

Stock Code 3311
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# Silitech Technology Corporation

## 2020 Annual Report

(Translation)

*(This English translation is prepared in accordance with the Chinese version and is for reference only. If there is any inconsistency between the Chinese version and this translation, the Chinese version shall prevail.)*

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Silitech annual report is available at [www.silitech.com](https://www.silitech.com)

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### **Auditors**

Meng-Chieh Chiu and Jr-Shian Ke

Deloitte & Touche

20F., No. 100, Songren Rd., Xinyi Dist., Taipei City

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**Name of Any Exchanges Where the Company's Securities Are Traded Offshore and Information:** None.

**Corporate Website:** [www.silitech.com](http://www.silitech.com)

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## Letter to Shareholders

Dear Shareholders,

In 2020, Silitech continued transformation and adjustment: After capacity downsizing in mainland China factory, gradual reduction of production in Shenzhen Xurong factory and increase in the production capacity investment in Taiwan factory, Silitech has refocused on Automotive Components and Mechanical Integration; Walsin Technology Corporation (hereinafter referred to as "WTC") has become one of Silitech's major shareholders. It is expected that Silitech can enhance the competitive advantages to expand the market through WTC's experience, technology and channels in the automotive and 5G fields.

### Operating Result

Due to the impact of the Coronavirus pandemic and the gradual reduction of production in Shenzhen Xurong factory, in 2020, the Company's consolidated revenue was NT\$1.734 billion, a 24.5% decrease from the previous year (NT\$2.296 billion). The Mechanical Integration contributed a 41.0% share of the total revenue, and the main products are wearable products, smart lock modules, netcom optical mechanism components, mobile phone keypads and gaming console products. The Automotive Components accounted for 59.0% share of total revenue, including the steady profitable automotive interior components, and actively develop automotive interior glass and new technologies for automotive interior components. With the one-time impairment losses and the layoff expenses caused by the reduction of production in Xurong factory, in 2020 the gross margin was 9.5%, a decrease of 5.6% year-over-year, and the operating loss of NT\$180 million. The result was net losses after tax of NT\$366 million in 2020. The loss per share is NT\$6.10 in 2020. After the adjustment of production capacity and organization in 2020, Silitech has refocused on Automotive Components and Mechanical Integration and concentrated resources on new cross-industry fields. In addition, customers' development efforts have gradually shown its results. Silitech made small profit in second half of 2020 and will be aimed at expanding the scale of operations and increasing the volume of business development in the long term.

Summing investments in R&D, Silitech not only evaluated possibilities for investing in new technologies, but also continued to upgrade our core competitiveness and actively develop components that integrate optical, mechanical and electronic elements, as well as cross-industry applications to satisfy customer demand and align with market trends. Following the pulse of automotive industry and the transformation of manufacturing technology, Silitech invested in new manufacturing technologies for automotive components to enhance the competitiveness in automotive components market. In 2020, Silitech's R&D expenditures amounted to NT\$74 million, accounting for 4.3% of total revenue.

## Future Outlook

In 2020, due to the impact of the Coronavirus pandemic, the global economy has fallen into a deep recession. However, stimulated by various countries' stimulus package, coupled with increasing demand for medical equipment and electronic products, trade momentum has gradually recovered. The global economic recession in the second half of 2020 has been less than that in the first half. According to the economic analysis of the Taiwan Economic Research Institute, as the approval and launch of vaccines in many countries, the impact of the pandemic is expected to gradually fade in 2021. With the elimination of political uncertainty in the United States and Europe and the low base period factors, major international institutions forecast that the global economic and trade growth in 2021 will be significantly better than 2020. Affected by the gradual easing of the impact of the pandemic, the relocation of some production lines to Taiwan and the booming demand for emerging technologies, Taiwan's export performance will grow substantially. However, the following development of the Coronavirus pandemic, the impact and response of major countries to the pandemic and geopolitical issues will still bring a lot of uncertainty to the global economy in 2021.

Looking forward to 2021, confronting such uncertainty in the economic environment, Silitech will redeploy global sales and production businesses and increase its production capacity in Taiwan and Malaysia factory, continuing its dedication to cross-industry applications. In 2021, Silitech will refocus on Automotive Components and Mechanical Integration, two different products and business development. Automotive Components, besides the steady profitable automotive interior components, have actively developed automotive interior glass and new technologies for automotive interior components. Mechanical Integration has focused on application and development such as wearable device, smart locks module, netcom optics component, and 5G related etc., and gradually shown its results. Silitech provides customers with flexible services in preliminary product design and R&D in pursuit of higher market share. In terms of production operations, Silitech will plan and execute advanced manufacturing (preliminary smart manufacturing), while continuing to pursue automation production system and improving production efficiency. Silitech will continue its management philosophy focusing on customer experience, product quality, and technological advancement in our progress towards sustainable development. Within the Company's corporate culture characterized by "integrity, respect, innovation, expertise, and excellence," all employee and management team continue using the spirit of organizational learning and teamwork to improve responsiveness and product competitiveness, to focus on intensifying and extending our core technologies and skills based on developing and producing precision components, while integrating industrial trends, to offer customers design and service that bring high added value. Through synergy brought by integration of production, sales and research, they robustly promote our developmental goals in terms of income and profit growth, thereby creating common prosperity for shareholders, employees, customers, and suppliers.

Chairman: Yu-Heng Chiao

## Company Profile

### 2.1 Date of Incorporation: 2001/10/26

### 2.2 Company History:

- 1978 – Established Silitek Rubber Corporation.
- 1983 – Renamed as Silitek Corporation and began to produce Auto Parts.
- 1990 – Tamsui Factory won the FORD Q1 Global Quality Excellence Award.
- 1991 – Started to produce OA products.
- 1993 – Started to produce mobile phone keypads and introduced the “customer-oriented” business management model.
- 1994 – Tamsui Factory obtained ISO-9002 Certification.
- 1995 – Malaysia Factory won the FORD Q1 Global Quality Excellence Award and obtained ISO-9002 Certification.
- 1996 – Shenzhen Xurong Factory obtained ISO-9002 Certification.
- 1997 – Tamsui Factory and Malaysia Factory obtained QS-9000 Certification.
- 1998 – Malaysia Factory obtained ISO-14001 Certification.
- 1999 – Won the Chrysler Best Supplier Award.
  - Shenzhen Xurong Factory obtained QS-9000 Certification.
- 2001 – Established Silitech Technology Corporation with a paid-up capital of NT\$ 1 million. Due to cash injection, the paid-up capital was increased to NT\$300 million in November.
- 2002 – In July, due to cash reduction, the paid-up capital was decreased to NT\$ 150 million.
  - Accepted all assets, liabilities and operations generated by the Rubber Division of Silitek Corporation on October 1. The paid-up capital was increased to NT\$ 450 million.
- 2003 – Due to recapitalization from earnings, employee bonus and capital surplus, the paid-in capital was increased to NT\$ 780,600 thousand.
  - Shenzhen Xurong Factory won the outstanding contribution unit of export processing zone in Shajing Town.
- 2004 – Listed on the Taiwan Stock Exchange approved by the FSC in March.
  - Established Changsu Factory; established Magnesium and Aluminum BU in Tamsui Factory.
  - Due to recapitalization from earnings and employee bonus, the paid-in capital was increased to NT\$ 911,465 thousand.
  - Won the Gold Trade Award of the Excellent Exporter of the Ministry of Economic Affairs.
  - Won the BenQ and Shin-Etsu Best Supplier Award.
- 2005 – Due to recapitalization from earnings and employee bonus, the paid-in capital was increased to NT\$ 1,135,578 thousand.
  - Established Silitech Technology (Suzhou) Co., Ltd.
  - Won the Arima Best Supplier Award.

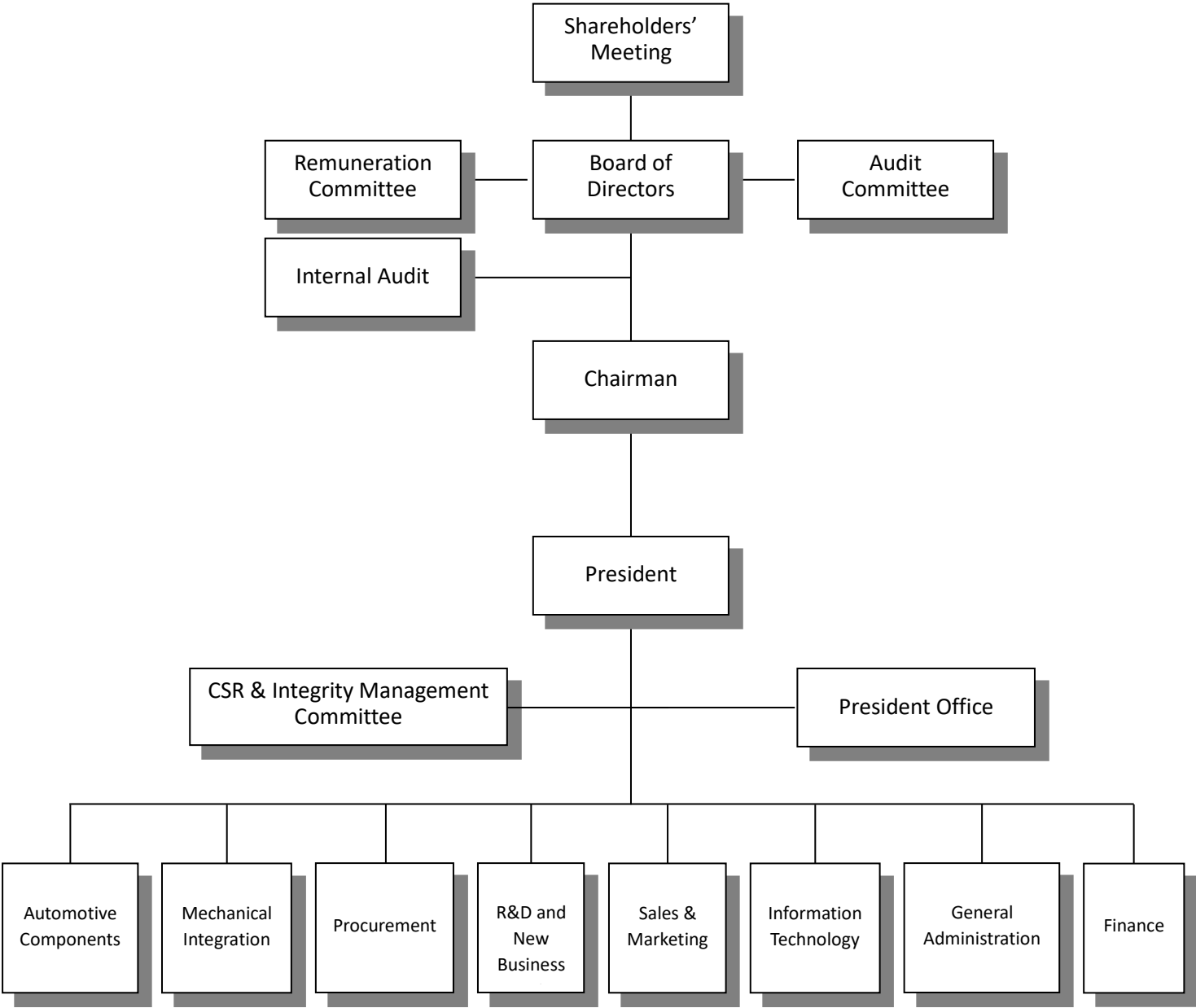
- 2006 – Due to recapitalization from earnings and employee bonus, the paid-in capital was increased to NT\$ 1,348,299,720.  
– Won the Motorola and Arima Best Supplier Award.
- 2007 – Due to recapitalization from earnings and employee bonus, the paid-in capital was increased to NT\$ 1,507,301,590.  
– Won the Arima Best Supplier Award.
- 2008 – Due to recapitalization from earnings and employee bonus, the paid-in capital was increased to NT\$ 1,713,770,160.  
– Won the Samsung Quality Award.
- 2009 – Due to recapitalization from earnings and employee bonus, the paid-in capital was increased to NT\$ 1,759,437,740.  
– Won the German iF Material Award 2009.
- 2010 – Due to recapitalization from earnings and employee bonus, the paid-in capital was increased to NT\$ 1,792,225,880.
- 2011 – Due to recapitalization from earnings and employee bonus, the paid-in capital was increased to NT\$ 1,829,552,870. In December, the treasury shares were canceled and the paid-in capital was reduced to NT\$ 1,809,552,870.
- 2012 – Due to recapitalization from earnings and employee bonus, the paid-in capital was increased to NT\$ 1,845,642,830.
- 2013 – Due to recapitalization from earnings and employee bonus, the paid-in capital was increased to NT\$ 1,877,057,500.
- 2014 – Due to recapitalization from earnings and employee bonus, the paid-in capital was increased to NT\$ 1,893,838,160.
- 2015 – Entered the automotive glass industry and started to produce curved glass related products.
- 2016 – Shenzhen Xurong Factory obtained ISO-5001 Energy Management System Certification.
- 2018 – The treasury shares were canceled and the paid-in capital was reduced to NT\$ 1,793,838,160.  
– Shenzhen Xurong Factory obtained ISO-14001 Certification.  
– Shenzhen Xurong Factory obtained TS16949 Certification for automotive products.  
– Disposed of the land use right and factory buildings of Suzhou Factory to enhance the efficiency of assets.  
– Entered the key component industry of smart home and produced related products.
- 2019 – Won the Best Quality Excellence Award for Asian suppliers from the Bosch Groups.  
– Capital reduction by cash refund and the paid-in capital was reduced to NT\$ 600,000,000.
- 2020 – Walsin Technology Corporation held 15% of the share capital and two seats directors of Silitech.
- 2021 – Issued common shares for cash by private placement and the paid-in capital was increased to NT\$680,000,000.



# Corporate Governance Report

## 3.1 Company Organization

### 3.1.1 Organization Chart



### 3.1.2 Major Corporate Functions

Major Department	Functions
Internal Audit	<ul style="list-style-type: none"> <li>♦ Assisting the Board and the Managers in reviewing and inspecting deficiency of the internal control system and evaluating the effectiveness and efficiency of the operation. Providing suggestions for improvement to ensure that the internal control system can be implemented continuously and a basis for reviewing the internal control system.</li> </ul>
President Office	<ul style="list-style-type: none"> <li>♦ Assisting the President to supervise and manage business performance, strategic planning and achieve company operational goals.</li> </ul>
Finance	<ul style="list-style-type: none"> <li>♦ Providing professional financial services to assist the Company to enhance its management performance; formulating strict risk control to implement financial supervision continuously and effectively.</li> <li>♦ Implementing and managing related matters regarding financial, accounting, tax, analysis and evaluation of management reports, and budgeting plans.</li> <li>♦ Promulgating the Company's financial, accounting and corporate information. Handling corporate governance related matters according to the laws.</li> </ul>
General Administration	<ul style="list-style-type: none"> <li>♦ Integrating the Company's worldwide Legal and HR affairs.</li> <li>♦ Legal: In charge of formulation, review, assistance and negotiation of various contracts. Providing legal information related to the Company's operations. Coordinating the intellectual property, patents, copyrights, trademarks, business secrets and technology licenses of the Company.</li> <li>♦ Human Resources: Planning and implementing the Company's human resources, staff communication, education and training, general affairs and other related matters.</li> </ul>
Information Technology	<ul style="list-style-type: none"> <li>♦ Planning and managing computer information and other related matters of the Company.</li> </ul>
Sales & Marketing	<ul style="list-style-type: none"> <li>♦ Based on the extension of core technologies or expansion of core channels, planning marketing strategy and product sales.</li> </ul>
R&D and New Business Development	<ul style="list-style-type: none"> <li>♦ By the extension of core technologies or expansion of core channels, investing and developing high value-added product lines to expand the development in forward-looking industries and product areas.</li> </ul>
Procurement	<ul style="list-style-type: none"> <li>♦ Integrating and in charge of the Company's worldwide procurement affairs.</li> </ul>
Automotive Components	<ul style="list-style-type: none"> <li>♦ Based in Malaysia, serving customers in the European and American automotive markets and providing a complete product line for interior decoration mechanical components and keypad components.</li> </ul>
Mechanical Integration	<ul style="list-style-type: none"> <li>♦ Extending the use of light, mechanics, electronics, materials and core technologies to develop optical and mechanical components. Expanding and extending the application of forward-looking industries.</li> </ul>

## 3.2 Information On Board Directors, President, Vice Presidents, Assistant Vice Presidents and the Heads of Various Divisions and Branches

### 3.2.1 Information on Board Directors

2021/4/17

Title	Nationality or Registration Country	Name	Gender	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding (Note 2)		Shares Currently Held by Spouse and Underage Children		Shares Held in Name of Others		Key Education/Work Experience	Other Current Positions Within the Company	Other Officer, Director or Supervisor Who Are Spouse or Relative within Second Degree			Note 1
							Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%			Position	Name	Relationship	
Chairman	R.O.C.	Walsin Technology Corporation Representative	Male	2020/8/31	3 years	2020/8/31	9,000,000	15.00%	17,000,000	25.00%	0	0%	0	0%	MBA, Golden Gate University, USA Vice Chairman, Walsin Lihwa Corporation	Note 4	None	None	None	None
	R.O.C.	Yu-Heng Chiao				2020/8/31	0	0%	0	0%	0	0%	0	0%						
Director	R.O.C.	Walsin Technology Corporation Representative	Female	2020/8/31	3 years	2020/8/31	9,000,000	15.00%	17,000,000	25.00%	0	0%	0	0%	MBA, University of East Anglia, UK Manager, Director of Walsin Technology Corporation	Note 5	None	None	None	None
	R.O.C.	Chin-Hui Chen				2020/8/31	0	0%	0	0%	0	0%	0	0%						
Director	R.O.C.	Lite-On Technology Corporation Representative	Male	2018/6/12	3 years	2001/10/24	60,757,310	33.87%	11,322,003	16.65%	0	0%	0	0%	Honorary PhD in Management, National Chiao Tung University Fellow, Industrial Technology Research Institution Chairman & Founder of LITE-ON Group/LITE-ON Cultural Foundation Member of Board of Councilors, the Doctorate College of Technology, South California (USC) Chief Engineer, Texas Instruments Taiwan Ltd	Note 6	None	None	None	None
	R.O.C.	Raymond Soong (Note 3)					0	0%	0	0%	0	0%	0	0%						
Director	R.O.C.	Lite-On Technology Corporation Representative	Male	2018/6/12	3 years	2001/10/24	60,757,310	33.87%	11,322,003	16.65%	0	0%	0	0%	Chemical Engineering, Chinese Culture University GCEO of LITE-ON Group and CEO of LITE-ON Technology Corp. President, LITE-ON Electronic Co. Manufacturing Super-Intendant, Texas Instrument	Note 7	None	None	None	None
	R.O.C.	Warren Chen (Note 3)				2006/6/23	0	0%	0	0%	0	0%	0	0%						

Title	Nationality or Registration Country	Name	Gender	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding (Note 2)		Shares Currently Held by Spouse and Underage Children		Shares Held in Name of Others		Key Education/Work Experience	Other Current Positions Within the Company	Other Officer, Director or Supervisor Who Are Spouse or Relative within Second Degree			Note 1
							Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%			Position	Name	Relationship	
Independent Director	R.O.C.	C.P. Chang	Male	2018/6/12	3 years	2006/6/23	0	0%	0	0%	0	0%	0	0%	Master of Laws, National Cheng-Chi University Chairman, Fuhwa Financial Holding Co., Ltd. Deputy Minister, Ministry of Economic Affairs Deputy Secretary General, Executive Yuan Vice Minister, Ministry of Finance Chairman, Securities and Exchange Commission, Ministry of Finance	Note 8	None	None	None	None
Independent Director	R.O.C.	James Kuo	Male	2018/6/12	3 years	2003/6/27	0	0%	0	0%	0	0%	0	0%	Chemistry, National Taiwan Normal University Managing Director, Rubber BU, Asia/Pacific Area, Dow Corning Inc. Marketing Manager, Kenvex Chemical Corp.	Note 9	None	None	None	None
Independent Director	R.O.C.	Chiu, Te-Chen	Male	2018/6/12	3 years	2010/6/14	0	0%	0	0%	0	0%	0	0%	MBA, National Cheng-Chi University Vice Chairman, Taiwan Life Insurance Co., Ltd.	Note 10	None	None	None	None

Note 1: Where the Chairman 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, the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (such as increasing the number of independent director seats, and more than half of all directors must not concurrently serve as employees or managers) must be disclosed.

Note 2: Cash-refunding Capital Reduction by 66.552167% on September 20, 2019; Issuing 8,000,000 common shares for capital injection in cash through private placement on March 30, 2021.

Note 3: Director Raymond Soong and Warren Chen resigned as Chairman and Vice Chairman on August 31, 2020.

Below notes of other positions of the Company or other companies only display public offering companies and important subsidiaries thereof.

Note 4: Chairman and CEO, Walsin Technology Corporation, Prosperity Dielectrics Co., Ltd., HannStar Board Corporation, Global Brands Manufacture Ltd., Walton Advanced Engineering, Inc. and Info-Tek Corporation.

Chairman, representative of Silitech Technology Corp.

Vice Chairman, representative of Career Technology (MFG.) Co., Ltd.

Director, Walsin Lihwa Corporation.

Director, representative of Inpaq Technology Co., Ltd.

Note 5: Director, representative of Silitech Technology Corp.  
Assistant Vice President of Walsin Technology Corporation.

Note 6: Chairman, representative of Co-tech Copper Foil Corporation.  
Director, LITE-ON Technology Corp.  
Director, representative of Silitech Technology Corp., Lite-On Electronics Co., Ltd.(HK) and Lite-On China Holding Co. Ltd.

Note 7: Director, LITE-ON Technology Corp.  
Director, representative of Silitech Technology Corp.

Note 8: Independent Director, Silitech Technology Corp., Powerchip Technology Corp., Formosa Petrochemical Corp. and INVENTEC Corp.  
Director, representative of Maxigen Biotech Inc.

Note 9: Independent Director, Silitech Technology Corp.

Note 10: Independent Director, Silitech Technology Corp. and Chicony Power Technology Co., Ltd.  
Vice Chairman, representative of Shin Kong Life Insurance Co., Ltd.  
Director, Elan Microelectronics Corp., Sinbon Electronics Co., Ltd. and T-CONN PRECISION CORPORATION.  
Director, representative of Shin Kong Financial Holding Co.,LTD., Depo Auto Parts Industrial Co., Ltd., Sharehope Medicine Co., Ltd. and Amicom Electronics Corporation.

### 3.2.2 Major Shareholders of the Institutional Shareholders

Institutional Shareholder	Shareholders	Shareholdings
Walsin Technology Corporation (2021/4/27)	Walsin Lihwa Corporation	18.30%
	HannStar Board Corporation	7.49%
	Global Brands Manufacture Ltd.	3.14%
	Walton Advanced Engineering, Inc.	2.75%
	Citibank Taiwan Limited in Custody of Kim Eng Securities	2.74%
	Yu-Heng Chiao	2.65%
	Fubon Life Assurance Co.,LTD Fubon Life Assurance Co.,LTD authorized to Nomura Asset Management Taiwan Ltd.	1.79%
	Winbond Electronics Corp.	1.77%
	New Labor Pension Fund	1.61%
	JPMorgan Chase Bank N.A. Taipei Branch in Custody of Vanguard Emerging Markets Stock Index Fund	1.44%
Lite-On Technology Corporation (2020/6/29)	Ta-Rong Investment Co., Ltd.	3.63%
	Raymond Soong	3.37%
	Ming-Hsing Investment Co., Ltd.	2.01%
	Da-Song Investment Co., Ltd.	2.00%
	Yuan Pao Development & Investment Co. Ltd.	1.68%
	Yuanta/P-shares Taiwan Dividend Plus ETF	1.63%
	JPMorgan Chase Bank N.A., Taipei Branch in Custody of Vanguard Total International Stock Index Fund	1.60%
	New Labor Pension Fund	1.49%
	Bank of Taiwan in Custody of Silchester International Investors International Value Equity Trust	1.39%
	Taiwan Life Insurance Co., Ltd.	1.22%

### 3.2.3 Major Shareholders of the Company's Major Institutional Shareholders

Name of Institutional Shareholder	Major Shareholders	Shareholdings
Walsin Lihwa Corporation (2021/3/30)	Standard Chartered Bank (Taiwan) Limited in custody of LGT Bank (Singapore) Investment Fund	7.20%
	Winbond Electronics Corporation	6.47%
	Chin-Xin Investment Co., Ltd.	6.41%
	TECO ELECTRIC & MACHINERY CO., LTD.	5.98%
	Huali Investment Corp.	2.91%

	RONG CHIANG INTERNATIONAL LTD.	2.86%
	Patricia Chiao	2.72%
	Yu-Heng Chiao	1.78%
	HSBC in Custody of Pictet Asset Management	1.63%
	Citibank Taiwan Limited. in Custody of Norges Bank	1.63%
HannStar Board Corporation (2021/4/18)	Walsin Technology Corporation	20.32%
	Walsin Lihwa Corporation	12.06%
	Career Technology (MFG.) Co., Ltd.	5.44%
	Chin-Xin Investment Co., Ltd.	3.55%
	Yu-Heng Chiao	2.19%
	Pai-Yun Hung	1.86%
	HSBC in Custody of BNP Paribas Singapore	1.50%
	Prosperity Dielectrics Co., Ltd.	1.07%
	JPMorgan Chase Bank N.A. Taipei Branch in Custody of JPMorgan Funds (Taiwan) Limited	0.91%
	JPMorgan Chase Bank N.A. Taipei Branch in Custody of Vanguard Total International Stock Index Fund	0.84%
Global Brands Manufacture Ltd. (2021/4/19)	HannStar Board Corporation	40.65%
	JPMorgan Chase Bank N.A. Taipei Branch in Custody of JPMorgan Funds (Taiwan) Limited	1.32%
	Chi-Fu Chiu	1.04%
	Yuen-Hung Chiu	0.80%
	Citibank Taiwan Limited in Custody of Norges Bank	0.74%
	HSBC in Custody of Morgan Stanley	0.73%
	Yu-Heng Chiao	0.68%
	Min-Hui Liao	0.67%
	JPMorgan Chase Bank N.A. Taipei Branch in Custody of Vanguard Emerging Markets Stock Index Fund	0.66%
	JPMorgan Chase Bank N.A. Taipei Branch in Custody of Vanguard Total International Stock Index Fund	0.55%
Walton Advanced Engineering, Inc. (2021/4/25)	Walsin Lihwa Corporation	21.01%
	Winbond Electronics Corporation	9.60%
	Prosperity Dielectrics Co., Ltd.	6.12%
	Walsin Technology Corporation	6.11%
	HannStar Board Corporation	2.83%
	Yun-Hui Shuai	1.72%
	Yu-Heng Chiao	1.59%
	Citibank Taiwan Limited in Custody of UBS	1.41%

	Europe SE	
	CAPITAL SECURITIES CORP. in custody of Luk Fook Securities (HK) Limited	1.28%
	Walsin Color Corporation	0.97%
Fubon Life Assurance Co.,LTD	Fubon Financial Holding Co., Ltd.	100%
Winbond Electronics Corporation (2021/3/31)	Walsin Lihwa Corporation	22.21%
	Chin-Xin Investment Co., Ltd.	6.01%
	Yu-Cheng Chiao	1.59%
	JPMorgan Chase Bank N.A. Taipei Branch in Custody of Vanguard Total International Stock Index Fund	1.31%
	JPMorgan Chase Bank N.A. Taipei Branch in Custody of LGT Bank (Singapore) Investment Fund	1.13%
	JPMorgan Chase Bank N.A. Taipei Branch in Custody of Vanguard Emerging Markets Stock Index Fund	1.01%
	Pai-Yun Hung	0.97%
	CITIBANK N.A Taipei Branch in Custody of Government of Singapore	0.91%
	Citibank Taiwan Limited in Custody of Norges Bank	0.89%
	Yu-Lon Chiao	0.74%

110/4/17

Name of Institutional Shareholder	Major Shareholders	Shareholdings
Ta-Rong Investment Co., Ltd.	Soong, Yan-Yi	0.43%
	Soong, Jun-Yi	0.01%
Ming-Hsing Investment Co., Ltd.	Soong, Hui-Ling	11.65%
Da-Song Investment Co., Ltd.	Soong, Yan-Yi	21.20%
Yuan Pao Development & Investment Co. Ltd.	Soong, Yan-Yi	21.20%
Taiwan Life Insurance Co., Ltd.	CTBC Financial Holding Co., Ltd	100%



### 3.2.4 Professional Qualifications and Independence Analysis of Directors

2021/4/17

Name	Criteria	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialists Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Walsin Technology Corporation Representative Yu-Heng Chiao (Appointed on 2020/8/31)			✓				✓	✓		✓				✓	✓		0
Walsin Technology Corporation Representative Chin-Hui Chen (Appointed on 2020/8/31)			✓			✓	✓	✓		✓				✓	✓		0
Lite-On Technology Corporation Representative Raymond Soong			✓		✓		✓	✓						✓	✓		0
Lite-On Technology Corporation Representative Warren Chen			✓				✓	✓						✓	✓		0
Lite-On Technology Corporation Representative Charlie Tseng (Resigned on 2020/3/31)			✓				✓	✓						✓	✓		0
Lite-On Technology Corporation Representative Anson Chiu (Appointed on 2020/3/31 Resigned on 2020/7/14)			✓				✓	✓						✓	✓		0

Lite-On Technology Corporation Representative King, Yung-Chou (Resigned on 2020/7/14)			✓	✓		✓	✓							✓	✓		1
C.P. Chang	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
James Kuo			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Chiu, Te-Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

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

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

or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

- (10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
- (11) Not been a person of any conditions defined in Article 30 of the Company Act.
- (12) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.

### 3.2.5 Information on President, Vice Presidents, Assistant Vice Presidents and the Heads of Various Divisions and Branches

2021/4/17

Title	Nationality	Name	Gender	Date Appointed	Shares Held		Shares Held by Spouse and Underage Children		Shares Held in Name of Others		Key Education/Work Experience	Other Current Positions Within the Company	Other Officer, Director or Supervisor Who Are Spouse or Relative within Second Degree			Note 1
					Number of Shares	%	Number of Shares	%	Number of Shares	%			Position	Name	Relationship	
President	R.O.C.	Areta Hsu	Female	2021/1/1	42,000	0%	0	0%	0	0%	EMBA, China Europe International Business School Hospitality Management, Cesar Ritz Colleges Switzerland Marketing Diploma, UC Berkeley, USA Director of Sales & Marketing, Info-Tek Corporation	Note 2	None,	None	None	None
CFO / Financial Officer / Corporate Governance Officer	R.O.C.	Wei-Lin Chen	Female	2020/10/27	0	0%	0	0%	0	0%	MBA, George Washington University, USA Finance Manager, Silitech Technology Corporation Treasury Officer, Bank of Boston Taipei Branch	Note 3	None	None	None	None
Accounting Officer	R.O.C.	Ronnie Chen	Male	2020/10/27	0	0%	0	0%	0	0%	IMBA, TamKang University Accounting Assistant Manager, Silitech Technology Corporation Accounting Specialist, Lite-On Technology Corporation	None	None	None	None	None

Note 1: Where the President or person of an equivalent post (the highest level manager) and Chairman of the Board of Directors are the same person, spouses, or relatives within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (such as increasing the number of independent director seats, and more than half of all directors must not concurrently serve as employees or managers) must be disclosed.

Below notes of other positions of the Company or other companies only display public offering companies and important subsidiaries thereof.

Note 2: Director, representative of Silitech (BVI) Holding Ltd., Silitech (Bermuda) Holding Ltd., Silitech Technology Corp. Ltd., Silitech Technology Corporation Sdn. Bhd., and Xurong Electronic (Shenzhen) Co., Ltd.; Taiwan operations general manager of Info-Tek Corporation.

Note 3: Director, representative of Silitech (BVI) Holding Ltd., Silitech (Bermuda) Holding Ltd., Silitech Technology Corp. Ltd. and Silitech Technology Corporation Sdn. Bhd.; Supervisor, Xurong Electronic (Shenzhen) Co., Ltd.

### 3.3 Remuneration of Directors & Managers in 2020

#### 3.3.1 Remuneration of Directors and Independent Directors

Unit: NT\$ thousands; %

Title	Name	Directors Remuneration								Ratio of Total Compensation (A+B+C+D) to Net Income (%) (Note 9)		Compensation Earned by a Director Who is an Employee of the Company or of the Company's Consolidated Entities								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%) (Note 9)		Remuneration from Ventures Other than Subsidiaries or from the Parent Company (Note 10)
		Base Compensation (A) (Note 1)		Severance Pay and Pensions (B)		Compensation to Directors (C) (Note 2)		Allowances (D) (Note 3)				Salary, Bonuses, and Allowances (E) (Note 4)		Severance Pay and Pensions (F)		Employees' Compensation (G) (Note 5)						
		The Company	All Companies In Financial Statements (Note 6)	The Company	All Companies In Financial Statements (Note 6)	The Company	All Companies In Financial Statements (Note 6)	The Company	All Companies In Financial Statements (Note 6)	The Company	All Companies In Financial Statements (Note 6)	The Company	All Companies In Financial Statements (Note 6)	The Company	All Companies In Financial Statements (Note 6)	The Company		All Companies In Financial Statements (Note 6)		The Company	All Companies In Financial Statements (Note 6)	
																Cash	Stocks	Cash	Stock			
Juristic-person Director	Walsin Technology Corporation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None
Chairman	Walsin Technology Corporation Representative Yu-Heng Chiao (Appointed on 2020/8/31)	0	0	0	0	0	0	20	20	(0.01)	(0.01)	0	0	0	0	0	0	0	0	(0.01)	(0.01)	None
Director	Walsin Technology Corporation Representative Chin-Hui Chen (Appointed on 2020/8/31)	0	0	0	0	0	0	20	20	(0.01)	(0.01)	0	0	0	0	0	0	0	0	(0.01)	(0.01)	None
Juristic-person Director	Lite-On Technology Corporation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None
Director	Lite-On Technology Corporation Representative Raymond Soong	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None
Director	Lite-On Technology Corporation Representative Warren Chen	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None
Director	Lite-On Technology Corporation Representative Charlie Tseng (Resigned on 2020/3/31)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None

Director	Lite-On Technology Corporation Representative Anson Chiu (Appointed on 2020/3/31 Resigned on 2020/7/14)	0	0	0	0	0	0	20	20	(0.01)	(0.01)	0	0	0	0	0	0	0	0	(0.01)	(0.01)	None
Director	Lite-On Technology Corporation Representative King, Yung-Chou (Resigned on 2020/7/14)	0	0	0	0	0	0	25	25	(0.01)	(0.01)	0	0	0	0	0	0	0	0	(0.01)	(0.01)	None
Independent Director	C.P. Chang	600	600	0	0	0	0	115	115	(0.20)	(0.20)	0	0	0	0	0	0	0	0	(0.20)	(0.20)	None
Independent Director	James Kuo	600	600	0	0	0	0	125	125	(0.20)	(0.20)	0	0	0	0	0	0	0	0	(0.20)	(0.20)	None
Independent Director	Chiu, Te-Chen	600	600	0	0	0	0	115	115	(0.20)	(0.20)	0	0	0	0	0	0	0	0	(0.20)	(0.20)	None

**Remark:**

1. Independent Directors' remuneration policies, procedures, standards and structure, as well as the linkage to responsibilities, risks and time spent:  
According to the Articles of Incorporation, remuneration to directors shall be duly determined by the Board of Directors with reference to the level of their participation in the business operations and the values of their contributions, as well as the level prevalent in fellow firms at home and abroad. The Company may establish a separate but reasonable set of remuneration rules for independent directors. The Company shall allocate the Directors' compensation no more than 5% from the profit before tax. In addition, the Company executes related operations according to "Rules for Evaluating Board of Directors and Functional Committee Performance" and "Procedures for Directors' Remuneration".
2. Except as disclosed in the above chart, remuneration to directors received due to the service provided to all companies listed in the financial statement in the most recent year: 0.

Note 1: This table lists incumbent Directors and their respective remuneration (including director's salary, additional pay, severance pay, various rewards, incentives, etc.) in the most recent year.

Note 2: Compensation to Directors in the most recent year has been approved by the Board of Directors.

Note 3: Refers to the expenses incurred by Directors to perform relevant duties (including transportation, attendance fees, special disbursements and various allowances and etc.) in the most recent year.

Note 4: Refers to the salaries, additional pay, severance pay, various rewards, incentives, treasury stock price difference, transportation subsidies, special allowance, various allowances and salary expenses listed in accordance with IFRS 2 "share-based payment", including shares acquired under employee stock option, restricted new shares to employees and shares acquired from participation in cash capital increase option and so forth, received by Directors who is also an employee (including as President, vice president, managers and employees) in the most recent year.

Note 5: Compensation to Directors who is also an employee (including as President, vice president, managers and employees) and receiving employee compensation (including stock and cash) in the most recent year has been approved by the Board of Directors.

Note 6: Refers to the total pay to the Company's Directors from all companies in the consolidated statements (including the Company).

Note 7: For the remuneration paid to Directors of the Company by the Company, names of every Director shall be disclosed in their corresponding range within the remuneration schedule.

Note 8: For the remuneration paid to Directors of the Company by all companies in the consolidated statements (including the Company), names of every Director shall be disclosed in their corresponding range within the remuneration schedule.

Note 9: After-tax net income refers to the after-tax net income of financial statement in the most recent year.

Note 10: a. Specify the amount of remuneration received by directors from ventures other than subsidiaries or from the parent company in this field (Please

fill in "None" if none).

- b. Where the Company's directors received relevant remuneration from ventures other than subsidiaries or from the parent company, the remuneration received by the Company's directors from ventures other than subsidiaries or from the parent company shall be included in the "I" column of the remuneration bracket table with the column name changed to "the parent company and all invested companies."
- c. The remuneration means pay, compensation (including compensation of employees, directors and supervisors) and business expenses received by the director serving as a director, supervisor or manager of ventures other than subsidiaries or of the parent company.

\*The remuneration content disclosed in this Table differs from the income concept of the Income Tax Act; therefore, this Table acts as a form of information disclosure and does not serve for the purpose of taxation.

