government grants.</p> <p>(3) Decrease in other income: Mainly due to the decrease of the cumulative translation adjustment generated from the long-term investment.</p> <p>2. Sales forecast and basis thereof: The Company does not prepare and publicly announce the financial forecast; therefore, it is not applicable.</p> <p>3. Possible impacts on the future financial business of the Company and countermeasure plans: No obvious impacts on the financial business status.</p>					

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
9,122,564	5,564,335	(8,173,433)	1,381,107	1,702	7,896,275

- (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\$5.6 billion, mainly due to the increased depreciation expenses and accounts payable.
 - (2) Investment activities: Net cash outflow of NT\$8.2 billion; mainly due to the acquisition of real estate, facility and equipment.
 - (3) Financing activities: the net cash outflow was NT\$1.4 billion, mainly due to the issuance of corporate bonds 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: Not applicable.

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 2021 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 2021, the recognized investment profit is of the total amount of NT\$1,432,449 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 2022 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.

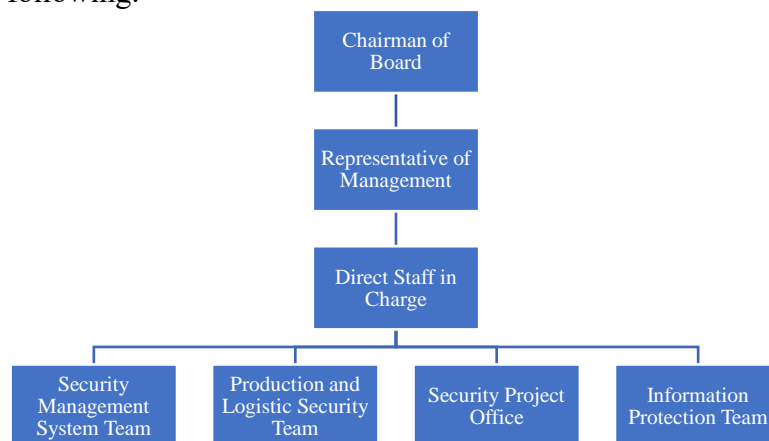
- (VII) Expected benefit, possible risk and countermeasures for mergers:

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. The Company's managerial structure of the information security is as following:



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:

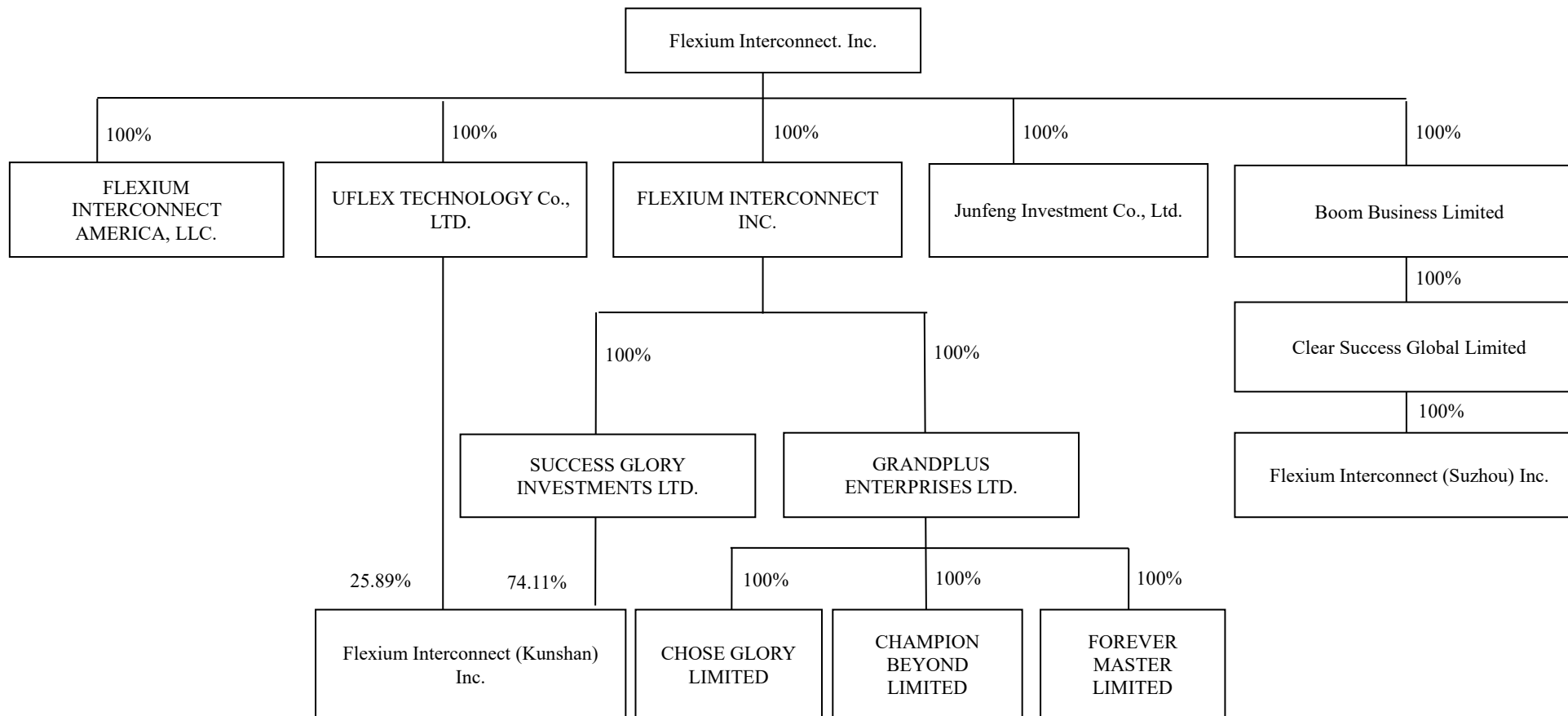
None

Eight. 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	21F-6, No. 91, Zhongshan 2nd Rd., Qianzheng District, 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 customer and technical services
SUCCESS GLORY INVESTMENTS LTD	2003.03.21	Offshore Chambers, P.O. Box 217 , Apia, Samoa	719,042	Reinvestment in variable businesses
GRANDPLUS ENTERPRISES LTD	2003.06.12	Offshore Chambers, P.O. Box 217 , Apia, Samoa	62,001	Reinvestment in variable businesses
CHOSEN GLORY LIMITED	2014.01.02	Offshore Chambers, P.O. Box 217 , Apia, Samoa	-	Reinvestment in variable businesses
CHAMPION BEYOND LIMITED	2013.12.11	Offshore Chambers, P.O. Box 217 , Apia, Samoa	-	Reinvestment in variable businesses
FOREVER MASTER LIMITED	2014.01.08	Offshore Chambers, P.O. Box 217 , Apia, Samoa	-	Reinvestment in variable businesses
BOOM BUSINESS LIMITED	2016.09.21	Unit 25, 2nd Floor, Nia Mall, Saleufi Street, Apia, Samoa	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 businesses
Flexium Interconnect (Kunshan) Inc.	2000.11.16	National High-Technology Industrial Park, No. 1399, Hanpu Rd., Kunshan City, Jiangsu Province	2,234,884	Research ,development, manufacturing and sales of new electronic components like flexible circuit boards
Flexium Interconnect (Suzhou) Inc.	2017.04.11	No. 1889, Hanpu Road, Yushan Township, Kunshan City, Jiangsu Province	969,150	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

2022/03/31

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%
Flexium Interconnect (Kunshan) Inc.	Chairman of Board	Cheng Ming-Chi	Note	100%
	Director	Cheng Wei		
	Director	Tsai Chi-Feng		
	Supervisor	Chen, Lung-Cheng		
Flexium Interconnect (Suzhou) Inc.	Chairman of Board	Cheng Ming-Chi	Note	100%
	Director	Tsai Chi-Feng		
	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	6,077,038	-	6,077,038	-	-	1,002,201	-
UFLEX	39,711	2,095,979	-	2,095,979	-	-	350,112	-
Junfeng Investment	50,000	45,379	45	45,334	-	(716)	4,294	-
FLEXIUM (AMERICA)	8,067	4,934	(36)	4,970	-	(12,969)	(358)	-
SUCCESS	719,042	6,159,538	34,886	6,124,652	-	-	1,002,332	-
GRANDPLUS	62,001	50	-	50	-	-	(131)	-
CHOSEN	-	-	-	-	-	-	-	-
CHAMPION	-	-	-	-	-	-	-	-
FOREVER	-	21	-	21	-	-	-	-
BOOM	1,064,460	1,152,485	-	1,152,485	-	-	35,511	-
CLEAR	1,064,460	1,152,485	-	1,152,485	-	-	35,511	-
Flexium (Kunshan) Inc.	2,234,884	20,397,532	12,168,884	8,228,648	32,089,122	1,118,960	1,352,492	-
Flexium (Suzhou) Inc.	969,150	2,629,620	1,477,135	1,152,485	1,041,807	32,258	35,511	-

Note: 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>Flexium Interconnect. Inc. and subsidiaries 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 2021 (from January 1, 2021 to December 31, 2021), 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 9, 2022</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

Nine. 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: 2021 Consolidated Financial Report

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR21000431

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

Opinion

We have audited the accompanying consolidated balance sheets of Flexium Interconnect, Inc. and subsidiaries (the “Group”) as at December 31, 2021 and 2020 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, 2021 and 2020 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 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 evaluation 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, 2021 and 2020.

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.

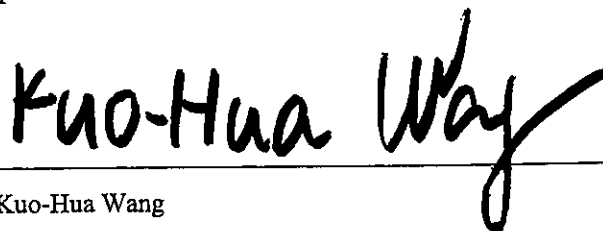
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 9, 2022

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, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2021		December 31, 2020		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 7,896,275	16	\$ 9,122,564	21
1110	Financial assets at fair value through profit or loss - current	6(2)	2,862,990	6	1,329,825	3
1136	Current financial assets at amortised cost	6(4)	7,325,420	15	9,275,320	22
1150	Notes receivable, net		23	-	-	-
1170	Accounts receivable, net	6(5)	8,603,935	18	7,429,009	18
1200	Other receivables		254,842	1	118,808	-
1220	Current tax assets		32,169	-	-	-
130X	Inventories	6(6)	5,202,258	11	3,883,814	9
1410	Prepayments		490,220	1	725,080	2
1470	Other current assets		244	-	62,251	-
11XX	Current Assets		<u>32,668,376</u>	<u>68</u>	<u>31,946,671</u>	<u>75</u>
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	83,070	-	57,016	-
1600	Property, plant and equipment	6(7)	14,638,999	30	8,485,676	20
1755	Right-of-use assets	6(8)	274,881	1	267,307	1
1780	Intangible assets	6(9)	13,914	-	20,645	-
1840	Deferred tax assets	6(27)	92,569	-	62,832	-
1900	Other non-current assets	6(10) and 8	543,254	1	1,927,226	4
15XX	Non-current assets		<u>15,646,687</u>	<u>32</u>	<u>10,820,702</u>	<u>25</u>
1XXX	Total assets		<u>\$ 48,315,063</u>	<u>100</u>	<u>\$ 42,767,373</u>	<u>100</u>

(Continued)

FLEXIUM INTERCONNECT, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2021		December 31, 2020		
		AMOUNT	%	AMOUNT	%	
Current liabilities						
2120	Financial liabilities at fair value through profit or loss - current	6(2)	\$ 13,021	-	\$ -	-
2170	Accounts payable		5,904,771	12	5,048,143	12
2200	Other payables	6(11)	6,636,645	14	6,812,287	16
2230	Current income tax liabilities		1,257,328	3	1,070,568	2
2280	Current lease liabilities		53,985	-	28,177	-
2320	Long-term liabilities, current portion	6(12)(13)	414,583	1	14,886	-
2399	Other current liabilities, others		43,351	-	47,708	-
21XX	Current Liabilities		<u>14,323,684</u>	<u>30</u>	<u>13,021,769</u>	<u>30</u>
Non-current liabilities						
2530	Bonds payable	6(12)	3,316,072	7	-	-
2540	Non-current portion of non-current borrowings	6(13)	3,485,417	7	2,955,362	7
2570	Deferred tax liabilities	6(27)	1,448,184	3	1,162,822	3
2580	Non-current lease liabilities		21,443	-	32,644	-
2600	Other non-current liabilities	6(14)	35,809	-	37,287	-
25XX	Non-current liabilities		<u>8,306,925</u>	<u>17</u>	<u>4,188,115</u>	<u>10</u>
2XXX	Total Liabilities		<u>22,630,609</u>	<u>47</u>	<u>17,209,884</u>	<u>40</u>
Equity attributable to owners of parent						
Share capital 6(12)(15)(16)						
3110	Share capital - common stock		3,513,309	7	3,613,734	9
3130	Certificates of bond-to-stock conversion		-	-	4,064	-
Capital surplus 6(12)(17)						
3200	Capital surplus		3,048,710	6	4,771,691	11
Retained earnings 6(18)						
3310	Legal reserve		2,417,676	5	2,129,895	5
3320	Special reserve		428,325	1	523,311	1
3350	Unappropriated retained earnings		16,799,119	35	15,077,940	35
Other equity interest 6(19)						
3400	Other equity interest		(522,685)	(1)	(563,146)	(1)
31XX	Equity attributable to owners of the parent		<u>25,684,454</u>	<u>53</u>	<u>25,557,489</u>	<u>60</u>
3XXX	Total equity		<u>25,684,454</u>	<u>53</u>	<u>25,557,489</u>	<u>60</u>
Significant contingent liabilities and unrecognised contract commitments 9						
Significant events after the balance sheet date 11						
3X2X	Total liabilities and equity		<u>\$ 48,315,063</u>	<u>100</u>	<u>\$ 42,767,373</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, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except earnings per share)

	Items	Notes	Year ended December 31			
			2021		2020	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(20)	\$ 35,568,666	100	\$ 29,897,996	100
5000	Operating costs	6(6)(9)(25)(26)	(29,239,168)	(82)	(23,763,897)	(79)
5900	Net operating margin		6,329,498	18	6,134,099	21
	Operating expenses	6(9)(25)(26)				
6100	Selling expenses		(245,690)	(1)	(204,455)	(1)
6200	General and administrative expenses		(755,526)	(2)	(664,589)	(2)
6300	Research and development expenses		(2,055,340)	(6)	(1,826,427)	(6)
6450	Impairment gain and reversal of impairment loss determined in accordance with IFRS 9	12(2)	19	-	691	-
6000	Total operating expenses		(3,056,537)	(9)	(2,694,780)	(9)
6900	Operating profit		3,272,961	9	3,439,319	12
	Non-operating income and expenses					
7100	Interest income	6(4)(21)	176,814	1	137,348	-
7010	Other income	6(22)	328,745	1	402,340	1
7020	Other gains and losses	6(2)(23)	61,513	-	(138,853)	-
7050	Finance costs	6(24)	(26,104)	-	(43,213)	-
7000	Total non-operating income and expenses		540,968	2	357,622	1
7900	Profit before income tax		3,813,929	11	3,796,941	13
7950	Income tax expense	6(27)	(934,179)	(3)	(862,898)	(3)
8200	Profit for the year		<u>\$ 2,879,750</u>	<u>8</u>	<u>\$ 2,934,043</u>	<u>10</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 on defined benefit plans	6(14)	(\$ 4,382)	-	(\$ 613)	-
8316	Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income	6(3)(19)	(1,886)	-	(3,259)	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(19)	(46,963)	-	98,245	-
8500	Total comprehensive income for the year		<u>\$ 2,826,519</u>	<u>8</u>	<u>\$ 3,028,416</u>	<u>10</u>
	Profit attributable to:					
8610	Owners of parent		<u>\$ 2,879,750</u>	<u>8</u>	<u>\$ 2,934,043</u>	<u>10</u>
	Comprehensive income attributable to:					
8710	Owners of parent		<u>\$ 2,826,519</u>	<u>8</u>	<u>\$ 3,028,416</u>	<u>10</u>
	Earnings per share	6(28)				
9750	Basic earnings per share		<u>\$ 8.19</u>		<u>\$ 8.63</u>	
9850	Diluted earnings per share		<u>\$ 7.64</u>		<u>\$ 8.22</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, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Equity attributable to owners of the parent									
		Share capital			Retained earnings					Treasury stocks	Total equity
		Common stock	Certificates of bond-to-stock conversion	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Other equity interest			
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(14)(19)	-	-	-	-	-	(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(18)	-	-	-	-	-	(504,625)	-	-	(504,625)	
Cash dividends from capital surplus	6(17)	-	-	(1,177,458)	-	-	-	-	-	(1,177,458)	
Share based payments transactions	6(15)(16)(17)(19)	7,640	-	43,308	-	-	-	113,531	-	164,479	
Conversion of convertible bonds	6(12)(16)(17)	301,409	(12,715)	1,830,181	-	-	-	-	-	2,118,875	
Retirement of treasury share	6(16)(17)	(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	
Year ended December 31, 2021											
Balance at January 1, 2021		\$ 3,613,734	\$ 4,064	\$ 4,771,691	\$ 2,129,895	\$ 523,311	\$ 15,077,940	(\$ 563,146)	\$ -	\$ 25,557,489	
Profit for the year		-	-	-	-	-	2,879,750	-	-	2,879,750	
Other comprehensive loss	6(14)(19)	-	-	-	-	-	(4,382)	(48,849)	-	(53,231)	
Total comprehensive income (loss)		-	-	-	-	-	2,875,368	(48,849)	-	2,826,519	
Appropriation and distribution of 2020 earnings:											
Legal reserve		-	-	-	287,781	-	(287,781)	-	-	-	
Special reserve		-	-	-	-	(94,986)	94,986	-	-	-	
Cash dividends from capital surplus	6(17)	-	-	(1,786,765)	-	-	-	-	-	(1,786,765)	
Share based payments transactions	6(15)(16)(17)(19)	(8,501)	-	11,062	-	-	-	89,310	-	91,871	
Issuance of convertible bonds	6(12)(17)	-	-	112,250	-	-	-	-	-	112,250	
Conversion of convertible bonds	6(12)(16)(17)	6,096	(4,064)	12,876	-	-	-	-	-	14,908	
Purchase of treasury share	6(16)	-	-	-	-	-	-	-	(1,131,818)	(1,131,818)	
Retirement of treasury share	6(16)(17)	(98,020)	-	(72,404)	-	-	(961,394)	-	1,131,818	-	
Balance at December 31, 2021		\$ 3,513,309	\$ -	\$ 3,048,710	\$ 2,417,676	\$ 428,325	\$ 16,799,119	(\$ 522,685)	\$ -	\$ 25,684,454	