### **3.3.2 Remuneration of Supervisors:** Not Applicable. (The Company has set up Audit Committee.)

### 3.3.3 Remuneration of President, Vice President and Managers

Unit: NT\$ thousands; %

Title	Name	Salary (A) (Note 1)		Severance Pay (B)		Bonuses and Allowances (C) (Note 2)		Employee Compensation (D) (Note 3)				Ratio of (A+B+C+D) to Net Income (%) (Note 7)		Remuneration from Ventures other than Subsidiaries or from the Parent Company (Note 8)
		The Company	All Companies In Financial Statements (Note 4)	The Company	All Companies In Financial Statements (Note 4)	The Company	All Companies In Financial Statements (Note 4)	The Company		All Companies In Financial Statements (Note 4)		The Company	All Companies In Financial Statements (Note 4)	
								Cash	Stock	Cash	Stock			
President (Note 9)	James Huang	4,500	4,500	0	0	1,453	1,453	0	0	0	0	(1.63)	(1.63)	None
CFO (Financial and Accounting Officer) / Corporate Governance Officer (Note 10)	Sarah Cheng													None
CFO / Financial Officer / Corporate Governance Officer (Note 11)	Wei-Lin Chen													None
Accounting Officer (Note 11)	Ronnie Chen													None

Compensation Range Table

Range of Compensation to President, Vice Presidents and Managers Ranked the Top Five Managerial Officers	President, Vice Presidents and the Top Five Managerial Officers	
	The Company (Note 5)	All Companies In Financial Statements (E) (Note 6)
NT\$0 ~ NT\$999,999	Wei-Lin Chen, Ronnie Chen	Wei-Lin Chen, Ronnie Chen
NT\$1,000,000 ~ NT\$1,999,999		
NT\$2,000,000 ~ NT\$3,499,999	James Huang, Sarah Cheng	James Huang, Sarah Cheng
NT\$3,500,000 ~ NT\$4,999,999		
Over NT\$5,000,000		
Total	NT\$5,953 thousand	NT\$5,953 thousand

\*Discloses president, vice president and the top five managerial officers ("managers"): managerial officers with the top five highest remuneration amounts refers to managers at the Company, in which the standard for determining managers is the applicable scope set forth in the letter No. 0920001301 of SFC on March 27, 2003. The top five highest remuneration amounts are determined based on the sum of salaries, severance pay and pensions, bonuses and allowances, and employee compensation received by a managerial officer from all companies in the consolidated financial statements (i.e., A+B+C+D). The number of managers of the Company is below five, so all managers of the Company are disclosed.

Note 1: Includes salary, additional pay and severance pay of president, vice presidents and managers in the most recent year.

Note 2: Refers to various bonuses, incentives, company car rental fees, vehicle subsidies, special allowance and salary expenses listed in accordance with IFRS 2 "share-based payment", including shares acquired under employee stock options, restricted new shares to employees and shares acquired



from participation in cash capital increase options and so forth, received by president, vice presidents and managers in the most recent year.

Note 3: Refers to employees' compensation (including stock and cash) approved by the Board of Directors for distribution to president, vice presidents and managers.

Note 4: Discloses the total payment to president, vice presidents and managers from all companies in the consolidated statements (including the Company).

Note 5: For the remuneration the Company has paid, names of president, vice presidents and managers shall be disclosed in their corresponding range within the remuneration scale.

Note 6: For the remuneration paid to president, vice presidents and managers by all investees (including the Company), names of president, vice presidents and managers shall be disclosed in their corresponding range within the remuneration scale.

Note 7: After-tax net income refers to the after-tax net income of individual financial statement in the most recent year.

Note 8: a. Specify the amount of remuneration received by the president, vice presidents and managers from ventures other than subsidiaries or from the parent company in this field (Please fill in "None" if none).

b. Where the Company's president, vice presidents and managers received relevant remuneration from ventures other than subsidiaries or from the parent company, the remuneration received by the Company's president and vice president from ventures other than subsidiaries or from the parent company shall be included in the "E" column of the remuneration bracket table with the column name changed to "the parent company and all invested companies."

c. The remuneration means pay, compensation (including compensation of employees, directors and supervisors) and business expense received by the president, vice presidents or managers serving as a director, supervisor or manager of ventures other than subsidiaries or of the parent company.

Note 9: Discharged on 2020/12/31, the period for remuneration is from January to December of 2020.

Note 10: Discharged on 2020/10/27, the period for remuneration is from January to October of 2020.

Note 11: Appointed on 2020/10/27, the period for remuneration is from November to December of 2020.

\*The remuneration content disclosed in this Table differs from the income concept of the Income Tax Act; therefore, this Table acts as a form of information disclosure and does not serve for the purpose of taxation.

### 3.3.4 Distribution of Employees' Compensation to Managers

Unit: NT\$ thousands; %

	Title	Name	Cash	Stock	Total	Ratio of Total Amount to Net Income (%)
Managers	President	James Huang (Note 5)	0	0	0	0
	CFO / Financial Officer / Corporate Governance Officer	Wei-Lin Chen (Note 6)				
	Accounting Officer	Ronnie Chen (Note 6)				

Note 1: The Company's Board of Directors on February 22, 2021 resolved no compensation distributed to employees.

Note 2: This Table lists managers in active duty as of the end of 2020 and their summarized 2020 employees' compensation for managers approved by the Board of Directors.

Note 3: After-tax net income refers to the after-tax net income of individual financial statement in the most recent year.

Note 4: In accordance with the letter No. 0920001301 of SFC on March 27, 2003, the scope of Managers includes:

- (1) President and equivalent
- (2) Vice President and equivalent
- (3) Assistant Vice President and equivalent
- (4) Financial Officer
- (5) Accounting Officer
- (6) Other persons who manage the company and sign for the company

Note 5: Discharged on 2020/12/31.

Note 6: Appointed on 2020/10/27.

### 3.3.5 Analysis of the ratio of total remunerations for Directors, President and vice presidents to Net Income (Loss) in the last two years and description of the policy, standards and packages of remunerations, procedure for making such decision and relation to business performance:

- ♦ **Analysis of the ratio of total remunerations for Directors, President and vice presidents to Net Income (Loss) in the last two years:**

	Ratio of Total Amount to Net Income (Loss) (%)			
	2019		2020	
	The Company	All Companies In Financial Statements	The Company	All Companies In Financial Statements
Directors	(6.77%)	(6.77%)	(0.61%)	(0.61%)
President & Vice Presidents	(9.77%)	(9.77%)	(0.76%)	(0.76%)

- ♦ **Description of the policy, standards and packages of remunerations, procedure for making such decision and relation to business performance and future risk:**

#### 1. Policy, standards and packages of remunerations

In addition to the distribution ratios in accordance with Article 15 of the Articles of Incorporation, the Board of Directors will resolve the director's remunerations by considering the value of the director's participation and contribution to the Company's operations, and also referring to the domestic and international industry standards.

Remuneration policy toward Managers is formulated based on the Articles of Incorporation, prevailing market salary level, the scope of duties within the company and contribution to the company's operating objectives.

#### 2. Procedure for making remuneration decision

In accordance with Article 15 of the Articles of Incorporation, after the Company reserved a sufficient amount from profit to offset its accumulated losses, the Company shall allocate the Directors' compensation no more than 5% from the profit (before tax) of each fiscal year and it shall only be distributed by cash. In accordance with the Rules for evaluating board of directors and functional committee performance, the evaluation items such as alignment of the goals and missions of the company, awareness of the duties of a director, participation in the operation of the company, management of internal relationship and communication, the

director's professionalism and continuing education and internal control are incorporated into performance evaluation and salary payment considerations, and the determination of an individual director's remuneration shall base on the evaluation results of his or her performance.

Remuneration to President and Vice President is handled in accordance with the Company's Regulations for Remuneration Management approved by the board of directors, reference to the achievement of the Company's annual planned operating performance goals, such as revenue, profit, the results achieved by project and other special reasons or contributions.

### 3. Relation to business performance and future risk

The reasonable remuneration to the Directors, President and Vice President is accordance with “Rules for Evaluating Board of Directors and Functional Committee Performance” and “Regulations for Remuneration Management”, reference to the domestic and international industry standards, the extent of the Company's overall operational participation, contribution value and future risks. The remuneration system of Directors, President and Vice President will be reviewed in a timely manner based on actual operating conditions and relevant laws and regulations.

### 3.4 Implementation of Corporate Governance

#### 3.4.1 Operation of Board of Directors:

- ♦ The Board of Directors totally held 15 (A) meetings in the most recent year (up to the date of publication of the annual report). The attendance records for Directors are as follows:

Title	Name	Attended in Person (B)	Attended by Proxy	Attendance Percentage (%) 【B/A】	Remarks
Chairman	Walsin Technology Corporation Representative Yu-Heng Chiao	9	0	100	Appointed on 2020/8/31
Director	Walsin Technology Corporation Representative Chin-Hui Chen	9	0	100	Appointed on 2020/8/31
Director	Lite-On Technology Corporation Representative Raymond Soong	11	4	73	None
Director	Lite-On Technology Corporation Representative Warren Chen	15	0	100	None
Director	Lite-On Technology Corporation Representative Charlie Tseng	0	1	0	Resigned on 2020/3/31
Director	Lite-On Technology Corporation Representative Anson Chiu	3	0	100	Appointed on 2020/3/31 Resigned on 2020/7/14
Director	Lite-On Technology Corporation Representative King, Yung-Chou	4	0	100	Resigned on 2020/7/14
Independent Director	C.P. Chang	15	0	100	None
Independent Director	James Kuo	15	0	100	None
Independent Director	Chiu, Te-Chen	15	0	100	None

Other details that need to be recorded in meeting minutes:

- In the event of the occurrence of any of the following scenarios with the operation of the Board of Directors, the dates of meetings, session number, resolution, opinions of all Independent Directors and the Company's subsequent action in response to these opinions shall be clearly stated:
  - (1) Matters and items stipulated in Article 14-3 of the Securities and Exchange Act: The Company has set up the Audit Committee; please refer to "Operation of the Audit Committee".
  - (2) In addition to the foregoing, there were other matters to be resolved by directors' board meetings about which an independent director expressed objections or reservations that had been included in records or stated in writing: No such situation.
- Director recusals due to conflicts of interests totaled: 4 times.
  - (1) 7<sup>th</sup> Term 12<sup>th</sup> Meeting: Discussion of release of current directors from additional non-competition restrictions. Due to interest relation, Mr. Anson Chiu and Mr. Chiu, Te-Chen recused in the discussion and did not participate in discussion and voting. All other directors approved the proposal unanimously.
  - (2) 7<sup>th</sup> Term 13<sup>th</sup> Meeting: Discuss to authorize the chairman or his designation to negotiate strategic cooperation with others and participate in investment-related matters on behalf of the Company. To avoid any conflict of interest, Mr. Raymond Soong, Mr. Warren Chen, Mr. Anson Chiu and King, Yung-Chou recused in the discussion and did not participate in discussion and voting. All other

directors approved the proposal unanimously.

(3) 7<sup>th</sup> Term 18<sup>th</sup> Meeting: Discuss to verify and review about the public tender offeror's (Walsin Technology Corporation) identity and financial status, the fairness of the acquisition conditions, and the reasonableness of the source of funds and recommendations, and provide recommendations to the shareholders of the Company. Due to interest relation, Mr. Yu-Heng Chiao and Ms. Chin-Hui Chen recused in the discussion and did not participate in discussion and voting. After reviewing, the other directors provided recommendations to shareholders.

(4) 7<sup>th</sup> Term 23<sup>rd</sup> Meeting: Discussion of the price determination for private placement of common shares. Due to interest relation, Mr. Yu-Heng Chiao and Ms. Chin-Hui Chen recused in the discussion and did not participate in discussion and voting. All other directors approved the proposal unanimously.

3. Evaluation of achievement of enhancing the Board's performance (e.g. establishing an Audit Committee and increasing information transparency):

(1) The Company has formulated the "Regulation and Procedure for Board of Directors Meetings" of the Company in accordance with the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies" to comply with the requirements. The Company discloses attendance records for directors on Market Observation Post System and the major resolutions of the Board of Directors on the Company website.

(2) The Company has set up the Audit Committee with the main duties in accordance with Article 14-5 of the Securities Exchange Act. The Audit Committee also reviews the first, second and third quarter financial statements to implement the transparency of information disclosure.

(3) The Company also appoints independent directors as members of the Remuneration Committee. The main responsibilities are to evaluate the remuneration policies and systems of the directors and managers in a professional and objective position and make recommendations to the Board of Directors for decision-making.

(4) The Company has formulated the "Rules for Evaluating Board of Directors and Functional Committee Performance", conducted regular internal board performance evaluations every year since 2018, and appointed an independent external agency to perform external board evaluations once every 3 years. The Company appointed the Taiwan Corporate Governance Association to conduct the external evaluation for the 2020 board of directors. In accordance with 8 aspects included the composition, guidance, authorization, supervision, communication, internal controls and risk management, and self-regulation of the board of directors, other such as board meetings and supporting systems, a questionnaire and on-site survey methods are used to evaluate the performance (including achievement) of the board of directors. The results of internal and external evaluation for the 2020 board of directors were reported at the board meeting in February, 2021, and disclosed on the Company's website.

◆ The Execution Status of Board of Directors Evaluation

Cycle of Evaluation	Period of Evaluation	Scope of Evaluation	Method of Evaluation	Indexes and Scoring Criteria
Once every year	2020/1/1~2020/12/31	Performance evaluation of Board of Directors	Internal evaluation of the Board of Directors	<ol style="list-style-type: none"> <li>1. Participation in the operation of the Company.</li> <li>2. Improvement of the quality of the Board of Directors' decision making.</li> <li>3. Composition and structure of the Board of Directors.</li> <li>4. Election and continuing education of the directors.</li> <li>5. Internal control.</li> </ol>
		Performance evaluation of Audit Committee and Remuneration Committee	Internal evaluation of Audit Committee and Remuneration Committee	<ol style="list-style-type: none"> <li>1. Participation in the operation of the Company.</li> <li>2. Awareness of the duties of the functional committee.</li> <li>3. Improvement of quality of decisions made by the functional committee.</li> <li>4. Makeup of the functional committee and election of its members.</li> <li>5. Internal control.</li> </ol>
		Performance evaluation of individual directors	Self-evaluation by individual board members	<ol style="list-style-type: none"> <li>1. Familiarity with the goals and missions of the Company.</li> <li>2. Awareness of the duties of a director.</li> <li>3. Participation in the operation of the Company.</li> <li>4. Management of internal relationship and communication.</li> <li>5. The director's professionalism and continuing education.</li> <li>6. Internal control.</li> </ol>
Once every 3 years	2019/11/1~2020/10/31	Board of Directors and Functional Committee	Questionnaire and on-site survey	<ol style="list-style-type: none"> <li>1. Composition of the board of directors.</li> <li>2. Guidance of the board of directors.</li> <li>3. Authorization of the board of directors.</li> <li>4. Supervision of the board of directors.</li> <li>5. Communication of the board of directors.</li> <li>6. Internal controls and risk management of the board of directors.</li> <li>7. Self-regulation of the board of directors.</li> <li>8. Other such as board meetings and supporting systems.</li> </ol>

### 3.4.2 Operation of the Audit Committee:

- ♦ The Audit Committee totally held **11 (A)** meetings in the most recent year (up to the date of publication of the annual report). The attendance records for Independent Director are as follows:

Title	Name	Attended in Person (B)	Attended by Proxy	Attendance Percentage (%) 【B/A】	Remarks
Independent Director	C.P. Chang	11	0	100	None
Independent Director	James Kuo	11	0	100	None
Independent Director	Chiu, Te-Chen	11	0	100	None

Other matters that need to be recorded in meeting minutes:

1. If any of the following circumstances occurs during the operation of the Audit Committee, the Board meeting date, meeting number, the proposal contents, the resolution of the Audit Committee and our company's handling of the Audit Committee's opinions shall be clearly described.

(1) Items listed in Article 14-5 of the Securities and Exchange Act:

Directors Meeting	Proposals	Items listed in Article 14-5 of the Securities and Exchange Act	Resolution of Audit Committee	Company's Handling of Audit Committee Member's Opinion
7 <sup>th</sup> Term 10 <sup>th</sup> Meeting 2020.02.24	1. Approval for the Company's 2019 declaration of internal control system. 2. Approval for employees and directors compensation for 2019. 3. Approval for the Company's 2019 business report. 4. Approval for the 2019 consolidated financial statements and financial statements. 5. Approval for appropriation of 2019 Earnings. 6. Amendment to "Articles of Incorporation".	V  V  V  V  V	Proposal passed by the Audit Committee.	Directors approved the proposal unanimously.
7 <sup>th</sup> Term 11 <sup>th</sup> Meeting 2020.04.09	1. Approval for the Company's subsidiary, Xurong Electronic (Shenzhen) Co., Ltd. , will gradually reduce the production in its factory, after the existing orders have been fulfilled, the factory will be closed in accordance with the laws of the local country.	V	Proposal passed by the Audit Committee.	Directors approved the proposal unanimously.

Directors Meeting	Proposals	Items listed in Article 14-5 of the Securities and Exchange Act	Resolution of Audit Committee	Company's Handling of Audit Committee Member's Opinion
7 <sup>th</sup> Term 12 <sup>th</sup> Meeting 2020.04.24	1. Approval for the first quarter of 2020 consolidated financial statements. 2. Resolution not to offset loss of 2020 1Q. 3. To dissolve and liquidate the Company's indirect invested 100% owned subsidiary, Silitech (Hong Kong) Holding Limited. 4. Amendment to "Internal Control System Procedure for Stock Affairs Unit". 5. Amendment to "Audit Committee Charter".	V  V  V  V	Proposal passed by the Audit Committee.	Directors approved the proposal unanimously.
7 <sup>th</sup> Term 13 <sup>th</sup> Meeting 2020.07.02	1. For competitiveness enhancement, to authorize the chairman or his designation to negotiate strategic cooperation with others and participate in investment-related matters on behalf of the Company.	V		
7 <sup>th</sup> Term 14 <sup>th</sup> Meeting 2020.07.14	1. For long-term strategic development and competitiveness enhancement, it is proposed to issue common shares for capital injection in cash through private placement.	V		
7 <sup>th</sup> Term 15 <sup>th</sup> Meeting 2020.07.27	1. Approval for the second quarter of 2020 consolidated financial statements.	V		
7 <sup>th</sup> Term 17 <sup>th</sup> Meeting 2020.10.26	1. Changes for 2020 annual audit plan. 2. Approval for 2021 annual audit plan. 3. Change of the certified public accountants from the third quarter of 2020. 4. Approval for the third quarter of 2020 consolidated financial statements. 5. Assessment of independence and suitability of the certified public accountants. 6. Amendment to "Internal Control System" and "Internal Auditing Implementation Rules". 7. Formulation to "Procedure for Stock Affairs Management". Invalidation to "Internal Control System Procedure for Stock Affairs Units". 8. Change of Internal Audit Officer. 9. Changes of Financial Officer, Accounting Officer, Corporate Governance Officer and Acting Spokesperson.	V V V V V V V V V		



Directors Meeting	Proposals	Items listed in Article 14-5 of the Securities and Exchange Act	Resolution of Audit Committee	Company's Handling of Audit Committee Member's Opinion
7 <sup>th</sup> Term 19 <sup>th</sup> Meeting 2020.12.22	1. The subsidiary, Silitech Technology Corporation Sdn. Bhd., to authorize Chairman to acquire land and factory in Malaysia.	V	Proposal passed by the Audit Committee.	Directors approved the proposal unanimously.
7 <sup>th</sup> Term 22 <sup>nd</sup> Meeting 2021.02.22	1. Approval for the Company's 2020 declaration of internal control system. 2. Approval for the Company's 2020 business report. 3. Approval for the 2020 consolidated financial statements and financial statements. 4. Approval for covering of 2020 losses.	V V V V	1~3: Proposal passed by the Audit Committee. 4: Resolved to discuss in the next meeting by the Audit Committee.	1~3: Directors approved the proposal unanimously. 4: Resolved to discuss in the next board meeting.
7 <sup>th</sup> Term 23 <sup>rd</sup> Meeting 2021.03.25	1. Resolution of the price determination for private placement of common share and related matter. 2. Approval for covering of 2020 losses.	V V	Proposal passed by the Audit Committee.	Directors approved the proposal unanimously.
7 <sup>th</sup> Term 24 <sup>th</sup> Meeting 2021.04.26	1. Approval for the first quarter of 2021 consolidated financial statements. 2. The Company has issued 8 million common shares by private placement according to the resolution of 2020 1st special shareholders' meeting, to resolve to terminate remaining 1 million shares. 3. Amendment to "Articles of Incorporation".	V V V		

(2) Except for the foregoing items, the items that were not approved by the Audit Committee but were resolved by more than two-thirds of all directors: No such situation.

(3) Main function of the Audit Committee

A. According to Article 3 of "Audit Committee Charter", the main function of the Audit Committee is to supervise the following matters:

- Fair presentation of the financial reports of the Company.
- The appointment (and dismissal), independence, and performance of certificated public accountants of the Company.
- The effective implementation of the internal control system of the Company.
- Compliance with relevant laws and regulations by the Company.
- Management of the existing or potential risks of the Company.

B. The Audit Committee totally held 11 meetings in the most recent year (up to the date of publication of the annual report), the main review proposals are as follows.

- Review of financial statements and accounting policy
  - Submit of Audit Committee's Review Report on 2021.03.25: The Board of Directors has prepared and submitted to Audit Committee, the 2020 Business Report, Financial Statements and the proposal for covering of losses. The Financial Statements have been duly audited by Certified Public Accountants

Meng-Chieh Chiu and Jr-Shian Ke of Deloitte Touche Tohmatsu International Taiwan. The above Business Report, Financial Statements and the proposal for covering of losses have been examined and determined to be correct by the undersigned.

- Review the quarterly financial statements.
- b. Internal control system and procedures
  - Review of the declaration of internal control system.
  - Review of annual audit plan.
  - Review of formulation to “Procedure for Stock Affairs Management” and invalidation to “Internal Control System Procedure for Stock Affairs Units”.
  - Review of amendment to “Internal Control System” and “Internal Auditing Implementation Rules”.
  - Review of amendment to “Articles of Incorporation”.
  - Review of amendment to “Audit Committee Charter”.
- c. Major transactions of assets and derivatives
  - Review of the proposal of the Company's subsidiary, Xurong Electronic (Shenzhen) Co., Ltd. , which manufactures the mechanical integration components, will gradually reduce the production in its factory, after the existing orders have been fulfilled, the factory will be closed in accordance with the laws of the local country on 2020.04.09.
  - Review of the proposal to dissolve and liquidate the Company's indirect invested 100% owned subsidiary, Silitech (Hong Kong) Holding Limited on 2020.04.24.
  - Review of the proposal of the subsidiary, Silitech Technology Corporation Sdn. Bhd., to authorize Chairman to acquire land and factory in Malaysia on 2020.12.22.
- d. Offering or issuance of securities.
  - Review of issuing common shares for capital injection in cash through private placement on 2020.07.14.
  - Review of the price determination for private placement of common shares and related matter on 2021.03.25.
  - Review of the proposal: the Company has issued 8 million common shares by private placement according to the resolution of 2020 1st special shareholders' meeting, to resolve to terminate remaining 1 million shares on 2021.04.26.
- e. Assessment of independence and suitability of the certified public accountants.
  - Review of independence: Certified Public Accountants Meng-Chieh Chiu and Jr-Shian Ke and their audit team are in compliance with Article 10 of The Norm of Professional Ethics for Certified Public Accountant of R.O.C. and the accountant relevant laws.
  - Review of suitability: In addition to many years of auditing services, the two CPAs are familiar with the technology industry and understand the industry trends and are responsible for the certifying services of a number of TWSE/TPEX listed companies.
  - Review of appointment of Deloitte Touche as the Certified Accountants of the Company on 2020.10.26.
- f. Appointment or discharge of a financial, accounting, or internal auditing officer.
  - Review of changes of Financial Officer, Accounting Officer and Internal Audit Officer.
- g. Audit Committee performance evaluation

- Audit Committee completed the 2020 performance self-evaluation survey in January 2021 and reported the results on 2021.02.22.

2. Independent Director recusals due to conflicts of interests totaled: No such situation.

3. Communication between independent directors, the internal audit officer and CPAs (which should include major events, methods, results, etc. as regards the Company's financial and business conditions):

(1) Communication matters between independent directors, internal audit officer and CPAs:

- Internal audit officer shall report to the Audit Committee regarding the formulation and amendments of internal control system.
- Internal audit officer shall report to the Audit Committee regarding the implementation and results of the annual self-inspection.
- Internal audit officer shall report to the Audit Committee regarding annual audit plan and execution results.
- Internal audit officer shall report to the Audit Committee regarding the findings of each audit operation and the follow-ups to the improvement.
- Internal audit officer shall provide to the Audit Committee regarding the formulation and amendments of relevant regulations.
- Internal audit officer shall report on the implementation and results of the audit project assigned by the Audit Committee.
- CPAs will report on the results of the quarterly or annual financial reports and the legislation or changes of the relevant laws and regulations in the quarterly audit committee meeting.

(2) Communication between independent directors and the internal audit officer in the most recent year (up to the date of publication of the annual report):

Date	Communication Highlights
2020.02.24	1. Internal audit report of the fourth quarter of 2019 2. Reviewing report on self- assessment results for the year 2019
2020.04.24	Internal audit report of the first quarter of 2020
2020.07.27	Internal audit report of the second quarter of 2020
2020.10.26	1. Internal audit report of the third quarter of 2020 2. Approval for the new 2020 annual audit plan 3. 2021 annual audit plan 4. Approval for the internal control system 5. Approval for the change of Internal Auditor Officer
2020.01.01~ 2020.12.31	During 2020, the internal auditors have sent the audit reports and follow-up reports to the Audit Committee 13 times. The Chairman of the Audit Committee has commented on each audit report. The internal auditors have followed the instructions and reported to the Audit Committee.
2021.01.27	Internal audit report of the fourth quarter of 2020
2021.02.22	1. Internal audit report of 2021 2. Reviewing report on self- assessment results for the year 2020
2021.03.25	Internal audit report of 2021
2021.04.24	Internal audit report of 2021

Date	Communication Highlights
2021.01.01~ 2021.04.30	During Jan. to Apr. in 2021, the internal auditors have sent the audit reports and follow-up reports to the Audit Committee 4 times. The Chairman of the Audit Committee has commented on each audit report. The internal auditors have followed the instructions and reported to the Audit Committee.

(3) Communication between independent directors and CPAs in the most recent year (up to the date of publication of the annual report):

Date	Communication Highlights
2020.02.24	The audit results of the consolidated financial statements and financial statements for 2019 and the legislation or changes of the relevant laws and regulations
2020.04.24	The review results of the consolidated financial statements for the first quarter of 2020 and the legislation or changes of the relevant laws and regulations
2020.07.27	The review results of the consolidated financial statements for the second quarter of 2020 and the legislation or changes of the relevant laws and regulations
2020.10.26	1. The review results of the consolidated financial statements for the third quarter of 2020, key audit matters and the legislation or changes of the relevant laws and regulations 2. Evaluation of the CPAs' independence and suitability 3. Auditing plan for the end of 2020 4. Corporate Governance 3.0 plan- a roadmap for the sustainable development report
2021.02.22	The audit results of the consolidated financial statements and financial statements for 2020 and the legislation or changes of the relevant laws and regulations
2021.04.26	The review results of the consolidated financial statements for the first quarter of 2021 and the legislation or changes of the relevant laws and regulations

- ♦ **Participation in board meetings by the supervisors:** Not applicable, the Company has set up the Audit Committee.

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

Assessment Item	Implementation Status			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reason(s)
	Yes	No	Explanation	
1. Has the company set and disclosed the principles for practicing corporate governance according to the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?"	V		The Company has formulated "Corporate Governance Best Practice Principles" according to the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and disclosed them on the Company's website.	In line with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
2. Shareholding Structure & Shareholders' Rights (1) Does company have Internal Operation Procedures for handling shareholders' suggestions, concerns, disputes and litigation matters. If yes, has these procedures been implemented accordingly? (2) Does company possess a list of major shareholders and beneficial owners of these major shareholders? (3) Has the company built and executed a risk management system and "firewall" between the company and its affiliates? (4) Has the company established internal rules prohibiting insider trading on undisclosed information?	V  V V V		(1) The Company has established the Procedure for Stock Affairs Management and a spokesperson system. Spokespersons, acting spokespersons and legal affairs units are in charge of matters related to shareholders' advice. (2) The Company is able to track shareholding by directors, managers and principal shareholders who hold 10% or more of the Company's shares. The Company also files the information with the authority as required. (3) The Company has established a management system in accordance with relevant laws and regulations in order to properly control the risks in the relationships between the Company and its affiliated corporations and developed adequate firewalls. (4) The Company has established the Procedure for Handling Major Internal Information, which has been passed by the Board of Directors, in order to prevent inside trading.	(1)~(4) In line with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Assessment Item	Implementation Status			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reason(s)
	Yes	No	Explanation	
<p>3. Composition and Responsibilities of the Board of Directors</p> <p>(1) Has the company established a diversification policy for the composition of its Board of Directors and has it been implemented accordingly?</p> <p>(2) Other than the Remuneration Committee and the Audit Committee which are required by law, does the company plan to set up other Board committees?</p> <p>(3) Has the company established methodology for evaluating the performance of its Board of Directors, on an annual basis, reported the results of performance to the Board of Directors and use the results as reference for directors' remuneration and renewal?</p> <p>(4) Does the company regularly evaluate its external auditors' independence?</p>	<p>V</p> <p>V</p> <p>V</p> <p>V</p>	<p>V</p>	<p>(1) The Company has formulated "Corporate Governance Best Practice Principles" on Apr. 27, 2017, the third chapter, Strengthening Board Competencies, specifies the policy of board diversity. The nomination and election of members of the board of directors are in accordance with the Articles of Incorporation, adopting the candidate nomination system. Evaluating the qualifications of each candidate's education background and experience pursuant to the "Rules Governing the Election of Directors" and "Corporate Governance Best Practice Principles" to ensure the directors' diversity and independence.</p> <p>The members of the board of directors should generally possess the knowledge, skills and experience necessary to perform their duties. In order to achieve the ideal goals of corporate governance, the board of directors should have the following capabilities:</p> <p>A. Ability to make sound business judgments.</p> <p>B. Ability to perform accounting and financial analysis.</p> <p>C. Ability to manage a business.</p> <p>D. Ability to handle crisis management.</p> <p>E. Knowledge of the industry.</p> <p>F. International market perspective.</p> <p>G. Leadership ability.</p>	<p>(1) In line with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.</p> <p>(2) Under evaluation.</p> <p>(3)~(4) In line with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.</p>

Assessment Item	Implementation Status			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reason(s)
	Yes	No	Explanation	
			<p>H. Decision-making ability.</p> <p>The current board of directors is composed of seven directors, including four directors and three independent directors. None of the directors is employee; independent directors account for 43%; three directors are over 71 years old, and one directors are between 61 and 70 years old, three directors are under 60 years old. The current seven directors including one female director, representing 14% of total directors. Based on the Company's medium- and long-term development strategy and effectiveness of resolution function of the board, the Company has stated explicitly its board diversity policy in the Corporate Governance Best Practice Principles. The implementation status of current directors: Mr. Yu-Heng Chiao, Mr. Raymond Soong, Mr. Warren Chen and Ms. Chin-Hui Chen are experts in leadership, business judgment, business management, crisis management, and have industry knowledge and international market perspective; Mr. C.P. Chang specializes in legal and financial fields; Mr. James Kuo has extensive experience in the industry; Mr. Chiu, Te-Chen is good at industry analysis and business management.</p> <p>The specific management goals and achievement of the board members diversity policy:</p> <p>1. Management goal:</p> <p>Having different professional backgrounds or</p>	

Assessment Item	Implementation Status			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reason(s)
	Yes	No	Explanation	
			<p>work experience.</p> <p>Achievement: All directors have work experiences required for the Company's business. As for professional fields, 29% of all directors have chemical engineering background, 57% of all directors have both corporate management and business background, 14% of all directors have legal background.</p> <p>2. Management goal: The ages and qualifications of the board members are diversified, more than one third of the board seats are under 60 years old (inclusive). Achievement: There are currently 7 directors, of which 3 directors are under the age of 60 (inclusive), representing 43% of total directors.</p> <p>(2) The Company has established the Audit Committee and the Remuneration Committee.</p> <p>(3) The Company has established the Rules for Evaluating Board of Director and Functional Committee Performance, based on which the Company conducts regular annual performance evaluations. The evaluation methods include the board's self-evaluation, board members' self-evaluation, the Functional Committee's self-evaluation. External professional institutions or teams of experts and scholars are hired to perform evaluation every three years. When</p>	



Assessment Item	Implementation Status			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reason(s)
	Yes	No	Explanation	
			<p>electing or nominating members of the board of directors, the Company shall use the evaluation results of the performance as reference. The evaluation results shall also be reference for an individual director's remuneration.</p> <p>The internal evaluation for the 2020 board of directors has been completed on January, 2021. The Company appointed the independent external agency, Taiwan Corporate Governance Association, to conduct the external evaluation for the 2020 board of directors in October, 2020. In accordance with 8 aspects included the composition, guidance, authorization, supervision, communication, internal controls and risk management, and self-regulation of the board of directors, other such as board meetings and supporting systems, a questionnaire and on-site survey methods are used to evaluate the performance of the board of directors. The results of internal and external evaluation for the 2020 board of directors were reported at the board meeting in February 22, 2021, and disclosed on the Company's website.</p> <p>(4) The Audit Committee of the Company conducts regular annual assessments on the independence and suitability of the certified auditors and requires the certified auditors to provide a Statement of Independence. The Company has confirmed that the auditors and the Company have no relations in terms of financial interest or</p>	

Assessment Item	Implementation Status			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reason(s)
	Yes	No	Explanation	
			<p>business operation other than the fees for processing certifications and financial taxation cases; nor do the families of the auditors violate the requirement of independence. The Board of Directors has completed assessments of the auditors' independence; the most recent assessment was completed on October 26, 2020. The criteria for CPA independence review as follow:</p> <p>A. Doesn't have a direct or significant / indirect relations with the Company in financial interests.</p> <p>B. Doesn't have a commercial relationship with the Company, its directors or managers that affects independence.</p> <p>C. Doesn't hold the posts in the Company, such as the director and officer or occupied a key position with significant influence on the auditing process.</p> <p>D. No great value gifts have been received from the Company or its directors, managers or major shareholders.</p> <p>E. Necessary independence/conflict of interest procedures have been implemented, and no violations of independence or unresolved conflicts of interest have been found.</p>	
4. Does the company appoint competent and appropriate corporate governance personnel and corporate governance officer to be in charge of corporate governance affairs (including but not	V		(1) The Company established a part-time corporate governance unit to be in charge of corporate governance affairs. On October 26, 2020, by board resolution, CFO Wei-Lin Chen was	In line with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Assessment Item	Implementation Status			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reason(s)
	Yes	No	Explanation	
limited to furnishing information required for business execution by directors, assisting directors' compliance of law, handling matters related to board meetings and shareholders' meetings according to law, and recording minutes of board meetings and shareholders' meetings, etc.)?			<p>appointed as the Corporate Governance Officer to safeguard the rights and interests of shareholders and strengthen the functions of the board of directors. CFO Wei-Lin Chen has many-year experiences in conducting financial management and business meetings in listed companies. The primary responsibilities of the Corporate Governance Officer are as follows:</p> <ul style="list-style-type: none"> <li>A. Handling matters related to board and shareholders' meetings in accordance with the law.</li> <li>B. Preparing the minutes of board and shareholders' meetings.</li> <li>C. Assisting directors in their appointment and continuing education.</li> <li>D. Providing data required by the directors for business execution.</li> <li>E. Assisting directors in complying with the law.</li> <li>F. Other matters set forth in the articles of association or the contract of the Company.</li> </ul> <p>(2) 2020 business implementation status:</p> <ul style="list-style-type: none"> <li>A. Invited suggestions from directors prior to a board meeting to facilitate preparation of the meeting agenda; and giving a minimum of 7-day notice to all directors to attend a meeting and providing sufficient materials for the directors to familiarize themselves with the items. The minutes of the board meeting will be produced after the meeting. Held 11 board meetings, 8 Audit Committee meetings,</li> </ul>	

Assessment Item	Implementation Status			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reason(s)
	Yes	No	Explanation	
			<p>and 4 Remuneration Committee meetings in 2020.</p> <p>B. Registered shareholders' meeting date within the period stipulated by law, assisted in running the meeting, and filing with the authority the shareholders' meeting notice, agenda, and minutes by the statutory deadline every year.</p> <p>C. Inspected the disclosure of material information passed after a board meeting or shareholders meeting in order to ensure the legality and accuracy of said material information and protect parity of investor information.</p> <p>D. Kept members of the board informed of latest changes and developments in laws and regulations regarding corporate governance and management to facilitate director compliance.</p> <p>E. Assisted directors in creating study plans or enrolling in courses based on the characteristics of the Company's business activities and the education and experience of respective directors.</p> <p>F. Arranged communication between independent directors and Internal Audit Officer/Certified Public Accountants during Audit Committee meetings.</p> <p>G. Executed and completed the performance evaluation for the 2020 board of directors.</p>	

Assessment Item	Implementation Status			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reason(s)
	Yes	No	Explanation	
			<p>The results have be reported at the board meeting in February, 2021.</p> <p>H. Appointed Taiwan Corporate Governance Association to execute and complete external evaluation for the 2020 board of directors, and reported at the board meeting in February, 2021</p>	
5. Has the company established a means of communicating with its Stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) or created a Stakeholders Section on its company website? Does the company respond to stakeholders' questions on corporate responsibilities?	V		The Company has established its spokesperson and Investor Relations Contact. Stakeholders communication channels have been established via the Company's website, telephone, and fax.	In line with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
6. Has the company appointed a professional registrar for its Shareholders' Meetings?	V		The Company has appointed Yuanta Securities Co., Ltd. to handle matters related to shareholders' meetings.	In line with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Assessment Item	Implementation Status			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reason(s)
	Yes	No	Explanation	
<p>7. Information Disclosure</p> <p>(1) Has the company established a corporate website to disclose information regarding its financials, business and corporate governance status?</p> <p>(2) Does the company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?</p> <p>(3) Does the company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline?</p>	<p>V</p> <p>V</p> <p>V</p>		<p>(1) The Company has disclosed the latest information regarding its products, finance, and human resources on its website.</p> <p>(2) Dedicated personnel are in charge of collecting and disclosing such information in both Chinese and English versions for the reference of shareholders and stakeholders. Furthermore, the Company implements and complies with the Spokesperson System which has been established.</p> <p>(3) The Company announces and reports the annual financial statements within two months after the end of the fiscal year, the first, second, and third quarter financial statements earlier before the prescribed deadline as well as the operating status of each month on 6<sup>th</sup> ~ 8<sup>th</sup> next month.</p>	<p>(1)~(3) In line with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.</p>
<p>8. Has the company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)?</p>	V		<p>(1) Each employee has a copy of the Employee Handbook, which clearly specifies the rights and obligations of and Code of Conduct for employees.</p> <p>(2) The Company attaches importance to employee care. Apart from arranging regular interviews with supervisors regarding career planning, the Company has also established channels for employee complaint (including the Sexual Assault Prevention Hotline and relevant regulations).</p> <p>(3) The Company has established an Investor</p>	<p>In line with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.</p>

Assessment Item	Implementation Status			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reason(s)
	Yes	No	Explanation	
			<p>Relations Contact, in which designated customer service officers communicate with investors at any time; the Company's website is also available for stakeholders' reference.</p> <p>(4) The Company has been collaborating with major clients and suppliers for years and has formed strategic partnerships, in which the Company and business partners facilitate reciprocal developments under the protection of sound contracts and regulations, thus maintaining a close relationship in pursuit of common prosperity.</p> <p>(5) The Company attaches great importance to its relationship with stakeholders based on common interests, and steadfastly observes its duties to create prosperity.</p> <p>(6) All directors have professional backgrounds and practical experience in the industry and receive advanced trainings according to their individual professional requirements (please refer to Section 3.4.14 for details on Advanced Training Courses for Directors). The Company not only regularly reports the amendments to relevant laws and regulations to the Audit Committee and the Board of Directors, but also provides</p>	

Assessment Item	Implementation Status			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reason(s)
	Yes	No	Explanation	
			<p>information regarding relevant laws and regulations when deemed necessary.</p> <p>(7) The Company has established internal policies and management regulations in accordance with the law, and implements various risk management and regular self-assessments.</p> <p>(8) “Customers first” is the established policy of the Company, through which it has gained customers’ trust and recognition. The Company also closely follows payment and credit statuses to protect its rights.</p> <p>(9) The Company has purchased Directors and Officers Liability Insurance, and reported it to the Board of Directors after the policies became effective.</p>	
<p>9. With respect to the results of the annual Corporate Governance Evaluation most recently issued by the Corporate Governance Center of Taiwan Stock Exchange, please describe the improvements and provide priority and measures to enhance those matters that have not yet been improved.</p> <p>The Company will continue considering the possible measures to enhance the results of the Corporate Governance Evaluation.</p>				



### **3.4.4. Duties, Composition and Operation of the Remuneration Committee:**

#### **♦ Duties of the Remuneration Committee**

The Remuneration Committee was established in 2011 to strengthen corporate governance. The functions of the Committee are to professionally and objectively evaluate the policies and systems for compensation of the directors and managers and submit recommendations to the board of directors for its reference in decision making. The scope of duties includes:

1. Periodically reviewing the Remuneration Committee Organizational Rules and making recommendations for amendments.
2. Establishing and periodically reviewing the performance assessment standards, annual and long-term performance goals, and the policies, systems, standards, and structure for the compensation of the director and managers, and disclose the contents of the performance assessment standards in the annual report.
3. Periodically assessing the degree to which performance goals for the directors and managers have been achieved, setting the types and amounts of their individual compensation based on the results of the reviews conducted in accordance with the performance assessment standards.