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, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2021	2020
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 3,813,929	\$ 3,796,941
Adjustments			
Adjustments to reconcile profit (loss)			
Share-based payments	6(15)	91,871	164,479
Expected credit gain	12(2)	(19)	(691)
Provision for allowance for sales returns and discounts		346	126
Depreciation expense	6(7)(8)(25)	1,897,325	1,599,085
Amortization expense	6(9)(25)	15,082	40,441
Profit on valuation of financial assets at fair value	6(2)(23)	(64,491)	(225,226)
Interest expense	6(24)	26,104	43,213
Interest income	6(21)	(176,814)	(137,348)
Dividend income	6(22)	(530)	-
Loss on disposal of property, plant and equipment	6(23)	5,702	47,914
Changes in operating assets and liabilities			
Changes in operating assets			
Decrease in financial assets at fair value-current		97,204	184,697
Decrease (increase) in financial assets at amortised cost-current		1,949,900	(1,238,100)
Increase in notes receivable		(23)	-
Increase in accounts receivable		(1,175,253)	(360,846)
Increase in other receivables		(128,467)	(45,630)
Increase in inventories		(1,318,444)	(1,523,770)
Decrease (increase) in prepayments		234,860	(510,190)
Decrease (increase) in other current assets		62,007	(60,557)
Changes in operating liabilities			
Increase in accounts payable		856,628	1,453,615
(Decrease) increase in other payable		(169,604)	1,794,783
(Decrease) increase in other current liabilities, others		(4,357)	14,185
Cash inflow generated from operations		6,012,956	5,037,121
Interest received		77,090	97,872
Dividends received		530	-
Interest paid		(2,073)	(1,554)
Income tax paid		(524,168)	(24,671)
Net cash flows from operating activities		<u>5,564,335</u>	<u>5,108,768</u>

(Continued)

FLEXIUM INTERCONNECT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2021	2020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets mandatorily measured at fair value through profit or loss - current		(\$ 13,183,587)	(\$ 5,793,023)
Proceeds from disposal of financial assets mandatorily measured at fair value through profit or loss - current		11,600,713	5,813,510
Acquisition of non-current financial assets at fair value through other comprehensive income	12(3)	(27,940)	(29,725)
Acquisition of property, plant and equipment	6(29)	(6,607,878)	(2,706,473)
Proceeds from disposal of property, plant and equipment		26,936	12,934
Acquisition of intangible assets	6(9)	(8,375)	(14,836)
Acquisition of right-of-use assets		-	(95,334)
Increase in refundable deposits		(65,362)	(15,314)
Interest received		92,060	36,137
Net cash flows used in investing activities		(8,173,433)	(2,792,124)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Payments of principal portion of lease liabilities	6(30)	(50,943)	(33,853)
Proceeds from issuing bonds	6(30)	3,411,855	-
Proceeds from long-term borrowings	6(30)	944,638	1,605,400
Decrease in other non-current liabilities		(5,860)	(10,924)
Payments to acquire treasury shares	6(16)	(1,131,818)	-
Cash dividends paid and cash dividends from capital surplus	6(17)(18)	(1,786,765)	(1,682,083)
Net cash flows from (used in) financing activities		1,381,107	(121,460)
Effect of exchange rate changes on cash and cash equivalents		1,702	1,855
Net (decrease) increase in cash and cash equivalents		(1,226,289)	2,197,039
Cash and cash equivalents at beginning of year	6(1)	9,122,564	6,925,525
Cash and cash equivalents at end of year	6(1)	\$ 7,896,275	\$ 9,122,564

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, 2021 AND 2020

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

1. HISTORY AND ORGANISATION

- (1) 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.
- (2) 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 9, 2022.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments endorsed by 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
Amendment to IFRS 16, ‘Covid-19-related rent concessions beyond 30 June 2021’	April 1, 2021(Note)

Note : Earlier application from January 1, 2021 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.

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

New standards, interpretations and amendments endorsed by the FSC effective from 2022 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 IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts – cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

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

(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:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	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 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

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

- (a) Financial assets 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.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and 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
			2021	2020	
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, 2021 and 2020, 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.

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are 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.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be 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.

(6) Cash equivalents

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

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are 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.

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

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to 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.

(9) 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.

(10) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(11) 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.

(12) 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.

(13) 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.

(14) 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.

(15) 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 ~ 50 years
Machinery equipment	2 ~ 15 years
Transportation equipment	2 ~ 15 years
Office equipment	3 ~ 10 years
Other equipment	2 ~ 10 years

(16) 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.

(17) Intangible assets

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

(18) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is 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.

(19) 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.

(20) 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.

(21) 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.

(22) 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.

(23) 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.

(24) 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.

(25) 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.

(26) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) 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.

C. Employees' and directors' remuneration

Employees' remuneration and directors' 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.

(27) 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.

(28) 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.

(29) 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.

(30) Dividends

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

(31) Revenue recognition

- A. 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.

(32) 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.

(33) 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

A. 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.

B. 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, 2021</u>	<u>December 31, 2020</u>
Cash:		
Cash on hand and revolving funds	\$ 905	\$ 907
Checking accounts and demand deposits	<u>1,927,477</u>	<u>3,163,910</u>
	<u>1,928,382</u>	<u>3,164,817</u>
Cash equivalents:		
Time deposits	5,386,403	5,957,747
Bonds sold under repurchase agreements	<u>581,490</u>	<u>-</u>
	<u>5,967,893</u>	<u>5,957,747</u>
	<u>\$ 7,896,275</u>	<u>\$ 9,122,564</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 as collaterals.

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.

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

<u>Items</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ 35,669	\$ 16,074
Forward foreign exchange	4,596	55,702
Structured certificates of deposit	<u>2,827,327</u>	<u>1,267,041</u>
	2,867,592	1,338,817
Valuation adjustments	(4,602)	(9,014)
	<u>2,862,990</u>	<u>1,329,803</u>
Financial assets designated as at fair value through profit or loss		
Put options of convertible bonds	<u>-</u>	<u>22</u>
	<u>\$ 2,862,990</u>	<u>\$ 1,329,825</u>

Items	December 31, 2021	December 31, 2020
Current items:		
Financial liabilities designated as at fair value through profit or loss		
Put options of convertible bonds	\$ 13,021	\$ -

A. The Group recognised net gain of \$64,491 and \$225,226, respectively, for the years ended December 31, 2021 and 2020.

B. 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, 2021	
	Contract Amount (notional principal)	Contract Period
Current items:		
Structured certificates of deposit	RMB 231,000 thousand	2021.10~2022.01
Structured certificates of deposit	RMB 170,000 thousand	2021.11~2022.02
Structured certificates of deposit	RMB 100,000 thousand	2021.11~2022.03
Structured certificates of deposit	RMB 150,000 thousand	2021.12~2022.03
Forward foreign exchange contracts	USD 49,000 thousand	2021.11~2022.01
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

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

D. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

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

Items	December 31, 2021	December 31, 2020
Non-current items:		
Equity instruments		
Unlisted stocks	\$ 88,215	\$ 60,275
Valuation adjustments	(5,145)	(3,259)
	\$ 83,070	\$ 57,016

- 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 \$83,070 and \$57,016, respectively, as at December 31, 2021 and 2020.
- B. Amounts that the Group recognised in other comprehensive income for the years ended December 31, 2021 and 2020 in relation to the financial assets at fair value through other comprehensive income were (\$1,886) and (\$3,259), respectively.
- C. The Group has no financial assets at fair value through other comprehensive income pledged to others as collaterals.

(4) Financial assets at amortised cost

Items	December 31, 2021	December 31, 2020
Current items		
Time deposits maturing in excess of three months	\$ 7,325,420	\$ 9,275,320

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

	For the years ended December 31,	
	2021	2020
Interest income	\$ 35,735	\$ 48,657

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

(5) Accounts receivable

	December 31, 2021	December 31, 2020
Accounts receivable	\$ 8,604,962	\$ 7,429,709
Less: Allowance for doubtful accounts	(396)	(415)
Allowance for sales returns and discounts	(631)	(285)
	\$ 8,603,935	\$ 7,429,009

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Up to 90 days	\$ 8,577,204	\$ 7,408,649
91 to 180 days	8,617	2,369
181 to 365 days	2,208	1,141
Over one year	<u>16,933</u>	<u>17,550</u>
	<u>\$ 8,604,962</u>	<u>\$ 7,429,709</u>

The above ageing analysis was based on overdue dates.

B. As of December 31, 2021 and 2020, and January 1, 2020, the balances of receivables from contracts with customers amounted to \$8,604,962, \$7,429,709 and \$7,068,863, respectively.

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

D. As at December 31, 2021 and 2020, 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 \$8,603,935 and \$7,429,009, respectively.

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

(6) Inventories

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Raw materials	\$ 1,375,976	\$ 677,665
Work in process and semi-finished goods	1,606,155	1,431,758
Finished goods	<u>2,220,127</u>	<u>1,774,391</u>
	<u>\$ 5,202,258</u>	<u>\$ 3,883,814</u>

The cost of inventories recognised as expense for the years ended December 31, 2021 and 2020, was \$29,239,168 and \$23,763,897, respectively, including the amount of \$257,500 for the year ended December 31, 2021, that the Group wrote down from cost to net realizable value accounted for as increase of cost of good sold, as well as 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.

(7) Property, plant and equipment

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Land	\$ 2,407,376	\$ 786,599
Buildings	2,500,352	1,335,499
Machinery	6,572,028	4,459,340
Transportation equipment	5,205	5,667
Office equipment	1,540	962
Other equipment	292,607	153,400
Construction in progress and equipment under acceptance	2,859,891	1,744,209
	<u>\$ 14,638,999</u>	<u>\$ 8,485,676</u>

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

Cost	For the year ended December 31, 2021				
	Opening net book amount	Additions and transfer	Deduction	Effects of exchange rate changes	Closing net book amount
Land	\$ 786,599	\$ 1,620,777	\$ -	\$ -	\$ 2,407,376
Buildings	2,422,044	1,372,601	-	(11,603)	3,783,042
Machinery	10,780,904	3,718,801	(121,247)	(35,261)	14,343,197
Transportation equipment	24,892	2,281	(560)	(98)	26,515
Office equipment	13,990	620	-	(77)	14,533
Other equipment	505,701	219,428	(14,220)	(2,088)	708,821
Construction in progress and equipment under acceptance	1,744,209	1,116,650	-	(968)	2,859,891
	<u>\$ 16,278,339</u>	<u>\$ 8,051,158</u>	<u>(\$ 136,027)</u>	<u>(\$ 50,095)</u>	<u>\$ 24,143,375</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
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, 2021

Accumulated depreciation and impairment	Opening net book amount	Additions	Deduction	Effects of exchange rate changes	Closing net book amount
Buildings	\$ 1,086,545	\$ 201,490	\$ -	(\$ 5,345)	\$ 1,282,690
Machinery	6,321,564	1,559,873	(91,404)	(18,864)	7,771,169
Transportation equipment	19,225	2,722	(560)	(77)	21,310
Office equipment	13,028	34	-	(69)	12,993
Other equipment	352,301	76,480	(11,425)	(1,142)	416,214
	<u>\$ 7,792,663</u>	<u>\$ 1,840,599</u>	<u>(\$ 103,389)</u>	<u>(\$ 25,497)</u>	<u>\$ 9,504,376</u>

For the year ended December 31, 2020

Accumulated depreciation and impairment	Opening net book amount	Additions	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>

- C. No borrowing costs were capitalized as part of property, plant and equipment for the years ended December 31, 2021 and 2020.
- D. The Group did not have property, plant and equipment pledged to others as collaterals.
- E. Property, plant and equipment were not classified as operating leases assets.

(8) 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, 2021</u>	<u>December 31, 2020</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 198,628	\$ 205,807
Buildings	73,718	56,812
Transportation equipment (Business vehicles)	2,535	4,688
	<u>\$ 274,881</u>	<u>\$ 267,307</u>
	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 5,953	\$ 4,238
Buildings	48,620	31,801
Transportation equipment (Business vehicles)	2,153	1,582
	<u>\$ 56,726</u>	<u>\$ 37,621</u>

- D. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets were \$65,450 and \$157,015, 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>2021</u>	<u>2020</u>
Interest expense on lease liabilities	\$ 972	\$ 794
Expense on short-term lease contracts	67,189	50,112

- F. For the years ended December 31, 2021 and 2020, the Group's total cash outflow for leases were \$119,104 and \$84,759, respectively.

(9) Intangible assets-computer software cost

A. Changes in computer software cost are as follows:

	<u>2021</u>	<u>2020</u>
At January 1	\$ 20,645	\$ 46,150
Additions-acquired separately	8,375	14,836
Amortization	(15,082)	(40,441)
Effects of exchange rate changes	(24)	100
At December 31	<u>\$ 13,914</u>	<u>\$ 20,645</u>

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

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Operating costs	\$ 240	\$ 131
General and administrative expenses	9,478	11,478
Research and development expenses	5,364	28,832
	<u>\$ 15,082</u>	<u>\$ 40,441</u>

(10) Other non-current assets

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Prepayment for land purchases	\$ 116,165	\$ 366,659
Prepayment for equipment	86,565	1,285,405
Refundable deposits	340,524	275,162
	<u>\$ 543,254</u>	<u>\$ 1,927,226</u>

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

(11) Other payables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Processing fees payable	\$ 2,119,931	\$ 2,402,739
Wages and salaries payable	637,260	537,384
Payables on employees' compensation and remuneration to directors	186,000	203,000
Payables on machinery and equipment	2,127,178	2,133,232
Other payables	1,566,276	1,535,932
	<u>\$ 6,636,645</u>	<u>\$ 6,812,287</u>

(12) Bonds payable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Third overseas unsecured convertible bonds	\$ -	\$ 15,419
Fourth overseas unsecured convertible bonds	3,359,400	-
Less: Discount on bonds payable	(43,328)	(533)
	3,316,072	14,886
Less: current portion		
(Shown as long-term liabilities, current portion)	-	(14,886)
	<u>\$ 3,316,072</u>	<u>\$ -</u>

A. 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, 2021, the bonds with face value in the amount of US\$ 100,000 thousand had been converted into 39,725 thousand shares of common stocks (shown as 'Share capital-common stock' of \$397,252 and 'capital surplus, additional paid-in capital arising from bond conversion' of \$2,767,823).

(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, 2021, the conversion price was adjusted to NT\$75.88 (in dollars) per share.

- (d) The rules of put options are as follows:
- i. 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.
 - ii. 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.
 - iii. 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:
- i. 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.
 - ii. 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.

- iii. 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.
 - iv. 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, 2021, the balance of "Capital reserve from stock options" after adjusting the amount converted into common stock is \$0. 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%.
- B. The terms of the Fourth overseas unsecured convertible bonds issued by the Company are as follows:
- (a) On January 25, 2021, the Company issued 0% coupon, 3-year unsecured convertible bonds in the amount of US\$120 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 27.995, 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 25, 2021.
 - (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, 2021, no bonds have been converted or redeemed.

- (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\$136.00 (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 27.995 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, 2021, the conversion price was adjusted to NT\$130.05 (in dollars) per share.
- (d) The rules of put options are as follows:
- i. 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 the right to ask for whole or partial redemption of the bonds with an added interest rate of 0% per annum on the face value as the premium 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 the right to ask for only whole redemption of the bonds with an added interest rate of 0% 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.
 - ii. 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.
 - iii. 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 27.995, then translate the NTD into USD using the currency rate on that day for repayment.
- (e) The rules of redemption are as follows:
- i. 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.

- ii. 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.
 - iii. 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.
 - iv. The early redemption amount of bonds shall all be translated into NTD at the fixed exchange rate of 27.995, 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 \$112,250 were separated from the liability component and were recognised in 'capital surplus - share options' in accordance with IAS 32. 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 0.6748%.

(13) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2021
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	1,200,000
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	1,900,000
				3,900,000
Less: Current portion				(414,583)
				\$ 3,485,417

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

Details of interest expense of bank borrowings recognised in profit or loss are provided in Note 6(24).

(14) 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:

	December 31, 2021	December 31, 2020
Present value of defined benefit obligations	\$ 70,635	\$ 65,257
Fair value of plan assets	(47,059)	(44,578)
Net defined benefit liability		
(shown as 'Other non-current liabilities')	\$ 23,576	\$ 20,679

(c) Changes in present value of defined benefit obligations are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>For the year ended December 31, 2021</u>			
Balance at January 1	(\$ 65,257)	\$ 44,578	(\$ 20,679)
Interest (expense) income	(686)	477	(209)
	<u>(\$ 65,943)</u>	<u>\$ 45,055</u>	<u>(\$ 20,888)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	310	310
Experience adjustments	(4,692)	-	(4,692)
	<u>(4,692)</u>	<u>310</u>	<u>(4,382)</u>
Pension fund contribution	-	1,694	1,694
Balance at December 31	<u>(\$ 70,635)</u>	<u>\$ 47,059</u>	<u>(\$ 23,576)</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<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>

(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, 2021 and 2020 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, 2021</u>	<u>December 31, 2020</u>
Discount rate	0.65%	1.05%
Future salary increases	3.00%	3.00%

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, 2021				
Effect on present value of defined benefit obligation	(\$ 2,505)	\$ 2,625	\$ 11,013	(\$ 9,354)
December 31, 2020				
Effect on present value of defined benefit obligation	(\$ 2,533)	\$ 2,660	\$ 11,244	(\$ 9,444)

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 2021 and 2020 are the same.

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2022 amount to \$1,694.

(g) As of December 31, 2021, the weighted average duration of that retirement plan is 16.1 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, 2021 and 2020 were \$239,827 and \$170,957, respectively.

(15) Share-based payment

A. Options granted after January 1, 2008

There was no such transaction as of December 31, 2021.

(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	
	Number of options (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at January 1	118	\$ 21.90
Options expired	(118)	21.90
Options outstanding at December 31	-	-
Options exercisable at December 31	-	-

(c) 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

(d) Expenses incurred on equity-settled share-based payment transactions for the year ended December 31, 2020 amounted to \$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 up to 30%, 30% and 40%, respectively.

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

	<u>2021</u>	<u>2020</u>
Employee restricted shares at January 1	4,630	5,420
Options issued for the year	-	1,000
Options retired for the year	(850)	(236)
Unrestriction for the year	(1,046)	(1,554)
Employee restricted shares at December 31	<u>2,734</u>	<u>4,630</u>

(c) Expenses incurred on share-based payment transactions amounted to \$91,871 and \$164,479 for the years ended December 31, 2021 and 2020.

(16) Share capital

A. As of December 31, 2021, the Company's authorized capital was \$6,000,000 (including 20,000 thousand shares reserved for employee stock options and convertible bonds issued by the Company), and the paid-in capital was \$3,513,309, consisting of 351,331 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>2021</u>	<u>2020</u>
At January 1	361,374	330,469
Employee restricted shares	-	1,000
Employee restricted shares cancellation	(850)	(236)
Conversion of convertible bonds	609	30,141
Treasury share cancellation	(9,802)	-
At December 31	<u>351,331</u>	<u>361,374</u>

B. 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.

C. The information on conversion requests on convertible bonds for the year ended December 31, 2021 and 2020 is provided in Note 6(12).

D. 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, 2021 and 2020.

- (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 five 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, 2021, 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) 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 15,000 million shares. As of December 31, 2021, the Company has repurchased its own shares in the amount of 9,802 thousand shares and were retired.

(17) Capital surplus

- A. 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.

	2021					
	Share premium	Stock options	Donated assets	Employee restricted shares	Others	Total
At January 1, 2021	\$ 4,440,733	\$ 1,232	\$ 1,245	\$ 326,710	\$ 1,771	\$ 4,771,691
Employee restricted shares	-	-	-	11,062	-	11,062
Treasury shares cancellation	(72,404)	-	-	-	-	(72,404)
Cash dividends from capital surplus	(1,786,765)	-	-	-	-	(1,786,765)
Conversion option of convertible bonds	14,108	111,018	-	-	-	125,126
At December 31, 2021	<u>\$ 2,595,672</u>	<u>\$ 112,250</u>	<u>\$ 1,245</u>	<u>\$ 337,772</u>	<u>\$ 1,771</u>	<u>\$ 3,048,710</u>

	Share premium	Treasury share transactions	Employee stock options	Stock options	Donated assets	Employee restricted shares	Others	Total
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	2,008,167	-	-	(177,986)	-	-	-	1,830,181
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</u>	<u>\$ 4,771,691</u>

B. 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. 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. The above mentioned relevant shareholders' meeting resolutions and distribution please refer to "Market Observation Post System" at the website of the Taiwan Stock Exchange.

C. For details of capital reserve from stock options, please refer to Note 6(12).

(18) Retained earnings

A. 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 2020 was \$504,625 (\$1.5 (in dollars) per share). The appropriation of 2020 earnings had been resolved after meeting the statutory voting threshold on June 14, 2021 via the electronic voting platform for shareholders' meeting. All distributable earnings have been retained and not distributed as dividends. The above mentioned relevant shareholders' meeting resolutions and distribution please refer to "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(19) Other equity items

	2021			
	Currency translation	Unearned compensation	Unearned gain (losses) on valuation	Total
At January 1	(\$ 425,066)	(\$ 134,821)	(\$ 3,259)	(\$ 563,146)
Currency translation differences:				
–Group	(46,963)	-	-	(46,963)
Compensation cost of share-based payment	-	91,871	-	91,871
Valuation adjustments	-	(2,561)	(1,886)	(4,447)
At December 31	(\$ 472,029)	(\$ 45,511)	(\$ 5,145)	(\$ 522,685)
	2020			
	Currency translation	Unearned compensation	Unearned 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	(\$ 425,066)	(\$ 134,821)	(\$ 3,259)	(\$ 563,146)

(20) 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:

	For the years ended December 31,	
	2021	2020
	Revenue	Revenue
Taiwan	\$ 1,691,296	\$ 1,449,038
China	4,767,628	8,418,561
Asia (excluding Taiwan and China)	2,482,916	1,416,503
Europe and America	26,626,826	18,613,894
	<u>\$ 35,568,666</u>	<u>\$ 29,897,996</u>

(21) Interest income

	For the years ended December 31,	
	2021	2020
	Interest income from bank deposits	\$ 72,851	$ 95,816
Other interest income	103,963	41,532
	<u>\$ 176,814</u>	<u>\$ 137,348</u>

(22) Other income

	For the years ended December 31,	
	2021	2020
	Rent income	\$ 12,593	$ 2,695
Dividend income	530	-
Government grant revenue	287,863	372,538
Other income	27,759	27,107
	<u>\$ 328,745</u>	<u>\$ 402,340</u>

(23) Other gains and losses

	For the years ended December 31,	
	2021	2020
	Losses on disposal of property, plant and equipment	(\$ 5,702)	($ 47,914)
Foreign exchange gains (losses)	5,789	(257,217)
Net gain on financial assets/ liabilities at fair value through profit or loss	64,491	225,226
Others	(3,065)	(58,948)
	<u>\$ 61,513</u>	<u>(\$ 138,853)</u>

(24) Finance costs

	For the years ended December 31,	
	2021	2020
Interest expense:		
Bank borrowings	\$ 1,109	\$ 773
Convertible bonds	24,015	41,636
Imputed interest on deposit	8	10
Interest expense on lease liabilities	972	794
	<u>\$ 26,104</u>	<u>\$ 43,213</u>

(25) Expenses by nature

	For the years ended December 31,	
	2021	2020
Employee benefit expense	\$ 4,931,390	\$ 4,265,894
Depreciation charge on property, plant and equipment	1,840,599	1,561,464
Depreciation expenses on right-of-use assets	56,726	37,621
Amortisation on intangible assets	15,082	40,441

(26) Employee benefit expense

	For the years ended December 31,	
	2021	2020
Wages and salaries	\$ 4,211,383	\$ 3,618,154
Employee restricted stock	91,871	164,479
Labor and health insurance fees	206,691	149,581
Pension costs	240,036	171,225
Other personnel expenses	181,409	162,455
	<u>\$ 4,931,390</u>	<u>\$ 4,265,894</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' 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, 2021 and 2020, employees' compensation was accrued both at \$83,000; while directors' remuneration were both \$20,000. The aforementioned amounts were recognised in salary expenses.

For the year ended December 31, 2021, the employees' compensation and directors' remuneration were estimated and accrued based on a certain ratio of distributable profit of current year as of the end of reporting period. The amounts resolved by the Board of Directors were in agreement with the accrued amounts. Employees' compensation will be distributed in the form of cash.

Employees' compensation and directors' remuneration of 2020 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2020 financial statements.

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

(27) Income tax

A. Income tax expense

Components of income tax expense:

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Current tax :		
Current tax on profits for the year	\$ 641,887	\$ 529,283
Tax on undistributed earnings	134,251	105,696
Overestimation of prior year's income tax	(97,379)	(100,779)
Total current tax	<u>678,759</u>	<u>534,200</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>255,420</u>	<u>328,698</u>
Income tax expense	<u>\$ 934,179</u>	<u>\$ 862,898</u>

B. Reconciliation between income tax expense and accounting profit

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Tax calculated based on profit before tax and statutory tax rate	\$ 968,177	\$ 960,599
Effect from items adjusted in accordance with tax regulation	(70,870)	(102,618)
Tax on undistributed earnings	134,251	105,696
Overestimation of prior year's income tax	(97,379)	(100,779)
Income tax expense	<u>\$ 934,179</u>	<u>\$ 862,898</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, 2021				
	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 obsolescence and decline in market value of inventories	\$ 40,433	\$ 34,994	\$ -	(\$ 205)	\$ 75,222
Unrealised gross profit	11,670	(7,537)	-	-	4,133
Unrealised compensated absences	6,058	1,437	-	-	7,495
Cost of bond issuance	923	1,041	-	-	1,964
Refund liability	3,591	-	-	-	3,591
Unrealised estimated expense	7	8	-	-	15
Impairment of assets	70	-	-	-	70
Others	80	(1)	-	-	79
Subtotal	<u>\$ 62,832</u>	<u>\$ 29,942</u>	<u>\$ -</u>	<u>(\$ 205)</u>	<u>\$ 92,569</u>
– Deferred tax liabilities:					
Gain on foreign investment accounted for under equity method	(\$ 1,152,271)	(\$ 285,631)	\$ -	\$ -	(\$ 1,437,902)
Pension expense	(2,115)	(297)	-	-	(2,412)
Unrealised exchange gain	(8,392)	522	-	-	(7,870)
Others	(44)	44	-	-	-
Subtotal	<u>(\$ 1,162,822)</u>	<u>(\$ 285,362)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,448,184)</u>
Total	<u>(\$ 1,099,990)</u>	<u>(\$ 255,420)</u>	<u>\$ -</u>	<u>(\$ 205)</u>	<u>(\$ 1,355,615)</u>
For the year ended December 31, 2020					
	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 obsolescence and decline in market value of inventories	\$ 83,189	(\$ 42,866)	\$ -	\$ 110	\$ 40,433
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
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>

D. The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority, but not yet approved for 2018.

(28) Earnings per share

	<u>For the year ended December 31, 2021</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	\$ 2,879,750	351,470	\$ 8.19
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 2,879,750	351,470	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	883	
Convertible bonds	23,626	24,139	
Employee restricted stock	-	3,295	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 2,903,376</u>	<u>379,787</u>	<u>\$ 7.64</u>
	<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	\$ 2,934,043	340,009	\$ 8.63
<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	-	3,972	
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>

(29) Supplemental cash flow information

A. Investing activities with partial cash payments:

	For the years ended December 31,	
	2021	2020
Purchase of property, plant and equipment (including prepayments for business facilities)	\$ 6,601,824	\$ 3,795,423
Add: opening balance of payable on equipment	2,133,232	1,044,282
Less: ending balance of payable on equipment	(2,127,178)	(2,133,232)
Cash paid during the period	<u>\$ 6,607,878</u>	<u>\$ 2,706,473</u>

B. Financing activities with no cash flow effects:

	For the years ended December 31,	
	2021	2020
Convertible bonds being converted to capital stocks and capital surplus	<u>\$ 14,908</u>	<u>\$ 2,118,875</u>

(30) Changes in liabilities from financing activities

	2021			
	Lease liability	Bonds payable	Long-term borrowings	Liabilities from financing activities-gross
At January 1	\$ 60,821	\$ 14,886	\$ 2,955,362	\$ 3,031,069
Changes in cash flow from financing activities	(50,943)	3,411,855	944,638	4,305,550
Increase in lease liabilities	65,450	-	-	65,450
Amortisation of discounts on bonds payable	-	24,015	-	24,015
Conversion rights of convertible bonds	-	(112,250)	-	(112,250)
Put options of convertible bonds	-	(7,526)	-	(7,526)
Convertible bonds converted to capital stocks and capital surplus	-	(14,908)	-	(14,908)
Impact of changes in foreign exchange rate	100	-	-	100
At December 31	<u>\$ 75,428</u>	<u>\$ 3,316,072</u>	<u>\$ 3,900,000</u>	<u>\$ 7,291,500</u>
	2020			
	Lease liability	Bonds payable	Long-term borrowings	Liabilities from financing activities-gross
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>

7. RELATED PARTY TRANSACTIONS

Key management compensation

	For the years ended December 31,	
	2021	2020
Short-term employee benefits	\$ 84,708	\$ 70,987
Post-employment benefits	169	161
Share-based payments	14,378	36,543
	<u>\$ 99,255</u>	<u>\$ 107,691</u>

8. PLEGGED ASSETS

Pledged asset	Book value		Purpose
	December 31, 2021	December 31, 2020	
Refundable deposits (recorded in “Other non-current assets”)	<u>\$ 323,462</u>	<u>\$ 259,479</u>	Guarantee for land bid and gas

9. COMMITMENTS AND CONTINGENT LIABILITIES

- (1) As of December 31, 2021 and 2020, the Group issued promissory notes both amounting to \$723,848 for applying loan facilities from the banks to meet the operational needs.
- (2) As of December 31, 2021 and 2020, the Group entered into several contracts for construction and acquisition of machinery with total values of \$4,274,936 and \$7,441,094, respectively, and the unpaid balance on these contracts amounted to \$1,832,422 and \$4,133,575, respectively.

10. SIGNIFICANT CATASTROPHE

None.

11. SUBSEQUENT EVENTS

To maintain the Company’s credit and the stockholders’ equity, the Board of Directors during their meeting on February 9, 2022 resolved to repurchase the Company’s shares in accordance with the “Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies”. The Company expects to repurchase 15 million shares at the price range between NT\$86 (in dollars) per share and NT\$117 (in dollars) per share during the period from February 10, 2022 to April 8, 2022.