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

1. Ensuring that the compensation arrangements comply with applicable laws and regulations and are sufficient to recruit outstanding talent.
2. Performance assessments and compensation levels of directors and managers shall take into account the general pay levels in the industry, individual performance assessment results, the time spent by the individual and their responsibilities, the extent of goal achievement, their performance in other positions, and the compensation paid to employees holding equivalent positions in recent years. Also to be evaluated are the reasonableness of the correlation between the individual's performance and the operational performance and future risk exposure, with respect to the achievement of short-term and long-term business goals and the financial position of the Company.
3. There shall be no incentive for the directors or managers to pursue compensation by engaging in activities that exceed the tolerable risk level of the Company.
4. For directors and top management, 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.
5. Reasonableness shall be taken into account when the contents and amounts of the compensation of the directors and managers are set. It is not advisable for decisions on the compensation of the directors and managers to run contrary to financial performance to a material extent. It is not advisable for said compensation to be higher than that in the preceding year in the event of a material decline in profits or of long-term losses. If it is still higher than that in the preceding year, the reasonableness shall be explained in the annual report and reported at a shareholders' meeting.
6. When a meeting of the Remuneration Committee will discuss the remuneration of any member of the Remuneration Committee, it will be clearly stated at the meeting. If there is likely to be any prejudice to the interests of the Company, that member may not participate in the discussion or voting and shall enter recusal during the discussion and voting. The member also may not act as another Remuneration Committee member's proxy to exercise voting rights on that matter.

#### ◆ Information of the members of the Remuneration Committee

[illegible]

Note: Remuneration Committee Members, during the two years before being elected or during the term of office, meet any of the following situations, please tick the appropriate corresponding boxes:

- (1) Not an employee of the company or any of its affiliates.
- (2) Not a director or supervisor of the company or any of its affiliates. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
- (6) If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: not a director, supervisor, or employee of that other company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
- (7) If the chairperson, general manager, or person holding an equivalent position of the company

and a person in any of those positions at another company or institution are the same person or are spouses: not a director (or governor), supervisor, or employee of that other company or institution. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.

- (8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent, if the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the company.
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Not been a person of any conditions defined in Article 30 of the Company Act.

♦ **Information on Operation of the Remuneration Committee**

1. The Company's Remuneration Committee is comprised of three members.
2. Term for the current committee members: From June 12, 2018 to June 11, 2021. The Remuneration Committee met four times in 2020 and the job titles and attendance records of the committee members are as follows:

Title	Name	Attended in Person (B)	Attended by Proxy	Attendance Percentage (%) (B/A)	Remarks
Convener	Chiu, Te-Chen	4	0	100	None
Member	C.P. Chang	4	0	100	None
Member	James Kuo	4	0	100	None

Other matters that need to be recorded in meeting minutes:

1. The matters for discussion and resolution by the Remuneration Committee and the Company's handling of the opinions of the members of the Remuneration Committee:

Remuneration Committee	Proposals	Resolution of Remuneration Committee	Company's Handling of Remuneration Committee Member's Opinion
4 <sup>th</sup> Term 6 <sup>th</sup> Meeting 2020.02.24	1. The allocation rate of employees and directors compensation for 2020.	Proposal passed by the Remuneration Committee.	Directors approved the proposal unanimously.
4 <sup>th</sup> Term 7 <sup>th</sup> Meeting 2020.07.27	1. Amendment to "Remuneration Committee Charter".	Proposal passed by the Remuneration Committee.	Directors approved the proposal unanimously.
4 <sup>th</sup> Term 8 <sup>th</sup> Meeting 2020.10.26	1. Changes of Financial Officer, Accounting Officer, Corporate Governance Officer and Acting Spokesperson.	Proposal passed by the Remuneration Committee.	Directors approved the proposal unanimously.
4 <sup>th</sup> Term 9 <sup>th</sup> Meeting 2020.12.30	1. Appointment and release of the managerial Officer from the non-competition restrictions.	Proposal passed by the Remuneration Committee.	Directors approved the proposal unanimously.

2. The items that were not approved by the Remuneration Committee but were resolved by the Board of Directors: No such situation.
3. Decisions made by the Remuneration Committee for which certain committee members were against or reservations that were recorded or expressed via written statements: No such situation.

### 3.4.5 Fulfillment of CSR and Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/ TPEX Listed Companies

Assessment Item	Implementation Status			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Explanations	
1. Does the company follow materiality principle to conduct risk assessment for environmental, social and corporate governance topics related to company operation, and establish risk management related policy or strategy? (Note)	V		The Company follows materiality principle to conduct risk assessment for environmental, social and corporate governance topics related to company operation to establish risk management related policy or strategy. Besides complying with the Responsible Business Alliance (RBA) Code of Conduct and CSR, the Company has established Corporate Social Responsibility Best Practice Principles, Corporate Ethic Guidelines, Corporate Governance Practice Principles and Principles for Ethical Corporate Management.	In line with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.
2. Has the company established a dedicated or non-dedicated department for fulfilling CSR, with the Board of Directors authorizing high-ranking managers to handle such efforts and report the relevant progress to the Board of Directors?	V		The Company has established Corporate Social Responsibility Committee (CSR & Integrity Management Committee), thereby fundamentally realizing CSR. Our CSR business is operated by senior managers with the authorization from the Board of Directors, and its progress is reported to the Board of Directors on an irregular basis.	In line with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.
3. Environmental Topic (1) Has the company set an environmental management system designed to industry characteristics? (2) Is the company committed to improving resource efficiency and to the use of renewable materials with low environmental impact? (3) Does the company evaluate current and future climate change potential risks and opportunities and take measures related to climate related	V  V  V		(1) In accordance with relevant laws and the characteristics of the products, the Company has established an environmental management system, and has updated the system in accordance with the amendments to the law. The factories of the Company have been awarded certificates, including the ISO 14001 Environmental Management Systems and the	(1)~(4) In line with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.

Assessment Item	Implementation Status			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Explanations	
<p>topics?</p> <p>(4) Does the company collect data for greenhouse gas emissions, water usage and waste quantity in the past two years, and set energy conservation, greenhouse gas emissions reduction, water usage reduction and other waste management policies?</p>	V		<p>ISO 50001 Energy Management. Their operations are also subject to the ISO-14064 Greenhouse Gas Emission Regulations and the Restriction of Hazardous Substances in Electrical and Electronic Equipment (ROHS).</p> <p>(2) The Company is committed to improving the efficiency of the various resources and to use recycled materials that have a low impact on the environment. The green design concept has been incorporated into the research and development of products. For instance, eco-friendly materials, as well as manufacturing processes without environmental impact, have been introduced. The Company's green design principle and HSF policy ensures that the raw materials and products manufactured by the Company can meet the EU's Hazardous Substance Free standards. The Company has obtained the IECQQC080000 certification, which represents the successful establishment of the "Hazardous Substance Process Management System". The Company's green design principle and HSF policy ensures that the raw materials and products manufactured by the Company can meet the EU's Hazardous Substance Free standards. The Company has obtained the IECQQC080000 certification, which represents the successful establishment of the "Hazardous Substance Process</p>	

Assessment Item	Implementation Status			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Explanations	
			<p>Management System".</p> <p>(3) The Company pays attention to the impacts of climate change on its operations: it implements inspections on GHGs emissions, verification by external agencies, and established energy conservation, carbon reduction, and greenhouse gas reduction strategies. The Company enforces its energy-saving and carbon-reducing policies in its operational activities. Relevant measures include refraining from using paper cups, exercising resources recycling and classification, switching off equipment when not in use, switching off lights during midday breaks, switching off computers after working hours, using water resources efficiently, setting up an electronic verification system, reducing the use of printed forms and documents and encouraging double-sided printing. Besides managing the impacts of climate change on its operations, the Company also requires and assists suppliers to follow up on this matter.</p> <p>(4) The South China factory affiliated to the Company has conducted self-examination since 2016. Carbon emissions were 10,970 tons in 2016, and then it has been decreasing year by year. The estimated carbon emissions in 2021 are 2,604 tons. The waste water discharged is also formulated and reached reduction targets in accordance with the laws and regulations of the location of the factory, environmental</p>	

Assessment Item	Implementation Status			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Explanations	
			requirements, international standards and the characteristics of our products.	
<p>4. Social Topic</p> <p>(1) Does the company set policies and procedures in compliance with regulations and internationally recognized human rights principles?</p> <p>(2) Has the company established appropriately managed employee welfare measures (include salary and compensation, leave and others), and link operational performance or achievements with employee salary and compensation?</p> <p>(3) Does the company provide employees with a safe and healthy working environment, with regular safety and health training?</p> <p>(4) Has the company established effective career development training plans?</p> <p>(5) Does the company's product and service comply with related regulations and international rules for customers' health and safety, privacy, sales, labeling and set polices to protect consumers' rights and consumer appeal procedures?</p> <p>(6) Does the company set supplier management policy and request suppliers to comply with related standards on the topics of environmental, occupational safety and health or labor right, and their implementation status?</p>	<p>V</p> <p>V</p> <p>V</p> <p>V</p> <p>V</p> <p>V</p>		<p>(1) The Company has formulated and implements relevant management policies and procedures in accordance with relevant local laws and regulations and international human rights bills (including the UN Universal Declaration of Human Rights, the International Labor Office's Tripartite Declaration of Principles, the OECD Guidelines for Multinational Enterprises, and the Responsible Business Alliance Code of Conduct), thus offering a comprehensive protection of employees' legitimate rights and interests.</p> <p>(2) The Company has formulated a reasonable salary compensation policy. It has established the Remuneration Committee, and stipulated in Article 15 of its Articles of Incorporation that no less than 10% of the Company's annual profit should be allocated for employees' remuneration.</p> <p>(3) The Company is committed to providing a safe and healthy work environment for employees:</p> <p>A. Annual health checkups as well as one-on-one conversations between contracted doctors and employees are arranged, thus providing employees with knowledge on how to preserve and protect their own health.</p> <p>B. The Company has also formulated</p>	<p>(1)~(6) In line with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.</p>



Assessment Item	Implementation Status			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Explanations	
			<p>implementation rules for industrial safety and principles for safe and healthy operations. In addition to labor safety matters irregularly discussed by the Labor Safety and Health Committee, the Company also implements safety and health trainings based in our production locations, which focus on improving employee quality and raising employees' awareness of environmental safety and health, in order to enhance environmental and occupational health and safety management.</p> <p>(4) To develop an effective career development plan for employees, the Company has established comprehensive talent development programs and offers internal and external training lectures.</p> <p>(5) The Company's product and service comply with the Responsible Business Alliance Code of Conduct for customers' health and safety, privacy, sales, and labeling. The Company has established consumer protection mechanisms and complaint procedures regarding R&amp;D, purchasing, production, operation and service. Protecting customer rights is a consistent policy of the Company. In addition, the Company's official website not only provides product descriptions, but also its contact details.</p> <p>(6) The Company set supplier management policy and request suppliers to comply with related standards on the topics of environmental,</p>	

Assessment Item	Implementation Status			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons															
	Yes	No	Explanations																
			<p>occupational safety and health or labor right. Each year, a supplier evaluation meeting is held to conduct a comprehensive review of the suppliers and evaluate their product quality, product delivery, production cost, response, technology support and service, and CSR. The Company commits that the proportion of its A and B-ranking suppliers is more than 95%. In recent two years, the result of suppliers' QDCRT(quality, delivery, cost, response, technology support) rating is as follows:</p> <table border="1"> <thead> <tr> <th>Supplier Ranking (# of Suppliers)</th><th>A</th><th>B</th><th>C</th><th>D</th></tr> </thead> <tbody> <tr> <td>Year 2019 (# of Suppliers)</td><td>23</td><td>26</td><td>0</td><td>0</td></tr> <tr> <td>Year 2020 (# of Suppliers)</td><td>26</td><td>48</td><td>1</td><td>0</td></tr> </tbody> </table>	Supplier Ranking (# of Suppliers)	A	B	C	D	Year 2019 (# of Suppliers)	23	26	0	0	Year 2020 (# of Suppliers)	26	48	1	0	
Supplier Ranking (# of Suppliers)	A	B	C	D															
Year 2019 (# of Suppliers)	23	26	0	0															
Year 2020 (# of Suppliers)	26	48	1	0															
5. Does the company refer to international reporting rules or guidelines to publish CSR Report to disclose non-financial information of the company? Has the said Report acquire 3rd certification party verification or statement of assurance?	V		The Company refers to "Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies" to establish the Corporate Social Responsibility Report to disclose non-financial information of the Company. This report is disclosed on the Company's websites.	In line with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.															
6. If the company has established CSR principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies", please describe differences between the principles and their implementation: The Company has formulated the Corporate Social Responsibility Best Practice Principles. It has also established the Social Responsibility Management Handbook and other relevant regulations in line with the spirit of CSR, and comprehensively implements them in daily operations.																			
7. Other key information useful for explaining the status of CSR practices: (1) Regarding environmental protection, the Company complies with the established Environmental Management System whenever performing																			

Assessment Item	Implementation Status			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Explanations	
<p>business activities and manufacturing products, thus sparing no effort to protect the Earth by means of energy conservation and carbon reduction. For example, for the disposal of waste, the Company properly recycles recyclable materials. Non-recyclable substances are treated through incineration or landfill disposal. All hazardous wastes are handled by qualified recycling company for reuse. The Company actively encourages employees to sort waste, improve recycling rate, reduce the amount of business waste, and through continuous communication and research with the recycling company to study recycling techniques, in order to increase the recycling rate and achieve zero waste to landfill.</p> <p>(2) Regarding social participation, social contribution, and social services, the colleagues of the Company participated in the Tamsui river cleanup campaign which was initiated by the Common Wealth Magazine and co-organized by the Society of Wilderness, in order to promote ecological sustainability and volunteer services. During the activity, the participants collected a total of 191 kilograms of trash. Besides commonly seen trash such as cigarette butts, plastic bags, glass bottles, and broken glass, the participants even picked up bicycles and safety helmets. Through the river cleanup, understanding wetlands, and maintaining wetland ecology activities, the Company encourages the colleagues to actively participate the public welfare activities and to give back to the society.</p> <p>(3) Regarding social welfare, the Company works closely with neighbors to carry out various public welfare activities. We will continue to participate in social welfare activities of this nature.</p> <p>(4) Regarding consumer rights, the Company participates in fair competitions in the global market on the basis of the merits of its product. All of our marketing activities and advertisements must be precise and truthful and in line with the principle of integrity and the customer-oriented approach we dearly hold as our core values.</p> <p>(5) Regarding human rights, the Company strictly complies with employment regulations by prohibiting the employment children below 15; additionally, employees aged below 18 are not allowed to perform dangerous work. The Company shows its unfailing attention to employee benefits by organizing a variety of welfare activities as well as offering comprehensive employee care, which includes enrollment in the labor and national health insurances and purchasing group insurance for our employees. The Company established breastfeeding rooms and signed the Agreement for Employee Child Care Services with our collaborating kindergartens, which offer discounts for our employees’ children. Regarding the diversity of employee benefits, we organize year-end parties and company trips, established employee dining rooms and convenience stores in our factory areas, and offer subsidies for the establishment of employee clubs, travel allowances, birthday and holiday gifts, scholarships for employees’ children, as well as other benefits related to marriage, childbirth, military enlistment and death, thus sparing no effort to provide care for our employees. Regardless of race, color, gender, nationality, etc., all employees can be treated fairly, respectfully and with dignity. The Company strictly prohibits verbal, physical or visual insults, harassment, or offensive behaviors. Besides the relevant regulations, employees can report such incidents through the complaint hotline or the dedicated mailbox. There is never a dispute due to discrimination.</p> <p>(6) Regarding safety and health, the Company is committed to providing employees with a safe and healthy work environment. The protective measures for workplace safety and employees’ personal safety, including those for occupational safety and health, environmental protection and fire control, are implemented in accordance with the Regulations for Industrial Safety.</p> <p>A. Work environment monitoring (e.g., noise, illumination, and carbon dioxide) is carried out on a regular basis every six months.</p> <p>B. The Safety and Health Committee is convened regularly every quarter. Issues regarding environmental safety and health in the current quarter are discussed and the implementation results of the previous quarter are followed-up and improved.</p>				

Assessment Item	Implementation Status			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Explanations	
<p>C. Noise-reducing equipment, including sound-absorbing materials and sound-insulating walls are used in noisy workplaces (e.g., air compressor room, power generator room); ear muffs, earplugs and other soundproofing equipment are also available for employees. For employees working in noisy workplaces, special checkups regarding noise-related health issues are implemented annually.</p> <p>D. General safety and health training for new employees is implemented; on-the-job training for current employees is implemented every three years regarding general safety and health issues. Fire control self-defense drills are conducted every six months, and fire brigade security personnel are commissioned to guide fire control drills biennially.</p> <p>E. Hazardous materials are listed, marked and recorded (storage, usage, etc.), and relevant education and training for operators and their supervisors are implemented.</p> <p>F. Reports, emergency responses, post-disaster investigations and improvement follow-ups are performed for various accidents such as fire and explosion, chemical leakage, anomalous discharge of waste water, occupational injuries and natural disasters.</p> <p>G. Annual equipment maintenance schedules are developed, according to which maintenance of various equipment is implemented.</p> <p>H. Fire safety equipment is inspected monthly, and fire safety equipment maintenance report is issued before November.</p> <p>I. The Company provides employees with annual complimentary physical examinations to familiarize employees with their health conditions. In accordance with the requirements of relevant laws, the Company provides comprehensive physical examinations on an annual basis for employees whose duties involve specific occupational hazards to prevent occupational diseases and ensure employees' health. Threats, violence, or physical intimidation are strictly prohibited. Each employee has a copy of the Employee Handbook that contains relevant rights, obligations and the Code of Conduct for employees.</p> <p>(7) Regarding quality statement, compliance with quality process and safety regulations is our paramount. If the process of delivering products or providing services fails to meet the company standards, it will harm our reputation. The Company emphasizes comprehensive quality improvement through bottom-up quality control and top-down participation and cooperation. At Silitech, every employee has a Quality Statement card.</p> <p>(8) Other social responsibility activities</p> <p>A. We attach importance to talent development, provide employees with a happy work environment where they can learn and realize themselves, and support and encourage lifelong learning. We build and discover outstanding talents, develop employees' potentials, kindle employees' enthusiasm, maintain a platform that can retain core talents, improve the Company's overall organizational competitiveness, and thereby accomplish our vision and mission together with our employees.</p> <p>B. We comply with all laws and regulations related to public disclosure of operational information. All of our periodic reports, submitted documents and public information, in oral or written form, are complete, impartial, precise, timely, accessible, and without major omissions, thus offering references for shareholders and stakeholders. All public disclosure must comply with the Company Act and the Securities and Exchange Act.</p>				

Note: The materiality principle refers to environmental, social, or corporate governance issues that have a material impact on the investors or other stakeholders of the Company.

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

Assessment Item	Implementation Status			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Explanations	
<p>1. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures</p> <p>(1) Does the company have a clear ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?</p> <p>(2) Whether the company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?</p> <p>(3) Whether the company has established relevant policies that are duly enforced to prevent unethical conduct, provided implementation procedures, guidelines, consequences of violation and complaint procedures, and periodically reviews and revises such policies?</p>	V		<p>(1) The Company has formulated its Principles for Ethical Corporate Management based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies. Both the Ethical Corporate Management Best Practice Principles and the Regulations for Ethical Business Operations explain the Company's ethical business policies and implementation methods and are publicly available on the Company's website. Our Board of Directors and top management team promise to actively implement these regulations in all of our business activities.</p> <p>(2) The Company has established the Regulations for Ethical Business Operations as a specific guidance for all employees to evaluate and prevent unethical conduct with a scope no less than the activities prescribed in paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies. The regulations also specify the disciplinary actions and complaint methods regarding employees' violations of the regulations, which are also implemented in our internal management through education and training.</p>	(1)~(3) In line with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.

Assessment Item	Implementation Status			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Explanations	
			(3) The Regulations for Ethical Business Operations and the Procedures for Ethical Management and Guidelines for Conduct specify that: A. Any form of bribery or solicitation and acceptance of bribes is prohibited. B. Illegal political donations may not be offered. C. All charitable donations or sponsorships shall comply with the laws. D. Employees may not take the initiative or be made to collect or provide illegitimate incomes including cash, gift certificates, checks, stocks, gifts or any other valuable rebates, gifts or special treatments (including meals, travel or entertainment offers) to third parties related to business operations.	
2. Ethic Management Practice				
(1) Whether the company has assessed the ethics records of whom it has business relationship with and include business conduct and ethics related clauses in the business contracts?	V		(1) The Company only performs business transactions with legal, ethical customers and suppliers. Before building business relationships with counterparties, the Company will evaluate their legal status and records (if any) of unethical conduct. The Company will also specify integrity clauses in the agreements with business partners, which prohibits any offer, solicitation or acceptance of bribes.	(1)~(5) In line with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.
(2) Whether the company has set up a unit which is dedicated to promoting the company's ethical standards and regularly (at least once a year) reports directly to the Board of Directors on its ethical corporate management policy and relevant matters, and program to prevent unethical conduct and monitor its implementation?	V		(2) The Company has established the CSR & Integrity Management Committee, which promotes the philosophy of ethical corporate	
(3) Whether the company has established policies to	V			

Assessment Item	Implementation Status			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Explanations	
<p>prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly?</p> <p>(4) To implement relevant policies on ethical conducts, has the company established effective accounting and internal control systems, audit plans based on the assessment of unethical conduct, and have its ethical conduct program audited by internal auditors or CPA periodically?</p> <p>(5) Does the company provide internal and external ethical conduct training programs on a regular basis?</p>	<p>V</p> <p>V</p>		<p>management and is supervised by the Board of Directors.</p> <p>(3) The Company has established policies to prevent conflicts of interests, and requires directors, managers and employees to abstain and recuse from discussing or voting on matters in which interests of their own, or the legal persons they represent, are involved. The Company has also established an Ethics Committee as the channel for submitting comments. The Company has established an Ethic Line for internal and external stakeholders (e.g., employees, suppliers and customers) to conduct anonymous or signed reports on frauds that violate principles of integrity and ethics. Methods and channels for complaining or reporting violations of ethical principles or illegal activities in the Company's operations or by the employees are specified as follows: Report mailbox: Chairman's Office, P.O. Box 48, Tamsui Shuidui, New Taipei City 25199 Email: <a href="mailto:ethic.hotline@silitech.com">ethic.hotline@silitech.com</a> Tel: +886-2-66251666</p> <p>(4) The Company has established effective accounting systems and internal control systems for enforcing ethical corporate management. Our internal audit personnel and accountants implement the Company's internal audit unit on an annual basis.</p> <p>(5) The Company regularly holds trainings to</p>	

Assessment Item	Implementation Status			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Explanations	
			explain to colleagues the Company's integrity management policy, internal control and internal audit system, regulations for preventing dishonest behavior, and the Company's implementation status. In the past two years, the total training time on related topics is 565 hours and the total headcounts of training are about 87.	
<p>3. Implementation of the company's Whistleblowing System</p> <p>(1) Has the company established concrete whistleblowing and reward system, has a convenient reporting channel in place and assigns an appropriate person to communicate with the accused?</p> <p>(2) Whether the company has established standard operation procedures for investigating the complaints received, follow-up measures after investigation are completed, and ensuring such complaints are handled in a confidential manner?</p> <p>(3) Did the company adopt measures for protecting the whistleblower from improper treatment or retaliation?</p>	<p>V</p> <p>V</p> <p>V</p>		<p>(1) The Company established relevant operating procedures and punishment systems in relation to the Regulations for Handling Fraud Reports, and assigns dedicated units to related affairs in accordance with the procedures specified in the regulations.</p> <p>(2) The Company has established an Ethic Line for internal and external stakeholders (e.g., employees, suppliers and customers) to conduct anonymous or signed reports on frauds that violate principles of integrity and ethics. A dedicated unit investigates the reports, and ensures such complaints are handled in a confidential manner. Methods and channels for complaining or reporting violations of ethical principles or illegal activities in the Company's operations or by the employees are as mentioned above 2.Ethic Management Practice, point (3).</p> <p>(3) The Company will protect the confidentiality of</p>	(1)~(3) In line with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.



Assessment Item	Implementation Status			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Explanations	
			<p>the whistleblower's identity and the content of the report during the whistleblowing process. Personnel participating in the investigation may not divulge such information in order to prevent the whistleblower from unfair treatment and retaliation.</p> <p>If the investigation verifies the situation(s) specified in the report to be true, the whistleblower will receive appropriate reward(s) as an encouragement for reporting any improper conducts.</p>	
<p>4. Enhancing information disclosure</p> <p>Has the company disclosed its integrity principles and progress onto its website and Market Observation Post System (MOPS)?</p>	V		<p>The Company has posted the Ethical Corporate Management Best Practice Principles, Regulations for Ethical Business Operations, and Corporate Social Responsibility Report on its website, explaining the Company's philosophy of ethical corporate management, which is completely realized in daily operations.</p>	<p>In line with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.</p>
<p>5. If the company has established its ethical corporate management principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/ TPEX listed Companies", please state the difference between such principles and implementation:</p> <p>The Company has formulated the Ethical Corporate Management Best Practice Principles, and established the Social Responsibility Management Handbook and the Regulations for Ethical Business Operations, all of which are implemented in our daily operations.</p>				
<p>6. Other important information to facilitate better understanding of the company's corporate conduct and ethics compliance practices (e.g., review the company's corporate conduct and ethics policy).</p> <p>The Company sends the Memorandum to Silitech's Suppliers in written form to all suppliers the Company deals with, in which the Company explains its resolution and implementation methods for ethical corporate management, and specifies the Ethics Committee as the Company's interactive channel for relevant operations of ethical corporate management.</p>				

### **3.4.7 Company's Corporate Governance Principles and Related Regulations:**

Please refer to "Investor- Corporate Governance" of the Company's website at [www.silitech.com/ch/investor3-4.aspx](http://www.silitech.com/ch/investor3-4.aspx). The relevant regulations include the "Corporate Governance Best Practice Principles", "Procedures for Handling Major Internal Information" and "Regulations for Handling Fraud Reports ".

### **3.4.8 Other important information:**

In order to strengthen corporate governance, the Company has established the Audit Committee which consists of three independent directors and voluntarily appointed the corporate governance officer. In addition, in accordance with the formulation or amendment of the relevant laws and accommodation of the Company's business practice, the Company has formulated "Corporate Governance Best Practice Principles", "Corporate Ethics Code of Conduct", "Ethical Corporate Management Best Practice Principles", "Procedures for Ethical Management and Guidelines for Conduct", "Corporate Social Responsibility Best Practice Principles", "Procedures for the Acquisition and Disposal of Assets", "Regulation and Procedure for Board of Directors Meetings", "Rules Governing the Election of Directors", "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees" and "Audit Committee Charter". The details please refer to the Company's website.

### 3.4.9 Implementation Status of Internal Control System:

#### ◆ Statement of Internal Control System

Silitech Technology Corporation  
Statement of Internal Control System

Date: 2021/2/22

In 2020, the Company conducted an internal examination in accordance with its Internal Control Regulations and hereby declares as follows:

1. The Company is aware that it is the Board's and managers' responsibility to establish, implement and maintain an internal control system, and the Company has set up such a system. The purpose of the system is to ensure the effectiveness and efficiency (including profitability, performance and protection of assets) of the Company's operations, compliance with relevant laws and regulations and that its financial statements are reliable, up to date and easily accessible.
2. Internal control systems have their inherent limitations. No matter how well they are designed, an effective internal control system can only reasonably ensure achievement of the three above objectives. In addition, an internal control system's effectiveness may change as the environment and circumstances change. The internal control system of the Company features a self-monitoring mechanism. Once identified, the Company will take actions to rectify any deficiency.
3. The Company determines whether the design and implementation of its internal control system is effective by referring to the criteria stated in the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter the "Regulations"). The Regulations provides measures for judging the effectiveness of the internal control system. There are five components of an internal control system, as specified in the Regulations, which are broken down based on the management-control process, namely: (1) control environment, (2) risk evaluation, (3) control operation, (4) information and communication and (5) monitoring. Each of the elements in turn contains certain audit items. Refer to the Regulations for details.
4. The Company uses the above criteria to determine whether the design and implementation of its internal control system is effective.
5. After an evaluation of the Company's internal control system based on the above criteria, the Company is of the opinion that, as of December 31, 2020, its internal control system (including supervision and management of subsidiaries) is effective and therefore can reasonably ensure achievement of the above objectives, which include awareness of the degree to which operating results and goals are achieved, compliance with the law and that its financial reporting is reliable, up to date and easily accessible.
6. This statement shall become a principal part of the Company's annual report and prospectus and be made available to the public. Any illegal misrepresentation or omission relating to the public statement above is subject to the legal consequences under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
7. This statement has been approved on February 22, 2021 by the Board, with none of the 7 Directors present opposing it.

Silitech Technology Corporation

Chairman: Yu-Heng Chiao

President: Areta Hsu

- ◆ If CPAs are engaged to review the internal control system, their report shall be disclosed:  
None.

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

**3.4.11 Material resolutions of a shareholders meeting or a board of directors meeting in the most recent year and up to the date of publication of the annual report:**

♦ **Shareholders Meeting Material Resolutions and Implementation**

Date	Proposals	Resolution	Execution
2020.06.18 AGM	Adoption of 2019 Business Report and Financial Statements	According to the voting result, the number of votes supporting the proposal exceeded the number of votes required by law and company policies, the proposal was passed as proposed.	The resolution was adopted.
	Adoption of the Proposal for Appropriation of 2019 Earnings: No dividends were distributed	According to the voting result, the number of votes supporting the proposal exceeded the number of votes required by law and company policies, the proposal was passed as proposed.	The resolution was adopted.
	Amendment to “Articles of Incorporation”	According to the voting result, the number of votes supporting the proposal exceeded the number of votes required by law and company policies, the proposal was passed as proposed.	It has been operated in accordance with the revised procedure. The procedure has been disclosed on the Company’s website.
	Amendment to “Rules and Procedures of Shareholders’ Meeting”	According to the voting result, the number of votes supporting the proposal exceeded the number of votes required by law and company policies, the proposal was passed as proposed.	It has been operated in accordance with the revised procedure. The procedure has been disclosed on the Company’s website.
	Amendment to “Rules Governing the Election of Directors”	According to the voting result, the number of votes supporting the proposal exceeded the number of votes	It has been operated in accordance with the revised procedure. The procedure has been

		required by law and company policies, the proposal was passed as proposed.	disclosed on the Company's website.
	Discussion of Release of Directors from Non-Competition Restrictions.	According to the voting result, the number of votes supporting the proposal exceeded the number of votes required by law and company policies, the proposal was passed as proposed.	The resolution was complied.
2020.08.31 EGM	Discuss to Issue Common Shares for Cash by Private Placement	According to the voting result, the number of votes supporting the proposal exceeded the number of votes required by law and company policies, the proposal was passed as proposed.	The Board of Directors on March 25, 2021 resolved to set March 30, 2021 as the record date for cash injection. The registration procedure was approved by the Department of Commerce, MOEA.
	Re-election of Directors	List of re-elected directors is as follows: (1) Walsin Technology Corporation Representative Yu-Heng Chiao (2) Walsin Technology Corporation Representative Chin-Hui Chen The registration procedure was approved by the Department of Commerce, MOEA.	
	Discussion of Release of Newly-elected Directors from Non-Competition Restrictions	According to the voting result, the number of votes supporting the proposal exceeded the number of votes required by law and company policies, the proposal was passed as proposed.	The resolution was complied.

◆ **Board Meeting Material Resolutions**

Date	Material Proposals	Resolution
2020.02.24	<ol style="list-style-type: none"> <li>1. Approval for the 2019 consolidated financial statements and financial statements.</li> <li>2. Approval for appropriation of 2019 earnings.</li> <li>3. To convene the 2020 shareholders' meeting.</li> </ol>	Directors approved the proposal unanimously.
2020.04.09	<ol style="list-style-type: none"> <li>1. Approval for the Company's subsidiary, Xurong Electronic (Shenzhen) Co., Ltd. , will gradually reduce the production in its factory, after the existing orders have been fulfilled, the factory will be closed in accordance with the laws of the local country.</li> </ol>	Directors approved the proposal unanimously.
2020.04.24	<ol style="list-style-type: none"> <li>1. Approval for the first quarter of 2020 consolidated financial statements.</li> <li>2. Resolution not to offset loss of 2020 1Q.</li> <li>3. To dissolve and liquidate the Company's indirect invested 100% owned subsidiary, Silitech (Hong Kong) Holding Limited.</li> <li>4. To convene the 2020 shareholders' meeting. (additional items)</li> </ol>	Directors approved the proposal unanimously.
2020.07.14	<ol style="list-style-type: none"> <li>1. For long-term strategic development and competitiveness enhancement, it is proposed to issue common shares for capital injection in cash through private placement.</li> <li>2. To convene the 2020 1st special shareholders' meeting.</li> <li>3. Change of Shareholder Services Agent.</li> </ol>	Directors approved the proposal unanimously.
2020.07.27	<ol style="list-style-type: none"> <li>1. Approval for the second quarter of 2020 consolidated financial statements.</li> </ol>	Directors approved the proposal unanimously.
2020.08.31	<ol style="list-style-type: none"> <li>1. To elect new Chairman.</li> </ol>	Directors approved the proposal unanimously.
2020.10.26	<ol style="list-style-type: none"> <li>1. Approval for the third quarter of 2020 consolidated financial statements</li> <li>2. Change of Internal Audit Officer.</li> <li>3. Changes of Financial Officer, Accounting Officer, Corporate Governance Officer and Acting Spokesperson.</li> </ol>	Directors approved the proposal unanimously.
2020.11.12	<ol style="list-style-type: none"> <li>1. Verification and review about the public tender offeror's (Walsin Technology Corporation) identity and financial status, the fairness of the acquisition conditions, the reasonableness of the source of funds and recommendations to shareholders.</li> </ol>	The representatives of corporate director, Walsin Technology Corporation, Mr. Yu-Heng Chiao and Ms. Chin-Hui Chen did not participate in the

		discussion and resolution of this matter. After reviewing, the other directors provided recommendations to shareholders. And the recommendations was posted on the MOPS.
2020.12.22	1. The subsidiary, Silitech Technology Corporation Sdn. Bhd., to authorize Chairman to acquire land and factory in Malaysia.	Directors approved the proposal unanimously.
2020.12.30	1. Appointment and release of the managerial officer from the non-competition restrictions. 2. Changes of Spokesperson and Acting Spokesperson.	Directors approved the proposal unanimously.
2021.02.22	1. Approval for the 2019 consolidated financial statements and financial statements.	Directors approved the proposal unanimously.
2021.03.25	1. Resolution of the price determination for private placement of common share and related matter. 2. Approval for covering of 2020 losses. 3. To convene the 2021 shareholders' meeting.	Directors approved the proposal unanimously.
2021.04.26	1. Approval for the first quarter of 2021 consolidated financial statements. 2. The Company has issued 8 million shares by private placement according to the resolution of 2020 1st special shareholders' meeting, to resolve to terminate remaining 1 million shares. 3. To convene the 2021 shareholders' meeting. (additional items)	Directors approved the proposal unanimously.