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 2021, the Group's strategy, which was unchanged from 2020, was to maintain the balance of the capital structure. The gearing ratio at December 31, 2021 and 2020 were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Total liabilities	\$ 22,630,609	\$ 17,209,884
Total assets	\$ 48,315,063	\$ 42,767,373
Gearing ratio	<u>47</u>	<u>40</u>

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2021</u>	<u>December 31, 2020</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	\$ 2,862,990	\$ 1,329,803
Financial assets designated at fair value through profit or loss on initial recognition	-	22
	<u>\$ 2,862,990</u>	<u>\$ 1,329,825</u>
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	\$ 83,070	\$ 57,016
Financial assets at amortised cost		
Cash and cash equivalents	\$ 7,896,275	\$ 9,122,564
Financial assets at amortised cost	7,325,420	9,275,320
Notes receivable	23	-
Accounts receivable	8,603,935	7,429,009
Other receivables	254,842	118,808
Refundable deposits	340,524	336,645
	<u>\$ 24,421,019</u>	<u>\$ 26,282,346</u>

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss		
Financial liabilities designated at fair value through profit or loss	\$ 13,021	\$ -
Financial liabilities at amortised cost		
Accounts payable	\$ 5,904,771	\$ 5,048,143
Other payables	6,636,645	6,812,287
Bonds payable (including current portion)	3,316,075	14,886
Long-term borrowings (including current portion)	3,900,000	2,955,362
Guarantee deposits received	11,046	14,232
	<u>\$ 19,768,537</u>	<u>\$ 14,844,910</u>
Lease liabilities	<u>\$ 75,428</u>	<u>\$ 60,821</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, 2021		
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	\$ 489,476	27.6900	\$ 13,553,590	1%	\$ 135,536	\$ -			
USD:RMB	285,148	6.3757	7,895,748	1%	78,957	-			
<u>Non-monetary items</u>									
USD:NTD	3,000	27.6900	83,070	1%	-	831			
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD:NTD	335,222	27.6900	9,282,297	1%	(92,823)	-			
USD:RMB	259,372	6.3757	7,182,011	1%	(71,820)	-			
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	28.5080	\$ 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	28.5080	57,016	1%	-	570			
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD:NTD	353,333	28.5080	10,072,817	1%	(100,728)	-			
USD:RMB	177,751	6.5249	5,067,326	1%	(50,673)	-			

v. The total exchange gain (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, 2021 and 2020 amounted to \$5,789 and (\$257,217), 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, 2021 and 2020 would have increased/decreased by \$311 and \$71, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$831 and \$570, 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.
- ii. The Group's main interest rate risk arises from long-term borrowings with floating rates, which expose the Group to cash flow interest rate risk, but some of the risks are offset by cash and cash equivalents with variable interest rate. As of December 31, 2021 and 2020, the Group'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, 2021 and 2020 would have increased/decreased by \$9,750 and \$7,388, 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, and the contract cash flows of debt instruments stated at fair value through profit or loss.
- 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.
- iv. The default occurs when the contract payments are expected unrecoverable and are transferred to overdue receivables.
- v. 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, 2021 and 2020, the provision matrix classified by customers are as follows:

	<u>Group A</u>	<u>Group B</u>	<u>Group C</u>	<u>Group D</u>	<u>Group E</u>	<u>Total</u>
December 31, 2021						
Total book value	\$ 7,023,237	\$ 269,659	\$ 927,935	\$ 314,496	\$ 69,635	\$ 8,604,962
Allowance for sales returns and discounts	(631)	-	-	-	-	(631)
Book value	<u>\$ 7,022,606</u>	<u>\$ 269,659</u>	<u>\$ 927,935</u>	<u>\$ 314,496</u>	<u>\$ 69,635</u>	<u>\$ 8,604,331</u>
Expected loss rate	0.00%	0.01%	0.01%	0.01%	0.01%	
Loss allowance	<u>\$ 223</u>	<u>\$ 24</u>	<u>\$ 112</u>	<u>\$ 28</u>	<u>\$ 9</u>	<u>\$ 396</u>

	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>

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:

	2021	2020
	Accounts receivable	Accounts receivable
At January 1	\$ 415	\$ 1,106
Reversal of impairment loss	(19)	(691)
At December 31	<u>\$ 396</u>	<u>\$ 415</u>

For provisioned loss for the years ended December 31, 2021 and 2020, the reversal of impairment loss from customers' contracts is \$19 and \$691, 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, 2021 and 2020, the Group held money market position of \$18,079,184 and \$19,671,078, 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, 2021</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	\$ 5,904,771	\$ -	\$ -
Other payables	6,636,645	-	-
Lease liabilities	58,646	21,604	-
Bonds payable	-	3,359,400	-
Long-term borrowings	415,727	847,358	2,640,426
Derivative financial liabilities:			
Put options of convertible bonds	13,021	-	-
<u>December 31, 2021</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.			

(3) Fair value information

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks 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. The fair value of the Group's investment in equity investment without active market is included in Level 3.

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, notes receivable, accounts receivable, other receivables, guarantee deposits paid (recorded in “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”), 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, 2021</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	\$ 31,067	\$ -	\$ -	\$ 31,067
Forward foreign exchange contracts	-	4,596	-	4,596
Structured certificates of deposit	-	2,827,327	-	2,827,327
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	83,070	83,070
	<u>\$ 31,067</u>	<u>\$ 2,831,923</u>	<u>\$ 83,070</u>	<u>\$ 2,946,060</u>
Liabilities:				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Put options of convertible bonds	\$ -	\$ -	\$ 13,021	\$ 13,021
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,021</u>	<u>\$ 13,021</u>
<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.				

(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, 2021 and 2020, there was no transfer between Level 1 and Level 2.

E. The following chart is the movement of Level 3 for the years ended December 31, 2021 and 2020:

	2021	
	<u>Derivative instruments</u>	<u>Non-derivative equity instruments</u>
At January 1	\$ 22	\$ 57,016
Issued in the year	(7,506)	-
Gains recognised in profit or loss (Note)	(5,517)	-
Losses recognised in other comprehensive income	-	(1,886)
Investments in the year	-	27,940
Conversion in the year	(20)	-
December 31	<u>(\$ 13,021)</u>	<u>\$ 83,070</u>

Movement of unrealised gain in profit or loss of assets

and liabilities held as of December 31, 2021 (Note) \$ 5,517 \$ -

	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) \$ 1,866 \$ -

Note: Recorded as non-operating income and expenses.

F. For the years ended December 31, 2021 and 2020, 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:

	<u>Fair value at December 31, 2021</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Hybrid instruments:					
Convertible bonds	(\$ 13,021)	Binary tree Convertible bond valuation	Stock price volatility	30.25%~43.03%	The higher the stock price volatility, the lower the fair value
Non-derivative equity instruments:					
Unlisted shares	\$ 83,070	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
	<u>Fair value at December 31, 2020</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Hybrid instruments:					
Convertible bonds	\$ 22	Binary tree Convertible bond valuation	Stock price volatility	35.77%~43.60%	The higher the stock price volatility, the higher 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

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, 2021					
				Recognised in profit or loss		Recognised in other comprehensive income	
		Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets							
Equity instruments	\$	83,070	±1%	\$ -	\$ -	\$ 831	(\$ 831)
Financial liabilities							
Hybrid instruments	Stock price volatility		±5%	\$ 1,681	(\$ 2,354)	\$ -	\$ -
		December 31, 2020					
				Recognised in profit or loss		Recognised in other comprehensive income	
		Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets							
Equity instruments	\$	57,016	±1%	\$ -	\$ -	\$ 570	(\$ 570)
Hybrid instruments	Stock price volatility		±5%	\$ 13	(\$ 9)	\$ -	\$ -

(4) Other matters

Based on the Group's assessment of its purchasing strategies, transportation costs and customer shipment status, there was no significant impact on the Group's operations at this stage due to the Covid-19 pandemic. The Group will continue to monitor the subsequent development of the pandemic and adjust the countermeasures in a timely manner.

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: Please refer to table 10.

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 2021 and 2020 is shown below:

	For the years ended December 31,			
	2021		2020	
	Revenue	Non-Current Assets	Revenue	Non-Current Assets
Taiwan	\$ 1,691,296	\$ 10,084,626	\$ 1,449,038	\$ 6,454,640
China	4,767,628	5,386,382	8,418,561	4,246,173
Asia (excluding Taiwan and China)	2,482,916	-	1,416,503	-
Europe and America	<u>26,626,826</u>	<u>40</u>	<u>18,613,894</u>	<u>41</u>
	<u>\$ 35,568,666</u>	<u>\$ 15,471,048</u>	<u>\$ 29,897,996</u>	<u>\$ 10,700,854</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,			
2021		2020	
Company Name	Revenue	Company Name	Revenue
A customer	\$ 26,337,973	A customer	\$ 18,401,562

Flexium Interconnect Inc.
Loans to others
For the year ended December 31, 2021

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, 2021	December 31, 2021							Item	Value			
0	FLEXIUM INTERCONNECT INC.	FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION	Other receivables - related parties	Yes	\$ 1,284,223	\$ 1,284,223	\$ -	-	Note 1	\$ -	Company operation	\$ -	-	\$ -	\$ 5,136,891	\$ 10,273,782	-
0	FLEXIUM INTERCONNECT INC.	FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	Other receivables - related parties	Yes	1,284,223	1,284,223	664,560	0.80%	Note 1	-	Company operation	-	-	-	5,136,891	10,273,782	-

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, 2021

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, 2021				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	2,074,346	\$ 83,070	16.90%	\$ 83,070	-
FLEXIUM INTERCONNECT INVESTMENT CO., LTD.	Mycenax Biotech Inc. (Stock)	None.	Financial assets at fair value through profit or loss - current	140,936	12,741	Note 2	12,741	-
FLEXIUM INTERCONNECT INVESTMENT CO., LTD.	Novatek Microelectronics Corp. (Stock)	None.	Financial assets at fair value through profit or loss - current	34,000	18,326	Note 2	18,326	-

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, 2021

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	\$ 1,620,777	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	660,450	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	287,012	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	438,306	Acter Technology Co., Ltd.	Non-related party	-	-	-	-	- Price comparison and negotiation	Building plants	None

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, 2021

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales) Note1	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
FLEXIUM INTERCONNECT INC.	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	Subsidiary	(Sales)	(4,725,248)	13	180 days	Note 2	Note 2	2,609,197	23	Note 5
FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	FLEXIUM INTERCONNECT INC.	The Company	(Sales)	(31,945,392)	100	90 days	Note 3	Note 3	7,829,702	100	
FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	Subsidiary	(Sales)	(1,041,613)	100	90 days	Note 4	Note 4	829,490	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. The collection period to third parties is approximately 45~120 days after the end of each month while those to related parties are 180 days after the end of each month.

Note 3: The transaction is sales from FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION to FLEXIUM INTERCONNECT INC., and the collection period is approximately 90 days after the end of each month.

Note 4: 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 5: 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 \$4,725,248 for the year ended December 31, 2021.

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, 2021

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2021	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 \$2,609,197	2.07	\$ -	-	\$ 514,026	\$ -
FLEXIUM INTERCONNECT INC.	FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	Subsidiary	Other receivables 665,545	Note			-	-
FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	FLEXIUM INTERCONNECT INC.	The Company	Accounts receivable \$7,829,702	3.98	-	-	3,858,634	-
FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	Subsidiary	Accounts receivable \$ 829,490	1.68	-	-	106,923	-

Note: Other receivables, not applicable for calculating of turnover rate.

Flexium Interconnect Inc.
 Significant inter-company transactions during the reporting periods
 For the year ended December 31, 2021

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.	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	1	Sales	\$ 4,725,248	Note 3	13
0	FLEXIUM INTERCONNECT INC	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	1	Accounts receivable	2,609,197	Note 3	5
0	FLEXIUM INTERCONNECT INC.	FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	1	Other receivables	665,545	Note 4	1
1	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	FLEXIUM INTERCONNECT INC.	2	Sales	31,945,392	Note 5	90
1	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	FLEXIUM INTERCONNECT INC.	2	Accounts receivable	7,829,702	Note 5	16
2	FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	3	Sales	1,041,613	Note 6	3
2	FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	3	Accounts receivable	829,490	Note 6	2

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 45~120 days after the end of each month while those to related parties are 180 days after the end of each month.

Note 4: The interest was at 0.8% per annum for the year ended December 31, 2021.

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

Note 6: 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, 2021

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021					Footnote
				Balance as at December 31, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the year ended December 31, 2021	Investment income (loss) recognised by the Company for the year ended December 31, 2021	
FLEXIUM INTERCONNECT INC.	FLEXIUM INTERCONNECT INC.	British Virgin Islands	General investments	\$ 835,252	\$ 835,252	50,000	100	\$ 6,077,038	\$ 1,002,201	\$ 1,032,356	Note 1
FLEXIUM INTERCONNECT INC.	UFLEX TECHNOLOGY CO., LTD.	British Virgin Islands	General investments	39,711	39,711	50,000	100	2,095,979	350,112	360,646	Note 1
FLEXIUM INTERCONNECT INC.	FLEXIUM INTERCONNECT INVESTMENT CO., LTD.	Taiwan	General investments	50,000	50,000	5,000,000	100	45,334	4,294	4,294	
FLEXIUM INTERCONNECT INC.	BOOM BUSINESS LIMITED	Samoa	General investments	1,064,460	1,064,460	35,000,000	100	1,152,485	35,511	35,511	
FLEXIUM INTERCONNECT INC.	FLEXIUM INTERCONNECT AMERICA LLC.	U.S.A	Marketing, customer support and supporting technical services	8,067	8,067	-	100	4,970	(358)	(358)	
FLEXIUM INTERCONNECT INC.	GRANDPLUS ENTERPRISES LTD.	Samoa	General investments	62,001	62,001	1,880,578	100	50	(131)	-	Note 2
FLEXIUM INTERCONNECT INC.	SUCCESS GLORY INVESTMENTS LTD.	Samoa	General investments	719,042	719,042	23,510,000	100	6,124,652	1,002,332	-	Note 2
GRANDPLUS ENTERPRISES LTD.	CHOSEN GLORY LIMITED	Samoa	General investments	-	-	-	100	-	-	-	
GRANDPLUS ENTERPRISES LTD.	CHAMPION BEYOND LIMITED	Samoa	General investments	-	-	-	100	-	-	-	
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	1,152,485	35,511	-	Note 2

Note 1: Investment income (loss) recognised by the Company for the year ended December 31, 2021 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, 2021

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2021		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Net income of investee as of December 31, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2021 (Note 2)	Book value of investments in Mainland China as of December 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021	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.	\$ 2,234,884	Through investing in an existing company in the third area, which then invested in the investee in Mainland China.	\$ 715,759	\$ -	\$ -	\$ 715,759	\$ 1,352,492	100	\$ 1,352,492	\$ 8,228,648	\$ -	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.	969,150	Through investing in an existing company in the third area, which then invested in the investee in Mainland China.	969,150	-	-	969,150	35,511	100	35,511	1,152,485	-	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\$27.69 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, 2021	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.	\$ 1,684,909	\$ 5,167,264	\$ -	

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, 2021

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, 2021	%	Balance at December 31, 2021	Purpose	Maximum balance during the year ended December 31, 2021	Balance at December 31, 2021	Interest rate	Interest during the year ended December 31, 2021		
FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION	\$ 31,945,392	91	\$ -	-	(\$ 7,829,702)	89	\$ -	-	\$ 1,284,223	\$ 1,284,223	-	\$ -	Other expenses	\$ 65,362
	4,725,248	13			2,609,197	23							Other receivables	16,554
FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	-	-	-	-	-	-	-	-	1,284,223	1,284,223	0.80%	985	Other payables Other receivables	31,101 665,545

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 was \$4,725,248 for the year ended December 31, 2021.

Flexium Interconnect Inc.
Major shareholders information
December 31, 2021

Table 10

Expressed in shares

Name of major shareholders	Name of shares held	Shares	Ownership (%)
Cathay Life Insurance Company, Ltd.		33,590,958	9.56%

Note 1: The major shareholders information was from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded on the financial statements may be different from the actual number of shares in dematerialised form due to the difference of calculation basis.

Note 2: If the aforementioned data contains shares which were kept at the trust by the shareholders, the data was disclosed as separate account of client which was set by the trustee. As for the shareholder who reports share equity as a insider whose shareholding ratio greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio including the self-owned shares and trusted shares, at the same time, persons who have power to decide how to allocate the trust assets. For the information of reported share equity of insider, please refer to Market Observation Post System.

Attachment 2: 2021 Parent Only Financial Report

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR21000451

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, 2021 and 2020, 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, 2021 and 2020, 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 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 9, 2022

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, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2021		December 31, 2020		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 5,702,494	12	\$ 7,605,739	18
1110	Financial assets at fair value through profit or loss - current	6(2)	-	-	816	-
1136	Current financial assets at amortised cost	6(4)	7,325,420	16	9,275,320	22
1150	Notes receivable, net		23	-	-	-
1170	Accounts receivable, net	6(5)	8,576,308	18	7,296,538	17
1180	Accounts receivable - related parties	6(5) and 7	2,609,197	6	1,965,011	5
1200	Other receivables	7	944,216	2	175,549	1
1220	Current tax assets		32,169	-	-	-
130X	Inventories	6(6)	1,857,522	4	1,320,679	3
1410	Prepayments		33,419	-	21,565	-
1470	Other current assets		79	-	62,130	-
11XX	Current Assets		<u>27,080,847</u>	<u>58</u>	<u>27,723,347</u>	<u>66</u>
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	83,070	-	57,016	-
1550	Investments accounted for under equity method	6(7)	9,375,806	20	7,952,639	19
1600	Property, plant and equipment	6(8) and 7	9,619,974	21	4,580,154	11
1755	Right-of-use assets	6(9)	9,870	-	15,461	-
1780	Intangible assets	6(10)	12,056	-	16,291	-
1840	Deferred income tax assets	6(28)	26,275	-	29,668	-
1900	Other non-current assets	6(11) and 8	442,726	1	1,842,734	4
15XX	Non-current assets		<u>19,569,777</u>	<u>42</u>	<u>14,493,963</u>	<u>34</u>
1XXX	Total assets		<u>\$ 46,650,624</u>	<u>100</u>	<u>\$ 42,217,310</u>	<u>100</u>

(Continued)

FLEXIUM INTERCONNECT, INC.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2021		December 31, 2020		
		AMOUNT	%	AMOUNT	%	
Current liabilities						
2120	Financial liabilities at fair value through profit or loss - current	6(2)	\$ 13,021	-	\$ -	-
2170	Accounts payable		996,411	2	775,371	2
2180	Accounts payable - related parties	7	7,829,702	17	8,230,111	19
2200	Other payables	6(12) and 7	2,331,476	5	2,490,437	6
2230	Current income tax liabilities		1,062,069	2	952,939	2
2280	Current lease liabilities		8,389	-	7,472	-
2320	Long-term liabilities, current portion	6(13)(14)	414,583	1	14,886	-
2399	Other current liabilities, others		26,455	-	27,113	-
21XX	Current Liabilities		<u>12,682,106</u>	<u>27</u>	<u>12,498,329</u>	<u>29</u>
Non-current liabilities						
2530	Bonds payable	6(13)	3,316,072	7	-	-
2540	Non-current portion of non-current borrowings	6(14)	3,485,417	8	2,955,362	7
2570	Deferred income tax liabilities	6(28)	1,448,184	3	1,162,778	3
2580	Non-current lease liabilities		1,607	-	8,126	-
2600	Other non-current liabilities	6(15)	32,784	-	35,226	-
25XX	Non-current liabilities		<u>8,284,064</u>	<u>18</u>	<u>4,161,492</u>	<u>10</u>
2XXX	Total Liabilities		<u>20,966,170</u>	<u>45</u>	<u>16,659,821</u>	<u>39</u>
Equity						
	Share capital	6(13)(16)(17)				
3110	Share capital - common stock		3,513,309	7	3,613,734	9
3130	Certificates of bond-to-stock conversion		-	-	4,064	-
	Capital surplus	6(13)(18)				
3200	Capital surplus		3,048,710	7	4,771,691	11
	Retained earnings	6(19)				
3310	Legal reserve		2,417,676	5	2,129,895	5
3320	Special reserve		428,325	1	523,311	1
3350	Unappropriated retained earnings		16,799,119	36	15,077,940	36
	Other equity interest	6(20)				
3400	Other equity interest		(522,685)	(1)	(563,146)	(1)
3XXX	Total equity		<u>25,684,454</u>	<u>55</u>	<u>25,557,489</u>	<u>61</u>
	Significant contingent liabilities and unrecognised contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	Total liabilities and equity		<u>\$ 46,650,624</u>	<u>100</u>	<u>\$ 42,217,310</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, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except earnings per share)

	Items	Notes	Year ended December 31			
			2021		2020	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(21) and 7	\$ 35,426,904	100	\$ 29,674,189	100
5000	Operating costs	6(6)(10)(26)(27) and 7	(32,182,386)	(91)	(26,295,938)	(89)
5900	Net operating margin		<u>3,244,518</u>	<u>9</u>	<u>3,378,251</u>	<u>11</u>
	Operating expenses	6(10)(26)(27) and 7				
6100	Selling expenses		(110,063)	-	(107,716)	(1)
6200	General and administrative expenses		(433,931)	(1)	(403,246)	(1)
6300	Research and development expenses		(683,766)	(2)	(654,969)	(2)
6450	Impairment gain and reversal of impairment loss determined in accordance with IFRS 9	12(2)	<u>11</u>	<u>-</u>	<u>677</u>	<u>-</u>
6000	Total operating expenses		(<u>1,227,749</u>)	(<u>3</u>)	(<u>1,165,254</u>)	(<u>4</u>)
6900	Operating profit		<u>2,016,769</u>	<u>6</u>	<u>2,212,997</u>	<u>7</u>
	Non-operating income and expenses					
7100	Interest income	6(4)(22) and 7	56,491	-	77,374	-
7010	Other income	6(23) and 7	92,288	-	77,843	-
7020	Other gains and losses	6(2)(24)	67,506	-	653	-
7050	Finance costs	6(25)	(25,278)	-	(42,659)	-
7070	Share of profit of associates and joint ventures accounted for using equity method, net	6(7)	<u>1,432,449</u>	<u>4</u>	<u>1,358,823</u>	<u>5</u>
7000	Total non-operating income and expenses		<u>1,623,456</u>	<u>4</u>	<u>1,472,034</u>	<u>5</u>
7900	Profit before income tax		<u>3,640,225</u>	<u>10</u>	<u>3,685,031</u>	<u>12</u>
7950	Income tax expense	6(28)	(<u>760,475</u>)	(<u>2</u>)	(<u>750,988</u>)	(<u>2</u>)
8200	Profit for the year		<u>\$ 2,879,750</u>	<u>8</u>	<u>\$ 2,934,043</u>	<u>10</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 on defined benefit plans	6(15)	(\$ 4,382)	-	(\$ 613)	-
8316	Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income	6(3)(20)	(1,886)	-	(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)	(<u>46,963</u>)	<u>-</u>	<u>98,245</u>	<u>-</u>
8500	Total comprehensive income for the year		<u>\$ 2,826,519</u>	<u>8</u>	<u>\$ 3,028,416</u>	<u>10</u>
	Earnings per share	6(29)				
9750	Basic earnings per share		<u>\$ 8.19</u>		<u>\$ 8.63</u>	
9850	Diluted earnings per share		<u>\$ 7.64</u>		<u>\$ 8.22</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, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Share capital			Retained earnings				Treasury stocks	Total equity
		Common stock	Certificate of bond-to-stock conversion	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Other equity interest		
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(15)(20)	-	-	-	-	-	(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(19)	-	-	-	-	-	(504,625)	-	-	(504,625)
Cash dividends from capital surplus	6(18)	-	-	(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		\$ 3,613,734	\$ 4,064	\$ 4,771,691	\$ 2,129,895	\$ 523,311	\$ 15,077,940	(\$ 563,146)	\$ -	\$ 25,557,489
Year ended December 31, 2021										
Balance at January 1, 2021		\$ 3,613,734	\$ 4,064	\$ 4,771,691	\$ 2,129,895	\$ 523,311	\$ 15,077,940	(\$ 563,146)	\$ -	\$ 25,557,489
Profit for the year		-	-	-	-	-	2,879,750	-	-	2,879,750
Other comprehensive loss	6(15)(20)	-	-	-	-	-	(4,382)	(48,849)	-	(53,231)
Total comprehensive income		-	-	-	-	-	2,875,368	(48,849)	-	2,826,519
Appropriation and distribution of 2020 earnings:										
Legal reserve		-	-	-	287,781	-	(287,781)	-	-	-
Special reserve		-	-	-	-	(94,986)	94,986	-	-	-
Cash dividends from capital surplus	6(18)	-	-	(1,786,765)	-	-	-	-	-	(1,786,765)
Share-based payment transactions	6(16)(17)(18)(20)	(8,501)	-	11,062	-	-	-	89,310	-	91,871
Issuance of convertible bonds	6(13)(18)	-	-	112,250	-	-	-	-	-	112,250
Conversion of convertible bonds	6(13)(17)(18)	6,096	(4,064)	12,876	-	-	-	-	-	14,908
Purchase of treasury share	6(17)	-	-	-	-	-	-	-	(1,131,818)	(1,131,818)
Retirement of treasury share	6(17)(18)	(98,020)	-	(72,404)	-	-	(961,394)	-	1,131,818	-
Balance at December 31, 2021		\$ 3,513,309	\$ -	\$ 3,048,710	\$ 2,417,676	\$ 428,325	\$ 16,799,119	(\$ 522,685)	\$ -	\$ 25,684,454

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, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2021	2020
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 3,640,225	\$ 3,685,031
Adjustments			
Adjustments to reconcile profit (loss)			
Share-based payments	6(16)	91,871	164,479
Expected credit gain	12(2)	(11)	(677)
Depreciation expense	6(8)(9)(26)	879,688	664,259
Amortization expense	6(10)(26)	11,155	32,873
Net loss (profit) on valuation of financial assets at fair value	6(2)(24)	2,839	(22,038)
Interest expense	6(25)	25,278	42,659
Interest income	6(22)	(56,491)	(77,374)
Share of profit of associates and joint ventures accounted for using equity method	6(7)	(1,432,449)	(1,358,823)
Gain on disposal of property, plant and equipment	6(24)	(438)	-
Unrealized profit from sales		20,666	58,347
Realized profit on from sales		(58,347)	(55,010)
Changes in operating assets and liabilities			
Changes in operating assets			
Decrease in financial assets at fair value-current		3,472	19,378
Decrease (increase) in financial assets at amortised cost-current		1,949,900	(1,238,100)
Increase in notes receivable		(23)	-
Increase in accounts receivable		(1,279,759)	(365,749)
Increase in accounts receivable due from related parties		(644,186)	(107,484)
(Increase) decrease in other receivable		(104,614)	96,217
Increase in inventories		(536,843)	(578,125)
(Increase) decrease in prepayments		(11,854)	13,079
Decrease (increase) in other current assets		62,051	(61,852)
Changes in operating liabilities			
Increase in accounts payable		221,040	121,734
(Decrease) increase in accounts payable to related parties		(400,409)	2,124,886
Increase (decrease) in other payables		99,313	(3,977)
(Decrease) increase in other current liabilities, others		(658)	5,646
Cash inflow generated from operations		2,481,416	3,159,379
Interest received		56,150	76,719
Interest paid		(1,247)	(1,000)
Income tax paid		(394,714)	(5,141)
Net cash flows from operating activities		<u>2,141,605</u>	<u>3,229,957</u>

(Continued)

FLEXIUM INTERCONNECT, INC.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2021	2020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in receivables from related parties		(\$ 664,560)	\$ -
Increase in non-current financial assets at fair value through other comprehensive income	12(3)	(27,940)	(29,725)
Acquisition of property, plant and equipment (including prepayment for equipment)	6(30)	(4,706,507)	(1,482,470)
Proceeds from disposal of property, plant and equipment		438	-
Acquisition of intangible assets	6(10)	(6,920)	(6,769)
Increase in refundable deposits		(62,724)	(16,668)
Interest received		847	855
Net cash flows used in investing activities		(5,467,366)	(1,534,777)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Payments of principal portion of lease liabilities	6(31)	(8,570)	(7,772)
Proceeds from issuing bonds	6(31)	3,411,855	-
Proceeds from long-term borrowings	6(31)	944,638	1,605,400
(Decrease) increase in other non-current liabilities		(6,824)	572
Payments to acquire treasury shares	6(17)	(1,131,818)	-
Cash dividends paid and cash dividends from capital surplus	6(18)(19)	(1,786,765)	(1,682,083)
Net cash flows from (used in) financing activities		1,422,516	(83,883)
Net (decrease) increase in cash and cash equivalents		(1,903,245)	1,611,297
Cash and cash equivalents at beginning of year	6(1)	7,605,739	5,994,442
Cash and cash equivalents at end of year	6(1)	\$ 5,702,494	\$ 7,605,739

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, 2021 AND 2020

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

1. 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.

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

These financial statements were authorised for issuance by the Board of Directors on February 9, 2022.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments endorsed by 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
Amendment to IFRS 16, ‘Covid-19-related rent concessions beyond 30 June 2021’	April 1, 2021(Note)

Note : Earlier application from January 1, 2021 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 2022 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 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.

(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 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
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	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 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

A. Except for the following items, the 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.

(3) 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.

(4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be 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.

(5) Cash equivalents

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

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are 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.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to 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.

(8) 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.

(9) Accounts and notes receivable

A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) 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.

(11) 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.

(12) 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.

(13) 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.

(14) 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.

(15) 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 ~ 50 years
Machinery equipment	2 ~ 15 years
Transportation equipment	2 ~ 15 years
Office equipment	3 ~ 10 years
Other equipment	2 ~ 10 years

(16) 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.

(17) Intangible assets

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

(18) 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.

(19) 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.

(20) 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.

(21) 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.

(22) 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.

(23) 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.

(24) 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.

(25) 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.

(26) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) 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.

C. Employees' and directors' remuneration

Employees' remuneration and directors' 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.

(27) 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.

(28) 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 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 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.

(29) 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.

(30) Dividends

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

(31) 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.

(32) 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.

5. 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:

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

None.

(2) Critical accounting estimates and assumptions

A. 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.

B. 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.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash:		
Cash on hand and revolving funds	\$ 416	\$ 456
Checking accounts and demand deposits	<u>867,573</u>	<u>2,454,453</u>
	<u>867,989</u>	<u>2,454,909</u>
Cash equivalents:		
Time deposits	4,253,015	5,150,830
Bonds sold under repurchase agreements	<u>581,490</u>	<u>-</u>
	<u>4,834,505</u>	<u>5,150,830</u>
	<u>\$ 5,702,494</u>	<u>\$ 7,605,739</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 as collateral.
- 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.

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

<u>Items</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
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	<u>-</u>	<u>22</u>
	<u>\$ -</u>	<u>\$ 816</u>
Current items:		
Financial assets designated as at fair value through profit or loss		
Put options of convertible bonds	<u>\$ 13,021</u>	<u>\$ -</u>

- A. The Company recognised net (loss) gain of (\$2,839) and 22,038, respectively, for the years ended December 31, 2021 and 2020.
- B. 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, 2021:None.

	December 31, 2020	
Derivative Financial assets:	Contract amount (notional principal)	Contract period
Forward foreign exchange contracts	USD 2,000 thousand	2020.11~2021.01

C. The Company has no financial assets at fair value through profit or loss pledged to others as collateral.

D. Information relating to credit risk of financial asset at fair value through profit or loss is provided in Note 12(2).

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

Items	December 31, 2021	December 31, 2020
Non-current items:		
Equity instruments		
Unlisted stocks	\$ 88,215	\$ 60,275
Valuation adjustments	(5,145)	(3,259)
	<u>\$ 83,070</u>	<u>\$ 57,016</u>

A. The Company has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$83,070 and \$57,016, respectively, as at December 31, 2021 and 2020.

B. Amounts that the Company recognised in other comprehensive income for the years ended December 31, 2021 and 2020 in relation to the financial assets at fair value through other comprehensive income were (\$1,886) and (\$3,259), respectively.

C. The Company has no financial assets at fair value through other comprehensive income pledged to others as collateral.

(4) Financial assets at amortised cost

Items	December 31, 2021	December 31, 2020
Current items:		
Time deposits maturing in excess of three months	<u>\$ 7,325,420</u>	<u>\$ 9,275,320</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,	
	2021	2020
Interest income	<u>\$ 35,735</u>	<u>\$ 48,657</u>

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

(5) Accounts receivable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts receivable	\$ 8,576,702	\$ 7,296,943
Less: Allowance for doubtful accounts	(394)	(405)
	<u>\$ 8,576,308</u>	<u>\$ 7,296,538</u>
Accounts receivable-related parties	<u>\$ 2,609,197</u>	<u>\$ 1,965,011</u>

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Up to 90 days	\$ 11,158,141	\$ 8,429,326
91 to 180 days	8,617	813,945
181 to 365 days	2,208	1,133
Over one year	16,933	17,550
	<u>\$ 11,185,899</u>	<u>\$ 9,261,954</u>

The above ageing analysis was based on overdue dates.

B. As of December 31, 2021 and 2020, and January 1, 2020, the balances of receivables (including related parties) from contracts with customers amounted to \$11,185,899, \$9,261,954 and \$8,788,721, respectively.

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

D. As at December 31, 2021 and 2020, 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 \$11,185,505 and \$9,261,549, respectively.

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

(6) Inventories

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Raw materials	\$ 175,318	\$ 120,325
Work in process and semi-finished goods	371,225	203,010
Finished goods and merchandise inventory	1,310,979	997,344
	<u>\$ 1,857,522</u>	<u>\$ 1,320,679</u>

The cost of inventories recognised as expense for the years ended December 31, 2021 and 2020, was \$32,182,386 and \$26,295,938, respectively, including the amount of \$8,296 and \$13,192, respectively for the years ended December 31, 2021 and 2020, that the Company wrote down from cost to net realizable value accounted for as increase of cost of good sold.