**3.4.12 In the most recent year and up to the date of publication of the annual report, directors held different opinions (on record or with written statement) about important resolutions passed at Board meetings and the major contents are: None.**

**3.4.13 In the most recent year and up to the date of publication of the annual report, any of Chairman, President, Accounting Officer, Financial Officer, Internal Audit Officer, Corporate Governance Officer and R&D Head resigned or was discharged:**

Position	Name	Appointed Date	Resignation Date	Reason for Resignation or Discharge
Chairman	Raymond Soong	2002.01.01	2020.08.31	Resignation
President	James Huang	2015.01.01	2020.12.31	Retirement
CFO (Financial and Accounting Officer) / Corporate Governance Officer	Sarah Cheng	2018.04.18	2020.10.27	Resignation
Internal Audit Officer	Alfa Yeh	2003.06.12	2020.10.27	Retirement



### 3.4.14 Information regarding directors' and managers' participation in advanced training courses:

#### ♦ Advanced Training Courses for Directors in 2020

Title	Name	Date	Organizer	Course Title	Hours	Total Hours
Chairman	Yu-Heng Chiao	2020.04.10	Taiwan Corporate Governance Association	Audit Transformation and Value Enhancement- from Big Data Audit to Risk Intelligence Dashboard	3	12
		2020.11.13	Taiwan Corporate Governance Association	Fast-Changing Semiconductor Industry	3	
		2020.12.17	Taiwan Corporate Governance Association	Internet of Things, Big Data and Artificial Intelligence	3	
		2020.12.17	Taiwan Corporate Governance Association	In the Chaos, How to Find a Solution for the Ideal? ; Current International and Cross-strait Situation	3	
Director	Raymond Soong	2020.04.29	Taiwan Corporate Governance Association	Sustainable Development Trend of Global Enterprises- the Strategic Thinking of Integrating SDGs and Promoting Circular Economy	3	6
		2020.10.30	Taiwan Corporate Governance Association	Legal Issues Related to Company's Internal Material Information	3	
Director	Warren Chen	2020.04.29	Taiwan Corporate Governance Association	Sustainable Development Trend of Global Enterprises- the Strategic Thinking of Integrating SDGs and Promoting Circular Economy	3	6
		2020.10.30	Taiwan Corporate Governance Association	Legal Issues Related to Company's Internal Material Information	3	
Director	Chin-Hui Chen	2020.11.25	Securities and Futures Institute	Directors and Independent Directors / Corporate Governance Officer Practice Workshop	12	12
Independent Director	C.P. Chang	2020.03.24	Taiwan Corporate Governance Association	Introduction to the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and ISO 37001 Anti-bribery Management System	1.5	6
		2020.05.12	Taiwan Corporate Governance Association	The Impact of Covid-19 on the Economy and Industry and the Following Prospects	1.5	
		2020.08.11	Taiwan Corporate Governance Association	Little Blue Cup Storm from the Perspective of Corporate Governance- luckin Coffee	1.5	
		2020.11.10	Taiwan Corporate Governance Association	New Generation of Consumer Behavior Creates Economic Models	1.5	

Independent Director	James Kuo	2020.08.21	Dharma Drum Mountain Humanities and Social Improvement Foundation	Taiwan's Social Innovation and Development Trend	3	12
		2020.09.24	Securities and Futures Institute	Principle and Application of Blockchain	3	
		2020.10.21	Securities and Futures Institute	Corporate M&A Practice Sharing-Hostile M&A	3	
		2020.10.22	Securities and Futures Institute	Principles and Applications of Artificial Intelligence	3	
Independent Director	Chiu, Te-Chen	2020.08.11	Taiwan Corporate Governance Association	Disclosure of Company Material Information and Responsibilities of Directors and Supervisors	3	6
		2020.08.11	Taiwan Corporate Governance Association	The Impact of the New Company Act on Directors, Supervisors and Shareholders	3	

♦ **Advanced Training Courses for Managers (in the most recent year and up to the date of publication of the annual report)**

Manager	Name	Course name	Hours
Accounting Officer	Ronnie Chen	Initial Education for Accounting Officer	30
CFO/ Financial Officer / Corporate Governance Officer	Wei-Lin Chen	Directors and Independent Directors / Corporate Governance Officer Practice Workshop	12

### 3.5 Information on CPAs' Fees

#### 3.5.1 The non-audit fee paid to certified CPA, certified Office of CPA and affiliated companies accounts for less 1/4 to audit fee, the content and fee as below:

Unit: NT\$ thousands

Accountant Firm	Name of CPA	Audit Fee	Non-audit Fee					CPA Audit Period	Remarks
			System Design	Business Registrations	Human Resources	Others (Note 2)	Sub-total		
Deloitte & Touche	Yung-Hsiang Chao Jr-Shian Ke	3,720	0	0	0	415	415	2020.1.1~2020.6.30	1. Internal adjustment of the accounting firm.
	Meng-Chieh Chiu Jr-Shian Ke							2020.7.1~2020.12.31	2. Transfer pricing report, annual report review etc. : NT\$ 415 thousand

Note 1: If a change of accountant firm has taken place during the year, please divide the audit period and disclose audit and non-audit fee in chronological order. Please also state the reason for such changes in the remarks column.

Note 2: State non-audit fees by service items respectively. If the "others" of the non-audit fees is more than 25% of the total non-audit fee, please state the service contents in the remarks column.

#### 3.5.2 Change of CPA firm and the audit fee paid in the year of the change is less than those paid in the previous year: None.

#### 3.5.3 If audit fee is reduced by at least 10% from the previous year, the amount, percentage and reason for reduction must be disclosed: The reason for the audit fee reduction of NT\$600 thousand and 14% is that the Shenzhen Xurong Factory is gradually reducing production and scale, so the audit fee is reduced.

### 3.6 Information on the Replacement of CPAs

If the Company has changed the CPAs during the last two years, the following matters shall be disclosed:

#### 3.6.1 About the previous CPAs:

Date of Change	Approved by BOD on October 26, 2020		
Reasons and Explanation of Changes	The CPAs are changed from Yung-Hsiang Chao and Jr-Shian Ke to Meng-Chieh Chiu and Jr-Shian Ke due to the internal adjustment from Deloitte Touche Tohmatsu Limited.		
State Whether the Appointment is Terminated or Rejected by the Consignor or CPAs	Client		CPA
	Status	Consignor	
	Appointment terminated automatically		Not applicable
Appointment rejected (discontinued)			
The Opinions other than Unmodified Opinion Issued in the Last Two Years and the Reasons for the Said Opinions	None		
Is there any Disagreement in Opinion with the Issuer	Yes		Accounting principle or practice
			Disclosure of financial statements
			Auditing scope or procedures
			Others
	None		
	Explanation		
Supplementary Disclosure (Disclosures Specified in Article 10.6.1.4~7 of the Standards)	None		

**3.6.2 About the Succeeding CPAs:** Not applicable.

**3.6.3 The Reply of Former CPAs on Article 10.6.1 and Article 10.6.2.3 of the Standards:** Not applicable.

**3.7 Where the Company's Chairman, President, Financial or Accounting Head Has Worked for Its Certified Public Accountant Firm or Its Affiliate Business in the Past Year:** None.

### 3.8 Any Transfer and Pledge of Shares of the Directors, Managers and Shareholders Holding More Than 10% of the Company's Shares

#### 3.8.1 Net Change in Shares Held

Unit: shares

Title	Name	2020		As of Closure Date April 17, 2021	
		Increase (decrease) of shares held	Increase (decrease) of shares pledged	Increase (decrease) of shares held	Increase (decrease) of shares pledged
Director/Major Shareholder	Walsin Technology Corporation	9,000,000	0	8,000,000	0
Director Representative	Yu-Heng Chiao (Appointed on 2020/8/31)	0	0	0	0
Director Representative	Chin-Hui Chen (Appointed on 2020/8/31)	0	0	0	0
Director/Major Shareholder	Lite-On Technology Corporation	(9,000,000)	0	0	0
Director Representative	Raymond Soong	0	0	0	0
Director Representative	Warren Chen	0	0	0	0
Director Representative	Charlie Tseng (Resigned on 2020/3/31)	0	0	N/A	N/A
Director Representative	Anson Chiu (Appointed on 2020/3/31) (Resigned on 2020/7/14)	0	0	N/A	N/A
Director Representative	King, Yung-Chou (Resigned on 2020/7/14)	0	0	N/A	N/A
Independent Director	C.P. Chang	0	0	0	0
Independent Director	James Kuo	0	0	0	0
Independent Director	Chiu, Te-Chen	0	0	0	0
President	James Huang (Resigned on 2020/12/31)	0	0	N/A	N/A
President	Areta Hsu (Appointed on 2021/1/1)	N/A	N/A	0	0
CFO (Financial and Accounting Officer) / Corporate Governance Officer	Sarah Cheng (Resigned on 2020/10/27)	0	0	N/A	N/A
CFO / Financial Officer / Corporate Governance Officer	Wei-Lin Chen (Appointed on 2020/10/27)	0	0	0	0
Accounting Officer	Ronnie Chen (Appointed on 2020/10/27)	0	0	0	0

Note: Issuing 8,000,000 common shares for capital injection in cash through private placement on March 30, 2021.

### 3.8.2 Shares Transferred

Name (Note 1)	Reason for Shares Transferred (Note 2)	Transaction Date	Transaction Counterparty	Relationship between Counterparty and the Company, Directors, Supervisors, Managers and Shareholders Holding More Than 10% of All Shares	Number of Shares	Transaction Price (NTD)
Lite-On Technology Corporation	Disposal	2020/6/8	Walsin Technology Corporation	None	9,000,000	33

Note 1: Fill in the name of the Company's directors, supervisors, managers and shareholders holding more than 10% of all shares.

Note 2: Fill in acquisition or disposal.

### 3.8.3 Shares Pledged

Name (Note 1)	Reason for Shares Pledged (Note 2)	Change Date	Transaction Counterparty	Relationship between Counterparty and the Company, Directors, Supervisors, Managers and Shareholders Holding More Than 10% of All Shares	Number of Shares	Shareholding Ratio	Pledge Ratio	Pledge (Redemption) Amount
None	None	None	None	None	0	0%	0%	0

Note 1: Fill in the name of the Company's directors, supervisors, managers and shareholders holding more than 10% of all shares.

Note 2: Fill in pledge or redemption.

### 3.9 Information on Relationships amongst the Top Ten Shareholders and Their Relationships with Spouses or Relatives within the Second Degree of Kinship

2021/4/17

Name (Note 1)	Shareholding by Self		Shareholding by Spouse and Underage Children		Shareholding under the Title of a Third Party		Name and Relationships of Related Parties to Top Ten Shareholders (Spouse and Relatives within the Second Degree (Note 3)		Remarks
	Quantity of Shares	Proportion of Shareholding	Quantity of Shares	Proportion of Shareholding	Quantity of Shares	Proportion of Shareholding	Title (or name)	Relation	
Walsin Technology Corporation	17,000,000	25.00%	0	0%	0	0%	None	None	None
Walsin Technology Corporation Representative Yu-Heng Chiao	0	0%	0	0%	0	0%	Walsin Technology Corporation	Chairman and CEO	None
Walsin Technology Corporation Representative Chin-Hui Chen	0	0%	0	0%	0	0%	Walsin Technology Corporation	AVP	None
Lite-On Technology Corporation	11,322,003	16.65%	0	0%	0	0%	Lite-On Capital Corporation	Parent Company and Subsidiary	None
Lite-On Technology Corporation Representative Raymond Soong	0	0%	0	0%	0	0%	Lite-On Technology Corporation	Director	None
							Soong, Hui-Ling	First Degree of kinship	None
							Tom Soong		None
Lite-On Technology Corporation Representative Warren Chen	0	0%	0	0%	0	0%	Lite-On Technology Corporation	Director	None
Dabaoying Company Limited	1,695,000	2.49%	0	0%	0	0%	Chen, Hsiu-Shih	Chairman	None
Dabaoying Company Limited Chairman Chen, Hsiu-Shih	585,000	0.86%	0	0%	0	0%	Chen, Hsiu-Shih	Self	None
Chen, Lien-Hai	1,234,000	1.81%	0	0%	0	0%	None	None	None
Lin, Huan-Chang	728,000	1.07%	0	0%	0	0%	None	None	None
Soong, Hui-Ling	593,320	0.87%	0	0%	0	0%	Raymond Soong	First Degree of kinship	None
							Tom Soong	Second Degree of kinship	None
Chen, Hsiu-Shih	585,000	0.86%	0	0%	0	0%	Dabaoying Company Limited	Chairman	None
Chen, Ya-Ping	484,000	0.71%	0	0%	0	0%	None	None	None
Huang, Jian-Tai	453,808	0.67%	0	0%	0	0%	None	None	None
Lite-On Capital Corporation	385,545	0.57%	0	0%	0	0%	Lite-On Technology Corporation	Parent Company and Subsidiary	None
Lite-On Capital Corporation Chairman Tom Soong	0	0%	0	0%	0	0%	Lite-On Technology Corporation	Chairman	None
							Raymond Soong	First Degree of kinship	None
							Soong, Hui-Ling	Second Degree of kinship	None

Note: Issuing 8,000,000 common shares for capital injection in cash through private placement on March 30, 2021.

### 3.10 The Total Number of Shares of the Same Investee Held by the Company, Its Directors, Managers and Which the Company Controls Directly or Indirectly, with the Aggregate Shareholding Percentages

As of December 31, 2020

Units: Shares; %

Re-Investment Companies ( Note )	Investment by the Company		Investment of Directors, Supervisors, Managers or Enterprises under Their Direct or Indirect Control		Combined Investment	
	Quantity of Shares	Proportion of Shareholding	Quantity of Shares	Proportion of Shareholding	Quantity of Shares	Proportion of Shareholding
Silitech (BVI) Holding Ltd.	52,181,926	100.00	–	–	52,181,926	100.00

Note: Investments accounted for using the equity method.



## Fundraising Overview

### 4.1 Capital and Shares

#### 4.1.1 Sources of Share Capital

- ◆ Historical Sources of Share Capital

Unit: NT\$ thousands; thousand shares

Year. Month	Issue Price (NT\$)	Authorized Capital Stock		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Property Other than Cash Offset by the Number of Shares	Note
2001.10	10	100	1,000	100	1,000	Issuing capital	—	Note 1
2001.12	10	30,000	300,000	30,000	300,000	Capital increase 299,000 by cash	—	Note 2
2002.07	10	15,000	150,000	15,000	150,000	Capital reduction 150,000	—	Note 3
2002.10	10	80,000	800,000	45,000	450,000	Demerger capital increase 300,000	300,000	Note 4
2003.06	10	80,000	800,000	78,060	780,600	Capital increase 105,600 by earnings (Including capital increase by employee bonus of 11,100) Capital increase 225,000 by capital surplus	—	Note 5
2004.08	10	120,000	1,200,000	91,147	911,465	Capital increase 130,865 by earnings (Including capital increase by employee bonus of 13,775)	—	Note 6
2005.08	10	120,000	1,200,000	113,558	1,135,578	Capital increase 224,113 by earnings (Including capital increase by employee bonus of 41,820)	—	Note 7
2006.09	10	300,000	3,000,000	134,830	1,348,300	Capital increase 212,722 by earnings (Including capital increase by	—	Note 8

Year. Month	Issue Price (NT\$)	Authorized Capital Stock		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Property Other than Cash Offset by the Number of Shares	Note
						employee bonus of 33,300)		
2007.09	10	300,000	3,000,000	150,730	1,507,302	Capital increase 159,002 by earnings (Including capital increase by employee bonus of 33,610)	—	Note 9
2008.08	10	300,000	3,000,000	171,377	1,713,770	Capital increase 206,468 by earnings (Including capital increase by employee bonus of 43,680)	—	Note 10
2009.09	10	300,000	3,000,000	175,944	1,759,438	Capital increase 45,668 by earnings (Including capital increase by employee bonus of 28,730)	—	Note 11
2010.08	10	300,000	3,000,000	179,223	1,792,226	Capital increase 32,788 by earnings (Including capital increase by bonus of 15,394)	—	Note 12
2011.08	10	300,000	3,000,000	182,955	1,829,553	Capital increase 37,327 by earnings (Including capital increase by employee bonus of 19,605)	—	Note 13
2011.12	10	300,000	3,000,000	180,955	1,809,553	Capital reduction and cancellation of 20,000	—	Note 14
2012.08	10	300,000	3,000,000	184,564	1,845,643	Capital increase 36,090 by earnings (Including capital	—	Note 15

Year. Month	Issue Price (NT\$)	Authorized Capital Stock		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Property Other than Cash Offset by the Number of Shares	Note
						increase by employee bonus of 17,994)		
2013.08	10	300,000	3,000,000	187,706	1,877,057	Capital increase 31,414 by earnings (Including capital increase by employee bonus of 12,958)	—	Note 16
2014.08	10	300,000	3,000,000	189,384	1,893,838	Capital increase 16,781 by earnings (Including capital increase by employee bonus of 3,641)	—	Note 17
2018.08	10	300,000	3,000,000	179,384	1,793,838	Capital reduction and cancellation of 100,000	—	Note 18
2019.08	10	300,000	3,000,000	60,000	600,000	Cash refunded capital reduction 1,193,838	—	Note 19
2021.04	10	300,000	3,000,000	68,000	680,000	Capital increase 80,000 by Private Placement	—	Note 20

Note 1: Approval date and document No.: 2001.10.26 Jin (090) Son No. 90121318

Note 2: Approval date and document No.: 2001.12.31 Jin (090) Son No. 09001521970

Note 3: Approval date and document No.: 2002.07.22 Jin So Son Tzi No. 09101284750

Note 4: Approval date and document No.: 2002.10.29 Jin So Son Tzi No. 09101427660

Note 5: Approval date and document No.: 2003.06.24 Jin So Son Tzi No. 09201197310

Note 6: Approval date and document No.: 2004.08.16 Jin So Son Tzi No. 09301154730

Note 7: Approval date and document No.: 2005.08.12 Jin So Son Tzi No. 09401155260

Note 8: Approval date and document No.: 2006.09.06 Jin So Son Tzi No. 09501200670

Note 9: Approval date and document No.: 2007.09.05 Jin So Son Tzi No. 09601219870

Note 10: Approval date and document No.: 2008.08.22 Jin So Son Tzi No. 09701212800

Note 11: Approval date and document No.: 2009.09.07 Jin So Son Tzi No. 09801204090

Note 12: Approval date and document No.: 2010.08.20 Jin So Son Tzi No. 09901190900

Note 13: Approval date and document No.: 2011.08.24 Jin So Son Tzi No. 10001196060

Note 14: Approval date and document No.: 2011.12.16 Jin So Son Tzi No. 10001281880

Note 15: Approval date and document No.: 2012.08.27 Jin So Son Tzi No. 10101174340

Note 16: Approval date and document No.: 2013.08.26 Jin So Son Tzi No. 10201174340

Note 17: Approval date and document No.: 2014.08.15 Jin So Son Tzi No. 10301170630

Note 18: Approval date and document No.: 2018.08.13 Jin So Son Tzi No. 10701099500

Note 19: Approval date and document No.: 2019.08.12 Jin So Son Tzi No. 10801105700

Note 20: Approval date and document No.: 2021.04.20 Jin So Son Tzi No. 11001062160

◆ **Types of Shares**

Type of share	Authorized Capital			Remarks
	Circulating shares Issued and Outstanding	Unissued Shares	Total	
Common stock	68,000,000	232,000,000	300,000,000	Including 8,000,000 shares issued by private placement. Remaining are listed trading shares.

◆ **Information on Shelf Registration:** None.

#### 4.1.2 Shareholder Structure

2021/4/17

Shareholder Structure Quantity	Government Agency	Financial Institution	Other Institutional Entities	Individual	Foreign Institution and Foreigner	Investors of Mainland China	Total
No. of persons	0	1	124	25,135	53	1	25,314
Quantity of shares	0	38,000	30,453,726	36,283,102	1,225,171	1	68,000,000
Proportion of shareholding	0%	0.06%	44.78%	53.36%	1.80%	0%	100%

Note: A primary exchange (or OTC) listed company or emerging stock company shall disclose the ratio of shares held by investors of mainland China ; According to Article 3 of the Regulations Governing Investment Permit to the People of Mainland China, investors of mainland China shall refer to people, juridical persons, organizations or other institutions of mainland China or their invested companies in the third area.

### 4.1.3 Distribution of Shareholders

#### ◆ Distribution of Common Shares

2021/4/17

Shareholding	Number of Shareholders	Quantity of Shares	Proportion of Shareholding
1 to 999	20,030	2,354,176	3.46%
1,000 to 5,000	4,278	8,422,093	12.39%
5,001 to 10,000	489	3,529,869	5.19%
10,001 to 15,000	170	2,101,008	3.09%
15,001 to 20,000	93	1,642,454	2.42%
20,001 to 30,000	81	2,030,791	2.99%
30,001 to 50,000	75	2,909,511	4.27%
50,001 to 100,000	43	2,990,505	4.40%
100,001 to 200,000	34	4,604,004	6.77%
200,001 to 400,000	12	3,320,458	4.88%
400,001 to 600,000	4	2,116,128	3.11%
600,001 to 800,000	1	728,000	1.07%
800,001 to 1,000,000	0	0	0%
1,000,001 and more	4	31,251,003	45.96%
Total	25,314	68,000,000	100%

#### ◆ Distribution of Preferred Shares: None.

### 4.1.4 List of Major Shareholders

2021/4/17

Major Shareholders	Quantity of Shares	Proportion of Shareholding
Walsin Technology Corporation	17,000,000	25.00%
Lite-On Technology Corporation	11,322,003	16.65%
Dabaoying Company Limited	1,695,000	2.49%
Chen, Lien-Hai	1,234,000	1.81%
Lin, Huan-Chang	728,000	1.07%
Soong, Hui-Ling	593,320	0.87%
Chen, Hsiu-Shih	585,000	0.86%
Chen, Ya-Ping	484,000	0.71%
Huang, Jian-Tai	453,808	0.67%
Lite-On Capital Corporation	385,545	0.57%

#### 4.1.5 Stock Price, Net Value, Earnings, Dividends and Related Information for the Most Recent 2 Years

Item \ Year			2019	2020	2021/01/01-2021/04/30 (Note 8)
Market Price per Share (Note 1)	Highest Market Price		27.95	37.10	50.50
	Lowest Market Price		11.95	17.15	30.70
	Average Market Price		17.51	27.73	42.14
Net Worth per Share (Note 2)	Before Distribution		42.02	34.87	34.93(Note 8)
	After Distribution		42.02	(Note 9)	N/A
Earnings per Share	Weighted Average Shares (thousand shares)		127,378	60,000	60,178
	Earnings per Share (Note 3)	Before Adjustment	(0.24)	(6.10)	0.23(Note 8)
		After Adjustment	(0.24)	(6.10) (Note 9)	N/A
Dividends per Share	Cash Dividends		0	0	N/A
	Stock Dividends	Stock Dividends Appropriated from Retained Earnings	0	0 (Note 9)	N/A
		Stock Dividends Appropriated from Capital Reserve	0	0	N/A
	Accumulated Unappropriated Dividends (Note 4)		0	0	N/A
Investment Return Analysis	P/E Ratio (Note 5)		N/A	N/A	N/A
	Price-dividend Ratio (Note 6)		N/A	N/A	N/A
	Cash Dividend Yield (Note 7)		0%	0%	N/A

\*If shares are distributed in connection with a capital increase out of earnings or capital surplus, information on market prices and cash dividends retroactively adjusted based on the number of shares after distribution shall be disclosed.

Note 1: The highest and lowest share prices for each year are provided, with the average price for the year computed based on each year's transaction amount and volume.

Note 2: Use the number of the outstanding issued shares at year's end and the distribution passed at the following year's shareholders' meeting to fill in.

Note 3: If it is necessary to make adjustments retroactively due to situations such as issuance of bonus shares, the earnings per share before and after the adjustments should be listed.

Note 4: If the conditions of the equity issuance require that dividends not yet distributed for the year be accumulated and paid out in a later year with positive earnings, the dividends that have been accumulated up to the current year and not yet distributed shall be disclosed respectively.

Note 5: Price-earnings ratio = Average per share closing price for the year / earnings per share.

Note 6: Price-dividend ratio = Average per share closing price for the year / cash dividend per share.

Note 7: Cash dividend yield = Cash dividend per share / average per share closing price for the year.

Note 8: The net value per share and earnings per share should be filled in with the information of the Independent Auditors' (Review) Report in the most recent quarter of the annual report. The remaining fields should be filled in the year of the date of publication of the annual report.

Note 9: The covering of 2020 loss will be approved with resolution by the 2021 shareholders' meeting.

#### 4.1.6 Dividend Policy and Implementation Status

##### ♦ Dividend Policy

1. In order to comply with the practical process to Company's dividend distribution, the Company's dividend policy in Articles of Incorporation amended on June 18, 2020 is stated as below:

If there is net profit after tax upon the final settlement of account of each fiscal year, the Company shall first offset any previous accumulated losses (including unappropriated earnings adjustment if any) and set aside a legal reserve at 10% of the net profits, unless the accumulated legal reserve is equal to the total capital of the Company; then set aside special reserve shall be provided or reversed in accordance with relevant laws or regulations or as requested by the authorities in charge. The remaining net profit, plus the beginning unappropriated earnings (including adjustment of unappropriated earnings if any) , apart from retained earnings allocated in part from the necessary capital for the Company's future developments, shall be distributed into dividends to shareholders according to the distribution plan proposed by the Board of Directors and submitted to the shareholders' meeting for approval.

The Dividend Policy of the Company is in consideration of business development plan, investing environment, global competitiveness and the shareholders' interest. The Dividend Policy of the Company is the distribution to shareholders with the appropriation of the amount which shall be no less than 70% of the net profit after income tax under the circumstance that there is no cumulated loss in prior years. The distribution may be executed in cash dividend and/or share dividend, and the cash dividend shall be no less than 90% of the total distributed dividends.

In case there are no earnings for distribution in a certain year, or the earnings of a certain year are significantly less than the earnings actually distributed by the Company in the previous year, or considering the financial, business or operational factors of the Company, the Company may allocate a portion or all of its reserves for distribution in accordance with relevant laws or regulations or the orders of the authorities in charge.

Where the Company distributes preceding surplus earning or any reserves in the form of cash, such distribution is authorized to be made after a resolution has been adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting; if such distribution is in the form of new shares to be issued, it shall be approved by shareholders' meeting according to the regulations.

2. The Company's Board of Directors resolved to amend the Company's Articles of Incorporation on April 26, 2021. In accordance with the Company's Articles of Incorporation after amendment, the Dividend Policy of the Company is in consideration of business development plan, investing environment, global competitiveness and the shareholders' interest. The Dividend Policy of the Company is the distribution to shareholders with the appropriation of the amount which shall be no less than 30% of the net profit after income tax under the circumstance that there is no cumulated loss in prior

years. The distribution may be executed in cash dividend and/or share dividend, and the cash dividend shall be no less than 50% of the total distributed dividends. The aforementioned proposals will be resolved in the 2021 shareholders' meeting.

◆ **Dividends Distribution to be Proposed to the Shareholders' Meeting**

1. The Company's Board of Directors on March 25, 2021 resolved that no cash dividends were distributed for Year 2020.
2. Total accumulated losses to be covered of the Company for 2020 amounted to NT\$61,080,589. Due to the net loss for 2020, the Company's Board of Directors on March 25, 2021 resolved no dividends distributed to shareholders and proposed accumulated losses to be covered by capital surplus. The aforementioned proposals will be resolved in the 2021 shareholders' meeting.

**4.1.7 Impact of issuance of stock dividends proposed in this shareholders' meeting upon the Company's business performance and earning per share (EPS)**

No stock dividends were proposed in the 2021 shareholders' meeting of the Company. Therefore it is not applicable.

**4.1.8 Compensation for Employees and Directors**

◆ **The Company's Articles of Incorporation includes the amount and coverage of compensation for employees and directors**

The Company shall allocate the following compensation from the profit of each fiscal year (The "profit" means "profit before income tax and employees' and directors' compensation"), however, the Company shall have reserved a sufficient amount from such profit to offset its accumulated losses (including unappropriated earnings adjustment if any):

1. Employees' compensation: no less than 10%.
2. Directors' compensation: no more than 5%.

The employees' compensation under the preceding paragraph may be distributed in shares or cash. Those entitled to such compensation include the Company's employees or employees of the Company's parent or subsidiary companies that meet certain specific requirements. The Board of Directors is authorized with full powers to determine the terms and methods of appropriation. Where the securities management authorities have other rules governing the qualification requirements of employees specified, such rules shall be followed. The Directors' compensation under the preceding paragraph will only be distributed by cash.

The Company shall, upon a resolution of the Board of Directors, distribute employees' and directors' compensation in the preceding two paragraphs, and report to the shareholders' meeting for such distribution.

Pursuant to Company's Board of Directors on April 26, 2021 resolved to amend Company's Articles of Incorporation, the Company shall allocate the employees' compensation 2%~10% and directors' compensation no more than 3%, based on the profit before income tax and



employees' and directors' compensation. The aforementioned proposals will be resolved in the 2021 shareholders' meeting.

♦ **Basis for estimates of compensations for employees and directors this term, basis for calculating employee stock compensation and accounting procedures for when there is a discrepancy between the estimated and actual amount:**

1. Due to the loss before tax for 2020, there is no compensation distributed to employees and directors.
2. If there is profit before tax, the procedures are as follows:
  - Basis for estimates of compensations distributed for employees and directors is based on past experience and consideration of the current operating conditions, and estimates based on the amount that may be issued.
  - Basis for calculating employee stock compensation is based on the closing price of previous day of BOD. The compensation to employee calculating less 1 share shall be distributed by cash dividends.
  - The accounting procedures for when there is a discrepancy between the estimated and actual amount  
If the actual distribution amount is significantly changed by the resolution of the BOD before announcement date of the annual financial report, the original allocation annual cost shall be adjusted. If it is changed after announcement date of the annual financial report, it shall be adjusted to record next year according to the accounting estimate.

♦ **Information regarding board of directors' approval of compensation**

1. Due to the loss before tax for 2020, the Company's Board of Directors on February 22, 2021 resolved no compensation distributed to employees and directors, and pending to report on the 2021 AGM. There is no difference between the aforementioned amount and the estimation recognized in the 2020 financial statements.
2. The amount of employee compensation in the form of stock and its percentage of the Company's after-tax income (as reported in the financial statement of this term) and total employee compensation: No employee compensation for this term. It is not applicable.

♦ **The actual distribution of employee and director compensation for 2019**

Unit: NT\$

	Actual Amount	Estimated Amount	Difference
Compensation to Employee - Stock Dividends	0	0	None
Compensation to Employee - Cash Dividends	0	0	None
Compensation to Directors	0	0	None

**4.1.9 The Execution Status of Shares Buyback:** None.

**4.2 Issuance of Corporate Bonds:** None.

**4.3 Issuance of Preferred Shares:** None.

**4.4 Issuance of Global Depositary Receipts:** None.

**4.5 Status of Employee Stock Option Plan or Restricted Stock:** None.

**4.6 Status of New Share Issuance in Connection with Mergers and Acquisitions:**  
None.

#### **4.7 Financing Plans and Implementation:**

##### **4.7.1 Plan Content**

- ◆ **Plan of the funds raised**

In order to meet the needs of cooperation and development, expanding channels, enriching working capital, capital expenditures, reinvestments, merger and acquisition purposes or other capital needs of the Company's future development, the Company's special shareholders' meeting on August 31, 2020 has reached a resolution to authorize the Board of Directors with the total number of issued common shares to be no more than 9,000,000 shares to issue common shares for capital injection in cash through private placement at once or in two times within one year from the resolution date of the shareholders' meeting.

- ◆ **Disclosed date on MOPS:** March 25, 2021.

- ◆ **Source of funds**

Subscriber	Date of full payment	Quantity of subscription (shares)	Subscription price(NT\$)	Total of subscription price(NT\$)
Walsin Technology Corporation	March 29, 2021	8,000,000	33	264,000,000

- ◆ **Planned projects and estimated use of funds**

From the second quarter of 2021, it will be used for cooperation and development, expanding channels, enriching working capital, capital expenditures, reinvestments, merger and acquisition purposes or other capital needs of the Company's future development.

♦ **Expected potential benefits**

The purpose of the private placement is to enhance a more intensive long-term cooperation relationship between the Company and Walsin Technology Corporation and assist the Company's operational development and strengthen the momentum of growth and transformation.

♦ **All previous changes to the contents of the plan, the reasons for the changes, the benefits before and after the changes, and the date of submitting the change plan to the shareholders' meeting**

The Board of Directors on March 25, 2021 resolved to issue 8,000,000 common shares for capital injection in cash through private placement. Based on objective practical considerations, the board of directors resolves the termination of the remaining limit of 1,000,000 shares.

#### 4.7.2 Implementation

Planned project	Implementation Status		As of March 31, 2021	Reasons for Running Schedule Ahead or Behind and Improvement Plans
Cooperation and development, expanding channels, enriching working capital, capital expenditures, reinvestments, merger and acquisition purposes or other capital needs of the Company's future development	Amount	Scheduled	0	N/A
		Actual	0	
	Implementation progress %	Scheduled	0%	
		Actual	0%	

## Operational Highlights

### 5.1 Business Activities

#### 5.1.1 Scope of Business

##### ♦ Major Lines of Business and Relative Weight

Unit: NT\$ thousands

	Major Lines of Business	Year 2019		Year 2020	
		Revenue	Weight	Revenue	Weight
Mechanical Components & Exterior Optical Modules	Design, manufacture and sales of exterior optical components and input devices for automobiles, 3C, Netcom, etc.	2,295,774	100%	1,734,002	100%

##### ♦ Current Products (Services)

Major Products	Current Products
Exterior Decoration Mechanical Components & Input Device Products	3C industry, automobile central control mechanical parts and interior glass, Netcom, wearable optical exterior mechanical components and input devices
Module Products	3C, automotive, smart lock and other modular products, combined with keypads, flexible or rigid circuit boards, backlights (such as LED) and IC circuits and other integrated products

##### ♦ New Products (Services) Planned for Development

1. Development and functional update of exterior optical components.
2. Development of new materials which applied to the exterior mechanical components.
3. Development of environmentally friendly & non-toxic materials.
4. Development of precise molds and fixtures.
5. Development of heterojunction materials and their technologies and products.
6. Development of various composite films and products.

## 5.1.2 Overview of Industry

### ♦ Current Status and Development of the Industry

Silitech applies our specialized core technologies and techniques to the integration of rubber, plastic and optical components within two main production and product categories: Mechanical Integration and Automotive Components, and also provides customized design and manufacturing services. The products include 3C industry, automobile central control mechanical parts and interior glass, Netcom, wearable optical exterior mechanical components and input devices. The following is a brief description of the automotive, smart home and wearable device markets.

#### 1. Automotive Market Overview

In 2020, affected by the COVID-19, demand in the global automobile market has dropped sharply. Major automobile factories have cut production or suspended operations. The global automobile sales have fallen sharply. According to data from IHS Markit, global automobile sales in 2020 will be approximately 76.50 million units. Major global auto markets such as China, Europe, and North America are all showing a negative growth trend.

According to the Association of Automobile Manufacturers data of each country, in 2020, the sales volume of automobiles in China fell to 25.27 million units, down 1.9%. It is still the largest single country market, accounting for nearly 30% of global sales. The US auto market sold 14.50 million units, accounting for about 20% of global sales. Japanese car sales also fell by 11.5%, and the market size was the lowest level since 2011. Sales in the main European automotive markets (Western and Central Europe) were 13.7 million units, a decrease of 24.2% from 2019.

TrendForce stated that the global auto market will recover in 2021, and auto sales will rebound to 84 million units. At the same time, under the development of automation, intelligence and electrification, the consumption of semiconductor components will increase sharply. In 2020 severely impacted by the COVID-19, the stocking kinetic energy of major module factories is obviously insufficient, which has seriously affected the utilization rate and shipments of auto factories.

Driven by the trend of the Internet of Vehicles, the output value of Automotive Telematics System will triple to US\$ 6.7 billion by 2023. The functions of safety and security will be enriched, such as emergency calls, roadside assistance, tracking stolen vehicles and online updates.

In addition, more and more cars are equipped with display screens, and the demand for car panels is also increasing. IHS predicts that the global automotive display system market will reach US\$20.8 billion in 2022, compared to 2017 of US\$11.6 billion, an increase of US\$9.2 billion in five years.

In addition to the central display system, rear seat entertainment and information screens, the growth of car display market comes from safety display systems, instrument panels, head-up displays, and electronic rear-view mirrors. Leading vendors include Continental, Visteon, Panasonic, Denso and Bosch. The top 5 players accounted for more than 50% market share of the display system market. With the introduction of automotive touch modules by major automakers, the demand for automotive touch panel modules has surpassed that of notebook computer touch panel modules, becoming the third largest application after smart phones and tablets.

## 2. Smart Home Market Overview

IDC estimated that smart home devices grew to 854 million units in 2020 and will be estimated to grow to 1.44 billion units by 2024. The compound annual growth rate (CAGR) is as high as 14.0%, and the output value increased from US\$162.2 billion in 2017 to US\$300 billion in 2022, with a CAGR of 16.6%.

Global smart home device shipments

Unit: million units

Device Type	2020 (estimated)	2024 (estimated)	CAGR
Video Entertainment	353.9	451.2	6.3%
Home Monitoring/Security	166.3	303.5	16.2%
Smart Speaker	133.7	203.9	11.1%
Other	200.2	483.1	24.6%
<b>Total</b>	<b>854.1</b>	<b>1,441.7</b>	<b>14.0%</b>

Source: IDC (2020/Sep)

Video entertainment devices such as smart TVs, digital media adapters, and network video players will be the largest category of smart home devices. IDC estimates that the number of Video entertainment devices to 2024 will account for 31.3% of all shipments, with a CAGR of 6.3%, the output value is higher than three-quarters of the overall smart home market.

The growth trend of the IoT, and the increasing focus on security and privacy, has promoted the global popularity of Home monitors and security. IDC expects the fastest growing category to 2024 is Home monitors and security products such as smart locks, monitors, humidity sensors and smart doorbells, etc. will be the second largest category of smart home devices. The future products will be easier to be installed and connected with smart assistants or other smart home devices. The products will get popular. According to Grand View Research data, the global market size of smart locks in 2019 is US \$ 1.2 billion. It is expected that the compound annual growth rate will reach 18.5% from 2020 to 2027, and the global demand for smart locks will reach 34.9 million. In addition, with the advancement of wireless technology, it has also promoted the

growth of the market demand for home security cameras. Market Research Future estimates that by 2027, the scale will reach 11.89 billion U.S. dollars, with a CAGR of 15.7%.