(7) Investments accounted for using equity method

A. Details are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
FLEXIUM INTERCONNECT INC.	\$ 6,077,038	\$ 5,047,556
UFLEX TECHNOLOGY CO., LTD.	2,095,979	1,735,540
FLEXIUM INTERCONNECT INVESTMENT CO., LTD.	45,334	41,040
BOOM BUSINESS LIMITED	1,152,485	1,123,016
FLEXIUM INTERCONNECT AMERICA LLC.	<u>4,970</u>	<u>5,487</u>
	<u>\$ 9,375,806</u>	<u>\$ 7,952,639</u>

B. 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, 2021.
- (b) For the years ended December 31, 2021 and 2020, gains on investments accounted for using equity method amounted to \$1,432,449 and \$1,358,823, respectively.

(8) Property, plant and equipment

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Land	\$ 2,407,376	\$ 786,599
Buildings	1,600,565	298,522
Machinery	3,966,548	2,060,231
Transportation equipment	3,304	3,027
Office equipment	586	-
Other equipment	39,642	36,474
Construction in progress and equipment under acceptance	<u>1,601,953</u>	<u>1,395,301</u>
	<u>\$ 9,619,974</u>	<u>\$ 4,580,154</u>

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

Cost	<u>For the year ended December 31, 2021</u>			
	<u>Opening net book amount</u>	<u>Additions and transfer</u>	<u>Deduction</u>	<u>Closing net book amount</u>
Land	\$ 786,599	\$ 1,620,777	\$ -	\$ 2,407,376
Buildings	496,803	1,344,067	-	1,840,870
Machinery	4,626,531	2,721,924 (	20,830)	7,327,625
Transportation equipment	9,671	1,655 (	560)	10,766
Office equipment	2,879	620	-	3,499
Other equipment	198,130	15,254 (	222)	213,162
Construction in progress and equipment under acceptance	<u>1,395,301</u>	<u>206,652</u>	<u>-</u>	<u>1,601,953</u>
	<u>\$ 7,515,914</u>	<u>\$ 5,910,949</u>	<u>(\$ 21,612)</u>	<u>\$ 13,405,251</u>

Cost	For the year ended December 31, 2020			
	Opening net book amount	Additions and transfer	Deduction	Closing net book amount
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	507,319	887,982	-	1,395,301
	<u>\$ 6,201,495</u>	<u>\$ 1,354,537</u>	<u>(\$ 40,118)</u>	<u>\$ 7,515,914</u>

Accumulated depreciation and impairment	For the year ended December 31, 2021			
	Opening net book amount	Additions	Deduction	Closing net book amount
Buildings	\$ 198,281	\$ 42,024	\$ -	\$ 240,305
Machinery	2,566,300	815,607 (	20,830)	3,361,077
Transportation equipment	6,644	1,378 (	560)	7,462
Office equipment	2,879	34	-	2,913
Other equipment	161,656	12,086 (	222)	173,520
	<u>\$ 2,935,760</u>	<u>\$ 871,129</u>	<u>(\$ 21,612)</u>	<u>\$ 3,785,277</u>

Accumulated depreciation and impairment	For the year ended December 31, 2020			Closing net book amount
	Opening net book amount	Additions	Deduction	
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>

C. No borrowing costs were capitalized as part of property, plant and equipment for the years ended December 31, 2021 and 2020.

D. The Company did not have property, plant and equipment pledged to others as collaterals.

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

(9) 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, 2021</u>	<u>December 31, 2020</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings	\$ 7,335	\$ 10,773
Transportation equipment (Business vehicles)	2,535	4,688
	<u>\$ 9,870</u>	<u>\$ 15,461</u>

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Buildings	\$ 6,406	\$ 6,244
Transportation equipment (Business vehicles)	2,153	1,582
	<u>\$ 8,559</u>	<u>\$ 7,826</u>

- D. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets were \$2,968 and \$7,127, 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>2021</u>	<u>2020</u>
Interest expense on lease liabilities	\$ 146	\$ 240
Expense on short-term lease contracts	973	665

- F. For the years ended December 31, 2021 and 2020, the Company's total cash outflow for leases were \$9,689 and \$8,677, respectively.

(10) Intangible assets-computer software cost

A. Changes in computer software cost are as follows:

	<u>2021</u>	<u>2020</u>
At January 1	\$ 16,291	\$ 42,395
Additions-acquired separately	6,920	6,769
Amortization	(11,155)	(32,873)
At December 31	<u>\$ 12,056</u>	<u>\$ 16,291</u>

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

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Manufacturing expenses	\$ 204	\$ 95
General and administrative expenses	8,078	7,315
Research and development expenses	<u>2,873</u>	<u>25,463</u>
	<u>\$ 11,155</u>	<u>\$ 32,873</u>

(11) Other non-current assets

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Prepayment for land purchases	\$ 116,165	\$ 366,659
Prepayment for equipment	144	1,212,382
Refundable deposits	<u>326,417</u>	<u>263,693</u>
	<u>\$ 442,726</u>	<u>\$ 1,842,734</u>

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

(12) Other payables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Wages and salaries payable	\$ 309,317	\$ 251,746
Payables on employees' compensation and remuneration to directors	186,000	203,000
Payables on machinery and equipment	1,488,417	1,746,707
Other payables	<u>347,742</u>	<u>288,984</u>
	<u>\$ 2,331,476</u>	<u>\$ 2,490,437</u>

(13) Bonds payable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Third overseas unsecured convertible bonds	\$ -	\$ 15,419
Fourth overseas unsecured convertible bonds	3,359,400	-
Less: Discount on bonds payable	(43,328)	(533)
	3,316,072	14,886
Less: current portion		
(Shown as long-term liabilities, current portion)	-	(14,886)
	<u>\$ 3,316,072</u>	<u>\$ -</u>

A. 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, 2021, the bonds with face value in the amount of US\$ 100,000 thousand had been converted into 39,725 thousand shares of common stocks (shown as 'Share capital - common stock' of \$397,252 and 'capital surplus, additional paid-in capital arising from bond conversion' of \$2,767,823).

(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, 2021, the conversion price was adjusted to NT\$75.88 (in dollars) per share.

- (d) The rules of put options are as follows:
- i. 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.
 - ii. 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.
 - iii. 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:
- i. 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.
 - ii. 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.
 - iii. 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.

- iv 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, 2021, the balance of “Capital reserve from stock options” after adjusting the amount converted into common stock is \$0. 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%.
- B. The terms of the Fourth overseas unsecured convertible bonds issued by the Company are as follows:
- (a) On January 25, 2021, the Company issued 0% coupon, 3-year unsecured convertible bonds in the amount of US\$120 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 27.995, 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 25, 2021.
- (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, 2021, no bonds have been converted or redeemed.
- (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\$136.00 (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 27.995 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, 2021, the conversion price was adjusted to NT\$130.05 (in dollars) per share.

- (d) The rules of put options are as follows:
- i. 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% per annum on the face value as the premium 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% 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.
 - ii. 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.
 - iii. 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 27.995, then translate the NTD into USD using the currency rate on that day for repayment.
- (e) The rules of redemption are as follows:
- i. 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.
 - ii. 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.
 - iii. 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.

- iv. The early redemption amount of bonds shall all be translated into NTD at the fixed exchange rate of 27.995, 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 \$112,250 were separated from the liability component and were recognised in ‘capital surplus - share options’ in accordance with IAS 32. 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 0.6748%.

(14) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2020</u>
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	1,200,000
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	1,900,000
				3,900,000
Less: Current portion				(414,583)
				\$ 3,485,417

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2020</u>
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

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

(15) 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, 2021</u>	<u>December 31, 2020</u>
Present value of defined benefit obligations	\$ 70,635	\$ 65,257
Fair value of plan assets	(47,059)	(44,578)
Net defined benefit liability (shown as 'Other non-current liabilities')	<u>\$ 23,576</u>	<u>\$ 20,679</u>

(c) 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, 2021</u>			
Balance at January 1	(\$ 65,257)	\$ 44,578	(\$ 20,679)
Interest (expense) income	(686)	477	(209)
	<u>(\$ 65,943)</u>	<u>\$ 45,055</u>	<u>(\$ 20,888)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	310	310
Experience adjustments	(4,692)	-	(4,692)
	<u>(4,692)</u>	<u>310</u>	<u>(4,382)</u>
Pension fund contribution	-	1,694	1,694
Balance at December 31	<u>(\$ 70,635)</u>	<u>\$ 47,059</u>	<u>(\$ 23,576)</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, 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>

(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, 2021 and 2020 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, 2021</u>	<u>December 31, 2020</u>
Discount rate	<u>0.65%</u>	<u>1.05%</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, 2021				
Effect on present value of defined benefit obligation	(\$ 2,505)	\$ 2,625	\$ 11,013	(\$ 9,354)
December 31, 2020				
Effect on present value of defined benefit obligation	(\$ 2,533)	\$ 2,660	\$ 11,244	(\$ 9,444)

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 2021 and 2020 are the same.

(f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2022 amount to \$1,694.

(g) As of December 31, 2021, the weighted average duration of that retirement plan is 16.1 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, 2021 and 2020 were \$61,682 and \$47,998, respectively.

(16) Share-based payment

A. Options granted after January 1, 2008

There was no such transaction as of December 31, 2021.

(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 employee stock options are set forth below:

Stock options	2020	
	Number of options (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at January 1	118	\$ 21.90
Options expired	(118)	21.90
Options outstanding at December 31	-	-
Options exercisable at December 31	-	-

(c) 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

(d) Expenses incurred on equity-settled share-based payment transactions for the year ended December 31, 2020 were \$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:

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 up to 30%, 30% and 40%, respectively.

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

	<u>2021</u>	<u>2020</u>
Employee restricted shares at January 1	4,630	5,420
Option issued for the year	-	1,000
Option retired for the year	(850)	(236)
Unrestriction for the year	(1,046)	(1,554)
Employee restricted shares at December 31	<u>2,734</u>	<u>4,630</u>

(c) Expenses incurred on share-based payment transactions amounted to \$91,871 and \$164,479 for the years ended December 31, 2021 and 2020, respectively.

(17) Share capital

A. As of December 31, 2021, the Company's authorized capital was \$6,000,000 (including 20,000 thousand shares reserved for employee stock options and convertible bonds issued by the Company), and the paid-in capital was \$3,513,309, consisting of 351,331 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>2021</u>	<u>2020</u>
At January 1	361,374	330,469
Employee restricted shares	-	1,000
Employee restricted shares cancellation	(850)	(236)
Conversion of convertible bonds	609	30,141
Treasury shares cancellation	(9,802)	-
At December 31	<u>351,331</u>	<u>361,374</u>

B. The Board of Directors during its meeting on July 3, 2021 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.

C. The information on conversion requests on convertible bonds for the year ended December 31, 2021 and 2020 is provided in Note 6(13).

D. 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, 2021 and 2020.

(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, 2021, 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) 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 15,000 million shares. As of December 31, 2021, the Company has repurchased its own shares in the amount of 9,802 thousand shares and were retired.

(18) Capital surplus

A. 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.

2021						
	Share premium	Stock option	Donated assets	Employee restricted shares	Others	Total
At January 1, 2021	\$ 4,440,733	\$ 1,232	\$ 1,245	\$ 326,710	\$ 1,771	\$ 4,771,691
Employee restricted shares	-	-	-	11,062	-	11,062
Treasury shares cancellation	(72,404)	-	-	-	-	(72,404)
Cash dividends from capital surplus	(1,786,765)	-	-	-	-	(1,786,765)
Conversion option of convertible bonds	14,108	111,018	-	-	-	125,126
At December 31, 2021	<u>\$ 2,595,672</u>	<u>\$ 112,250</u>	<u>\$ 1,245</u>	<u>\$ 337,772</u>	<u>\$ 1,771</u>	<u>\$ 3,048,710</u>

2020								
	Share premium	Treasury share transactions	Employee stock options	Stock options	Donated assets	Employee restricted shares	Others	Total
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	2,008,167	-	-	(177,986)	-	-	-	1,830,181
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</u>	<u>\$ 4,771,691</u>

B. 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. 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. The above mentioned relevant shareholders' meeting resolutions and distribution please refer to "Market Observation Post System" at the website of the Taiwan Stock Exchange.

C. For details of capital reserve from stock options, please refer to Note 6(13).

(19) Retained earnings

A. 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 2020 was \$504,625 (\$1.5 (in dollars) per share). The appropriation of 2020 earnings had been resolved after meeting the statutory voting threshold on June 14, 2021 via the electronic voting platform for shareholders' meeting. All distributable earnings have been retained and not distributed as dividends. For the above mentioned relevant shareholders' meeting resolutions and distribution, please refer to "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(20) Other equity items

	2021			
	<u>Currency translation</u>	<u>Unearned Compensation</u>	<u>Unrealised gain (losses) on valuation</u>	<u>Total</u>
At January 1	(\$ 425,066)	(\$ 134,821)	(\$ 3,259)	(\$ 563,146)
Currency translation differences:				
–Group	(46,963)	-	-	(46,963)
Compensation cost of share-based payment	-	91,871	-	91,871
Valuation adjustments	-	(2,561)	(1,886)	(4,447)
At December 31	<u>(\$ 472,029)</u>	<u>(\$ 45,511)</u>	<u>(\$ 5,145)</u>	<u>(\$ 522,685)</u>

	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	(\$ 425,066)	(\$ 134,821)	(\$ 3,259)	(\$ 563,146)

(21) 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,	
	2021	2020
	Revenue	Revenue
Taiwan	\$ 1,691,101	\$ 1,448,669
China	4,631,998	8,204,023
Asia (excluding Taiwan and China)	2,476,979	1,407,603
Europe and America	26,626,826	18,613,894
	\$ 35,426,904	\$ 29,674,189

(22) Interest income

	For the years ended December 31,	
	2021	2020
Interest income from bank deposits	\$ 54,322	\$ 76,498
Other interest income	2,169	876
	\$ 56,491	\$ 77,374

(23) Other income

	For the years ended December 31,	
	2021	2020
Rent income	917	438
Other income	91,371	77,405
	\$ 92,288	\$ 77,843

(24) Other gains and losses

	For the years ended December 31,	
	2021	2020
Gains on disposal of property, plant and equipment	\$ 438	\$ -
Foreign exchange gains (losses)	72,336	(21,385)
Net (loss) gain on financial assets/ liabilities at fair value through profit or loss	(2,839)	22,038
Others	(2,429)	-
	<u>\$ 67,506</u>	<u>\$ 653</u>

(25) Finance costs

	For the years ended December 31,	
	2021	2020
Interest expense:		
Bank borrowings	\$ 1,109	\$ 773
Convertible bonds	24,015	41,636
Imputed interest on deposit	8	10
Interest expense on lease liability	146	240
	<u>\$ 25,278</u>	<u>\$ 42,659</u>

(26) Expenses by nature

	For the years ended December 31,	
	2021	2020
Employee benefit expense	\$ 1,862,628	\$ 1,702,645
Depreciation charge on property, plant and equipment	871,129	656,433
Depreciation expenses on right-of-use assets	8,559	7,826
Amortisation on intangible assets	11,155	32,873

(27) Employee benefit expense

	For the years ended December 31,	
	2021	2020
Wages and salaries	\$ 1,493,039	\$ 1,322,676
Employee restricted stock	91,871	164,479
Labor and health insurance fees	146,726	109,756
Pension costs	61,891	48,266
Other personnel expenses	69,101	57,468
	<u>\$ 1,862,628</u>	<u>\$ 1,702,645</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' 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, 2021 and 2020, employees' compensation was accrued both at \$83,000; while directors' remuneration were both \$20,000. The aforementioned amounts were recognised in salary expenses.

For the year ended December 31, 2021, the employees' compensation and directors' remuneration were estimated and accrued based on a certain ratio of distributable profit of current year as of the end of reporting period. The amounts resolved by the Board of Directors were in agreement with the accrued amounts. Employees' compensation will be distributed in the form of cash.