### 3. Wearable device Market Overview

As the growth of smartphones has stalled, wearable devices have become a key battlefield for brands in recent years. Gartner reports global end-user spending on wearable devices is set to total \$81.5 billion in 2021, an increase of 18.1% over 2020, of which smart watches will grow by 18.7%, accounting for 31.7% of wearable devices

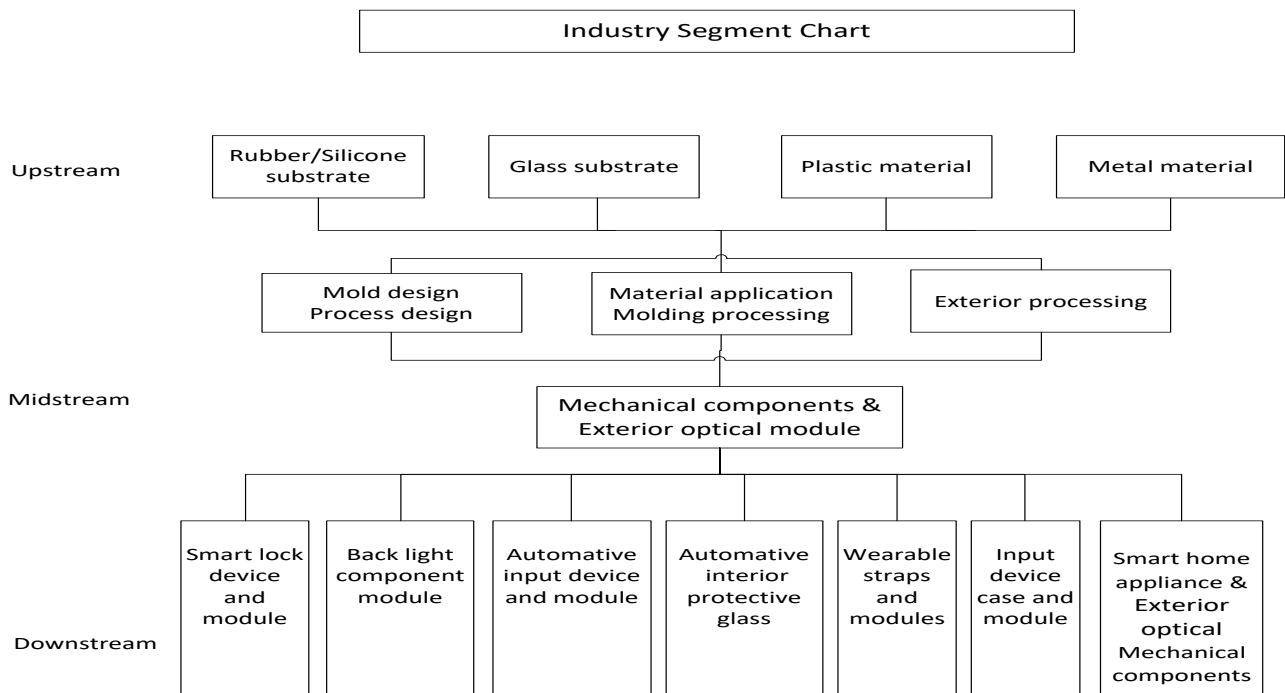
#### Worldwide Wearable Devices End-User Spending by Type, 2019 -2022

Unit: US\$ million

Device type	2019	2020	2021	2022
Smart watch	18,501	21,758	25,827	31,337
Wristband	5,101	4,987	4,906	4,477
Ear-worn	14,583	32,724	39,220	44,160
Head-mounted display	2,777	3,414	4,054	4,573
Smart-clothing	1,333	1,411	1,529	2,160
Smart-patches	3,900	4,690	5,963	7,150
<b>Total</b>	<b>46,194</b>	<b>68,985</b>	<b>81,499</b>	<b>93,858</b>

Source: Gartner (2021/Jan.)

#### ◆ Links Between the Upstream, Midstream and Downstream Segments of the Industry



Source: Silitech

#### ◆ Development Trends for Products

The Company designs and manufactures various input keypad products, wearable devices and optical exterior components, applied to automotive industry and smart home appliances such as communication, information and consumer electronics. It serves the world's first-tier manufacturers. In the future, the Company's development direction will be:

##### 1. Industry Side

In order to ensure the long-term competitive advantage of the Company, the Company will actively expand the automotive interior decoration and decoration products, home monitoring / security for smart homes, wearable devices, and Netcom and 5G-related applications to diversify business risks and master industry development trends so that the Company can respond early.

##### 2. Product Side

In the future, in-vehicle interior appearance devices, personal mobile devices, and smart home monitoring / security devices will continue to be oriented toward light and thin, diversified, multimedia-related applications, personalized features and visual focus. The added value of related exterior mechanical components will increase. The demand for the wearable device with skin-friendly and ergonomic rubber and silicone materials combined with heterogeneous materials, as well as the smart home monitoring / security that emphasizes personal privacy and home security will continue improve.

##### 3. Technology Side

Through deepening research and development of core technologies, combined with various materials, applications and exterior production process, we also provide customized technical services to end customers to meet the design needs of exterior decorative components and heterogeneous material combination of various industries.

##### 4. Competition Situation

In the face of the rise of China's supply chain, the competition has become increasingly fierce and China's suppliers have become major competitors. Therefore, the Company actively develops the European, American and Japanese markets across industries, deepens core technologies and applies to high value-added and sophisticated products to establish a long-term competitive threshold.

With high-coefficient safety requirements and precise close-in technology, the Company has experience and channel relationships of long-term supply with international automakers and continues to develop and deepen the relevant products in the automotive industry.

### 5.1.3 Technologies and R&D Overview

#### ◆ R&D Expenses Invested in the Past Two Years and up to the Date of Publication of the Annual Report

Unit: NT\$ thousands

	2019	2020	2021/ Q1
R&D expenses	119,548	73,892	11,277
Percentage of revenue	5.21%	4.26%	2.40%



◆ **Technologies (Products) Successfully Developed**

The Company has always attached great importance to research and development and intellectual property rights. As of the date of publication of the annual report, the Company has obtained a total of 55 valid patents/patent numbers (excluding patents in invalid, overdue, during application or announcement). At present, the technology or products have been successfully developed are as follows: The first to twelfth generation of plastic and rubber-bonded keypads, metal mirror coating and printing, low-temperature vacuum sputtering plastic metallization, metal and plastic flat keypads, and nickel-free process products ( Ni-free), ultra-thin EL / LED + light guide plate backlight keypad module manufacturing and design, NB keyboard thin backlight module, multi-display thin backlight module, stereo font keypads, film and elastomer modular keypads , QWERTY keypads, touch keypads with paragraph function, multi-display keypads module, integrated keypads with light guiding function, gradient color appearance processing development, ATO (customer zero inventory product) " just in time concept", liquid plastic Hard body, multiple QWERTY keypad, Colorful NCVM Keypad, surface special coating, Cubic / Holographic Keypad, Ultra-Thin Plating Component, LGF as Assembly Keypad Base, 1pcs LG with Separated Lighting Areas, Backside Printing ATO for Metallic Surface Color, UVPP IML Seamless, Gradient LGR, Assembly to Separate, Smart Touch Panel Keypad Module, double-sided guide Structure, metallic pieces of plastic, Colorful Aluminium Anodizing, 3D glass, protective glass, wearable devices, all kinds of material back cover, Dot View display wisdom protective cover products, Silicone strap, Multiple color silicon strap, Antifouling treatment of silicon parts.

At the same time, in response to environmental regulations such as RoHS and Green Product, the Company can also meet the requirements of specifications and customers, and contribute to the protection of the environment.

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

	Short-term Plans	Long-term Plans
Marketing	<ul style="list-style-type: none"> <li>◆ To find new market applications based on existing core technologies.</li> <li>◆ To build a business development platform and process, cooperate with industry information collection, and continue to find new market opportunities.</li> </ul>	<ul style="list-style-type: none"> <li>◆ To play the role of global specialization division, continue to promote and build a global marketing network to enhance the Company's global market leading position and the share of various product lines.</li> </ul>
R&D	<ul style="list-style-type: none"> <li>◆ To develop high value-added products based on existing core technologies.</li> <li>◆ To continuously strengthen core technical capabilities.</li> </ul>	<ul style="list-style-type: none"> <li>◆ In addition to the existing core technology, based on market trends, to establish new core technologies and products.</li> <li>◆ To develop products for cross-industry applications in combination with market trends and needs.</li> </ul>
Manufacture	<ul style="list-style-type: none"> <li>◆ To meet the needs of customers, deploy and adjust production bases flexibly and effectively, increase production efficiency and reduce production costs.</li> </ul>	<ul style="list-style-type: none"> <li>◆ To introduce automated processes to reduce manpower requirements, and establish a smart manufacturing production model to meet the needs of customers for immediate delivery and diversification.</li> </ul>
Operation	<ul style="list-style-type: none"> <li>◆ To coordinate the resources within the Company and bring into the synergy of the business.</li> </ul>	<ul style="list-style-type: none"> <li>◆ To steadily seek a strategic alliance of peers or different industries, with the goal of developing into a global enterprise group.</li> </ul>
Finance	<ul style="list-style-type: none"> <li>◆ To deploy the financial control spirit, cooperate with and support the Company's short/long-term development needs, and carry out the allocation of funds.</li> </ul>	<ul style="list-style-type: none"> <li>◆ To cooperate with the Company's operation scale and the upstream and downstream integration development of the industry, enrich the financing source domestically and overseas and build a foundation for the development of enterprises.</li> </ul>

## 5.2 Market Analysis and Overview

### 5.2.1 Market Analysis

#### ◆ Geographic Areas Where the Main Products (Services) Are Provided (Supplied)

Unit: NT\$ thousands

Item \ Year		Year 2019		Year 2020	
		Amount	%	Amount	%
Domestic Revenue		188,826	8.22	273,291	15.76
Export Revenue	America	438,489	19.10	392,395	22.63
	Europe	320,632	13.97	308,197	17.77
	Asia	1,347,827	58.71	760,119	43.84
	Others	0	0	0	0
Subtotal- Export Revenue		2,106,948	91.78	1,460,711	84.24
Total		2,295,774	100.00	1,734,002	100.00

Note: Global consolidated data.

#### ◆ Market Share, Demand and Supply Conditions and Market's Growth Potential

In the future, the Company will continue to develop high-priced, high-value-added products, such as automotive buttons, automotive protection glass, wearable products, smart home security devices, etc. It is expected to have a further increase in the market shares in the future.

#### ◆ Competitive Niche

Systematic R&D capabilities and product design services	Through continuous sharing of technology platforms and APQP R&D exchange and PLM management mode, the Company continuously strengthens R&D technical capabilities, and is guided by the smooth operation of PM project-oriented mechanism to meet customer needs and provide customers with Total Solution and one-time purchase service. Therefore, the Company has been invited to participate in the Early Joint Design of various industrial exterior component products and has been favored by many international manufacturers.
Proper production base	The Company weighs the overall production costs and properly deploys Southeast Asia and the mainland, combining Taiwan's high-end product development and production to construct a complete production base. Production bases in Taiwan, mainland China and Malaysia has successively obtained ISO 9000, ISO 14000, TS16949 and the United States Quality assurance certifications such as Ford and Chrysler Best Supplier, are moving towards smart manufacturing.
Global sales channel	At present, the Company has established dense and in-depth local sales channels in the United States, Europe, Japan, Southeast Asia and mainland China. In addition to providing customers with prompt and immediate services, it has gradually established high-quality, accurate delivery and reasonable price competition advantages.

Professional collaborative supply chain management	The VQM management model, which leverages the spirit of the intermediate satellite system, actively assists the Company's collaborative manufacturers to improve production processes, expand the scope of cooperation, and effectively improve the quality. Therefore, the strong and stable supply chain management (Supply Chain Management) has become one of the competitive niches of the Company.
Experienced management team	The Company pays attention to talent cultivation, and the accumulated practical experience of the management team is more than 10 years. The cooperation tacit understanding and management beliefs are all in line with each other, which can effectively lead the Company to develop steadily and move towards the international professional factory of exterior mechanical components.

◆ **Positive and Negative Factors for Future Development and Response**

**1. Positive Factors**

The decorative mechanical component design is more and more valued.	The personalized and colorful appearance requirements with rapid change of consumer demand have reduced the life cycle of consumer electronics products. Providing multi-style operational applications and appearance requirements, as well as the design requirements for exterior decorative components and protective glass have become even more important.
Automotive telematics system and display market continue to grow	Driven by the trend of the Internet of Vehicles, the proportion of automotive telematics system and multi-display systems is increasing. Products focus on safety, high functionality, precision and design quality. They need to be matched with ergonomic design and the mixed design of plastic, rubber, metal and glass. The requirements of these products are consistent with the design and manufacturing capabilities of the exterior mechanical components of the Company.
Smart family demand takes off	The gradual maturity of smart voice assistant has driven the global smart home device market to start from the initial stage. The compound annual growth rate (CAGR) in the next five years is as high as 20.8%. The demand for security products such as smart locks which also require sophisticated design capabilities is growing at a high level.

## 2. Negative Factors

Increased labor costs in China	China's economy has grown rapidly. In recent years, the basic salary of labor has been continuously increased. Together with the appreciation of RMB, the overall cost of personnel in China has been continuously increased, caused the increase in the production costs in China.
The rise of mainland competitors	The gradual prevalence of 3C brands in China has led to the maturity of the supporting supply chain for overall production. The production and quality control capabilities of competitors have gradually improved, which has seriously impacted the component industry.
Shortage of raw materials in the electronic supply chain	The global epidemic has gradually stabilized recently, and many countries have resumed production and replenishment of inventories, which has caused a huge increase in demand and drove the price of raw materials to rise.
Talent cultivation is not easy	In recent years, the rapid change of science and technology has broken the boundaries of traditional university sub-disciplinary learning. Lots of industries need talents of cross-domain integration. In addition, the long-term low-pay problem in Taiwan has prompted the outflow of outstanding talents, which makes it difficult to recruit and cultivate talents.

### 3. Response

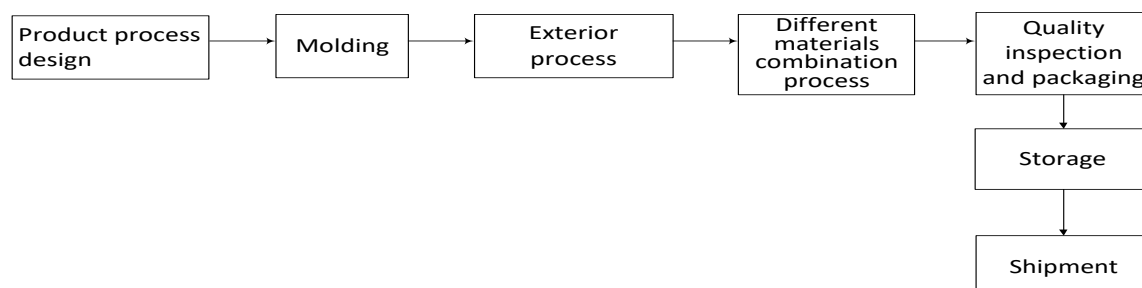
Item	Notes
To grasp product development trends Cross-industry market development	In order to ensure the long-term competitive advantages, the Company actively expands the exterior decorative parts and components into related fields to diversify business risks and actively grasp the development trend of the industry. In addition to sticking to existing businesses: mobile phone keypads and automotive center control panel buttons, the Company also develops cross-industry product lines that are highly relevant to existing businesses, such as game console buttons, car protective glass, toy exterior optical mechanism modules, and wearable device accessories, etc., and new products among existing customers. In the stable transformation process of the Company, grasping the development opportunity, such as smart home, IoT devices.
Based on rationalization, less people, and automated process design, toward advanced manufacturing	The Company continues to improve the design of rationalized and automated processes and production efficiency in response to the global increasing labor costs.
To expand R&D team building To enhance core technology investment and product development flexibility	The Company is committed to cooperate with customers to produce differentiated and high value-added products. In response to the rise of China's brands, providing immediate and rapid design services and production flexibility for the design needs of nearby customers, the Company has established a new R&D team in China, in order to improve the overall research and development efficiency.
To strengthen vertical integration To strengthen specialization To seek strategic alliance	In line with customers' needs, the Company continues to expand the vertical integration design capabilities of different materials and different processes, provides a wide range of components and module manufacturing services, actively cultivates business, R&D, cross-disciplinary talents and seeks strategic alliance with key suppliers to strengthen specialization in the industry.

### 5.2.2 Usage and Manufacturing Processes for the Main Products

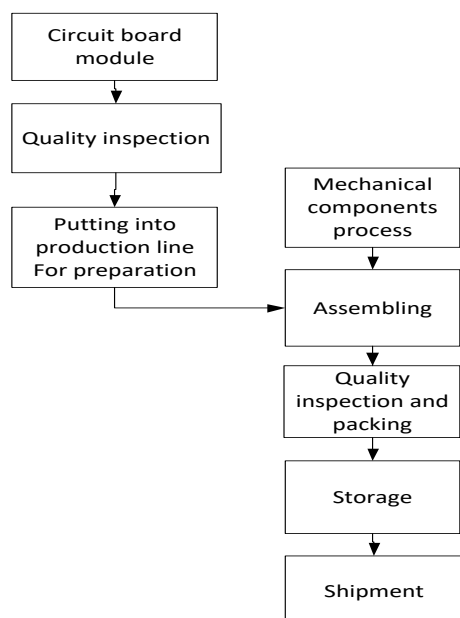
- ◆ The Company's current main products can be applied to 3C industry, automotive and toy industries, and other optical components and modules.

#### ◆ Manufacturing Processes:

##### 1. Keypad & Exterior Mechanical Components



##### 2. Module Products



### 5.2.3 Supply Situation for Major Raw Materials

Major Raw Materials	Source	Supply Situation
Silicone raw materials	Japan, the United States	Good
Plastic materials	Japan, the United States	Good
Chemical ink	Taiwan, Japan	Good
Glass raw material	United States, Japan	Good
Metal raw materials	Japan, China	Good

## 5.2.4 Suppliers and Clients Accounted for at Least 10% of Procurement (Sales) Amount and Percentage

◆ **Suppliers Accounted for at Least 10% of Annual Consolidated Net Procurement in Either of the Most Recent 2 Years:** None.

◆ **Customers Accounted for at Least 10% of Annual Consolidated Net Revenue in Either of the Most Recent 2 Years:**

Unit: NT\$ thousands

	Year 2019				Year 2020				Year 2021 / Q1 (Note 2)			
No	Name	Amount	Percentage of Net Revenue(%)	Relationship with the Company	Name	Amount	Percentage of Net Revenue(%)	Relationship with the Company	Name	Amount	Percentage of Net Revenue(%)	Relationship with the Company
1	Customer A	434,764	19	None	Customer A	381,668	22	None	Customer A	122,382	26	None
2	Customer B	291,266	13	None	Customer C	313,347	18	None	Customer C	80,147	17	None
3	Customer C	287,894	13	None	Customer D	225,877	13	None	Customer E	58,487	12	None
4	–	–	–	–	–	–	–	–	Customer D	58,295	12	None
	Others	1,281,850	55	–	Others	813,110	47	–	Others	151,353	33	–
	Net Revenue	2,295,774	100	–	Net Revenue	1,734,002	100	–	Net Revenue	470,664	100	–

Analysis of deviation over 20%: None.

Note 1: Due to contract limitation, using a code in place of the actual name of the customer.

Note 2: The Company should disclose the data which is reviewed or audited by the CPAs as of the date of the annual report publication.



### 5.2.5 Production Volume for the Most Recent 2 Years

Unit: NT\$ thousands / thousand units

Volume Main Products	Year	2019			2020		
		Capacity	Quantity	Amount	Capacity	Quantity	Amount
	Mechanical Components & Exterior Optical Modules	270,781	169,814	2,062,344	157,923	114,822	1,611,389
	Total	270,781	169,814	2,062,344	157,923	114,822	1,611,389

Note 1: Capacity refers to the quantity that can be produced under normal operation after the company has measured the necessary stoppages, holidays, etc., using existing production equipment.

Note 2: The production of each product is substitutable. It is necessary to combine the calculated production capacity and note it.

### 5.2.6 Sales Volume for the Most Recent 2 Years

Unit: NT\$ thousands / thousand units

Volume Main Products	Year	2019				2020			
		Domestic Sales		Export		Domestic Sales		Export	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
	Mechanical Components & Exterior Optical Modules	3,798	188,826	169,940	2,106,948	4,313	273,291	97,706	1,460,711
	Total	3,798	188,826	169,940	2,106,948	4,313	273,291	97,706	1,460,711

### 5.3 Workforce Structure

Workforce Structure from the last two years and up to the date of publication of the annual report:

Year		2019	2020	2021/4/30
Number of Employees	DL	1,465	1,208	1,201
	IDL	664	462	441
	Total	2,129	1,670	1,642
Average Age		32.99	32.04	32.30
Average Years of Service		6.37	6.71	6.99
Education Level Percentage ( % )	Doctor	—	—	—
	Master	4.79	5.26	5.44
	College	39.50	38.22	37.48
	High school	21.79	21.93	21.62
	Below high school	33.91	34.59	35.46

### 5.4 Disbursements for Environmental Protection

#### 5.4.1

For last year and up to the date of publication of the annual report, there is no major environmental pollution and other circumstances.

#### 5.4.2

The Company does not have any environmental pollution status, and there is no pollution caused by the production process and the use of raw materials. The waste of production operation is cleared by qualified environmental agency approved by EPA.

#### 5.4.3

In order to implement the environmental protection concept and fulfill the social responsibilities, the Company has not only complied with the relevant laws and regulations on environmental protection and the environmental protection requirements of the competent authorities, but also formulated relevant management procedures and regulations, and continued to implement environmental protection training to enhance employees' environmental awareness and concepts. While meeting the needs of customers and taking into account the reduction of environmental hazards, the Company starts with product design and improves the process and requirements to achieve the best product design and production process and fulfill the environmental responsibility.

#### 5.4.4

In response to the “Restriction of Hazardous Substance” (EU RoHS), the Company has established a Hazardous Substances Free (HSF) project at the end of 2004. The project starts from the propaganda and requirements of raw material manufacturers, the inspection of materials, the monitoring of product manufacturing processes, the completion of the product, to the third-party SGS inspection certificate, in order to ensure that the materials and products manufactured by the Company can meet the requirements of EU RoHS and hazardous

substances control for all customers. In 2019, the Company has signed the RoHS agreement with 260 companies. In 2020, the Company has signed the RoHS agreement with 294 companies.

#### **5.4.5**

In 2008, the Company inspected all of the products and materials for PFOA / PFOS (the EU additional hazardous substances) to ensure all raw materials and manufactured products that contain no such hazardous substances. In the same year, the halogen (chlorine & bromine) content of raw materials was also inspected (halogen is mainly used in some resins and pigments). The replacement by halogen-free materials and introduction of mass production have completed in 2009. Therefore, all halogen-containing raw materials are replaced by halogen-free materials. The Company became a qualified supplier that meets the customer's halogen content of less than 900ppm.

#### **5.4.6**

In the past, the Company continued to pay attention to environmental protection issues and implemented relevant systems through practical actions, including ISO 14001 environmental management system verification and ISO 14064 greenhouse gas emissions verification. Based on the focus on energy management issues and faced the future of severe energy management, in order to effectively manage energy use and improve energy efficiency and further enhance the Company's environmental image, the Company will develop an energy management system and energy efficiency improvement programs to achieve the three-win goal of reducing energy costs, saving energy and reducing carbon emissions, and enhancing the corporate image. The Company's South China Factory "Xurong Electronics (Shenzhen) Co., Ltd." has conducted ISO 50001 verification by SGS and successfully obtained ISO 50001: 2011 certification.

### **5.5 Labor Relations**

#### **5.5.1 Employee benefit plans, continuing education, training, retirement systems, and the status of their implementation**

- ◆ The Company treats labor relations with respect and impartiality at all times. The Company shows its unfailing attention to employee benefits, in addition to the provision of welfare funds according to law, the establishment of the Staff Welfare Committee and the selection of welfare committees to set annual plans for a variety of welfare activities. The Company also offers comprehensive employee care, which includes annual complimentary physical examinations, enrollment in the labor and national health insurances and purchasing group insurance for our employees. Regarding the diversity of employee benefits, we organize year-end parties and company trips, established employee dining rooms and convenience stores in our factory areas, and offer subsidies for the establishment of employee clubs, travel allowances, birthday and holiday gifts, scholarships for employees' children, as well as other benefits related to marriage, childbirth, military enlistment and death, thus sparing no effort to provide care for our employees. Profit and results sharing: stock or cash distribution to employees to enrich the staff benefits. The Company grants monthly leave and annual leave in accordance with the provisions of the Law of Labor and encourages employees to take leaves, so that work and life can be

balanced. The Company established breastfeeding rooms and signed the Agreement for Employee Child Care Services with our collaborating kindergartens, which offer discounts for our employees' children. The Company also has employee suggestion boxes to enable employees and the Company to have more two-way communication channels.

- ◆ To stabilize post-retirement life of employees to enhance the service spirit, the "Employee Retirement Management Measures"- the old system formulated according to the law, clearly stated the retirement conditions of employees, the pension payment standard and the retirement application and pension payment matters. The Company established the employee retirement reserve supervision committee, based on job tenure and salary of employees who adopting the old pension systems, and based on certain percentage of their monthly salary (at least 2% but not exceed 3%), provided the employee retirement reserve according to the "employee retirement reserve and management measures" and deposited in the name of the employee retirement reserve supervision committee with a statutory financial institution. The Company's "Employees' Retirement Management Measures" has been amended in accordance with the "Labor Pensions Ordinance" since 2005.7.1. The new system is levied 6% to the individual's retired account and clearly states the conditions for the application and the right to connect and convert between the old system and new system.
- ◆ Talents are the lifeblood of enterprises. In order to cultivate excellent successors, the Company has established a comprehensive talent development plan and education training workshops. According to the actual needs of each unit and the preparation of the annual budget, the whole year of training schedule is drawn up every year. According to different job functions, to plan the management courses for management level and stipulate employees to participate in various education and training courses conducted by the Company and related educational and training institutions. If it is necessary for the duties or work of employees, they may apply or be appointed by the direct supervisor for outside training. At the end of the course, employees are required to submit a report or briefing, and the results will be one of the eligibility criteria for future promotion. The 2020 training courses included new employee orientation, Corporate Governance/Internal Control/Internal Audit/Fraud Prevention workshop, Industry Analysis-Logic and Model, ISO-140012015 workshop, fire awareness training, Seven Basic Tools of Quality, Contract Review and Seal Management Policy, Objective Management, CSER+ Integrity Management, Daily Management, Problem Solving and Decision Making, information security, stress relief and emotional management improvement, and so forth. The total annual training cost is about NT\$ 1.08 million, the total training time is 82,506 hours, and the total headcounts of training are about 32,718.
- ◆ Employee behavior or ethical code  
In order to maintain a safe and healthy working environment, in accordance with the employee work rules, the Company and its employees should be responsible for their duties and comply with all company regulations and related laws. In order to strengthen labor-management cooperation and exchange of opinions, the Company has held the labor conference and established complaint channels and disciplinary measures to promote communication/ harmony between employers and employees. In addition, the Company has

formulated the "Social Responsibility Management Handbook" and the "Regulations for Ethical Business Operations" as the ethical values that all employees should follow. It is also the Company's business philosophy.

- ◆ Protective measures for the work environment and employees' safety  
In order to establish a safe and health management system and avoid occupational disasters, the Company has formulated industrial safety implementation procedures and safety/health work codes, discussed labor safety issues irregularly in the Labor Safety and Health Committee, strengthened safety education and training to promote employee self-protection system, and then implemented and created safety culture. In view of the importance of the work environment and the personal safety protection measures of employees, the Company has set up labor safety and health management personnel to be responsible for the promotion of labor safety and health, and implemented automatic inspection. In addition to regular maintenance of various machinery and implementation according to the operational instructions, in order to prevent disasters and to make employees' awareness of safety and health operations, the Company also regularly conducts general personnel safety and health education training courses to enable all employees to understand and follow the relevant laws and regulations, educates employees on the maintenance and use of protective equipment, emergency and notification of accidents. Through advocacy planning and implementation, the potential occupational disaster risk of all employees is reduced with a zero disaster target. The Company had no occupational disasters in 2020.

**5.5.2 For last year and up to the date of publication of the annual report, there was no loss due to labor disputes. The current labor relation is harmonious and there is no concern on labor disputes.**

## 5.6 Material Contracts

Contract Nature	Contracting Party:	Term of Agreement	Major Content	Restrictive Clauses
Sales contracts	Confidentiality, no disclosure	Confidentiality, no disclosure	Relevant agreements for the sale of the Company's products, such as the type of goods, goods, specifications, delivery period and quantity.	None

## Financial Highlights and Analysis

### 6.1 Financial Highlights & Auditors' Opinions

#### 6.1.1 Condensed Balance Sheet & Statement of Comprehensive Income - IFRSs

##### ◆ Condensed Balance Sheet – IFRSs (Consolidated)

Unit: NT\$ thousands

Year Item		Consolidated financial data for past 5 years (Note1)					2021 Q1 (Note 2)
		2016	2017	2018	2019	2020	
Current Assets		4,725,000	4,049,950	3,972,433	2,665,563	2,415,977	2,557,709
Property, Plant and Equipment		954,336	552,087	502,160	454,030	241,912	228,876
Intangible Assets		331	945	3,366	2,259	1,131	3,693
Other Asset		660,625	262,068	266,023	223,547	220,739	257,242
Total Assets		6,340,292	4,865,050	4,743,982	3,345,399	2,879,759	3,047,520
Current Liabilities	Before Distribution	1,340,826	945,650	881,038	714,824	639,598	546,740
	After Distribution	1,340,826	945,650	881,038	714,824	(Note3)	-
Noncurrent Liabilities		1,057,556	116,205	99,356	109,572	148,133	125,402
Total Liabilities	Before Distribution	2,398,382	1,061,855	980,394	824,396	787,731	672,142
	After Distribution	2,398,382	1,061,855	980,394	824,396	(Note3)	-
Equity Attributable to Shareholders of the Parent		3,940,667	3,802,062	3,763,588	2,521,003	2,092,028	2,375,378
Capital Stock		1,893,838	1,893,838	1,793,838	600,000	600,000	680,000
Capital Surplus		535,425	535,425	507,154	507,154	507,154	691,154
Retained Earnings	Before Distribution	1,833,232	1,747,195	1,745,437	1,698,359	1,333,196	1,347,286
	After Distribution	1,833,232	1,747,195	1,745,437	1,698,359	(Note 3)	-
Other Equity		(87,174)	(139,742)	(282,841)	(284,510)	(348,322)	(343,062)
Treasury Shares		(234,654)	(234,654)	-	-	-	-
Noncontrolling Interests		1,243	1,133	-	-	-	-
Total Equity	Before Distribution	3,941,910	3,803,195	3,763,588	2,521,003	2,092,028	2,375,378
	After Distribution	3,941,910	3,803,195	3,763,588	2,521,003	(Note 3)	-

Note 1: The financial data has been conducted audits by CPA.

Note 2: The financial data has been reviewed by CPA.

Note 3: The accumulated losses to be covered by capital surplus , will be approved with the resolution by 2021 shareholders' meeting.

◆ **Condensed Statement of Comprehensive Income - IFRSs (Consolidated)**

Unit: NT\$ thousands (Except EPS: NT\$)

Year Item	Consolidated financial data for past 5 years (Note1)					2021 Q1 (Note 2)
	2016	2017	2018	2019	2020	
Operating Revenue	2,387,732	2,285,054	2,251,044	2,295,774	1,734,002	470,664
Gross Profit (Loss)	257,305	303,931	287,176	346,834	164,321	74,737
Income (Loss) from Operations	(194,567)	(127,058)	(153,336)	(85,663)	(180,454)	15,018
Non-operating Income and Expenses	63,259	38,215	196,391	86,744	(124,883)	6,917
Profit (Loss) before Income Tax	(131,308)	(88,843)	43,055	1,081	(305,337)	21,935
Profit (Loss) from continuing operations	(116,873)	(82,105)	(33,816)	(30,495)	(366,258)	14,090
Profit (Loss) from Discontinuing Operations	-	-	-	-	-	-
Net Income (Loss)	(116,873)	(82,105)	(33,816)	(30,495)	(366,258)	14,090
Other Comprehensive Income (Loss) for the Year, Net of Income Tax	(236,162)	(56,610)	(4,603)	(6,191)	(62,717)	5,260
Total Comprehensive Income (Loss) for the Year	(353,035)	(138,715)	(38,419)	(36,686)	(428,975)	19,350
Net Income (Loss) Attributable to: Owners of the Parent Company	(109,202)	(82,018)	(33,816)	(30,495)	(366,258)	14,090
Net Income (Loss) Attributable to: Noncontrolling Interests	(7,671)	(87)	-	-	-	-
Total Comprehensive Income (Loss) Attributable to: Owners of the Parent Company	(344,955)	(138,605)	(38,474)	(36,686)	(428,975)	19,350
Total Comprehensive Income (Loss) Attributable to: Noncontrolling Interests	(8,080)	(110)	55	-	-	-
Earnings (Loss) Per Share	(0.61)	(0.46)	(0.19)	(0.24)	(6.10)	0.23

Note 1: The financial data has been conducted audits by CPA.

Note 2: The financial data has been reviewed by CPA.

◆ Condensed Balance Sheet – IFRSs (Unconsolidated)

Unit: NT\$ thousands

Year Item		Financial data for past 5 years (Note 1)				
		2016	2017	2018	2019	2020
Current Assets		2,203,861	767,202	669,864	720,015	493,720
Property, Plant and Equipment		66,685	60,939	54,949	60,556	73,197
Intangible Assets		-	-	1,216	851	900
Other Asset		3,465,853	3,489,674	3,518,901	2,161,548	1,837,125
Total Assets		5,736,399	4,317,815	4,244,930	2,942,970	2,404,942
Current Liabilities	Before Distribution	755,845	421,405	405,014	342,613	241,719
	After Distribution	755,845	421,405	405,014	342,613	(Note 2)
Noncurrent Liabilities		1,039,887	94,348	76,328	79,354	71,195
Total Liabilities	Before Distribution	1,795,732	515,753	481,342	421,967	312,914
	After Distribution	1,795,732	515,753	481,342	421,967	(Note2)
Equity Attributable to Owners of the Parent Company		3,940,667	3,802,062	3,763,588	2,521,003	2,092,028
Capital Stock		1,893,838	1,893,838	1,793,838	600,000	600,000
Capital Surplus		535,425	535,425	507,154	507,154	507,154
Retained Earnings	Before Distribution	1,833,232	1,747,195	1,745,437	1,698,359	1,333,196
	After Distribution	1,833,232	1,747,195	1,745,437	1,698,359	(Note 2)
Other Equity		(87,174)	(139,742)	(282,841)	(284,510)	(348,322)
Treasury Shares		(234,654)	(234,654)	-	-	-
Noncontrolling Interests		-	-	-	-	-
Total Equity	Before Distribution	3,940,667	3,802,062	3,763,588	2,521,003	2,092,028
	After Distribution	3,940,667	3,802,062	3,763,588	2,521,003	(Note2)

Note 1: The financial data has been conducted audits by CPA.

Note 2: The accumulated losses to be covered by capital surplus , will be approved with the resolution by 2021 shareholders' meeting.



◆ **Condensed Statement of Comprehensive Income – IFRSs (Unconsolidated)**

Unit: NT\$ thousands (Except EPS: NT\$)

Item \ Year	Financial data for past 5 years (Note 1)				
	2016	2017	2018	2019	2020
Operating Revenue	759,372	947,665	977,970	949,744	638,082
Gross Profit	133,631	103,365	116,897	84,018	62,347
Income (Loss) from Operations	(93,709)	(103,591)	(92,006)	(127,397)	(121,479)
Non-operating Income and Expenses	(43,425)	7,466	57,371	96,901	(241,053)
Profit (Loss) before Income Tax	(137,134)	(96,125)	(34,635)	(30,496)	(362,532)
Profit (Loss) from continuing operations	(109,202)	(82,018)	(33,816)	(30,495)	(366,258)
Profit (Loss) from Discontinuing Operations	-	-	-	-	-
Net Income (Loss)	(109,202)	(82,018)	(33,816)	(30,495)	(366,258)
Other Comprehensive Income (Loss) for the Year, Net of Income Tax	(235,753)	(56,587)	(4,658)	(6,191)	(62,717)
Total Comprehensive Income (Loss) for the Year	(344,955)	(138,605)	(38,474)	(36,686)	(428,975)
Net Income (Loss) Attributable to: Owners of the Parent Company	(109,202)	(82,018)	(33,816)	(30,495)	(366,258)
Net Income (Loss) Attributable to: Noncontrolling Interests	-	-	-	-	-
Total Comprehensive Income (Loss) Attributable to: Owners of the Parent Company	(344,955)	(138,605)	(38,474)	(36,686)	(428,975)
Total Comprehensive Income (Loss) Attributable to: Noncontrolling Interests	-	-	-	-	-
Earnings (Loss) Per Share	(0.61)	(0.46)	(0.19)	(0.24)	(6.10)

Note 1: The financial data has been conducted audits by CPA.

### 6.1.2 Auditors' Opinions for past 5 years

Year	CPA Firm	CPA	Audit Opinion
2016	Deloitte & Touche	Cheng-Tsai Tsai and Yung-Hsiang Chao	Unmodified Opinion
2017	Deloitte & Touche	Yung-Hsiang Chao and Jr-Shian Ke	Unmodified Opinion
2018	Deloitte & Touche	Yung-Hsiang Chao and Jr-Shian Ke	Unmodified Opinion
2019	Deloitte & Touche	Yung-Hsiang Chao and Jr-Shian Ke	Unmodified Opinion
2020	Deloitte & Touche	Meng-Chieh Chiu and Jr-Shian Ke	Unmodified Opinion

Note: In 2016, “An Unqualified Opinion” was replaced by “An Unmodified Opinion” according to the new auditing standard of the Republic of China.

## 6.2 Financial Analysis

### 6.2.1 Financial Analysis - IFRSs (Consolidated)

Analysis Item \ Year		Consolidated financial analysis for past 5 years (Note1)					2021/Q1 (Note 2)
		2016	2017	2018	2019	2020	
Capital Structure Analysis	Debts Ratio (%)	37.83	21.83	20.67	24.64	27.35	22.06
	Long-term Fund to Property, Plant and Equipment (%)	523.87	709.92	769.27	579.38	926.02	1092.64
Liquidity Analysis	Current Ratio (%)	352.39	428.27	450.88	372.90	377.73	467.81
	Quick Ratio (%)	339.01	404.4	420.64	339.71	338.79	420.60
	Times Interest Earned (Times)	(4.73)	(7.02)	0.00	1.27	(189.72)	25.65
Operating Performance Analysis	Average Collection Turnover (Times)	5.04	5.97	4.50	4.71	3.99	4.58
	Days Sales Outstanding	72	61	81	77	91	80
	Average Inventory Turnover (Times)	14.39	16.99	12.73	10.63	8.32	7.82
	Average Payment Turnover (Times)	4.31	4.62	4.34	5.02	4.75	5.53
	Average Inventory Turnover Days	25	21	29	34	44	47
	Property, Plant and Equipment Turnover (Times)	2.31	3.03	4.27	4.80	4.98	8.00
	Total Assets Turnover (Times)	0.35	0.41	0.47	0.57	0.56	0.64
Profitability Analysis	Return on Total Assets (%)	(1.42)	(1.30)	(0.70)	(0.68)	(11.73)	0.50
	Return on Equity (%)	(2.80)	(2.12)	(0.89)	(0.97)	(15.88)	0.63
	Pre-tax Income to Paid-in Capital Ratio (%)	(6.93)	(4.69)	2.40	0.18	(50.89)	3.23
	Net Margin (%)	(4.89)	(3.59)	(1.50)	(1.33)	(21.12)	2.99
	Earnings (Loss) Per Share (NT\$)	(0.61)	(0.46)	(0.19)	(0.24)	(6.10)	0.23
Cash Flow	Cash Flow Ratio (%)	1.15	(16.35)	(34.01)	12.85	(19.64)	(6.10)
	Cash Flow Adequacy Ratio (%)	72.91	44.77	8.78	8.85	(82.98)	(85.59)
	Cash Flow Reinvestment Ratio (%)	(1.21)	(2.71)	(5.40)	2.13	(3.71)	(0.92)
Leverage	Operating Leverage	(4.40)	(6.58)	(5.34)	(10.94)	(4.10)	15.82
	Financial Leverage	0.89	0.92	1.00	0.96	0.99	1.06

Note 1: The financial data has been conducted audits by CPA.

Note 2: The financial data has been reviewed by CPA.

Analysis of deviation over 20% of 2020 vs. 2019:

1. Increased in long-term fund to property, plant and equipment (%): due to the impairment loss of subsidiary company, Xurong, decreased in the net balance of long-term fund to property, plant and equipment.
2. Decreased in times interest earned (times): due to the increase in pre-tax loss.
3. Decreased in average inventory turnover (times) and increased average inventory turnover days: due to the increase in inventory.
4. Decreased in return on total assets (%) and Return on Equity (%): due to the increase in net loss.
5. Decreased in pre-tax Income to paid-in capital ratio (%): due to the decrease in pre-tax Income
6. Decreased in net margin (%): due to the decrease in operating revenue and net profit.
7. Increased in loss per share (NT\$): due to the increase in net loss.
8. Decreased in cash flow ratio (%): due to the increase in net cash outflow from operating activities.
9. Decreased in cash flow adequacy ratio (%): explained as above.
10. Decreased in cash flow reinvestment ratio (%): explained as above.
11. Decreased in operating leverage: due to the decrease in operating revenue.

## 6.2.2 Financial Analysis - IFRSs (Unconsolidated)

<div>Year</div> <div>Analysis Item</div>		Financial analysis for past 5 years (Note1)				
		2016	2017	2018	2019	2020
Capital Structure Analysis	Debts Ratio (%)	31.30	11.94	11.34	14.34	13.01
	Long-term Fund to Property, Plant and Equipment (%)	7,468.78	6,393.95	6,988.15	4,294.14	2,955.34
Liquidity Analysis	Current Ratio (%)	291.58	182.06	165.39	210.15	204.25
	Quick Ratio (%)	290.26	178.68	157.56	192.59	163.58
	Times Interest Earned (Times)	(4.98)	(7.68)	0.00	0.00	0.00
Operating Performance Analysis	Average Collection Turnover (Times)	3.36	4.85	3.63	4.07	4.17
	Days Sales Outstanding	109	75	101	90	88
	Average Inventory Turnover (Times)	20.86	568.2	72.01	25.04	9.04
	Average Payment Turnover (Times)	2.63	3.49	2.74	3.09	2.89
	Average Inventory Turnover Days	17	1	5	15	40
	Property, Plant and Equipment Turnover (Times)	10.44	14.85	16.88	16.45	9.54
	Total Assets Turnover (Times)	0.12	0.19	0.23	0.26	0.24
Profitability Analysis	Return on Total Assets (%)	(1.48)	(1.45)	(0.79)	(0.85)	(13.70)
	Return on Equity (%)	(2.62)	(2.12)	(0.89)	(0.97)	(15.88)
	Pre-tax Income to Paid-in Capital Ratio (%)	(7.24)	(5.08)	(1.93)	(5.08)	(60.42)
	Net Margin (%)	(14.38)	(8.65)	(3.46)	(3.21)	(57.40)
	Earnings Per Share (NT\$)	(0.61)	(0.46)	(0.19)	(0.24)	(6.10)
Cash Flow	Cash Flow Ratio (%)	37.02	34.48	(35.06)	(25.45)	(75.47)
	Cash Flow Adequacy Ratio (%)	79.56	120.64	96.59	80.4	5.68
	Cash Flow Reinvestment Ratio (%)	3.21	3.36	(3.32)	(2.92)	(7.32)
Leverage	Operating Leverage	(1.34)	(1.01)	(8.83)	(5.46)	(2.45)
	Financial Leverage	0.80	0.90	1.00	1.00	1.00

Note 1: The financial data has been conducted audits by CPA.

Analysis of deviation over 20% of 2020 vs. 2019:

1. Decreased in long-term fund to property, plant and equipment (%): due to the impairment loss of subsidiary company, Xurong, decreased in equity.
2. Decreased in average inventory turnover (times) and increased average inventory turnover days: due to the increase in inventory.
3. Decreased in property, plant and equipment turnover (times): due to the decrease in operating revenue and increase in property, plant and equipment.
4. Decreased in return on total assets (%) and Return on Equity (%): due to the increase in net loss.
5. Decreased in net margin (%): due to the increase in net loss.
6. Decreased in pre-tax Income to paid-in capital ratio (%): due to the increase in pre-tax loss.
7. Increased in loss per share (NT\$): due to the increase in net loss.
8. Decreased in cash flow ratio (%): due to the increase in net cash outflow from operating activities.
9. Decreased in cash flow adequacy ratio (%): explained as above.
10. Decreased in cash flow reinvestment ratio (%): explained as above.
11. Decreased in operating leverage: due to the decrease in operating revenue.

The calculation formula of financial analysis is as follows:

1. Capital Structure Analysis

- (1) Debt Ratio = Total Liabilities / Total Assets
- (2) Long-term Fund to Property, Plant and Equipment Ratio = (Shareholders' Equity + Noncurrent Liabilities) / Net Property, Plant and Equipment

2. Liquidity Analysis

- (1) Current Ratio = Current Assets / Current Liabilities
- (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities
- (3) Times Interest Earned = Earnings before Interest and Taxes / Interest Expenses

3. Operating Performance Analysis

- (1) Average Collection Turnover = Operating Revenue / Average Trade Receivables
- (2) Days Sales Outstanding = 365 / Average Collection Turnover
- (3) Average Inventory Turnover = Cost of Sales / Average Inventory
- (4) Average Inventory Turnover Days = 365 / Average Inventory Turnover
- (5) Average Payment Turnover = Cost of Sales / Average Trade Payables
- (6) Property, Plant and Equipment Turnover = Operating Revenue / Average Net Property, Plant and Equipment
- (7) Total Assets Turnover = Operating Revenue / Average Total Assets

4. Profitability Analysis

- (1) Return on Total Assets = (Net Income + Interest Expenses \* (1 - Effective Tax Rate)) / Average Total Assets
- (2) Return on Equity = Net Income / Average Equity
- (3) Pre-tax Income to Paid-in Capital Ratio = Income before Tax / Paid-in Capital
- (4) Net Margin = Net Income / Operating Revenue
- (5) Earnings Per Share = (Net Income Attributable to Owners of the Parent Company - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding

5. Cash Flow

- (1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities
- (2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend
- (3) Cash Flow Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Gross Property, Plant and Equipment + Long-term Investments + Other Noncurrent Assets + Working Capital)

6. Leverage

- (1) Operating Leverage = (Operating Revenue - Variable Cost) / Income from Operations
- (2) Financial Leverage = Income from Operations / (Income from Operations - Interest Expenses)

## 6.3 Audit Committee's Review Report

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

To: The 2021 Annual General Shareholders' Meeting of Silitech Technology Corporation

The Board of Directors has prepared and submitted to the undersigned, Audit Committee of Silitech Technology Corporation the 2020 Business Report, Financial Statements and the proposal for covering of losses. The Financial Statements have been duly audited by Certified Public Accountants Meng-Chieh Chiu and Jr-Shian Ke of Deloitte Touche Tohmatsu International Taiwan. The above Business Report, Financial Statements and the proposal for covering of losses have been examined and determined to be correct by the undersigned. This Report is duly submitted in accordance with Article 14-4 of Securities and Exchange Act and Article 219 of the Company Act.

Convener of the Audit Committee:

Mr. James Kuo

March 25, 2021



## 6.4 Consolidated Financial Statements of 2020

### **DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2020 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard No. 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

SILITECH TECHNOLOGY CORPORATION

By

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ANTHONY CHIAO  
Chairman

February 22, 2021

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Silitech Technology Corporation

### **Opinion**

We have audited the accompanying consolidated financial statements of Silitech Technology Corporation and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters identified in the audit of the Group's consolidated financial statements for the year ended December 31, 2020 are described as follows:

#### Assessment of Allowance for Impairment Loss of Trade Receivables

The auditors are concerned with the net amount of trade receivables as of December 31, 2020 accounted for 14% of total assets, which is considered significant, and also because the assessment of the impairment loss of trade receivables involves management's critical accounting judgments and estimates.

Management evaluated the allowance for bad debt of clients by first assessing the impairment of trade receivables on an individual basis, before assessing them on a collective basis. Since allowance for impairment loss of trade receivables is based on the assumption of the expected credit risk of clients and also involves critical judgment, when there is a significant reduction in the demand of the downstream clients, the collection of trade receivables from major clients may not be recovered due to financial difficulties. Therefore, we regard the assessment of the allowance for impairment loss of trade receivables as a key audit matter.

The main audit procedures performed in respect of the management's assessment of impairment of trade receivables included the following:

1. We reviewed the historical trade receivable recovery records of the clients to analyze the allowance for bad debt. Based on the customer's historical payment records, we evaluated the reasonableness of the collection rate of accounts receivable. Furthermore, we also referred to the payment status and other accessible customer information of the current year, and we verified that the allowance made for individual overdue trade receivables was sufficient.
2. We assessed the recoverability of the clients' overdue trade receivables after the reporting period to determine the need for additional allowance for bad debt.
3. We obtained an understanding of the accounting policy on accounts receivable from the major clients provided by the management, and we tested the accuracy and completeness of the aging schedule in order to calculate the allowance for bad debt recognized by management.

For the accounting policy on the assessment of impairment of trade receivables, refer to Note 4 to the consolidated financial statements. Refer to Notes 5 and 10 for critical accounting judgments and key sources of estimation uncertainty.

#### **Other Matter**

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

#### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

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

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

Those charged with governance, including the 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 auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

The engagement partners on the audits resulting in this independent auditors' report are Meng-Chieh Chiu and Jr-Shian Ke.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 22, 2021

#### Notice to Readers

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

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

# SILITECH TECHNOLOGY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

	2020		2019	
ASSETS	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,706,324	59	\$ 1,850,025	55
Financial assets at fair value through profit or loss (FVTPL) (Notes 4 and 7)	2,218	-	1,857	-
Financial assets at amortized cost (Notes 9 and 28)	-	-	101,083	3
Note receivable from non-related party (Note 10)	165	-	-	-
Trade receivables, net (Notes 4 and 10)	407,146	14	441,689	13
Trade receivables from related parties (Notes 4, 10 and 27)	15,393	1	5,572	-
Other receivables (Note 4)	35,470	1	26,261	1
Other receivables from related parties (Notes 4 and 27)	99	-	1,721	-
Current tax assets (Notes 4 and 22)	89	-	89	-
Inventories, net (Notes 4 and 11)	198,169	7	178,987	6
Other current assets (Note 15)	<u>50,904</u>	<u>2</u>	<u>58,279</u>	<u>2</u>
Total current assets	<u>2,415,977</u>	<u>84</u>	<u>2,665,563</u>	<u>80</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at FVTPL (Notes 4 and 7)	25,702	1	27,429	1
Financial assets at fair value through other comprehensive income (FVTOCI) (Notes 4 and 8)	6,899	-	6,162	-
Property, plant and equipment, net (Notes 4 and 13)	241,912	8	454,030	14
Right-of-use assets (Notes 4 and 14)	69,685	3	38,295	1
Intangible assets, net (Note 4)	1,131	-	2,259	-
Deferred tax assets (Notes 4 and 22)	107,721	4	140,148	4
Refundable deposits (Note 4)	1,898	-	2,046	-
Other non-current assets (Note 15)	<u>8,834</u>	<u>-</u>	<u>9,467</u>	<u>-</u>
Total non-current assets	<u>463,782</u>	<u>16</u>	<u>679,836</u>	<u>20</u>
<b>TOTAL</b>	<u>\$ 2,879,759</u>	<u>100</u>	<u>\$ 3,345,399</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Financial liabilities at FVTPL (Notes 4 and 7)	\$ 366	-	\$ -	-
Trade payables (Note 4)	309,251	11	350,129	11
Trade payables to related parties (Note 27)	-	-	2,072	-
Other payables (Notes 4 and 16)	263,945	9	266,465	8
Other payables to related parties (Notes 4 and 27)	186	-	7,732	-
Current tax liabilities (Notes 4 and 22)	13,706	-	32,271	1
Provisions (Notes 4 and 17)	7,845	-	1,294	-
Lease liabilities - current (Notes 4 and 14)	23,851	1	40,892	1
Other current liabilities	<u>20,448</u>	<u>1</u>	<u>13,969</u>	<u>1</u>
Total current liabilities	<u>639,598</u>	<u>22</u>	<u>714,824</u>	<u>22</u>
<b>NON-CURRENT LIABILITIES</b>				
Lease liabilities - non-current (Notes 4 and 14)	51,295	2	5,195	-
Net defined benefit liabilities (Notes 4 and 18)	60,007	2	70,479	2
Guarantee deposits (Note 4)	766	-	768	-
Deferred tax liabilities (Notes 4 and 22)	<u>36,065</u>	<u>1</u>	<u>33,130</u>	<u>1</u>
Total non-current liabilities	<u>148,133</u>	<u>5</u>	<u>109,572</u>	<u>3</u>
Total liabilities	<u>787,731</u>	<u>27</u>	<u>824,396</u>	<u>25</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 19)</b>				
Share capital				
Ordinary shares	<u>600,000</u>	<u>21</u>	<u>600,000</u>	<u>18</u>
Capital surplus	<u>507,154</u>	<u>18</u>	<u>507,154</u>	<u>15</u>
Retained earnings				
Legal reserve	1,109,766	38	1,109,766	33
Special reserve	284,510	10	282,841	9
Unappropriated earnings (accumulated deficit)	<u>(61,080)</u>	<u>(2)</u>	<u>305,752</u>	<u>9</u>
Total retained earnings	<u>1,333,196</u>	<u>46</u>	<u>1,698,359</u>	<u>51</u>
Other equity	<u>(348,322)</u>	<u>(12)</u>	<u>(284,510)</u>	<u>(9)</u>
Total equity attributable to owners of the Company	<u>2,092,028</u>	<u>73</u>	<u>2,521,003</u>	<u>75</u>
Total equity	<u>2,092,028</u>	<u>73</u>	<u>2,521,003</u>	<u>75</u>
<b>TOTAL</b>	<u>\$ 2,879,759</u>	<u>100</u>	<u>\$ 3,345,399</u>	<u>100</u>

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

# SILITECH TECHNOLOGY CORPORATION AND SUBSIDIARIES

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

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 20 and 27)	\$ 1,734,002	100	\$ 2,295,774	100
COST OF GOODS SOLD (Notes 11, 24 and 27)	<u>(1,569,681)</u>	<u>(91)</u>	<u>(1,948,940)</u>	<u>(85)</u>
GROSS PROFIT	<u>164,321</u>	<u>9</u>	<u>346,834</u>	<u>15</u>
OPERATING EXPENSES (Notes 24 and 27)				
Selling and marketing expenses	(90,762)	(5)	(109,110)	(5)
General and administrative expenses	(180,271)	(10)	(203,648)	(9)
Research and development expenses	(73,892)	(4)	(119,548)	(5)
Expected credit (loss) gain	<u>150</u>	<u>-</u>	<u>(191)</u>	<u>-</u>
Total operating expenses	<u>(344,775)</u>	<u>(19)</u>	<u>(432,497)</u>	<u>(19)</u>
LOSS FROM OPERATIONS	<u>(180,454)</u>	<u>(10)</u>	<u>(85,663)</u>	<u>(4)</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 21)	22,738	1	58,403	2
Other income (Notes 21 and 27)	51,050	3	36,277	2
Other losses (Notes 21 and 27)	(197,070)	(12)	(4,651)	-
Finance costs	(1,601)	-	(3,949)	-
Share of profit of associates	<u>-</u>	<u>-</u>	<u>664</u>	<u>-</u>
Total non-operating income and expenses	<u>(124,883)</u>	<u>(8)</u>	<u>86,744</u>	<u>4</u>
PROFIT (LOSS) BEFORE INCOME TAX	(305,337)	(18)	1,081	-
INCOME TAX EXPENSE (Notes 4 and 22)	<u>(60,921)</u>	<u>(3)</u>	<u>(31,576)</u>	<u>(2)</u>
NET LOSS FOR THE YEAR	<u>(366,258)</u>	<u>(21)</u>	<u>(30,495)</u>	<u>(2)</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	1,282	-	(2,092)	-
Share of the other comprehensive income of associates accounted for using the equity method	-	-	21	-

(Continued)

# SILITECH TECHNOLOGY CORPORATION AND SUBSIDIARIES

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

	2020		2019	
	Amount	%	Amount	%
Unrealized (loss) gain on investments in equity instruments at fair value through other comprehensive income (loss)	\$ 737	-	\$ (1,146)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 22)	(187)	-	415	-
	<u>1,832</u>	<u>-</u>	<u>(2,802)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	(80,687)	(5)	(4,771)	-
Share of the other comprehensive income of associates accounted for using the equity method	-	-	535	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 22)	16,138	1	847	-
	<u>(64,549)</u>	<u>(4)</u>	<u>(3,389)</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(62,717)</u>	<u>(4)</u>	<u>(6,191)</u>	<u>-</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>\$ (428,975)</u>	<u>(25)</u>	<u>\$ (36,686)</u>	<u>(2)</u>
LOSS PER SHARE (IN NTD; Note 23)				
From continuing operations				
Basic	<u>\$ (6.10)</u>		<u>\$ (0.24)</u>	
Diluted	<u>\$ (6.10)</u>		<u>\$ (0.24)</u>	

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

(Concluded)



# SILITECH TECHNOLOGY CORPORATION AND SUBSIDIARIES

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

	Share Capital		Capital Surplus	Retained Earnings			Other Equity		Total Equity
	Ordinary Shares (In Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficit)	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at FVTOCI	
BALANCE AT JANUARY 1, 2019	179,384	\$ 1,793,838	\$ 507,154	\$ 1,109,766	\$ 139,742	\$ 495,929	\$ (140,745)	\$ (142,096)	\$ 3,763,588
Effect of retrospective application	-	-	-	-	-	(14,906)	-	-	(14,906)
BALANCE AT JANUARY 1, 2019 AS RESTATED	179,384	1,793,838	507,154	1,109,766	139,742	481,023	(140,745)	(142,096)	3,748,682
Appropriation of 2018 earnings Special reserve	-	-	-	-	143,099	(143,099)	-	-	-
Capital reduction by cash	(119,384)	(1,193,838)	-	-	-	-	-	-	(1,193,838)
Disposal of investments accounted for using the equity method	-	-	-	-	-	-	2,927	(82)	2,845
Net loss for the year ended December 31, 2019	-	-	-	-	-	(30,495)	-	-	(30,495)
Other comprehensive loss for the year ended December 31, 2019, net of income tax	-	-	-	-	-	(1,677)	(3,389)	(1,125)	(6,191)
Total comprehensive loss for the year ended December 31, 2019	-	-	-	-	-	(32,172)	(3,389)	(1,125)	(36,686)
BALANCE AT DECEMBER 31, 2019	60,000	600,000	507,154	1,109,766	282,841	305,752	(141,207)	(143,303)	2,521,003
Appropriation of 2019 earnings Special reserve	-	-	-	-	1,669	(1,669)	-	-	-
Net loss for the year ended December 31, 2020	-	-	-	-	-	(366,258)	-	-	(366,258)
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	-	1,095	(64,549)	737	(62,717)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	(365,163)	(64,549)	737	(428,975)
BALANCE AT DECEMBER 31, 2020	<u>60,000</u>	<u>\$ 600,000</u>	<u>\$ 507,154</u>	<u>\$ 1,109,766</u>	<u>\$ 284,510</u>	<u>\$ (61,080)</u>	<u>\$ (205,756)</u>	<u>\$ (142,566)</u>	<u>\$ 2,092,028</u>

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

# SILITECH TECHNOLOGY CORPORATION AND SUBSIDIARIES

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

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (loss) before income tax	\$ (305,337)	\$ 1,081
Adjustments for:		
Depreciation expense	83,042	156,718
Amortization expense	1,331	3,080
Expected credit loss recognized (reversed) on trade receivables	(150)	191
Net gain on fair value changes of financial assets at FVTPL	(6,277)	(3,487)
Finance costs	1,601	3,949
Interest income	(22,738)	(58,403)
Dividend income	(956)	(2,226)
Share of profit of associates	-	(664)
Net gain on disposal of property, plant and equipment	(22,737)	(624)
Impairment loss recognized on long-term assets	198,096	296
Impairment loss on investments accounted for using the equity method	-	7,986
Disposal of inventories	4,704	12,143
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at FVTPL	6,215	3,243
Notes receivable	(165)	-
Trade receivables	34,693	76,416
Trade receivables from related parties	(9,821)	3,472
Other receivables	(9,854)	12,317
Other receivables from related parties	1,622	14,416
Inventories	(23,886)	(3,380)
Other current assets	7,375	20,407
Trade payables	(40,878)	(72,414)
Trade payables to related parties	(2,072)	(90)
Other payables	(8,264)	(112,549)
Other payables to related parties	(7,546)	(1,843)
Provisions	6,551	786
Other current liabilities	6,479	(162)
Net defined benefit liabilities	(9,190)	3,150
Cash generated from (used in) operations	(118,162)	63,809
Interest received	22,678	56,046
Dividends received	956	2,226
Interest paid	(1,601)	(3,949)
Income tax paid	(29,458)	(26,261)
Net cash generated from (used in) operating activities	(125,587)	91,871
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at amortized cost	(72,103)	(658,270)
Proceeds from sale of financial assets at amortized cost	172,200	594,233
Net cash inflow on disposal of associates	-	67,311
Proceeds from disposal of non-current assets held for sale	-	422,389

(Continued)

# SILITECH TECHNOLOGY CORPORATION AND SUBSIDIARIES

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

	2020	2019
Payments for property, plant and equipment	\$ (37,309)	\$ (77,986)
Proceeds from disposal of property, plant and equipment	30,232	636
Decrease in refundable deposits	148	107
Payments for intangible assets	(858)	(2,020)
Dividends received from associates	<u>-</u>	<u>675</u>
Net cash generated from investing activities	<u>92,310</u>	<u>347,075</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of principal portion of lease liabilities	(41,286)	(60,690)
Capital reduction payments to shareholders	-	(1,193,838)
Proceeds from (refund of) guarantee deposits received	<u>(2)</u>	<u>6</u>
Net cash used in financing activities	<u>(41,288)</u>	<u>(1,254,522)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	<u>(69,136)</u>	<u>5,131</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(143,701)	(810,445)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,850,025</u>	<u>2,660,470</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,706,324</u>	<u>\$ 1,850,025</u>

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

(Concluded)

# **SILITECH TECHNOLOGY CORPORATION AND SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

### **FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

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#### **1. GENERAL INFORMATION**

Silitech Technology Corporation (the “Company”) was established in October 2001 and listed on the Taiwan Stock Exchange in March 2004, and is mainly engaged in the manufacture and sale of modules and rubber (plastic) products.

The Company signed a spin-off proposal with Silitek Corporation on March 27, 2002, stating that the Company will generally accept the rubber division of Silitek Corporation (the “division”). The proposal was approved in the shareholders’ meeting on May 17, 2002. The Company generally accepted all assets, liabilities and operations generated by the division on the record date of October 1, 2002, which was approved by the board of directors on September 5, 2002.

The consolidated financial statements of the Company and its subsidiaries, hereto forth collectively referred to as the Group, are presented in the Company’s functional currency, the New Taiwan dollar.

#### **2. APPROVAL OF FINANCIAL STATEMENTS**

The consolidated financial statements were approved by the Company’s board of directors and authorized for issue on February 22, 2021.

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

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

The initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Group’s accounting policies:

- Amendments to IAS 1 and IAS 8 “Definition of Material”

The Group adopted the amendments starting from January 1, 2020. The threshold of materiality that could influence users has been changed to “could reasonably be expected to influence”. Accordingly, disclosures in the consolidated financial statements do not include immaterial information that may obscure material information.

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB</b>
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendment to IFRS 16 “Covid-19 - Related Rent Concessions”	June 1, 2020

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

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

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

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

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

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

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

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

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

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

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”

The amendments clarify that for a liability to be classified as non-current, the Group shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Group will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Group must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Group’s own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Group’s own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32: Financial Instruments: Presentation, the aforementioned terms would not affect the classification of the liability.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

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

a. Statement of compliance

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

b. Basis of preparation

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

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

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

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

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries). Income and expenses of the subsidiaries acquired or disposed of during the period are included in the consolidated statements of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

See Note 12 and Table 4 for detailed information on subsidiaries (including the percentages of ownership and main businesses).

e. Foreign currencies

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

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

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting the consolidated financial statements, the functional currencies of the Company and its foreign operations (including subsidiaries and associates that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e., a disposal of the Company's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

f. Inventories

Inventories consist of raw materials, work in progress and finished goods. Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

Profits and losses resulting from the Group's downstream, upstream and sidestream transactions with its associates are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

g. Property, plant and equipment

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

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If an asset's lease term is shorter than its useful life, such an asset is depreciated over the lease term. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

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



#### h. Intangible assets

##### 1) Intangible assets acquired separately

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

##### 2) Derecognition of intangible assets

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

#### i. Impairment of property, plant and equipment, right-of-use asset, intangible assets and assets related to contract costs

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

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

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

#### j. Financial instruments

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

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

##### 1) Financial assets

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

a) Measurement category

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

i. Financial assets at FVTPL

A financial asset is classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 26.

ii. Financial assets at amortized cost

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents and trade receivables at amortized cost, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

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

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in equity instruments at FVTOCI

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

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

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

#### b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost including trade receivables.

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

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

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

#### c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

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

### 2) Equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

### 3) Financial liabilities

#### a) Subsequent measurement

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

##### i. Financial liabilities at FVTPL

Financial liability is classified as at FVTPL when such financial liability is held for trading.

Financial liabilities held for trading are stated at fair value, and any gains or losses on such financial liabilities are recognized in other gains or losses; any remeasurement gains or losses on such financial liabilities are recognized in other gains or losses.

#### b) Derecognition of financial liabilities

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

### 4) Derivative financial instruments

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

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

#### k. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

#### l. Revenue recognition

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

Revenue from the sale of goods comes from sales of rubber goods. Sales of goods are recognized as revenue when the goods are shipped or delivered to the customer because that is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers, and bears the risks of obsolescence. Trade receivables are recognized concurrently.

m. Leases

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

1) The Group as lessor

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

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

2) The Group as lessee

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

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

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

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

n. Government grants

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

Government grants related to income are recognized in other income on a systematic basis over the periods in which the Group recognizes as expenses the related costs that the grants intend to compensate.

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

o. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

p. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

### 3) Current and deferred taxes for the year

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

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

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### **Estimated Impairment of Financial Assets**

The provision for impairment of trade receivables, investments in debt instruments, and financial guarantee contracts is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Notes 9 and 10. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Cash on hand	\$ 204	\$ 297
Checking accounts and demand deposits	394,961	464,263
Cash equivalents (investments with original maturities of 3 months or less)		
Time deposits	<u>1,311,159</u>	<u>1,385,465</u>
	<u>\$ 1,706,324</u>	<u>\$ 1,850,025</u>

The market rate intervals of cash in the bank at the end of the reporting period were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Time deposits	0.25%-2.65%	0.63%-3.33%

## 7. FINANCIAL INSTRUMENTS AT FVTPL

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Financial assets at FVTPL - current</u>		
Financial assets held for trading		
Derivative financial assets (not under hedge accounting)		
Forward exchange contracts	<u>\$ 2,218</u>	<u>\$ 1,857</u>
<u>Financial assets at FVTPL - non-current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	<u>\$ 25,702</u>	<u>\$ 27,429</u>
<u>Financial liabilities at FVTPL - current</u>		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Forward exchange contracts	<u>\$ 366</u>	<u>\$ -</u>



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

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2020</u>			
Forward exchange contracts	USD/MYR	2021.01.07-2021.04.08	USD3,140/MYR12,878
	EUR/MYR	2021.01.19-2021.05.27	EUR290/MYR1,430
	EUR/NTD	2021.01.06-2021.01.25	EUR540/NTD18,287
	USD/RMB	2021.01.15-2021.04.16	USD360/RMB2,392
<u>December 31, 2019</u>			
Forward exchange contracts	USD/MYR	2020.01.07-2020.03.06	USD1,940/MYR8,050
	EUR/MYR	2020.01.10-2020.03.17	EUR300/MYR1,405
	RMB/MYR	2020.01.16	RMB1,000/MYR590
	USD/RMB	2020.01.17-2020.02.14	USD2,250/RMB15,803

The Group entered into forward exchange contracts to manage their exposures to risk arising from the exchange rate fluctuations of foreign currency denominated assets and liabilities.

## 8. FINANCIAL ASSETS AT FVTOCI

### Investments in Equity Instruments at FVTOCI

	<u>December 31</u>	
	2020	2019
<u>Non-current</u>		
Domestic investments		
Unlisted ordinary shares	\$ 6,899	\$ 6,162

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI.

## 9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	2020	2019
<u>Current</u>		
Restricted bank deposits (a)	\$ -	\$ 92,965
Time deposits with original maturities of more than 3 months (b and c)	-	8,118
	<u>\$ -</u>	<u>\$ 101,083</u>

- a. Restricted bank deposits mainly refer to bank deposit products, which are measured at amortized cost; the products shall not be paid or redeemed within the contract period. The ranges of interest rates for restricted bank deposits were approximately 3.35%-3.40% per annum as of December 31, 2019.

- b. The interest rate ranges for time deposits with original maturities of more than 3 months were 1.95% per annum as of December 31, 2019.
- c. Refer to Note 28 for information related to investments in financial assets at amortized cost pledged as security.

# 10. NOTES RECEIVABLE AND TRADE RECEIVABLES

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 422,563	\$ 447,835
Less: Allowance for impairment loss	<u>(24)</u>	<u>(574)</u>
	<u>\$ 422,539</u>	<u>\$ 447,261</u>

The average credit period of sales of goods was 60-90 days and no interest was charged on trade receivables. In order to minimize credit risk, the management of the Company has regularly evaluated credit approvals and carried out other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix approach considering the past default experience with the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtor operates and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off a trade receivable when there is information indicating that the debtor is experiencing severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation or when the trade receivables are over 240 days past due, whichever occurs earlier. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Group's provision matrix.

## December 31, 2020

	<b>Not Past Due</b>	<b>Up to 60 Days</b>	<b>61 to 210 Days</b>	<b>Over 210 Days</b>	<b>Total</b>
Expected credit loss rate	-	0.73%	-	-	
Gross carrying amount	\$419,275	\$ 3,288	\$ -	\$ -	\$422,563
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>(24)</u>	<u>-</u>	<u>-</u>	<u>(24)</u>
Amortized cost	<u>\$419,275</u>	<u>\$ 3,264</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$422,539</u>

December 31, 2019

	<b>Not Past Due</b>	<b>Up to 60 Days</b>	<b>61 to 210 Days</b>	<b>Over 210 Days</b>	<b>Total</b>
Expected credit loss rate	-	0.39%	70%	100%	
Gross carrying amount	\$442,334	\$ 4,878	\$ 226	\$ 397	\$447,835
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>(19)</u>	<u>(158)</u>	<u>(397)</u>	<u>(574)</u>
Amortized cost	<u>\$442,334</u>	<u>\$ 4,859</u>	<u>\$ 68</u>	<u>\$ -</u>	<u>\$447,261</u>

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

	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 574	\$ 3,378
Add: Amounts recovered	-	358
Add: Expected credit loss (gain)	(150)	191
Loss: Amounts written off	(392)	(3,333)
Foreign exchange translation	<u>(8)</u>	<u>(20)</u>
Balance at December 31	<u>\$ 24</u>	<u>\$ 574</u>

# **11. INVENTORIES, NET**

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Raw materials	\$ 69,071	\$ 67,650
Finished goods	62,430	61,383
Work in progress	51,685	44,948
Inventory in transit	13,820	3,082
Supplies	<u>1,163</u>	<u>1,924</u>
	<u>\$ 198,169</u>	<u>\$ 178,987</u>

The cost of inventories recognized as cost of goods sold included the inventory reversals and disposals.

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Inventory reversals	\$ (1,442)	\$ (4,261)
Loss of inventory scrapped	4,704	12,143

Previous write-downs were reversed as a result of the sale of inventory that had been written down.

## 12. SUBSIDIARIES

### Subsidiaries Included in the Consolidated Financial Statements

Investor	Investee	Main Business	% of Ownership December 31		Remark
			2020	2019	
The Company	Silitech (BVI) Holding Ltd.	Investment activities	100.00	100.00	-
Silitech (BVI) Holding Ltd.	Silitech (Bermuda) Holding Ltd.	Investment activities	100.00	100.00	-
Silitech (Bermuda) Holding Ltd.	Silitech Technology Corporation Limited	Manufacture of plastic and computer peripheral products	100.00	100.00	-
	Silitech Technology Corp. Sdn. Bhd.	Manufacture of plastic and computer peripheral products	100.00	100.00	-
	Silitech (Hong Kong) Holding Ltd.	Investment activities	100.00	100.00	b.
Silitech (Hong Kong) Holding Ltd.	Silitech Technology (Suzhou) Co., Ltd.	Manufacture and sale of rubber assembly and automotive parts	-	100.00	a.
Silitech Technology Corporation Limited	Xurong Electronic (Shenzhen) Co., Ltd.	Manufacture and sale of touch panels and plastic and rubber assembly	100.00	100.00	-

Remark:

- On April 25, 2019, the board of directors resolved to dissolve and liquidate Silitech Technology (Suzhou) Co., Ltd., which completed its liquidation procedures on January 13, 2020.
- On April 24, 2020, the board of directors resolved to dissolve and liquidate Silitech (Hong Kong) Holding Ltd.

## 13. PROPERTY, PLANT AND EQUIPMENT, NET

	Freehold Land	Buildings	Machinery Equipment	Testing Equipment	Transportation Equipment	Equipment Held under Finance Leases	Office Equipment	Other Equipment	Total
<b>Cost</b>									
Balance at January 1, 2020	\$ 43,710	\$ 310,646	\$ 1,047,757	\$ 137,413	\$ 13,551	\$ 454,117	\$ 121,086	\$ 16,049	\$ 2,144,329
Additions	-	1,668	21,211	8,196	-	-	11,280	980	43,335
Disposals	-	-	(388,772)	(37,109)	(3,948)	(313,373)	(22,765)	(1,194)	(767,161)
Effects of foreign currency exchange differences	(1,514)	(6,542)	(17,878)	(1,466)	(236)	(4,681)	(1,692)	(119)	(34,128)
Balance at December 31, 2020	<u>\$ 42,196</u>	<u>\$ 305,772</u>	<u>\$ 662,318</u>	<u>\$ 107,034</u>	<u>\$ 9,367</u>	<u>\$ 136,063</u>	<u>\$ 107,909</u>	<u>\$ 15,716</u>	<u>\$ 1,386,375</u>
<b>Accumulated depreciation</b>									
Balance at January 1, 2020	\$ -	\$ 225,641	\$ 737,181	\$ 109,150	\$ 13,513	\$ 336,674	\$ 94,469	\$ 13,504	\$ 1,530,132
Depreciation expense	-	8,170	36,484	5,318	37	5,755	10,213	1,229	67,206
Disposals	-	-	(334,686)	(33,029)	(3,948)	(274,778)	(19,543)	(1,092)	(667,076)
Transfers from accumulated impairment	-	-	12,031	916	-	11,892	2,474	109	27,422
Effects of foreign currency exchange differences	-	(4,121)	(13,958)	(1,164)	(235)	(3,826)	(1,368)	(102)	(24,774)
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 229,690</u>	<u>\$ 437,052</u>	<u>\$ 81,191</u>	<u>\$ 9,367</u>	<u>\$ 75,717</u>	<u>\$ 86,245</u>	<u>\$ 13,648</u>	<u>\$ 932,910</u>
<b>Accumulated impairment</b>									
Balance at January 1, 2020	\$ -	\$ 64	\$ 108,429	\$ 13,936	\$ -	\$ 35,830	\$ 1,153	\$ 755	\$ 160,167
Impairment losses	-	-	81,173	4,492	-	76,174	11,535	463	173,837
Disposals	-	-	(49,025)	(2,682)	-	(38,595)	(2,232)	(56)	(92,590)
Transfers to accumulated depreciation	-	-	(12,031)	(916)	-	(11,892)	(2,474)	(109)	(27,422)
Effects of foreign currency exchange differences	-	-	(1,060)	(71)	-	(1,171)	(133)	(4)	(2,439)
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 64</u>	<u>\$ 127,486</u>	<u>\$ 14,759</u>	<u>\$ -</u>	<u>\$ 60,346</u>	<u>\$ 7,849</u>	<u>\$ 1,049</u>	<u>\$ 211,553</u>
Net balance at December 31, 2020	<u>\$ 42,196</u>	<u>\$ 76,018</u>	<u>\$ 97,780</u>	<u>\$ 11,084</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,815</u>	<u>\$ 1,019</u>	<u>\$ 241,912</u>
<b>Cost</b>									
Balance at January 1, 2019	\$ 43,990	\$ 316,240	\$ 1,054,816	\$ 155,685	\$ 13,840	\$ 473,034	\$ 117,825	\$ 18,363	\$ 2,193,793
Additions	-	-	53,187	1,764	-	-	9,708	1,039	65,698
Disposals	-	(4,386)	(32,428)	(17,543)	-	-	(4,472)	(3,211)	(62,040)
Effects of foreign currency exchange differences	(280)	(1,208)	(27,818)	(2,493)	(289)	(18,917)	(1,975)	(142)	(53,122)
Balance at December 31, 2019	<u>\$ 43,710</u>	<u>\$ 310,646</u>	<u>\$ 1,047,757</u>	<u>\$ 137,413</u>	<u>\$ 13,551</u>	<u>\$ 454,117</u>	<u>\$ 121,086</u>	<u>\$ 16,049</u>	<u>\$ 2,144,329</u>
<b>Accumulated depreciation</b>									
Balance at January 1, 2019	\$ -	\$ 221,375	\$ 696,887	\$ 119,503	\$ 13,392	\$ 308,263	\$ 87,040	\$ 13,654	\$ 1,460,114
Depreciation expense	-	8,375	51,121	5,699	256	24,360	11,108	1,905	102,824
Disposals	-	(3,295)	(24,302)	(16,872)	-	-	(4,368)	(2,125)	(50,962)

(Continued)

	Freehold Land	Buildings	Machinery Equipment	Testing Equipment	Transportation Equipment	Equipment Held under Finance Leases	Office Equipment	Other Equipment	Total
Transfers from accumulated impairment	\$ -	\$ -	\$ 33,043	\$ 2,580	\$ 153	\$ 18,124	\$ 2,029	\$ 181	\$ 56,110
Effects of foreign currency exchange differences	-	(814)	(19,568)	(1,760)	(288)	(14,073)	(1,340)	(111)	(37,954)
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 225,641</u>	<u>\$ 737,181</u>	<u>\$ 109,150</u>	<u>\$ 13,513</u>	<u>\$ 336,674</u>	<u>\$ 94,469</u>	<u>\$ 13,504</u>	<u>\$ 1,530,132</u>
<b>Accumulated impairment</b>									
Balance at January 1, 2019	\$ -	\$ 1,155	\$ 151,946	\$ 17,528	\$ 153	\$ 55,426	\$ 3,290	\$ 2,021	\$ 231,519
Impairment losses	-	-	296	-	-	-	-	-	296
Disposals	-	(1,091)	(8,126)	(670)	-	-	(94)	(1,085)	(11,066)
Transfers to accumulated depreciation	-	-	(33,043)	(2,580)	(153)	(18,124)	(2,029)	(181)	(56,110)
Effects of foreign currency exchange differences	-	-	(2,644)	(342)	-	(1,472)	(14)	-	(4,472)
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 64</u>	<u>\$ 108,429</u>	<u>\$ 13,936</u>	<u>\$ -</u>	<u>\$ 35,830</u>	<u>\$ 1,153</u>	<u>\$ 755</u>	<u>\$ 160,167</u>
Net balance at December 31, 2019	<u>\$ 43,710</u>	<u>\$ 84,941</u>	<u>\$ 202,147</u>	<u>\$ 14,327</u>	<u>\$ 38</u>	<u>\$ 81,613</u>	<u>\$ 25,464</u>	<u>\$ 1,790</u>	<u>\$ 454,030</u>

(Concluded)

As a result of the life cycle of some products, the estimated future cash flows from the related equipment decreased due to idling cause by insufficient productivity. The Group carried out a review of the recoverable amount of the related equipment and determined that the carrying amount exceeded the recoverable amount. As of December 31, 2020 and 2019, the accumulated impairment losses recognized were \$211,553 thousand and \$160,167 thousand, respectively. For the years ended December 31, 2020 and 2019, the accumulated impairment amount decreased due to disposal of equipment and were \$92,590 thousand and \$11,066 thousand.