Employees' compensation and directors' remuneration of 2020 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2020 financial statements. Information about employees' compensation and directors' remuneration of the Company resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(28) Income tax

A. Income tax expense

Components of income tax expense:

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Current tax :		
Current tax on profits for the year	\$ 444,938	\$ 460,101
Tax on undistributed earnings	134,251	105,696
Overestimation of prior year's income tax	(107,513)	(97,105)
Total current tax	<u>471,676</u>	<u>468,692</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>288,799</u>	<u>282,296</u>
Income tax expense	<u>\$ 760,475</u>	<u>\$ 750,988</u>

B. Reconciliation between income tax expense and accounting profit

	For the years ended December 31,	
	2021	2020
Tax calculated based on profit before tax and statutory tax rate	\$ 728,045	\$ 737,006
Effect from items adjusted in accordance with tax regulation	5,692	5,391
Tax on undistributed earnings	134,251	105,696
Overestimation of prior year's income tax	(107,513)	(97,105)
Income tax expense	<u>\$ 760,475</u>	<u>\$ 750,988</u>

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

	For the year ended December 31, 2021			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
– Deferred tax assets:				
Allowance for obsolescence and decline in market value of inventories	\$ 7,339	\$ 1,659	\$ -	\$ 8,998
Unrealised gross profit	11,670	(7,537)	-	4,133
Unrealised compensated absences	6,058	1,437	-	7,495
Cost of bond issuance	923	1,041	-	1,964
Refund liability	3,591	-	-	3,591
Unrealised estimated expense	7	8	-	15
Others	80	(1)	-	79
Subtotal	<u>\$ 29,668</u>	<u>(\$ 3,393)</u>	<u>\$ -</u>	<u>\$ 26,275</u>
– Deferred tax liabilities:				
Gain on foreign investment accounted for under equity method	(\$ 1,152,271)	(\$ 285,631)	\$ -	(\$ 1,437,902)
Pension expense	(2,115)	(297)	-	(2,412)
Unrealised exchange gain	(8,392)	522	-	(7,870)
Subtotal	<u>(1,162,778)</u>	<u>(285,406)</u>	<u>-</u>	<u>(1,448,184)</u>
Total	<u>(\$ 1,133,110)</u>	<u>(\$ 288,799)</u>	<u>\$ -</u>	<u>(\$ 1,421,909)</u>

	For the year ended December 31, 2020			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	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>\$ 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>(1,162,778)</u>
Total	<u>(\$ 850,814)</u>	<u>(\$ 282,296)</u>	<u>\$ -</u>	<u>(\$ 1,133,110)</u>

D. The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority, but not yet approved for 2018.

(29) Earnings per share

	For the year ended December 31, 2021		
	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	<u>\$ 2,879,750</u>	<u>351,470</u>	<u>\$ 8.19</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	\$ 2,879,750	351,470	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	883	
Convertible bonds	23,626	24,139	
Employee restricted stock	-	3,295	
Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 2,903,376</u>	<u>379,787</u>	<u>\$ 7.64</u>

	For the year ended December 31, 2020		
	<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 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	\$ 2,965,859	360,924	\$ 8.22

(30) Supplemental cash flow information

A. Investing activities with partial cash payments:

	For the years ended December 31,	
	<u>2021</u>	<u>2020</u>
Purchase of property, plant and equipment (including prepayments for business facilities)	\$ 4,448,217	\$ 2,566,919
Add: Opening balance of other payables (including related parties)	1,746,707	662,258
Less: Ending balance of other payables (including related parties)	(1,488,417)	(1,746,707)
Cash paid during the period	\$ 4,706,507	\$ 1,482,470

B. Financing activities with no cash flow effects:

	For the years ended December 31,	
	<u>2021</u>	<u>2020</u>
Convertible bonds being converted to capital stocks and capital surplus	\$ 14,908	\$ 2,118,875

(31) Changes in liabilities from financing activities

	2021			
	<u>Lease liability</u>	<u>Bonds payable</u>	<u>Long-term borrowings</u>	<u>Liabilities from financing activities-gross</u>
At January 1	\$ 15,598	\$ 14,886	\$ 2,955,362	\$ 2,985,846
Changes in cash flow from financing activities	(8,570)	3,411,855	944,638	4,347,923
Increase in lease liabilities	2,968	-	-	2,968
Amortisation of discounts on bonds payable	-	24,015	-	24,015
Conversion rights of convertible bonds	-	(112,250)	-	(112,250)
Put options of convertible bonds	-	(7,526)	-	(7,526)
Convertible bonds converted to capital stocks and capital surplus	-	(14,908)	-	(14,908)
At December 31	<u>\$ 9,996</u>	<u>\$ 3,316,072</u>	<u>\$ 3,900,000</u>	<u>\$ 7,226,068</u>
	2020			
	<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>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
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”)	The Company's wholly-owned subsidiary
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

(2) Significant related party transactions

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. For the years ended December 31, 2021 and 2020, the write-offs amounted to \$4,725,248 and \$4,149,361, 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.

B. Purchases:

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Purchases of goods:		
- FLEXIUM INTERCONNECT(KUNSHAN) \$	27,220,144	\$ 14,565,884
- GRANDPLUS	<u>-</u>	<u>1,729,403</u>
	<u>\$ 27,220,144</u>	<u>\$ 16,295,287</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.

C. Miscellaneous income

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
SUCCESS	<u>\$ 65,194</u>	<u>\$ 58,481</u>

D. Other expenses

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
SUCCESS	\$ 65,362	\$ 58,143
FLEXIUM USA	<u>12,609</u>	<u>8,897</u>
	<u>\$ 77,971</u>	<u>\$ 67,040</u>

E. Accounts receivable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
FLEXIUM INTERCONNECT(KUNSHAN)	<u>\$ 2,609,197</u>	<u>\$ 1,965,011</u>

F. Other receivables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
FLEXIUM TECHNOLOGY (SUZHOU)	\$ 665,545	\$ -
SUCCESS	34,886	39,621
FLEXIUM INTERCONNECT(KUNSHAN)	16,554	11,303
FOREVER	-	16,560
	<u>\$ 716,985</u>	<u>\$ 67,484</u>

G. Accounts payable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
FLEXIUM INTERCONNECT(KUNSHAN)	\$ 7,829,702	\$ 8,230,111

H. Other payables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
SUCCESS	\$ 31,101	\$ 35,627

I. Property transactions

(i) Acquisition of property, plant and equipment

	<u>For the year ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
FOREVER	\$ 13,359	\$ 872
FLEXIUM INTERCONNECT(KUNSHAN)	6,288	-
	<u>\$ 19,647</u>	<u>\$ 872</u>

(ii) Proceeds from disposal of property, plant and equipment

There was no such transaction for the year ended December 31, 2021.

	<u>For the year ended December 31, 2020</u>	
	<u>Amount</u>	<u>(Losses) gain</u>
FLEXIUM INTERCONNECT(KUNSHAN)	\$ 11,592	\$ -

J. Financing situation

Loans to related parties

(a) Outstanding balance at the end of period

	<u>December 31, 2021</u>
FLEXIUM TECHNOLOGY (SUZHOU)	\$ 664,560

(b) Interest income

	<u>December 31, 2021</u>
FLEXIUM TECHNOLOGY (SUZHOU)	<u>\$ 985</u>

The loans to FLEXIUM TECHNOLOGY (SUZHOU) are repayable at maturity and carry interest at 0.80% per annum for the year ended December 31, 2021.

There was no such transaction for the year ended December 31, 2020.

(3) Key management compensation

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 76,089	\$ 65,936
Post-employment benefits	169	161
Share-based payments	14,378	36,543
	<u>\$ 90,636</u>	<u>\$ 102,640</u>

8. PLEDGED ASSETS

<u>Pledged asset</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>	
Refundable deposits (recorded in "Other non-current assets")	<u>\$ 323,462</u>	<u>\$ 259,479</u>	Guarantee for land bid and gas

9. COMMITMENTS AND CONTINGENT LIABILITIES

(1) As of December 31, 2021 and 2020, the Group issued promissory notes both amounting to \$723,848 for applying loan facilities from the banks to meet the operational needs.

(2) As of December 31, 2021 and 2020, the Company entered into several contracts for construction and acquisition of machinery with total values of \$2,437,413 and \$6,280,826, respectively, and the unpaid balance on these contracts amounted to \$1,332,522 and \$3,382,140, respectively.

10. SIGNIFICANT CATASTROPHE

None.

11. SUBSEQUENT EVENTS

To maintain the Company's credit and the stockholders' equity, the Board of Directors during their meeting on February 9, 2022 resolved to repurchase the Company's shares in accordance with the "Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies". The Company expects to repurchase 15 million shares at the price range between NT\$86 (in dollars) per share and NT\$117 (in dollars) per share during the period from February 10, 2022 to April 8, 2022.

12. OTHERS

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company 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 2021, the Company's strategy, which was unchanged from 2020, was to maintain the balance of the capital structure. The gearing ratio at December 31, 2021 and 2020 were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Total liabilities	\$ 20,966,170	\$ 16,659,821
Total assets	\$ 46,650,624	\$ 42,217,310
Gearing ratio	<u>45</u>	<u>39</u>

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2021</u>	<u>December 31, 2020</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>\$ -</u>	<u>\$ 816</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	\$ 83,070	\$ 57,016
Financial assets at amortised cost		
Cash and cash equivalents	\$ 5,702,494	\$ 7,605,739
Financial assets at amortised cost	7,325,420	9,275,320
Notes receivable	23	-
Accounts receivable (including related parties)	11,185,505	9,261,549
Other receivables	944,216	175,549
Refundable deposits	326,417	325,176
	<u>\$ 25,484,075</u>	<u>\$ 26,643,333</u>

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss		
Financial liabilities designated at fair value through profit or loss	\$ 13,021	\$ -
Financial liabilities at amortised cost		
Accounts payable (including related parties)	\$ 8,826,113	\$ 9,005,482
Other payables	2,331,476	2,490,437
Bonds payable (including current portion)	3,316,072	14,886
Long-term borrowings (including current portion)	3,900,000	2,955,362
Guarantee deposits received	8,020	12,172
	<u>\$ 18,381,681</u>	<u>\$ 14,478,339</u>
Lease liabilities	<u>\$ 9,996</u>	<u>\$ 15,598</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, 2021		
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	\$ 489,476	27.690	\$ 13,553,590	1%	\$ 135,536	\$ -			
<u>Non-monetary items</u>									
USD:NTD	3,000	27.690	83,070	1%	-	831			
<u>Long-term equity investments accounted for under equity method</u>									
USD:NTD	336,962	27.690	9,330,472	1%	-	93,305			
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD:NTD	335,222	27.690	9,282,297	1%	(92,838)	-			
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)	-			

- v. The total exchange gain (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, 2021 and 2020 amounted to \$72,336 and (\$21,385), 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, 2021 and 2020 other components of equity would have increased/decreased by \$831 and \$570, 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 floating rates, which expose the Company to cash flow interest rate risk, but some of the risks are offset by cash and equivalents with variable interest rate. As of December 31, 2021 and 2020, 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, 2021 and 2020, would have increased/decreased by \$9,750 and \$7,388, 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, 2021 and 2020, the provision matrix classified by customers is as follows:

	Group A	Group B	Group C	Group D	Group E	Total
December 31, 2021						
Book value	\$ 7,010,735	\$ 258,365	\$ 926,991	\$ 312,927	\$ 67,684	\$ 8,576,702
Expected loss rate	0.00%	0.01%	0.01%	0.01%	0.01%	
Loss allowance	\$ 222	\$ 23	\$ 112	\$ 28	\$ 9	\$ 394
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

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:

	2021	2020
At January 1	\$ 405	\$ 1,082
Reversal of impairment loss	(11)	(677)
At December 31	\$ 394	\$ 405

For provisioned loss for the years ended December 31, 2021 and 2020, the reversal of impairment loss from customers' contracts are \$11 and \$677, 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 repurchase agreement, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. As at December 31, 2021 and 2020, the Company held money market position of \$13,027,498 and \$16,880,603, 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, 2021</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)	\$ 8,826,113	\$ -	\$ -
Other payables	2,331,476	-	-
Lease liabilities	8,538	1,610	-
Bonds payable	-	3,359,400	-
Long-term borrowings	415,727	847,358	2,640,426
Derivative financial liabilities:			
Put options of convertible bonds	13,021	-	-
<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
Derivative financial liabilities: None.			

(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. The fair value of the Company's investment in equity investment without active market is included in Level 3.

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, notes receivable, accounts receivable, other receivables, guarantee deposits paid (recorded in "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"), 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, 2021</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				
Equity securities	\$ -	\$ -	\$ 83,070	\$ 83,070
<u>Liabilities</u>				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through				
Put options of convertible bonds	\$ -	\$ -	\$ 13,021	\$ 13,021
<u>December 31, 2020</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.

(b) The methods and assumptions the Company used to measure fair value are as follows:

- i. Forward exchange contracts are usually valued based on the current forward exchange rate.
- ii. 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.

iii. 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, 2021 and 2020, there was no transfer between Level 1 and Level 2.

E. The following chart is the movement of Level 3 for the years ended December 31, 2021 and 2020:

	2021	
	Derivative instruments	Non-derivative equity instruments
At January 1	\$ 22	\$ 57,016
Issued in the year	(7,506)	-
Gains recognised in profit or loss (Note)	(5,517)	-
Losses recognised in other comprehensive income	-	(1,886)
Investments in the year	-	27,940
Conversion in the year	(20)	-
December 31	<u>\$ 13,021</u>	<u>\$ 83,070</u>

Movement of unrealised gain in profit or loss of assets and liabilities held as at December 31, 2021 (Note)

\$ 5,517	\$ -
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	2020	
	Derivative instruments	Non-derivative equity instruments
At January 1	(\$ 448)	\$ 30,550
Issued in the year	-	-
Gains recognised in profit or loss (Note)	1,866	-
Losses recognised in other comprehensive income	-	(3,259)
Investments in the year	-	29,725
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 at December 31, 2020 (Note)

\$ 1,866	\$ -
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Note: Recorded as non-operating income and expenses.

F. For the years ended December 31, 2021 and 2020, 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, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Hybrid instruments:					
Convertible bonds	(\$ 13,021)	Binary tree Convertible bond valuation model	Stock price volatility	30.25%~43.03%	The higher the stock price volatility, the lower the fair value
Non-derivative equity instruments:					
Unlisted shares	\$ 83,070	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, 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 higher 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

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, 2021				
				Recognised in		
				other comprehensive income		
				Recognised in profit or loss		
				Favourable Unfavourable		
				change change		
				Favourable Unfavourable		
				change change		
				Favourable Unfavourable		
				change change		
Financial assets						
Equity instruments	\$ 83,070	±1%	\$ -	\$ -	\$ 831	(\$ 831)
Hybrid instruments	Stock price volatility	±5%	\$ 1,681	(\$ 2,354)	\$ -	\$ -
		December 31, 2020				
				Recognised in		
				other comprehensive income		
				Recognised in profit or loss		
				Favourable Unfavourable		
				change change		
				Favourable Unfavourable		
				change change		
Financial assets						
Equity instruments	\$ 57,016	±1%	\$ -	\$ -	\$ 570	(\$ 570)
Hybrid instruments	Stock price volatility	±5%	\$ 13	(\$ 9)	\$ -	\$ -

J. Other matters

Based on the Company's assessment of its purchasing strategies, transportation costs and customer shipment status, there was no significant impact on the Company's operations at this stage due to the Covid-19 pandemic. The Company will continue to monitor the subsequent development of the pandemic and adjust the countermeasures in a timely manner.

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: Please refer to table 10

14. Segment Information

None.

FLEXIUM INTERCONNECT, INC.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Items	Summary	Amount
Cash on hand and revolving funds		\$ 416
Demand deposits	NTD	560,489
	USD(US\$11,015 thousand at exchange rate of 27.69)	304,993
	Other foreign currency	2,091
Cash equivalents		
Time deposits	USD (US\$ 36,500 thousand at exchange rate of 27.69)	1,010,685
	Interest rate range: 0.15%~0.30%	
	Expiration date: From January 17, 2022 to February 18, 2022	
	NTD	3,242,330
	Interest rate range: 0.29%~0.41%	
	Expiration date: From January 5, 2022 to March 22, 2022	
Bonds sold under the repurchase agreement	USD(US\$21,000 thousand at exchange rate of 27.69)	
	Interest rate range: 0.3%	
	Expiration date: From February 8, 2022 to February 17, 2022	<u>581,490</u>
		<u>\$ 5,702,494</u>

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FLEXIUM INTERCONNECT, INC.
STATEMENT OF FINANCIAL ASSETS MEASURED AT AMORTIZED COST -CURRENT
DECEMBER 31, 2021
 (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	2021.07~2022.06	\$ 4,900,000	0.39%~0.41%	Fixed interest rate
E.Sun Commercial Bank, Ltd.	NTD time deposits	2021.11~2022.05	500,000	0.07%~0.49%	Fixed interest rate
DBS Bank Ltd.	NTD time deposits	2021.07~2022.06	1,758,200	0.53%	Fixed interest rate
Hua Nan Commercial Bank	NTD time deposits	2021.01~2022.01	5,980	0.82%	Fixed interest rate
Far Eastern International Bank	NTD time deposits	2021.07~2022.05	<u>161,240</u>	0.53%	Fixed interest rate
			<u>\$ 7,325,420</u>		

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FLEXIUM INTERCONNECT, INC.
STATEMENT OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2021
(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	\$ 5,912,330	
C Company	Sales revenue	476,155	
B Company	Sales revenue	437,542	
Others (minor amount less than 5%)	Sales revenue	<u>1,750,675</u>	
		8,576,702	
Less: Allowance for uncollectible accounts		<u>(394)</u>	
		<u>\$ 8,576,308</u>	
Related parties:			
FLEXIUM INTERCONNECT	Sales revenue	<u>\$ 2,609,197</u>	
(KUNSHAN) INCORPORATION			

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FLEXIUM INTERCONNECT, INC.
STATEMENT OF INVENTORIES
DECEMBER 31, 2021
(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		\$ 184,990	\$ 184,990	Use the net realizable value as the market price
Work in progress and semi-finished goods		383,609	446,446	Use the net realizable value as the market price
Finished goods and merchandise inventory		<u>1,333,916</u>	<u>1,366,914</u>	Use the net realizable value as the market price
		1,902,515	<u>\$ 1,998,350</u>	
Less: Allowance for inventory valuation losses		<u>(44,993)</u>		
		<u>\$ 1,857,522</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, 2021
(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	Total price		
	(per thousand share)	Amount	(per thousand share)	Amount	(per thousand share)	Amount	(per thousand share)	Ownership						Amount	(in dollar)
FLEXIUM INTERCONNECT INC.	50	\$ 5,047,556	-	\$ 1,060,282	-	(\$ 30,800)	50	100.00%	\$ 6,077,038	\$ 122,494.20	\$ 6,124,710	None	
UFLEX TECHNOLOGY CO., LTD.	50	1,735,540	-	370,402	-	(9,963)	50	100.00%	2,095,979	42,252.66	2,112,633	None	
FLEXIUM INTERCONNECT INVESTMENT CO., LTD.	5,000	41,040	-	4,294	-	-	5,000	100.00%	45,334	9.07	45,334	None	
BOOM BUSINESS LIMITED	35,000	1,123,016	-	35,510	-	(6,041)	35,000	100.00%	1,152,485	32.93	1,152,485	None	
FLEXIUM INTERCONNECT AMERICA LLC.	-	5,487	-	-	-	(517)	-	100.00%	4,970	-	4,970	None	
		<u>\$ 7,952,639</u>		<u>\$ 1,470,488</u>		<u>(\$ 47,321)</u>			<u>\$ 9,375,806</u>		<u>\$ 9,440,132</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, 2021
(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, 2021
(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, 2021
(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	\$ 203,092	
D supplier	Purchases	173,768	
C supplier	Purchases	73,745	
B supplier	Purchases	73,425	
Others (minor amount less than 5%)	Purchases	<u>472,381</u>	
		<u>\$ 996,411</u>	
Related parties:			
FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION	Purchases	<u>\$ 7,829,702</u>	

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FLEXIUM INTERCONNECT, INC.
STATEMENT OF OTHER PAYABLES
DECEMBER 31, 2021

(Expressed in thousands of New Taiwan dollars)

The information on 'Other Payables' is provided in Note 6(12) and Note 7(2)H.

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FLEXIUM INTERCONNECT, INC.
STATEMENT OF BONDS PAYABLE
DECEMBER 31, 2021
(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, 2021	Balance at	Unamortised	Book value	Repayment method	Collateral or pledged	Note
								December 31, 2021	premium				
								(NTD)	(discount)				
Fourth overseas unsecured convertible bonds	KGI Securities Co. Ltd - Department of Trusts	2021.01.25	Note	Note	USD 120,000 thousand	-	USD 120,000 thousand	\$ 3,359,400	(\$ 43,328)	\$ 3,316,072	Note	None	The bonds were traded in the Singapore Exchange Limited
								Less: Current portion		-			
										\$ 3,316,072			

Note: Please refer to Note 6(13) for details.

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FLEXIUM INTERCONNECT, INC.
STATEMENT OF LONG-TERM BORROWINGS
DECEMBER 31, 2021
(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	1,200,000	2019.05~2029.05	0.03%~1.30%	None	
E. Sun Commercial Bank, Ltd.	Unsecured borrowings	<u>1,900,000</u>	2019.07~2026.07	0.03%~1.30%	None	
		3,900,000				
	Less: Current portion	(<u>414,583</u>)				
		<u>\$ 3,485,417</u>				

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FLEXIUM INTERCONNECT, INC.
STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2021
 (Expressed in thousands of New Taiwan dollars)

<u>Items</u>	<u>Quantity</u>	<u>Amount</u>	<u>Note</u>
Flexible printed circuit board	1,378,915 thousand PCS	\$ 34,946,322	
Other		<u>651,691</u>	
		35,598,013	
Less: Sales returns		(75,062)	
Sales discounts		<u>(96,047)</u>	
		<u>\$ 35,426,904</u>	

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FLEXIUM INTERCONNECT, INC.
STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Items	Amount
Opening merchandise inventory	\$ 1,001,717
Add: Purchased during the year	27,180,211
Less: Goods transfer	(444,084)
Ending merchandise inventory	(1,302,018)
Scrapping of merchandises	(214,931)
Reclassified to expenses	(6,427)
Cost of goods manufactured and sold	26,214,468
Opening balance of raw materials	131,664
Add: Purchased during the year	2,900,439
Less: Ending balance of raw materials	(184,990)
Scrapping of raw materials	(236)
Reclassified to expenses	(496,420)
Raw materials for sale	(31,399)
Raw materials consumption	2,319,058
Direct labours	786,671
Manufacturing expenses	2,427,431
Manufacturing costs	5,533,160
Add: Opening work in progress and semi-finished	208,587
Purchased during the year	113,460
Finished goods and merchandise inventory	482,497
Less: Ending work in progress and semi-finished	(383,609)
Scrapped work in progress	(3,244)
Reclassified to expenses	(311,136)
Work in progress for sale	(3,816,706)
Cost of finished goods	1,823,009
Add: Opening finished goods	15,408
Purchased during the year	125,602
Less: Ending finished goods	(31,898)
Scrapping finished goods	(4,660)
Finished product transfer	(38,413)
Reclassified to expenses	(602)
Production and marketing costs	1,888,446
Other operating costs- raw materials for sale	31,399
Other operating costs- work in progress for sale	3,816,706
Loss for market price decline and slow-moving inventories	8,296
Loss on scrapping of inventories	223,071
Cost of sales	\$ 32,182,386

FLEXIUM INTERCONNECT, INC.
STATEMENT OF MANUFACTURING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
 (Expressed in thousands of New Taiwan dollars)

<u>Items</u>	<u>Summary</u>	<u>Amount</u>	<u>Note</u>
Depreciation		\$ 800,789	
Wages and salaries		470,354	
Spent material		399,775	
Repairs and maintenance expense		245,232	
Utilities expense		233,821	
Others (minor amount less than 5%)		<u>287,460</u>	
		<u>\$ 2,437,431</u>	

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FLEXIUM INTERCONNECT, INC.
STATEMENT OF SELLING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
 (Expressed in thousands of New Taiwan dollars)

<u>Items</u>	<u>Summary</u>	<u>Amount</u>	<u>Note</u>
Wages and salaries		\$ 46,670	
Import and export expenses		27,421	
Rent expense		20,277	
Others (minor amount less than 5%)		<u>15,695</u>	
		<u>\$ 110,063</u>	

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FLEXIUM INTERCONNECT, INC.
STATEMENT OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

<u>Items</u>	<u>Summary</u>	<u>Amount</u>	<u>Note</u>
Wages and salaries		\$ 214,741	
Depreciation		47,187	
Employee benefits/welfare		31,348	
Professional service fee		24,480	
Others (minor amount less than 5%)		<u>116,175</u>	
		<u>\$ 433,931</u>	

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FLEXIUM INTERCONNECT, INC.
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
 (Expressed in thousands of New Taiwan dollars)

<u>Items</u>	<u>Summary</u>	<u>Amount</u>	<u>Note</u>
Research and development expense		\$ 279,587	
Wages and salaries		243,116	
Molding expense		50,682	
Others (minor amount less than 5%)		<u>110,381</u>	
		<u>\$ 683,766</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, 2021
(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(24).

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FLEXIUM INTERCONNECT, INC.
STATEMENT OF FINANCE COST
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

The information on 'Finance Cost' is provided in Note 6(25).

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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, 2021
(Expressed in thousands of New Taiwan dollars)

By nature \ By function	Years ended December 31,					
	2021			2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expense (Note)						
Salary and bonus	\$ 1,075,033	\$ 397,276	\$ 1,472,309	\$ 915,285	\$ 386,391	\$ 1,301,676
Employee restricted shares	22,641	69,230	91,871	29,639	134,840	164,479
Labour and health insurance fees	110,600	36,126	146,726	79,774	29,982	109,756
Pension costs	44,600	17,291	61,891	32,999	15,267	48,266
Directors' remuneration	-	20,730	20,730	-	21,000	21,000
Others	26,860	42,241	69,101	21,782	35,686	57,468
Depreciation	800,789	78,899	879,688	608,872	55,387	664,259
Amortisation	204	10,951	11,155	95	32,778	32,873
Total	\$ 2,080,727	\$ 672,744	\$ 2,753,471	\$ 1,688,446	\$ 711,331	\$ 2,399,777

Note1 : As of December 31, 2021 and 2020, the numbers of employees of the Company were 2,206 and 1,913, respectively, including the numbers of directors who were not employees were both 8.

Note2: (a) Average employee benefit expense in current year was \$838; average employee benefit expense in previous year was \$883.

(b) Average employee salaries in current year were \$670; average employee salaries in previous year was \$683.

(c) Adjustments of average employee salaries were (1.90%).

(d) The Company has established an 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.

Flexium Interconnect Inc.
Loans to others
For the year ended December 31, 2021

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, 2021	December 31, 2021							Item	Value			
0	FLEXIUM INTERCONNECT INC.	FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION	Other receivables - related parties	Yes	\$ 1,284,223	\$ 1,284,223	\$ -	-	Note 1	\$ -	Company operation	\$ -	-	\$ -	\$ 5,136,891	\$ 10,273,782	-
0	FLEXIUM INTERCONNECT INC.	FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	Other receivables - related parties	Yes	1,284,223	1,284,223	664,560	0.80%	Note 1	-	Company operation	-	-	-	5,136,891	10,273,782	-

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, 2021

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, 2021				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	2,074,346	\$ 83,070	16.90%	\$ 83,070	-
FLEXIUM INTERCONNECT INVESTMENT CO., LTD.	Mycenax Biotech Inc. (Stock)	None.	Financial assets at fair value through profit or loss - current	140,936	12,741	Note 2	12,741	-
FLEXIUM INTERCONNECT INVESTMENT CO., LTD.	Novatek Microelectronics Corp. (Stock)	None.	Financial assets at fair value through profit or loss - current	34,000	18,326	Note 2	18,326	-

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, 2021

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	\$ 1,620,777	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	660,450	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	287,012	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	438,306	Acter Technology Co., Ltd.	Non-related party	-	-	-	-	- Price comparison and negotiation	Building plants	None

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, 2021

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales) Note1	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
FLEXIUM INTERCONNECT INC.	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	Subsidiary	(Sales)	(4,725,248)	13	180 days	Note 2	Note 2	2,609,197	23	Note 5
FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	FLEXIUM INTERCONNECT INC.	The Company	(Sales)	(31,945,392)	100	90 days	Note 3	Note 3	7,829,702	100	
FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	Subsidiary	(Sales)	(1,041,613)	100	90 days	Note 4	Note 4	829,490	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. The collection period to third parties is approximately 45~120 days after the end of each month while those to related parties are 180 days after the end of each month.

Note 3: The transaction is sales from FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION to FLEXIUM INTERCONNECT INC., and the collection period is approximately 90 days after the end of each month.

Note 4: 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 5: 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 \$4,725,248 for the year ended December 31, 2021.

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, 2021

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2021	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 \$2,609,197	2.07	\$ -	-	\$ 514,026	\$ -
FLEXIUM INTERCONNECT INC.	FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	Subsidiary	Other receivables 665,545	Note			-	-
FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	FLEXIUM INTERCONNECT INC.	The Company	Accounts receivable \$7,829,702	3.98	-	-	3,858,634	-
FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	Subsidiary	Accounts receivable \$ 829,490	1.68	-	-	106,923	-

Note: Other receivables, not applicable for calculating of turnover rate.

Flexium Interconnect Inc.
 Significant inter-company transactions during the reporting periods
 For the year ended December 31, 2021

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.	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	1	Sales	\$ 4,725,248	Note 3	13
0	FLEXIUM INTERCONNECT INC	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	1	Accounts receivable	2,609,197	Note 3	5
0	FLEXIUM INTERCONNECT INC.	FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	1	Other receivables	665,545	Note 4	1
1	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	FLEXIUM INTERCONNECT INC.	2	Sales	31,945,392	Note 5	90
1	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	FLEXIUM INTERCONNECT INC.	2	Accounts receivable	7,829,702	Note 5	16
2	FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	3	Sales	1,041,613	Note 6	3
2	FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	3	Accounts receivable	829,490	Note 6	2

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 45~120 days after the end of each month while those to related parties are 180 days after the end of each month.

Note 4: The interest was at 0.8% per annum for the year ended December 31, 2021.

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

Note 6: 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, 2021

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021					Footnote
				Balance as at December 31, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the year ended December 31, 2021	Investment income (loss) recognised by the Company for the year ended December 31, 2021	
FLEXIUM INTERCONNECT INC.	FLEXIUM INTERCONNECT INC.	British Virgin Islands	General investments	\$ 835,252	\$ 835,252	50,000	100	\$ 6,077,038	\$ 1,002,201	\$ 1,032,356	Note 1
FLEXIUM INTERCONNECT INC.	UFLEX TECHNOLOGY CO., LTD.	British Virgin Islands	General investments	39,711	39,711	50,000	100	2,095,979	350,112	360,646	Note 1
FLEXIUM INTERCONNECT INC.	FLEXIUM INTERCONNECT INVESTMENT CO., LTD.	Taiwan	General investments	50,000	50,000	5,000,000	100	45,334	4,294	4,294	
FLEXIUM INTERCONNECT INC.	BOOM BUSINESS LIMITED	Samoa	General investments	1,064,460	1,064,460	35,000,000	100	1,152,485	35,511	35,511	
FLEXIUM INTERCONNECT INC.	FLEXIUM INTERCONNECT AMERICA LLC.	U.S.A	Marketing, customer support and supporting technical services	8,067	8,067	-	100	4,970	(358)	(358)	
FLEXIUM INTERCONNECT INC.	GRANDPLUS ENTERPRISES LTD.	Samoa	General investments	62,001	62,001	1,880,578	100	50	(131)	-	Note 2
FLEXIUM INTERCONNECT INC.	SUCCESS GLORY INVESTMENTS LTD.	Samoa	General investments	719,042	719,042	23,510,000	100	6,124,652	1,002,332	-	Note 2
GRANDPLUS ENTERPRISES LTD.	CHOSEN GLORY LIMITED	Samoa	General investments	-	-	-	100	-	-	-	
GRANDPLUS ENTERPRISES LTD.	CHAMPION BEYOND LIMITED	Samoa	General investments	-	-	-	100	-	-	-	
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	1,152,485	35,511	-	Note 2

Note 1: Investment income (loss) recognised by the Company for the year ended December 31, 2021 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, 2021

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2021		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Net income of investee as of December 31, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2021 (Note 2)	Book value of investments in Mainland China as of December 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021	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.	\$ 2,234,884	Through investing in an existing company in the third area, which then invested in the investee in Mainland China.	\$ 715,759	\$ -	\$ -	\$ 715,759	\$ 1,352,492	100	\$ 1,352,492	\$ 8,228,648	\$ -	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.	969,150	Through investing in an existing company in the third area, which then invested in the investee in Mainland China.	969,150	-	-	969,150	35,511	100	35,511	1,152,485	-	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\$27.69 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, 2021	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.	\$ 1,684,909	\$ 5,167,264	\$ -	

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, 2021

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, 2021	%	Balance at December 31, 2021	Purpose	Maximum balance during the year ended December 31, 2021	Balance at December 31, 2021	Interest rate	Interest during the year ended December 31, 2021		
FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION	\$ 31,945,392	91	\$ -	-	(\$ 7,829,702)	89	\$ -	-	\$ 1,284,223	\$ 1,284,223	-	\$ -	Other expenses	\$ 65,362
	4,725,248	13			2,609,197	23							Other receivables	16,554
FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	-	-	-	-	-	-	-	-	1,284,223	1,284,223	0.80%	985	Other payables Other receivables	31,101 665,545

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 was \$4,725,248 for the year ended December 31, 2021.

Flexium Interconnect Inc.
Major shareholders information
December 31, 2021

Table 10

Expressed in shares

Name of major shareholders	Name of shares held	Shares	Ownership (%)
Cathay Life Insurance Company, Ltd.		33,590,958	9.56%

Note 1: The major shareholders information was from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded on the financial statements may be different from the actual number of shares in dematerialised form due to the difference of calculation basis.

Note 2: If the aforementioned data contains shares which were kept at the trust by the shareholders, the data was disclosed as separate account of client which was set by the trustee. As for the shareholder who reports share equity as a insider whose shareholding ratio greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio including the self-owned shares and trusted shares, at the same time, persons who have power to decide how to allocate the trust assets. For the information of reported share equity of insider, please refer to Market Observation Post System.