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

#### Buildings

Plant structures	24-45 years
Electricity and barrier constructions	3-20 years
Machinery equipment	5-10 years
Testing equipment	3-10 years
Transportation equipment	5 years
Equipment held under finance leases	2-10 years
Office equipment	3-10 years
Other equipment	2-5 years

## 14. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<b><u>Carrying amount</u></b>		
Buildings	<u>\$ 69,685</u>	<u>\$ 38,295</u>
<b><u>For the Year Ended December 31</u></b>		
	<b>2020</b>	<b>2019</b>
Additions to right-of-use assets	<u>\$ 72,517</u>	<u>\$ -</u>
Depreciation charge for right-of-use assets		
Buildings	<u>\$ 15,836</u>	<u>\$ 53,894</u>

Other than the recognition of depreciation changes, the Group's right-of-use assets may be left idle due to insufficient capacity in the future, which would resulting in the recoverable amount of the right-of-use asset to be lower than their carrying amount, thus, the group recognize on impairment loss of \$23,623 thousand for the year ended December 31, 2020.

b. Lease liabilities

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Carrying amount</u>		
Current	<u>\$ 23,851</u>	<u>\$ 40,892</u>
Non-current	<u>\$ 51,295</u>	<u>\$ 5,195</u>

Range of discount rates for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Buildings	4.75%-5.94%	4.75%-5.94%

c. Material lease activities and terms (the Group is lessee)

The Group leases certain buildings for product manufacturing and for dormitories with lease terms of 3 to 14 years and with no renewal option. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Expenses relating to short-term leases and low-value asset leases	<u>\$ 6,822</u>	<u>\$ 2,853</u>
Total cash outflow for leases	<u>\$ 49,709</u>	<u>\$ 67,492</u>

## 15. OTHER ASSETS

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Current</u>		
Prepayments for tax	\$ 18,335	\$ 19,568
Suspense payment - tooling	9,000	8,485
Input tax	3,664	7,849
Others	<u>19,905</u>	<u>22,377</u>
	<u>\$ 50,904</u>	<u>\$ 58,279</u>
<u>Non-current</u>		
Prepayments for equipment	<u>\$ 8,834</u>	<u>\$ 9,467</u>

## 16. OTHER PAYABLES

	December 31	
	2020	2019
Payroll	\$ 103,888	\$ 109,658
Tooling	26,938	32,464
Employee leave	18,705	16,462
Equipment	9,159	3,415
Utilities/post and telecommunications	6,450	8,306
Services	6,366	11,272
Commission	814	1,311
Others	<u>91,625</u>	<u>83,577</u>
	<u>\$ 263,945</u>	<u>\$ 266,465</u>

## 17. PROVISIONS

	December 31	
	2020	2019
<u>Current</u>		
Returns and allowance	<u>\$ 7,845</u>	<u>\$ 1,294</u>

The provision of customer returns and allowance was based on historical experience, management's judgments and other known reasons estimated product returns and allowance may occur in the year. The provision was recognized as a reduction of operating income in the periods of the related goods were sold.

## 18. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

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

### b. Defined benefit plans

The defined benefit plan adopted by the Company of the Group in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contribute amounts equal to 2.5% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment policy and strategy.

The subsidiary - Silitech Technology Corp. Sdn. Bhd adopted the defined benefit plan.

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Present value of defined benefit obligation	\$ 76,233	\$ 108,293
Fair value of plan assets	<u>(16,226)</u>	<u>(37,814)</u>
Net defined benefit liabilities	<u>\$ 60,007</u>	<u>\$ 70,479</u>

Movements in net defined benefit liabilities were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2019	<u>\$ 100,134</u>	<u>\$ (34,897)</u>	<u>\$ 65,237</u>
Current service cost	3,473	-	3,473
Net interest expense (income)	<u>1,762</u>	<u>(357)</u>	<u>1,405</u>
Recognized in profit or loss	<u>5,235</u>	<u>(357)</u>	<u>4,878</u>
Remeasurement			
Return on plan assets	-	(1,055)	(1,055)
Actuarial loss - changes in demographic assumptions	1,480	-	1,480
Actuarial loss - changes in financial assumptions	3,755	-	3,755
Actuarial gain - experience adjustments	<u>(2,088)</u>	<u>-</u>	<u>(2,088)</u>
Recognized in other comprehensive income (loss)	<u>3,147</u>	<u>(1,055)</u>	<u>2,092</u>
Contributions from the employer	-	(1,505)	(1,505)
Exchange differences on foreign plans	<u>(223)</u>	<u>-</u>	<u>(223)</u>
Balance at December 31, 2019	<u>108,293</u>	<u>(37,814)</u>	<u>70,479</u>
Current service cost	3,393	-	3,393
Past service cost and gain on settlements	(9,157)	-	(9,157)
Net interest expense (income)	<u>1,446</u>	<u>(290)</u>	<u>1,156</u>
Recognized in loss	<u>(4,318)</u>	<u>(290)</u>	<u>(4,608)</u>
Remeasurement			
Return on plan assets	-	(1,183)	(1,183)
Actuarial loss - changes in demographic assumptions	1,164	-	1,164
Actuarial loss - changes in financial assumptions	2,671	-	2,671
Actuarial gain - experience adjustments	<u>(3,934)</u>	<u>-</u>	<u>(3,934)</u>
Recognized in other comprehensive loss	<u>(99)</u>	<u>(1,183)</u>	<u>(1,282)</u>
Contributions from the employer	-	(1,344)	(1,344)
Benefits paid	(24,405)	24,405	-
Exchange differences on foreign plans	<u>(3,238)</u>	<u>-</u>	<u>(3,238)</u>
Balance at December 31, 2020	<u>\$ 76,233</u>	<u>\$ (16,226)</u>	<u>\$ 60,007</u>



An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Operating costs	\$ (1,849)	\$ 2,494
Selling and marketing expenses	(723)	609
General and administrative expenses	(1,591)	1,172
Research and development expenses	<u>(445)</u>	<u>603</u>
	<u>\$ (4,608)</u>	<u>\$ 4,878</u>

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

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Discount rate(s)	0.5%-3%	0.75%-3.5%
Expected rate(s) of salary increase	3%-4.75%	3%-4.75%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Discount rate(s)		
0.25% increase	<u>\$ (1,765)</u>	<u>\$ (2,460)</u>
0.25% decrease	<u>\$ 1,828</u>	<u>\$ 2,545</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 1,762</u>	<u>\$ 2,458</u>
0.25% decrease	<u>\$ (1,711)</u>	<u>\$ (2,389)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
The expected contributions to the plan for the next year	<u>\$ 711</u>	<u>\$ 1,576</u>
The average duration of the defined benefit obligation	9.4-13.4 years	8.9-13.3 years

## 19. EQUITY

### a. Share capital

#### Ordinary shares

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Number of shares authorized (in thousands)	<u>300,000</u>	<u>300,000</u>
Amount of shares authorized	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>60,000</u>	<u>60,000</u>
Amount of shares issued	<u>\$ 600,000</u>	<u>\$ 600,000</u>

On August 31, 2020, the extraordinary shareholders meeting convened by the Company resolved to issue less than 9,000 thousand ordinary shares for capital increase in cash through private placement.

On June 12, 2019, the Company resolved in their shareholders' meeting to implement a capital reduction in cash of \$1,193,838 thousand, cancelling 119,384 thousand ordinary shares, and the capital reduction ratio was 66.552167%. The above mentioned proposal was approved and declared effective by the FSC. The record date of capital reduction was set as July 26, 2019, and the refund of shares to shareholders was completed on September 27, 2019.

### b. Capital surplus

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
May be used to offset a deficit, distributed as <u>cash dividends, or transferred to share capital</u>		
Issuance of ordinary shares	<u>\$ 507,154</u>	<u>\$ 507,154</u>

Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's paid in capital and only once a year).

c. Retained earnings and dividend policy

According to the Company's dividend policy, if there is a net profit after tax upon the final settlement of accounts of each fiscal year, the Company shall first offset any previous accumulated losses (including adjustment of unappropriated earnings, if any) and set aside a legal reserve at 10% of the net profit, unless the accumulated legal reserve is equal to the total capital of the Company; then, it shall set aside or reverse a special reserve in accordance with the relevant laws or regulations or as requested by the authorities in charge. The remaining net profit, plus the beginning unappropriated earnings (including adjustment of unappropriated earnings, if any), shall be distributed as dividends to shareholders according to the distribution plan proposed by the board of directors and submitted to the shareholders in the shareholders' meeting for approval. For the policies on the distribution of compensation of employees and remuneration of directors, refer to Note 24 (b) Employee benefits expenses.

The Company's dividend policy is designed with present and future development plans in mind and takes into consideration the investment environment, international or domestic competition while simultaneously meeting shareholders' interests. When there is no cumulative loss, the Company shall distribute dividends to shareholders at a percentage of no less than 70% of the net profit after tax. Dividends could be distributed either through cash or shares, and cash dividends distributed shall not be less than 90% of the total dividends distributed for the year.

In case there are no earnings for distribution in a certain year, or the earnings of a certain year are significantly less than the earnings actually distributed by the Company in the previous year, or considering the financial, business or operational factors of the Company, the Company may allocate a portion or all of its reserves for distribution in accordance with relevant laws or regulations or the orders of the authorities in charge.

Cash distribution of the Company's earnings and reserves, authorizing the board of directors' meeting to attend with more than two-thirds of directors and more than half of the directors present approval then report to the shareholders' meeting. Distribution of earnings and reserves in the form of new shares shall be resolved in the shareholders' meeting in accordance with the regulations.

In the shareholders' meeting held on June 18, 2020, the shareholders decided to amend the Company's Articles to abolish the rule that appropriates earnings or offsets deficit at the end of every quarter.

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reverse a special reserve.

The appropriations of earnings for 2019 and 2018 which were approved in the shareholders' meetings on June 18, 2020 and June 12, 2019, respectively, are as follows:

	<b>Appropriation of Earnings</b>	
	<b>2019</b>	<b>2018</b>
Special reserve	\$ 1,669	\$ 143,099

## 20. REVENUE

According to IFRS 15, the type of customer contract revenue is identified as “product sales revenue”. The Company’s core technology is to integrate rubber, plastic, optical and other components, which are widely used in industries and products such as mechanical integration components and automotive components.

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Customer contracts revenue		
Product sales revenue	<u>\$ 1,734,002</u>	<u>\$ 2,295,774</u>

## 21. NON-OPERATING INCOME AND EXPENSES

### a. Interest income

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Interest income		
From bank deposits	\$ 22,033	\$ 55,601
From financial assets at amortized cost	<u>705</u>	<u>2,802</u>
	<u>\$ 22,738</u>	<u>\$ 58,403</u>

### b. Other income

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Rental income	\$ 3,508	\$ 3,941
Dividends	956	2,226
Subsidy from government	18,518	12,000
Others	<u>28,068</u>	<u>18,110</u>
	<u>\$ 51,050</u>	<u>\$ 36,277</u>

### c. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Disposal of property, plant and equipment	\$ 22,737	\$ 624
Foreign currency exchange	(2,897)	84
Net gain on financial assets mandatorily classified as at FVTPL	6,277	3,487
Impairment loss on investments in associates accounted for using the equity method	-	(7,986)
Impairment loss on long-term asset	(198,096)	(296)
Others	<u>(25,091)</u>	<u>(564)</u>
	<u>\$ (197,070)</u>	<u>\$ (4,651)</u>

d. Finance costs

**For the Year Ended December 31**  
**2020                      2019**

Interest on lease liabilities	\$ <u>1,601</u>	\$ <u>3,949</u>
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e. Gains or losses on foreign currency exchange

**For the Year Ended December 31**  
**2020                      2019**

Foreign exchange gains	\$ 35,810	\$ 62,933
Foreign exchange losses	<u>(38,707)</u>	<u>(62,849)</u>
Net foreign exchange gains (losses)	<u>\$ (2,897)</u>	<u>\$ 84</u>

## 22. INCOME TAX

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

**For the Year Ended December 31**  
**2020                      2019**

Current tax		
In respect of the current year	\$ 31,653	\$ 36,694
Adjustments for prior year	<u>(20,760)</u>	<u>(2,532)</u>
	<u>10,893</u>	<u>34,162</u>
Deferred tax		
In respect of the current year	<u>50,028</u>	<u>(2,586)</u>
Income tax expense recognized in profit or loss	<u>\$ 60,921</u>	<u>\$ 31,576</u>

A reconciliation of accounting profit and income tax expense as follows:

**For the Year Ended December 31**  
**2020                      2019**

Income (loss) before income tax	\$ <u>(305,337)</u>	\$ <u>1,081</u>
Income tax expense calculated at the statutory rate	\$ (91,469)	\$ 27,315
Nondeductible items in determining taxable income	798	9,287
Tax-exempt income	(2,287)	(6,242)
Unrecognized loss carryforwards/deductible temporary differences	174,639	2,940
Adjustments for prior year	(20,760)	(2,532)
Other	<u>-</u>	<u>808</u>
Income tax expense recognized in profit or loss	<u>\$ 60,921</u>	<u>\$ 31,576</u>

The applicable tax rate used by subsidiaries in China is 15%. The applicable tax rate used by subsidiaries in Malaysia is 24%. Tax rates used by other entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

The subsidiary, Xurong Electronic (Shenzhen) Co., Ltd., qualified as a “national high-tech industrial enterprise” in China; hence, corporate income tax was reduced from 25% to 15% starting from 2015.

b. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Current tax assets		
Tax refund receivable	<u>\$ 89</u>	<u>\$ 89</u>
Current tax liabilities		
Income tax payable	<u>\$ 13,706</u>	<u>\$ 32,271</u>

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2020

	<b>Opening Balance</b>	<b>Recognized in Profit (Loss)</b>	<b>Recognized in Other Compre- hensive Income (Loss)</b>	<b>Reclassified From Equity to Profit or Loss</b>	<b>Exchange Differences</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>						
Temporary differences						
Unrealized loss on inventories	\$ 813	\$ (241)	\$ -	\$ -	\$ (24)	\$ 548
Unrealized exchange loss	358	(300)	-	-	-	58
Defined benefit obligation	14,909	(1,602)	(187)	-	(261)	12,859
Payables for annual leave	1,007	632	-	-	(4)	1,635
Loss carryforwards	80,952	(50,899)	-	-	(751)	29,302
Exchange differences on translation of the financial statements of foreign operations	35,300	-	16,138	-	-	51,438
Others	<u>6,809</u>	<u>5,317</u>	<u>-</u>	<u>-</u>	<u>(245)</u>	<u>11,881</u>
	<u>\$ 140,148</u>	<u>\$ (47,093)</u>	<u>\$ 15,951</u>	<u>\$ -</u>	<u>\$ (1,285)</u>	<u>\$ 107,721</u>
<u>Deferred tax liabilities</u>						
Temporary differences						
Unrealized exchange gain	\$ 784	\$ (650)	\$ -	\$ -	\$ -	\$ 134
Land value increment tax	9,477	-	-	-	-	9,477
Unappropriated earnings of subsidiaries	<u>22,869</u>	<u>3,585</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,454</u>
	<u>\$ 33,130</u>	<u>\$ 2,935</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,065</u>

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit (Loss)	Recognized in Other Compre- hensive Income (Loss)	Reclassified From Equity to Profit or Loss	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>						
Temporary differences						
Unrealized loss on inventories	\$ 1,465	\$ (637)	\$ -	\$ -	\$ (15)	\$ 813
Unrealized exchange loss	237	121	-	-	-	358
Defined benefit obligation	13,772	775	415	-	(53)	14,909
Payables for annual leave	1,072	(52)	-	-	(13)	1,007
Loss carryforwards	79,436	3,672	-	-	(2,156)	80,952
Exchange differences on translation of the financial statements of foreign operations	35,186	-	847	(733)	-	35,300
Others	<u>8,484</u>	<u>(1,520)</u>	<u>-</u>	<u>-</u>	<u>(155)</u>	<u>6,809</u>
	<u>\$ 139,652</u>	<u>\$ 2,359</u>	<u>\$ 1,262</u>	<u>\$ (733)</u>	<u>\$ (2,392)</u>	<u>\$ 140,148</u>
<u>Deferred tax liabilities</u>						
Temporary differences						
Unrealized exchange gain	\$ 257	\$ 527	\$ -	\$ -	\$ -	\$ 784
Land value increment tax	9,477	-	-	-	-	9,477
Unappropriated earnings of subsidiaries	<u>23,623</u>	<u>(754)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,869</u>
	<u>\$ 33,357</u>	<u>\$ (227)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,130</u>

- d. Deductible temporary differences, unused loss carryforwards and unused investment credits for which no deferred tax assets have been recognized in the consolidated balance sheets

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Loss carryforwards		
Expiry in 2026	\$ 141,019	\$ -
Expiry in 2027	134,923	604
Expiry in 2028	230,715	158,329
Expiry in 2029	206,641	205,900
Expiry in 2030	<u>422,558</u>	<u>-</u>
	<u>\$ 1,135,856</u>	<u>\$ 364,833</u>
Deductible temporary differences		
Impairment loss of property, plant and equipment	<u>\$ 116,959</u>	<u>\$ 52,014</u>

- e. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2020 comprised:

<b>Unused Amount</b>	<b>Year of Expiry</b>
\$ 141,019	2026
281,433	2027
230,715	2028
206,641	2029
<u>422,558</u>	2030
<u>\$ 1,282,366</u>	

f. Income tax assessments

The income tax returns of the Company for all years through 2018 have been assessed by the tax authorities.

## 23. LOSS PER SHARE

Unit: NT\$ Per Share

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Basic loss per share	\$ (6.10)	\$ (0.24)
Diluted loss per share	\$ (6.10)	\$ (0.24)

The net loss and weighted average number of ordinary shares outstanding used in the computation of loss per share are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Net loss for the year</u>		
Loss for the year attributable to owners of the Company	\$ (366,258)	\$ (30,495)

Shares

Unit: In Thousand Shares

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Weighted average number of ordinary shares used in the computation of basic loss per share	60,000	127,378
Effect of potentially dilutive ordinary shares:		
Compensation of employees	-	-
Weighted average number of ordinary shares used in the computation of diluted loss per share	<u>60,000</u>	<u>127,378</u>

The Company may settle the bonuses or remuneration paid to employees in cash or shares; therefore, the Company assumes that the entire amount of the bonuses or remuneration will be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. The dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.



## 24. ADDITIONAL INFORMATION ON EXPENSES

### a. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Property, plant and equipment	\$ 67,206	\$ 102,824
Right-of-use assets	15,836	53,894
Intangible assets	<u>1,331</u>	<u>3,080</u>
	<u>\$ 84,373</u>	<u>\$ 159,798</u>
An analysis of depreciation by function		
Recognized in operating costs	\$ 72,059	\$ 135,227
Recognized in operating expenses	<u>10,983</u>	<u>21,491</u>
	<u>\$ 83,042</u>	<u>\$ 156,718</u>
An analysis of amortization by function		
Recognized in operating costs	\$ 175	\$ 125
Recognized in operating expenses	<u>1,156</u>	<u>2,955</u>
	<u>\$ 1,331</u>	<u>\$ 3,080</u>

### b. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Post-employment benefits (Note 18)		
Defined contribution plans	\$ 28,597	\$ 29,144
Defined benefit plans	<u>(4,608)</u>	<u>4,878</u>
	23,989	34,022
Other employee benefits	<u>755,993</u>	<u>821,031</u>
	<u>\$ 779,982</u>	<u>\$ 855,053</u>
Employee benefits expense summarized by function		
Recognized in operating costs	\$ 531,466	\$ 561,582
Recognized in operating expenses	<u>248,516</u>	<u>293,471</u>
	<u>\$ 779,982</u>	<u>\$ 855,053</u>

The Company's Articles of Incorporation stipulate the distribution of compensation of employees and remuneration of directors at rates of no less than 10% and no higher than 5%, respectively, of net profit before income tax, compensation of employees and remuneration of directors.

As the Company reported net losses for the years ended December 31, 2020 and 2019, no compensation of employees and remuneration of directors were estimated. The board of directors resolved not to distribute compensation of employees and remuneration of directors for the years ended December 31, 2020 and 2019 in their meetings on February 22, 2021 and February 24, 2020, respectively.

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

Information on compensation of employees and remuneration of directors resolved by the Company's board of directors in 2021 and 2020 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 25. CAPITAL MANAGEMENT

The Group maintains its capital to support equipment upgrades. The Group's capital management is to ensure there are sufficient financial resources and operation plans, in order to meet the needs of working capital, capital expenditures, research and development fees, debt repayment and dividend distribution over the next 12 months.

## 26. FINANCIAL INSTRUMENTS

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

The management considers that the carrying amounts of financial assets and financial liabilities not measured at fair value approximate their fair values or their fair values cannot be measured reliably.

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

#### 1) Fair value hierarchy

##### December 31, 2020

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTPL				
Derivative instruments	\$ -	\$ 2,218	\$ -	\$ 2,218
Mutual funds	-	25,702	-	25,702
	<u>\$ -</u>	<u>\$ 27,920</u>	<u>\$ -</u>	<u>\$ 27,920</u>
Financial assets at FVTOCI				
Investments in equity instruments - domestic unlisted equities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,899</u>	<u>\$ 6,899</u>
Financial liability at FVTPL				
Derivative instruments	<u>\$ -</u>	<u>\$ 366</u>	<u>\$ -</u>	<u>\$ 366</u>

##### December 31, 2019

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTPL				
Derivative instruments	\$ -	\$ 1,857	\$ -	\$ 1,857
Mutual funds	-	27,429	-	27,429
	<u>\$ -</u>	<u>\$ 29,286</u>	<u>\$ -</u>	<u>\$ 29,286</u>
Financial assets at FVTOCI				
Investments in equity instruments - domestic unlisted equities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,162</u>	<u>\$ 6,162</u>

There were no transfers between Levels 1 and 2 during the years ended December 31, 2020 and 2019.

2) Reconciliation of Level 3 fair value measurements of financial instruments: None.

3) Valuation techniques and inputs applied for Level 2 fair value measurement

<b>Financial Instruments</b>	<b>Valuation Techniques and Inputs</b>
Derivative instruments - forward exchange contracts	Discounted cash flow:  Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Mutual funds	Using the average price of observable similar market transactions or the price of similar tools provided by the mutual fund management company.

4) Valuation techniques and inputs applied for the purpose of Level 3 fair value measurement

The fair values of unlisted equity securities - ROC were based on the fair value of net assets to determine the expected present value of the investment expectably.

c. Categories of financial instruments

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<b><u>Financial assets</u></b>		
Mandatorily classified as at FVTPL	\$ 27,920	\$ 29,286
Financial assets at amortized cost (1)	2,166,495	2,428,397
Financial assets at FVTOCI	6,899	6,162
<b><u>Financial liabilities</u></b>		
Amortized cost (2)	451,555	501,046
Financial liabilities at FVTPL	366	-

1) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, debt instruments, notes receivable, trade receivables, other receivables and guarantee deposits.

2) The balances include financial liabilities measured at amortized cost, which comprise notes payable, trade payables, other payables and guarantee deposits.

d. Financial risk management objectives and policies

The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include currency risk, interest rate risk, credit risk and liquidity risk. In order to reduce financial risk, the Group is committed to identify, assess and avoid the uncertainty of the market and reduce the potential downside effects against the Group's financial performance due to market fluctuation.

The corporate treasury function is reviewed by the Company's board of directors and audit committee in accordance with related rules and internal control systems. The Group should implement the overall financial management objective as well as observe the levels of delegated authority and ensure that those with delegated authority carry out their duties.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below). The Group entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk.

a) Foreign currency risk

The Group's primary operating activities and foreign investment structures were in foreign currencies, which exposed the Group to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing short-term loans and derivative financial instruments (including forward exchange contracts and currency swap contracts). The Group could reduce but would be unable to eliminate the effect caused by foreign currency risks under the use of derivative financial products.

The Group's derivative financial instruments did not qualify under hedged items due to the fact that such products were due within 1 year of the initial transaction.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are set out in Note 29.

The carrying amounts of the Group's derivative financial instruments at the end of the reporting period are as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Assets</u>		
USD	\$ 2,218	\$ 1,616
EUR	-	217
RMB	-	24
<u>Liabilities</u>		
USD	345	-
EUR	21	-

### Sensitivity analysis

The Group was mainly affected by the USD and the EUR.

The following table details the Group's sensitivity to a 5% increase and decrease in the NTD against the USD and the EUR. The sensitivity analysis included only outstanding foreign currency denominated monetary items. A positive number below indicates an increase in pre-tax profit associated with the NTD depreciating 5% against the USD and the EUR. For a 5% appreciation of the NTD against the USD and the EUR, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative.

	<b>USD Impact (i)</b>		<b>EUR Impact (ii)</b>	
	<b>For the Year Ended</b>		<b>For the Year Ended</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Profit or loss	\$ 3,580	\$ 7,900	\$ 1,812	\$ 1,858

- i. This was mainly attributable to the exposure on outstanding receivables and financial assets (liabilities) at FVTPL and payables in USD in cash flow hedges at the end of the reporting period.
- ii. This was mainly attributable to the exposure on outstanding receivables and financial assets (liabilities) at FVTPL and payables in EUR in cash flow hedges at the end of the reporting period.

#### b) Interest rate risk

Interest rate risk refers to the risk of changes in the fair value of financial instruments and cash flow as a result of changes in the market rate.

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Fair value interest rate risk		
Financial assets	\$ 1,311,159	\$ 1,486,548
Cash flow interest rate risk		
Financial assets	360,887	422,661

### Sensitivity analysis

The sensitivity analyses were determined based on the Group's exposure to interest rates for both derivative and non-derivative instruments held for a quarter at the end of the reporting period. If interest rates had been 10 basis points higher and all other variables were held constant, the Group's profit or loss would be as follows:

	<b>Market Rate Change Impact</b>	
	<b>2020</b>	<b>2019</b>
Profit or loss	\$ 361	\$ 423

## 2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group is exposed to credit risk from trade receivables, deposits and other financial instruments. Credit risk on business-related exposures is managed separately from that on financial-related exposures.

### a) Business-related credit risk

To maintain the quality of receivables, the Group has established operating procedures to manage credit risk.

For individual customers, risk factors considered include the customer's financial position, credit agency rating, the Group's internal credit rating, and transaction history as well as current economic conditions that may affect the customer's ability to pay. The Group also has the right to use some credit protection enhancement tools, such as requiring advance payments, to reduce the credit risks involving certain customers.

The Group's concentration of credit risk of 80% and 78% of total trade receivables as of December 31, 2020 and 2019, respectively, was related to the Group's ten largest customers. The credit concentration risk of the remaining accounts receivable is relatively insignificant.

### b) Financial-related credit risk

Credit risk from bank deposits and other financial instruments are measured and monitored by the Group's finance department. However, since the Group's counterparties are all reputable financial institutions and government agencies, there are no significant financial-related credit risks.

## 3) Liquidity risk

The objective of liquidity risk management, is to maintain sufficient operating cash and cash equivalents in order to ensure that the Group has financial flexibility.

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

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturities dates for other non-derivative financial liabilities were based on the agreed repayment dates.

#### December 31, 2020

	<b>On Demand or Less than 1 Year</b>	<b>1-3 Years</b>	<b>Over 3 Years to 5 Years</b>	<b>5+ Years</b>	<b>Total</b>
<u>Non-derivative financial liabilities</u>					
Non-interest bearing liabilities	\$ 573,417	\$ -	\$ -	\$ 731	\$ 574,148
Lease liabilities	<u>23,851</u>	<u>51,295</u>	<u>-</u>	<u>-</u>	<u>75,146</u>
	<u>\$ 597,268</u>	<u>\$ 51,295</u>	<u>\$ -</u>	<u>\$ 731</u>	<u>\$ 649,294</u>

Additional information about the maturity analysis for undiscounted lease liabilities

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>Total</b>
Lease liabilities	<u>\$ 26,959</u>	<u>\$ 53,917</u>	<u>\$ 80,876</u>

December 31, 2019

	<b>On Demand or Less than 1 Year</b>	<b>1-3 Years</b>	<b>Over 3 Years to 5 Years</b>	<b>5+ Years</b>	<b>Total</b>
<u>Non-derivative financial liabilities</u>					
Non-interest bearing liabilities	\$ 626,435	\$ -	\$ -	\$ 732	\$ 627,167
Lease liabilities	<u>40,892</u>	<u>3,360</u>	<u>1,835</u>	<u>-</u>	<u>46,087</u>
	<u>\$ 667,327</u>	<u>\$ 3,360</u>	<u>\$ 1,835</u>	<u>\$ 732</u>	<u>\$ 673,254</u>

Additional information about the maturity analysis for undiscounted lease liabilities

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>Total</b>
Lease liabilities	<u>\$ 41,955</u>	<u>\$ 5,684</u>	<u>\$ 47,639</u>

## 27. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, had been eliminated on consolidation and are not disclosed in this note. The details of transactions between the Group and other related parties are disclosed below.

a. Related parties and their relationships

<b>Related Party</b>	<b>Relationship with the Group</b>
Lite-On Technology Corporation	The Company's major institutional shareholder (parent company before December 30, 2020)
Lite-On Japan Ltd.	Other related party (subsidiary invested by the Company's major institutional shareholders)
Lite-On Electronics (Guangzhou) Limited	Other related party (subsidiary invested by the Company's major institutional shareholders')
Lite-On Integrated Service Inc.	Other related party (subsidiary invested by the Company's major institutional shareholders)
Chi Mei Mold Co., Ltd.	Other related party (as of June 29, 2020, the Company retired from its directorship position)
Lite-On Semiconductor Corp.	Other related party (subsidiary invested by the Company's major institutional shareholders until November 30, 2020)
Lite-On Semiconductor (Wuxi) Co., Ltd.	Other related party (subsidiary invested by the Company's major institutional shareholders until November 30, 2020)
Silport Travel Corp.	Related party in substance

b. Sales of goods

Item	Related Party Category	For the Year Ended December 31	
		2020	2019
Sales of goods	Other related parties	\$ 17,865	\$ 54,875
	The Company's major institutional shareholder	<u>13,135</u>	<u>1,134</u>
		<u>\$ 31,000</u>	<u>\$ 56,009</u>

The sale of goods to related parties were made at the Company's usual list prices which had no significant difference with other non-related parties.

c. Purchases

Related Party Category	For the Year Ended December 31	
	2020	2019
Other related parties	<u>\$ 2,852</u>	<u>\$ 6,678</u>

d. Other revenue and operating expenses

Item	Related Party Category	For the Year Ended December 31	
		2020	2019
Operating expenses	Other related parties	\$ 4,558	\$ 4,805
	The Company's major institutional shareholder	2,575	5,450
	Related party in substance	<u>96</u>	<u>1,238</u>
		<u>\$ 7,229</u>	<u>\$ 11,493</u>
Other revenue	Other related parties	\$ 766	\$ 1,431
	The Company's major institutional shareholder	<u>10</u>	<u>-</u>
		<u>\$ 776</u>	<u>\$ 1,431</u>

The Company leases offices to Chi Mei Mold Co., Ltd. (as of June 29, 2020, the Company retired from its directorship position) for \$125 thousand and \$119 thousand per month for the years 2020 and 2019, respectively, and payment is made by telegraphic transfer on a monthly basis.

e. Receivables from related parties (excluding loans to related parties)

Item	Related Party Category	December 31	
		2020	2019
Trade receivables	The Company's major institutional shareholder	\$ 9,184	\$ -
	Other related parties	<u>6,209</u>	<u>5,572</u>
		<u>\$ 15,393</u>	<u>\$ 5,572</u>
Other receivables	The Company's major institutional shareholder	<u>\$ 99</u>	<u>\$ 1,721</u>



The outstanding trade receivables from related parties are unsecured.

f. Payables to related parties (excluding borrowings from related parties)

Item	Related Party Category	December 31	
		2020	2019
Trade payables	Other related parties	\$ <u>-</u>	\$ <u>2,072</u>
Other payables	The Company's major institutional shareholder	\$ 142	\$ 1,981
	Other related parties	44	5,694
	Related party in substance	<u>-</u>	<u>57</u>
		\$ <u>186</u>	\$ <u>7,732</u>

The outstanding trade payables to related parties are unsecured.

g. Disposals of property, plant and equipment

Related Party Category/Name	Proceeds		Gain (Loss) on Disposal	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2020	2019	2020	2019
Other related parties	\$ <u>5</u>	\$ <u>-</u>	\$ <u>5</u>	\$ <u>-</u>

h. Compensation of key management personnel

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	\$ 5,040	\$ 4,849
Termination benefits	<u>197</u>	<u>195</u>
	\$ <u>5,237</u>	\$ <u>5,044</u>

The remuneration of directors and key executives was determined by the remuneration committee with regard to the performance of individuals and market trends.

## 28. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were pledged as collateral for local customs and operating leases.

	December 31	
	2020	2019
Pledged time deposits (classified as financial assets at amortized cost)	\$ <u>-</u>	\$ <u>8,118</u>

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

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

December 31, 2020

	<b>Foreign Currency (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount (In Thousands)</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,386	28.045 (USD:NTD)	\$ 38,882
USD	2,659	6.5176 (USD:RMB)	74,582
USD	5,801	4.0020 (USD:MYR)	162,691
EUR	1,407	34.4954 (EUR:NTD)	48,536
EUR	529	4.9225 (EUR:MYR)	18,242
EUR	53	8.0166 (EUR:RMB)	1,843
JPY	8,051	0.2716 (JPY:NTD)	2,187
JPY	7,695	0.0631 (JPY:RMB)	2,090
RMB	8,750	0.1534 (RMB:USD)	37,650

Financial liabilities

Monetary items			
USD	855	28.045 (USD:NTD)	23,971
USD	519	6.5176 (USD:RMB)	14,545
USD	2,420	4.0020 (USD:MYR)	67,880
EUR	109	4.9255 (EUR:MYR)	3,744
SGD	123	3.0302 (SGD:MYR)	2,616

December 31, 2019

	<b>Foreign Currency (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount (In Thousands)</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 5,870	29.93 (USD:NTD)	\$ 175,702
USD	11,723	6.9519 (USD:RMB)	350,884
USD	4,803	4.0805 (USD:MYR)	143,763
EUR	834	33.5096 (EUR:NTD)	27,954
EUR	622	4.5685 (EUR:MYR)	20,833
JPY	9,147	0.2749 (JPY:NTD)	2,514
JPY	9,603	0.0638 (JPY:RMB)	2,640
RMB	256	4.3053 (RMB:NTD)	1,102
RMB	29,432	0.1438 (RMB:USD)	126,713
RMB	2,940	0.5870 (RMB:MYR)	12,657
HKD	380	0.8927 (HKD:RMB)	1,461

(Continued)

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 5,296	29.93 (USD:NTD)	\$ 158,498
USD	4,921	6.9519 (USD:RMB)	147,280
USD	2,712	4.0805 (USD:MYR)	81,168
EUR	47	4.5685 (EUR:MYR)	1,558
SGD	106	3.0313 (SGD:MYR)	2,363
			(Concluded)

The Group is mainly exposed to the USD, EUR, RMB and JPY. The following information was aggregated by the functional currencies of the Group, and the exchange rates between the respective functional currencies and the presentation currency are disclosed. The significant realized and unrealized foreign exchange gains (losses) are as follows:

For the Year Ended December 31				
Foreign Currency	2020		2019	
	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
NTD	1 (NTD:NTD)	\$ 177	1 (NTD:NTD)	\$ (1,244)
USD	29.4539 (USD:NTD)	771	30.8681 (USD:NTD)	(2,117)
RMB	4.2414 (RMB:NTD)	(2,924)	4.4882 (RMB:NTD)	4,540
MYR	7.0513 (MYR:NTD)	(921)	7.4701 (MYR:NTD)	(1,095)
		<u>\$ (2,897)</u>		<u>\$ 84</u>

### 30. OTHER MATTERS

Due to the impact of the COVID-19 pandemic in the first half of 2020, some of the Group's operating locations were temporarily suspended, and orders were postponed. As of June 30, 2020, the Group fully resumed operation and increased its operating revenue by 17% from October 2020 to December 2020. In addition, Xurong Electronic (Shenzhen) Co., Ltd. was impacted by the COVID-19 pandemic, which resulted in a substantial decline in operating revenue. Coupled with the rising rental payment, the Group decided to reduce production gradually. Thus, the Group recognized an impairment loss of those related assets and reduced the operating expenses. Because uncertainties over the pandemic remain, the Group will continue its observation on development of the pandemic.

### 31. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and information on investees:

- 1) Financing provided: None.
- 2) Endorsements/guarantees provided: None.
- 3) Marketable securities held (excluding investment in subsidiaries, associates and jointly controlled entities): See Table 1 below.

- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None.
  - 5) Acquisitions of individual real estate properties at costs of at least NT \$300 million or 20% of the paid-in capital: None.
  - 6) Disposals of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None.
  - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: See Table 2 below.
  - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
  - 9) Trading in derivative instruments: See Note 7.
  - 10) Intercompany relationships and significant intercompany transactions: See Table 3 below.
  - 11) Information on investees: See Table 4 below.
- b. Information on investments in mainland China:
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. See Table 5 below.
  - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: See Table 6 below.
    - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
    - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
    - c) The amount of property transactions and the amount of the resultant gains or losses.
    - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
    - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
    - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.
- c. Information on major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: See Table 7 below.

## 32. SEGMENT INFORMATION

The Group is organized and managed as a single reportable business segment. The Group's main operations are the manufacture and sale of rubber products, and is considered a single segment. The basis of information reported to the chief operating decision maker is the same as the consolidated financial statements. Because the basis of segment information reported to the chief operating decision maker is the same as the consolidated financial statements, the segment revenue and results for the years ended December 31, 2020 and 2019 can be referred to in the consolidated statements of comprehensive income and the segment assets and liabilities as of December 31, 2020 and 2019 can be referred to in the consolidated balance sheets.

### a. Geographical information

The Group operates in three principal geographical areas - China, Malaysia and Taiwan.

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

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2020	2019	2020	2019
China	\$ 229,754	\$ 724,393	\$ 97,182	\$ 267,178
Malaysia	329,951	311,848	150,436	177,337
Taiwan	398,124	338,634	75,842	61,582
United States	389,756	437,580	-	-
Finland	148,183	88,576	-	-
India	38,085	87,954	-	-
Others	<u>200,149</u>	<u>306,789</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,734,002</u>	<u>\$ 2,295,774</u>	<u>\$ 323,460</u>	<u>\$ 506,097</u>

Non-current assets include property, plant and equipment, right-of-use assets, intangible assets and other non-current assets.

### b. Information about major customers

Single customers contributing 10% or more to the Group's revenue were as follows:

	For the Year Ended December 31	
	2020	2019
Customer A	\$ 381,668	\$ 434,764
Customer B	313,347	287,894

**TABLE 1**

**SILITECH TECHNOLOGY CORPORATION AND SUBSIDIARIES**

**MARKETABLE SECURITIES HELD**  
**DECEMBER 31, 2020**  
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Name of Held Company	Type and Name of Marketable Securities	Relationship with the Held Company	Financial Statement Account	December 31, 2020				Note
				Shares/Units (In Thousands)	Carrying Value (Foreign Currencies in Thousands)	Percentage of Ownership (%)	Fair Value (Foreign Currencies in Thousands)	
Silitech Technology Corporation	Ordinary shares							
	Chi Mei Mold Co., Ltd.	-	Financial assets at FVTOCI	1,300	\$ 6,899	8.67	\$ 6,899	Note
	RTR-TECH Technology Co., Ltd.	-	Financial assets at FVTOCI	6,820	-	9.46	-	
Silitech (Bermuda) Holding Ltd.	Fund							
	Innovation Works Development Fund, L.P.	-	Financial assets at FVTPL	-	US\$ 916	-	US\$ 916	

Note: Unrealized losses have been recognized for the full carrying amount of the financial instrument after assessment.

**TABLE 2**

**SILITECH TECHNOLOGY CORPORATION AND SUBSIDIARIES**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts (Payable) or Receivable		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Silitech Technology Corporation	Silitech Technology Corporation Limited	Third-tier subsidiary	Purchase	\$ 156,740	34	90 days	No significant difference	90-120 days	\$ (14,167)	9	Note
Silitech Technology Corporation Limited	Silitech Technology Corporation	Parent	Sale	US\$ 5,016 JPY 5,269 EUR 182	100	90 days	No significant difference	90-120 days	US\$ 493 JPY 1,287	100	Note
	Xurong Electronic (Shenzhen) Co., Ltd.	Subsidiary	Purchase	US\$ 5,016 JPY 5,269 EUR 182	100	90 days	No significant difference	90-120 days	US\$ (493) JPY (1,287)	100	Note
	Xurong Electronic (Shenzhen) Co., Ltd.	Silitech Technology Corporation Limited	Parent	Sale	US\$ 5,016 JPY 5,269 EUR 182	50	90 days	No significant difference	90-120 days	US\$ 493 JPY 1,287	24

Note: All intercompany sales and purchases have been eliminated upon consolidation.

**SILITECH TECHNOLOGY CORPORATION AND SUBSIDIARIES**

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)**

No. (Note 1)	Company Name	Counterparty	Nature of Relationship (Note 2)	Intercompany Transaction			
				Financial Statement Item	Amount	Terms	% of Consolidated Net Revenue or Total Assets (Note 3)
1	Silitech Technology Corporation Limited	Silitech Technology Corporation Silitech Technology Corporation	b. b.	Sales	\$ 156,740	No significant difference	9
				Trade receivable	14,167	No significant difference	1
2	Xurong Electronic (Shenzhen) Co., Ltd.	Silitech Technology Corporation Limited Silitech Technology Corporation Limited	c. c.	Sales	156,740	No significant difference	9
				Trade receivable	14,167	No significant difference	1

Note 1: The Parent Company and its subsidiaries are coded as follows:

- a. The Parent Company is coded “0”.
- b. The subsidiaries are coded consecutively beginning from “1” in the order presented in the table above.

Note 2: Nature of relationships are coded as follows:

- a. From the Parent Company to its subsidiary.
- b. From a subsidiary to its Parent Company.
- c. Between subsidiaries.

Note 3: The percentage calculation is based on the consolidated total operating revenue or total assets. For balance sheet items, each item’s end-of-period balance is shown as a percentage to the consolidated total assets as of December 31, 2020. For profit or loss items, cumulative amounts are shown as percentages to consolidated total operating revenue for the year ended December 31, 2020.

Note 4: The table above only discloses related-party transactions which are material.



TABLE 4

SILITECH TECHNOLOGY CORPORATION AND SUBSIDIARIES

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2020			Net Income (Losses) of the Investee	Share of Profits/(Losses) of Investee	Note
				December 31, 2020	December 31, 2019	Number of Shares (In Thousands)	Percentage of Ownership (%)	Carrying Value			
Silitech Technology Corporation	Silitech (BVI) Holding Ltd.	British Virgin Islands	Investment activities	US\$ 52,182	US\$ 52,182	52,182	100.00	\$ 1,738,780	US\$ (8,817)	\$ (259,571)	Subsidiary (Note 1)
Silitech (BVI) Holding Ltd.	Silitech (Bermuda) Holding Ltd.	Bermuda	Investment activities	US\$ 52,132	US\$ 52,132	52,132	100.00	US\$ 61,430	US\$ (8,818)	N/A	Sub-subsidiary (Note 1)
Silitech (Bermuda) Holding Ltd.	Silitech Technology Corporation Limited	Hong Kong	Manufacture of plastic and computer peripheral products	US\$ 8,000	US\$ 8,000	62,400	100.00	US\$ 8,623	RMB (78,180)	N/A	Third-tier subsidiary (Note 1)
	Silitech Technology Corporation Sdn. Bhd.	Malaysia	Manufacture of computer peripheral products	US\$ 5,632	US\$ 5,632	21,400	100.00	US\$ 19,465	RM 10,848	N/A	Third-tier subsidiary (Note 1)
	Silitech (Hong Kong) Holding Ltd.	Hong Kong	Investment activities	US\$ 24,200	US\$ 24,200	24,200	100.00	US\$ 5,776	RMB 806	N/A	Third-tier subsidiary (Note 1)

Note 1: All amounts have been eliminated upon consolidation.

Note 2: Refer to Table 5 for information on investments in mainland China.

TABLE 5

SILITECH TECHNOLOGY CORPORATION AND SUBSIDIARIES

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

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investments from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investments from Taiwan as of December 31, 2020	Net Income (Losses) of the Investee Company	Percentage of Ownership (%)	Share of Profits/(Losses) (Note 2)	Carrying Amount as of December 31, 2020	Accumulated Inward Remittance of Earnings as of December 31, 2020	Note
					Outflow	Inflow							
Xurong Electronic (Shenzhen) Co., Ltd.	Manufacture of touch panels and plastic and rubber assemblies	\$ 78,526 (US\$ 2,800)	Note 1	\$ 203,354	\$ -	\$ -	\$ 203,354	\$ (336,811) (RMB -79,411)	100	\$ (336,811) (RMB -79,411)	\$ 178,077 (RMB 41,393)	\$ 3,925,064 (US\$ 122,919) (RMB 71,822)	(Note 6)
Silitech Technology (Suzhou) Co., Ltd.	Manufacture and sale of automotive parts	-	Note 1	981,575 (US\$ 35,000)	-	-	981,575 (US\$ 35,000)	8 (RMB 2)	-	8 (RMB 2)	-	1,170,049 (US\$ 8,796) (RMB 214,783)	

Accumulated Investments in Mainland China as of December 31, 2020	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on Investment
\$ 1,269,064 (Note 4) (US\$ 38,000) (NT\$ 203,354)	\$ 1,406,625 (Note 4) (US\$ 42,095) (NT\$ 203,354)	\$6,350,330 (Note 3)

- Note 1: Indirect investment in mainland China through holding companies
- Note 2: The financial statements used as basis for calculating the investment amounts were all audited by the independent auditors.
- Note 3: The Parent Company’s upper limit on investments to China (calculated based on the higher of 60% of Silitech Technology Corporation’s net worth or consolidated worth of \$80 million plus accumulated inward remittance of share capital or earnings from subsidiaries in mainland China):  $\$2,092,028 \text{ (net worth)} \times 60\% + \$5,095,113 = \$6,350,330$
- Note 4: Investment amounts approved by the Ministry of Economic Affairs, ROC. are as follows:

Name of Investee	Order No.	Approved Amount
Xurong Electronic (Shenzhen) Co., Ltd.	091030841	NT\$ 203,354
Silitech Electronic (Changshu) Ltd. (liquidated in October 2010)	093032599	US\$ 3,000
Silitech Technology (Suzhou) Co., Ltd. (liquidated in January 2020) (Note 6)	10930007090	US\$ (43,000)
Silitech Technology (Suzhou) Co., Ltd. (liquidated in January 2020) (Note 6)	09600170390	US\$ 20,000
Silitech Technology (Suzhou) Co., Ltd. (liquidated in January 2020) (Note 6)	09600164790	US\$ 2,000
Silitech Technology (Suzhou) Co., Ltd. (liquidated in January 2020) (Note 6)	09500326290	US\$ 11,000
Silitech Technology (Suzhou) Co., Ltd. (liquidated in January 2020) (Note 6)	09700434630	US\$ 45,000
Silitech Plating (Shenzhen) Co., Ltd. (liquidated in September 2012)	09500004400	US\$ 605
Suzhou Xulong Mold Producing Co., Ltd. (liquidated in May 2018) (Notes 5 and 7)	09700063560	US\$ 1,200
Suzhou Xulong Mold Producing Co., Ltd. (liquidated in May 2018) (Notes 5 and 7)	10000321080	US\$ 1,500
Silitech Surface Treatment (Shenzhen) Co., Ltd. (liquidated in December 2012)	09900449200	US\$ 1,600

- Note 5: Including accumulated investments of US\$2,700 thousand which are not from Taiwan (R.O.C).
- Note 6: Silitech Technology (Suzhou) Co., Ltd. was dissolved after liquidation in January 2020. The share capital of RMB21,720 thousand was remitted to Silitech (Hong Kong) Holding Ltd. and was approved on March 5, 2020 by Order No. 10930007110.
- Note 7: Suzhou Xulong Mold Producing Co., Ltd. was dissolved after liquidation in May 2018. The share capital of US\$58 thousand was remitted to Silitech Technology Corporation Limited and was approved on June 25, 2018 by Order No. 10730038150.
- Note 8: All intercompany investments have been eliminated upon consolidation.

**TABLE 6**

**SILITECH TECHNOLOGY CORPORATION AND SUBSIDIARIES**

**SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized Gain (Loss)	Note
		Amount	%		Payment Terms	Comparison with Normal Transactions	Ending Balance	%		
Xurong Electronic (Shenzhen) Co., Ltd.	Purchase	\$ 156,740	34	No significant difference	90 days	90-120 days	\$ (14,671)	10	\$ 394	-

Note: All intercompany transactions have been eliminated upon consolidation.

**TABLE 7****SILITECH TECHNOLOGY CORPORATION****INFORMATION ON MAJOR SHAREHOLDERS  
DECEMBER 31, 2020**

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Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Lite-On Technology Corporation	11,322,003	18.87
Walsin Technology Corporation	9,000,000	15.00

Note: The information on the major shareholder listed in the table above is based on the total number of ordinary and preference shares (including treasury shares) owned by the shareholder at a minimum shareholding percentage of 5%, and which have been delivered as non-physical securities to the Taiwan Depository & Clearing Corporation on the last business day at the end of the quarter. The actual number of shares delivered as non-physical securities and the number of shares recorded in the Company's consolidated financial statements may be different due to differences in the basis of preparation and calculation.

## 6.5 Financial Statements of 2020

### INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
Silitech Technology Corporation

#### Opinion

We have audited the accompanying financial statements of Silitech Technology Corporation (the “Company”), which comprise the balance sheets as of December 31, 2020 and 2019, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the “financial statements”).

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

#### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters identified in the audit of the Company's consolidated financial statements for the year ended December 31, 2020 are described as follows:

##### Assessment of Allowance for Impairment Loss of Trade Receivables

The auditors are concerned with the assessment of impairment loss of trade receivables which involves management's critical accounting judgments and estimates.

Management evaluated the allowance for bad debt of clients by first assessing the impairment of trade receivables on an individual basis, before assessing them on a collective basis. Since the allowance for impairment loss of trade receivables is based on the assumption of the expected credit risk of clients and also involves critical judgment, when there is a significant reduction in the demand of the downstream clients, the collection of trade receivables from major clients may not be recovered due to financial difficulties. Therefore, we regard the assessment of the allowance for impairment loss of trade receivables as a key audit matter.

The main audit procedures performed in respect of the management's assessment of impairment of trade receivables included the following:

1. We reviewed the historical trade receivable recovery records of the clients to analyze the allowance for bad debt. Based on the customer's historical payment records, we evaluated the reasonableness of the collection rate of accounts receivable. Furthermore, we also referred to the payment status and other accessible customer information of the current year, and we verified that the allowance made for individual overdue trade receivables was sufficient.
2. We assessed the recoverability of the clients' overdue trade receivables after the reporting period to determine the need for additional allowance for bad debt.
3. We obtained an understanding of the accounting policy on accounts receivable from the major clients provided by the management. We tested the accuracy and completeness of the aging schedule. We calculated the allowance for bad debt recognized by management.

For the accounting policy on the assessment of impairment of trade receivables, refer to Note 4 to the financial statements. Refer to Notes 5 and 9 for critical accounting judgments and key sources of estimation uncertainty.

#### Assessment of Impairment Loss of Trade Receivables of Subsidiaries Accounted for Using the Equity Method

The auditors are concerned with the net amount of consolidated trade receivables as of December 31, 2020 accounted for 14% of the consolidated total assets, which is considered significant, and also because the assessment of the impairment loss of trade receivables involves management's critical accounting judgments and estimates.

Management evaluated the allowance for bad debt of clients by first assessing the impairment of trade receivables on an individual basis, before assessing them on a collective basis. Since allowance for impairment loss of trade receivables is based on the assumption of the expected credit risk of clients and also involves critical judgment, when there is a significant reduction in the demand of the downstream clients, the collection of trade receivables from major clients may not be recovered due to financial difficulties. Therefore, we regard the assessment of the allowance for impairment loss of trade receivables as a key audit matter.

The main audit procedures performed in respect of the management of the subsidiaries' assessment of impairment of trade receivables included the following:

1. We reviewed the historical trade receivable recovery records of the clients to analyze the allowance for bad debt. Based on the customer's historical payment records, we evaluated the reasonableness of the collection rate of accounts receivable. Furthermore, we also referred to the payment status and other accessible customer information of the current year, and we verified that the allowance made for individual overdue trade receivables was sufficient.
2. We assessed the recoverability of the clients' overdue trade receivables after the reporting period to determine the we need for additional allowance for bad debt.
3. We obtained an understanding of the accounting policy on accounts receivable from the major clients provided by the management of subsidiary, and we tested the accuracy and completeness of the aging schedule in order to calculate the allowance for bad debt recognized by management.

For the accounting policy on the assessment of impairment of trade receivables of subsidiaries accounted for using the equity method, refer to Note 5 for critical accounting judgments and key sources of estimation uncertainty.

### **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 the 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 auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.

5. 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.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the 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 for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Meng-Chieh Chiu and Jr-Shian Ke.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 22, 2021

#### Notice to Readers

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

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



# SILITECH TECHNOLOGY CORPORATION

## BALANCE SHEETS

DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 266,079	11	\$ 468,078	16
Notes receivable from non-related party (Notes 4, 5 and 9)	165	-	-	-
Trade receivables, net (Notes 4, 5 and 9)	105,890	5	174,741	6
Trade receivables from related parties (Notes 4, 5, 9 and 24)	18,546	1	6,750	-
Other receivables (Note 4)	4,017	-	7,775	-
Other receivables from related parties (Notes 4 and 24)	615	-	2,405	-
Current tax assets (Note 19)	89	-	89	-
Inventories, net (Notes 4 and 10)	80,345	3	47,033	2
Other current assets	17,974	1	13,144	-
Total current assets	493,720	21	720,015	24
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income (FVTOCI) (Notes 4 and 8)	6,899	-	6,162	-
Investments accounted for using the equity method (Notes 4 and 11)	1,738,780	72	2,080,253	71
Property, plant and equipment, net (Notes 4 and 12)	73,197	3	60,556	2
Intangible assets, net	900	-	851	-
Deferred tax assets (Notes 4 and 19)	89,701	4	74,958	3
Refundable deposits (Note 4)	175	-	175	-
Other non-current assets	1,570	-	-	-
Total non-current assets	1,911,222	79	2,222,955	76
TOTAL	\$ 2,404,942	100	\$ 2,942,970	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Financial liability at FVTPL (Notes 4 and 7)	\$ 345	-	\$ -	-
Trade payables (Note 4)	136,655	6	97,345	3
Trade payables to related parties (Notes 4 and 24)	14,671	1	150,421	5
Other payables (Notes 4 and 14)	84,252	3	75,252	3
Other payables to related parties (Notes 4 and 24)	729	-	7,732	-
Other current liabilities	5,067	-	11,863	-
Total current liabilities	241,719	10	342,613	11
NON-CURRENT LIABILITIES				
Net defined benefit liabilities (Notes 4 and 15)	35,130	1	46,224	2
Deferred tax liabilities (Notes 4 and 19)	36,065	2	33,130	1
Total non-current liabilities	71,195	3	79,354	3
Total liabilities	312,914	13	421,967	14
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 16)				
Share capital				
Ordinary shares	600,000	25	600,000	21
Capital surplus	507,154	21	507,154	17
Retained earnings				
Legal reserve	1,109,766	46	1,109,766	38
Special reserve	284,510	12	282,841	10
Unappropriated earnings (accumulated deficit)	(61,080)	(3)	305,752	10
Total retained earnings	1,333,196	55	1,698,359	58
Other equity	(348,322)	(14)	(284,510)	(10)
Total equity	2,092,028	87	2,521,003	86
TOTAL	\$ 2,404,942	100	\$ 2,942,970	100

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

# SILITECH TECHNOLOGY CORPORATION

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

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 17 and 24)	\$ 638,082	100	\$ 949,744	100
COST OF GOODS SOLD (Notes 10, 21 and 24)	<u>(575,840)</u>	<u>(90)</u>	<u>(865,724)</u>	<u>(91)</u>
GROSS PROFIT	62,242	10	84,020	9
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	(58)	-	(2)	-
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	<u>163</u>	<u>-</u>	<u>-</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>62,347</u>	<u>10</u>	<u>84,018</u>	<u>9</u>
OPERATING EXPENSES (Notes 21 and 24)				
Selling and marketing expenses	(44,922)	(7)	(52,059)	(6)
General and administrative expenses	(114,613)	(18)	(118,451)	(12)
Research and development expenses	(24,330)	(4)	(40,900)	(4)
Expected credit (loss) gain	<u>39</u>	<u>-</u>	<u>(5)</u>	<u>-</u>
Total operating expenses	<u>(183,826)</u>	<u>(29)</u>	<u>(211,415)</u>	<u>(22)</u>
LOSS FROM OPERATIONS	<u>(121,479)</u>	<u>(19)</u>	<u>(127,397)</u>	<u>(13)</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	1,402	-	3,354	-
Other income (Notes 18 and 24)	16,827	3	7,769	1
Other gains and losses (Note 18)	289	-	(9,260)	(1)
Share of profit or loss of subsidiaries and associates	<u>(259,571)</u>	<u>(41)</u>	<u>95,038</u>	<u>10</u>
Total non-operating income and expenses	<u>(241,053)</u>	<u>(38)</u>	<u>96,901</u>	<u>10</u>
LOSS BEFORE INCOME TAX	(362,532)	(57)	(30,496)	(3)
INCOME TAX BENEFIT (EXPENSE) (Notes 4 and 19)	<u>(3,726)</u>	<u>-</u>	<u>1</u>	<u>-</u>
NET LOSS FOR THE YEAR	<u>(366,258)</u>	<u>(57)</u>	<u>(30,495)</u>	<u>(3)</u>

(Continued)

# SILITECH TECHNOLOGY CORPORATION

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

	2020		2019	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ 3,019	-	\$ (2,183)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive gain (loss)	737	-	(1,146)	-
Share of the other comprehensive income of subsidiaries and associates accounted for using the equity method	(1,320)	-	90	-
Income tax benefit relating to items that will not be reclassified subsequently to profit or loss (Note 19)	<u>(604)</u>	<u>-</u>	<u>437</u>	<u>-</u>
	<u>1,832</u>	<u>-</u>	<u>(2,802)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	(80,687)	(13)	(4,771)	(1)
Share of the other comprehensive income of subsidiaries and associates accounted for using the equity method	-	-	535	-
Income tax benefit relating to items that may be reclassified subsequently to profit or loss (Note 19)	<u>16,138</u>	<u>3</u>	<u>847</u>	<u>-</u>
	<u>(64,549)</u>	<u>(10)</u>	<u>(3,389)</u>	<u>(1)</u>
Other comprehensive loss for the year, net of income tax	<u>(62,717)</u>	<u>(10)</u>	<u>(6,191)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>\$ (428,975)</u>	<u>(67)</u>	<u>\$ (36,686)</u>	<u>(4)</u>
LOSS PER SHARE (IN NTD; Note 20)				
Basic	<u>\$ (6.10)</u>		<u>\$ (0.24)</u>	
Diluted	<u>\$ (6.10)</u>		<u>\$ (0.24)</u>	

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

(Concluded)

# SILITECH TECHNOLOGY CORPORATION

## STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	Share Capital		Capital Surplus	Retained Earnings			Other Equity		Total Equity
	Ordinary Shares (In Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficit)	Exchange Differences on Translation of the Financial Statements Foreign Operations	Unrealized Gain (Loss) on Financial Assets at FVTOCI	
BALANCE AT JANUARY 1, 2019	179,384	\$ 1,793,838	\$ 507,154	\$ 1,109,766	\$ 139,742	\$ 495,929	\$ (140,745)	\$ (142,096)	\$ 3,763,588
Effect of retrospective application	-	-	-	-	-	(14,906)	-	-	(14,906)
BALANCE AT JANUARY 1, 2019 AS RESTATED	179,384	1,793,838	507,154	1,109,766	139,742	481,023	(140,745)	(142,096)	3,748,682
Appropriation of 2018 earnings Special reserve	-	-	-	-	143,099	(143,099)	-	-	-
Capital reduction by cash	(119,384)	(1,193,838)	-	-	-	-	-	-	(1,193,838)
Disposal of investments accounted for using the equity method	-	-	-	-	-	-	2,927	(82)	2,845
Net loss for the year ended December 31, 2019	-	-	-	-	-	(30,495)	-	-	(30,495)
Other comprehensive loss for the year ended December 31, 2019, net of income tax	-	-	-	-	-	(1,677)	(3,389)	(1,125)	(6,191)
Total comprehensive loss for the year ended December 31, 2019	-	-	-	-	-	(32,172)	(3,389)	(1,125)	(36,686)
BALANCE AT DECEMBER 31, 2019	60,000	600,000	507,154	1,109,766	282,841	305,752	(141,207)	(143,303)	2,521,003
Appropriation of 2019 earnings Special reserve	-	-	-	-	1,669	(1,669)	-	-	-
Net loss for the year ended December 31, 2020	-	-	-	-	-	(366,258)	-	-	(366,258)
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	-	1,095	(64,549)	737	(62,717)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	(365,163)	(64,549)	737	(428,975)
BALANCE AT DECEMBER 31, 2020	60,000	\$ 600,000	\$ 507,154	\$ 1,109,766	\$ 284,510	\$ (61,080)	\$ (205,756)	\$ (142,566)	\$ 2,092,028

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

# SILITECH TECHNOLOGY CORPORATION

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

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before income tax	\$ (362,532)	\$ (30,496)
Adjustments for:		
Depreciation expense	11,315	10,963
Amortization expense	809	1,096
Expected credit loss recognized (reversed) on trade receivables	(39)	5
Net loss on fair value change of financial assets at FVTPL	415	-
Interest income	(1,402)	(3,354)
Share of profit (loss) of subsidiaries and associates	259,571	(95,038)
Net gain on disposal of property, plant and equipment	(536)	-
Impairment loss on investments accounted for using the equity method	-	7,986
Loss on market price decline and obsolete and slow-moving inventories	986	-
Unrealized (gain) loss on the transactions with subsidiaries and associates	(105)	2
Net loss on disposal of inventories	95	119
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at FVTPL	(70)	-
Notes receivable	(165)	-
Trade receivables	68,890	99,731
Trade receivables from related parties	(11,796)	3,868
Other receivables	3,590	2,357
Other receivables from related parties	1,790	(24)
Inventories	(34,393)	(25,051)
Other current assets	(4,830)	(3,514)
Trade payables	39,310	43,472
Trade payables to related parties	(135,750)	(108,755)
Other payables	2,724	1,724
Other payables to related parties	(7,003)	(1,843)
Other current liabilities	(6,796)	5,558
Net defined benefit liabilities	(8,075)	1,070
Cash used in operations	(183,997)	(90,124)
Interest received	1,570	3,220
Income tax paid	-	(275)
Net cash used in operating activities	(182,427)	(87,179)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net cash inflow on disposal of associates	-	67,311
Proceeds from capital reduction of investment accounted for using the equity method	-	1,354,799
Payments for property, plant and equipment	(19,250)	(13,123)
Decrease in refundable deposits	536	-

(Continued)

# SILITECH TECHNOLOGY CORPORATION

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

	2020	2019
Payments for intangible assets	\$ (858)	\$ (731)
Dividends received from associates	<u>-</u>	<u>675</u>
Net cash generated from (used in) investing activities	<u>(19,572)</u>	<u>1,408,931</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital reduction payments to shareholders	<u>-</u>	<u>(1,193,838)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(201,999)	127,914
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>468,078</u>	<u>340,164</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 266,079</u>	<u>\$ 468,078</u>

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

(Concluded)

# **SILITECH TECHNOLOGY CORPORATION**

## **NOTES TO FINANCIAL STATEMENTS**

### **FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

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#### **1. GENERAL INFORMATION**

Silitech Technology Corporation (the “Company”) was established in October 2001 and listed on the Taiwan Stock Exchange in March 2004, and is mainly engaged in the manufacture and sale of modules and rubber (plastic) products.

The Company signed a spin-off proposal with Silitek Corporation on March 27, 2002, stating that the Company will generally accept the rubber division of Silitek Corporation (the “division”). The proposal was approved in the shareholders’ meeting on May 17, 2002. The Company generally accepted all assets, liabilities and operations generated by the division on the record date of October 1, 2002, which was approved by the board of directors on September 5, 2002.

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

#### **2. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the Company’s board of directors and authorized for issue on February 22, 2021.

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

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

The initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did have any material impact on the Company’s accounting policies:

- Amendments to IAS 1 and IAS 8 “Definition of Material”

The Group adopted the amendments starting from January 1, 2020. The threshold of materiality that could influence users has been changed to “could reasonably be expected to influence”. Accordingly disclosures in the consolidated financial statements do not include immaterial information that may obscure material information.

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB</b>
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendment to IFRS 16 “Covid-19-Related Rent Concessions”	June 1, 2020

As of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

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

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

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

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

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

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

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



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

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

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”

The amendments clarify that for a liability to be classified as non-current, the Company shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Company will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Company must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Company’s own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Company’s own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32: Financial Instruments: Presentation, the aforementioned terms would not affect the classification of the liability.

As of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

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

a. Statement of compliance

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

b. Basis of preparation

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

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

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

When preparing these parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries, associates and joint ventures. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same as the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries and associates, the share of other comprehensive income of subsidiaries and associates, as appropriate, in these parent company only financial statements.

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

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Foreign currencies

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

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

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting the financial statements, the assets and liabilities of the Company's foreign operations (including subsidiaries, associates, joint ventures and branches in other countries that use currencies which are different from the currency of the Company) are translated into New Taiwan dollars using the exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences are recognized in other comprehensive income.

On the disposal of a foreign operation (i.e., a disposal of the Company's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

e. Inventories

Inventories consist of raw materials, work in progress and finished goods. Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

f. Investments in subsidiaries

Investments in subsidiaries are accounted for using the equity method.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, investments in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiary attributable to the Company.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years.

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

When the Company transacts with its subsidiaries, profits and losses resulting from the transactions with the subsidiaries are recognized in the Company's financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

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

g. Property, plant and equipment

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

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If an asset's lease term is shorter than its useful life, such an asset is depreciated over the lease term. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

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

h. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

i. Impairment of property, plant and equipment and intangible assets

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

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

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

j. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

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

i. Financial assets at amortized cost

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents and trade receivables at amortized cost, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

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

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

ii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

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

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

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

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

## 2) Equity instruments

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

## 3) Financial liabilities

### a) Subsequent measurement

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

#### i. Financial liabilities at FVTPL

Financial liability is classified as at FVTPL when such financial liability is held for trading.

Financial liabilities held for trading are stated at fair value, and any gains or losses on such financial liabilities are recognized in other gains or losses; any remeasurement gains or losses on such financial liabilities are recognized in other gains or losses.

### b) Derecognition of financial liabilities

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

## k. Revenue recognition

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

Revenue from the sale of goods comes from sales of rubber goods. Sales of goods are recognized as revenue when the goods are shipped or delivered to the customer because that is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers, and bears the risks of obsolescence. Trade receivables are recognized concurrently.

## l. Leases

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

### 1) The Company as lessor

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

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

2) The Company as lessee

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

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

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

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

m. Government grants

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

Government grants related to income are recognized in other income on a systematic basis over the periods in which the Company recognizes as expenses the related costs that the grants intend to compensate.

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

n. Employee benefits

1) Short-term employee benefits

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



## 2) Retirement benefits

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

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

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

## o. Taxation

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

### 1) Current tax

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

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

### 2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

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

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Estimated impairment of financial assets

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

b. Estimated impairment of financial assets for investments in subsidiaries accounted for using the equity method

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

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Cash on hand	\$ 22	\$ 122
Checking accounts and demand deposits	96,057	157,956
Cash equivalents (investments with original maturities of 3 months or less)		
Time deposits	<u>170,000</u>	<u>310,000</u>
	<u>\$ 266,079</u>	<u>\$ 468,078</u>

The market rate intervals of cash in the bank at the end of the reporting period were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Time deposits	0.41%	0.63%-0.66%

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Forward exchange contracts	\$ <u>345</u>	\$ <u>-</u>

At the end of reporting period, outstanding forward exchange contract not under hedge accounting were as follows:

	<b>Currency</b>	<b>Maturity Date</b>	<b>Notional Amount (In Thousands)</b>
<u>December 31, 2020</u>			
Forward exchange contract	EUR/NTD	2021.01.06 - 2021.01.25	EUR540/NTD18,287

The Company entered into forward exchange contract to manage their exposure risk arising from the exchange rate fluctuations of foreign currency denominated assets and liabilities.

## 8. FINANCIAL ASSETS AT FVTOCI

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Non-current</u>		
Domestic investments		
Unlisted ordinary shares	\$ <u>6,899</u>	\$ <u>6,162</u>

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes.

## 9. TRADE RECEIVABLES

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	\$ 165	\$ -
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 165</u>	<u>\$ -</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 124,437	\$ 181,531
Less: Allowance for impairment loss	<u>(1)</u>	<u>(40)</u>
	<u>\$ 124,436</u>	<u>\$ 181,491</u>

The average credit period of sales of goods was 60-90 days and no interest was charged on trade receivables. In order to minimize credit risk, the management of the Company has regularly evaluated for credit approvals and carried out other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

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

The Company writes off a trade receivable when there is information indicating that the debtor is experiencing severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation or when the trade receivables are over 240 days past due, whichever occurs earlier. For trade receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Company's provision matrix.

<u>December 31, 2020</u>	<b>Not Past Due</b>	<b>Up to 60 Days</b>	<b>Total</b>
Expected credit loss rate	-	1.33%	
Gross carrying amount	\$ 124,362	\$ 75	\$ 124,437
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>(1)</u>	<u>(1)</u>
Amortized cost	<u>\$ 124,362</u>	<u>\$ 74</u>	<u>\$ 124,436</u>

December 31, 2019

	<b>Not Past Due</b>	<b>Up to 60 Days</b>	<b>61 to 210 Days</b>	<b>Total</b>
Expected credit loss rate	-	0.17%	70.59%	
Gross carrying amount	\$ 179,189	\$ 2,291	\$ 51	\$ 181,531
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>(4)</u>	<u>(36)</u>	<u>(40)</u>
Amortized cost	<u>\$ 179,189</u>	<u>\$ 2,287</u>	<u>\$ 15</u>	<u>\$ 181,491</u>

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 40	\$ 35
Add: Expected credit (loss) gain	<u>(39)</u>	<u>5</u>
Balance at December 31	<u>\$ 1</u>	<u>\$ 40</u>

## 10. INVENTORIES, NET

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Raw materials	\$ 37,979	\$ 23,635
Work in progress	27,067	9,503
Finished goods	11,314	5,911
Merchandise	3,288	7,612
Supplies	<u>697</u>	<u>372</u>
	<u>\$ 80,345</u>	<u>\$ 47,033</u>

The cost of inventories recognized as cost of goods sold included the inventory reversals and disposals.

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Inventory write-downs (reversals)	\$ 986	\$ (143)
Loss of inventory scrapped	95	119

Previous write-downs were reversed as a result of the sale of inventory that had been written down.

## 11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

### Investments in Subsidiaries

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Silitech (BVI) Holding Ltd.	<u>\$ 1,738,780</u>	<u>\$ 2,080,253</u>

Name of Company	Proportion of Ownership and Voting Rights	
	December 31	
	2020	2019
Silitech (BVI) Holding Ltd.	100%	100%

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

## 12. PROPERTY, PLANT AND EQUIPMENT, NET

	Freehold Land	Buildings	Machinery Equipment	Testing Equipment	Transportation Equipment	Office Equipment	Other Equipment	Total
<u>Cost</u>								
Balance at January 1, 2020	\$ 9,789	\$ 164,280	\$ 154,738	\$ 59,389	\$ 3,440	\$ 48,382	\$ 10,809	\$ 450,827
Additions	-	-	11,765	4,707	-	6,504	980	23,956
Disposals	-	-	(64,228)	(7,426)	-	(553)	-	(72,207)
Balance at December 31, 2020	<u>\$ 9,789</u>	<u>\$ 164,280</u>	<u>\$ 102,275</u>	<u>\$ 56,670</u>	<u>\$ 3,440</u>	<u>\$ 54,333</u>	<u>\$ 11,789</u>	<u>\$ 402,576</u>
<u>Accumulated depreciation</u>								
Balance at January 1, 2020	\$ -	\$ 134,085	\$ 96,332	\$ 53,110	\$ 3,440	\$ 42,650	\$ 9,332	\$ 338,949
Depreciation expense	-	2,379	4,101	749	-	3,204	882	11,315
Disposals	-	-	(43,026)	(6,750)	-	(553)	-	(50,329)
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 136,464</u>	<u>\$ 57,407</u>	<u>\$ 47,109</u>	<u>\$ 3,440</u>	<u>\$ 45,301</u>	<u>\$ 10,214</u>	<u>\$ 299,935</u>
<u>Accumulated impairment</u>								
Balance at January 1, 2020	\$ -	\$ 64	\$ 44,089	\$ 5,659	\$ -	\$ 756	\$ 754	\$ 51,322
Impairment losses	-	-	-	-	-	-	-	-
Disposals	-	-	(21,202)	(676)	-	-	-	(21,878)
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 64</u>	<u>\$ 22,887</u>	<u>\$ 4,983</u>	<u>\$ -</u>	<u>\$ 756</u>	<u>\$ 754</u>	<u>\$ 29,444</u>
Net balance at December 31, 2020	<u>\$ 9,789</u>	<u>\$ 27,752</u>	<u>\$ 21,981</u>	<u>\$ 4,578</u>	<u>\$ -</u>	<u>\$ 8,276</u>	<u>\$ 821</u>	<u>\$ 73,197</u>
<u>Cost</u>								
Balance at January 1, 2019	\$ 9,789	\$ 168,666	\$ 172,345	\$ 74,291	\$ 3,440	\$ 46,956	\$ 13,039	\$ 488,526
Additions	-	-	12,924	257	-	2,959	430	16,570
Disposals	-	(4,386)	(30,531)	(15,159)	-	(1,533)	(2,660)	(54,269)
Balance at December 31, 2019	<u>\$ 9,789</u>	<u>\$ 164,280</u>	<u>\$ 154,738</u>	<u>\$ 59,389</u>	<u>\$ 3,440</u>	<u>\$ 48,382</u>	<u>\$ 10,809</u>	<u>\$ 450,827</u>
<u>Accumulated depreciation</u>								
Balance at January 1, 2019	\$ -	\$ 134,945	\$ 113,616	\$ 67,276	\$ 3,440	\$ 42,046	\$ 9,999	\$ 371,322
Depreciation expense	-	2,435	5,121	362	-	2,137	908	10,963
Disposals	-	(3,295)	(22,405)	(14,528)	-	(1,533)	(1,575)	(43,336)
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 134,085</u>	<u>\$ 96,332</u>	<u>\$ 53,110</u>	<u>\$ 3,440</u>	<u>\$ 42,650</u>	<u>\$ 9,332</u>	<u>\$ 338,949</u>
<u>Accumulated impairment</u>								
Balance at January 1, 2019	\$ -	\$ 1,155	\$ 52,215	\$ 6,290	\$ -	\$ 756	\$ 1,839	\$ 62,255
Impairment losses	-	-	-	-	-	-	-	-
Disposals	-	(1,091)	(8,126)	(631)	-	-	(1,085)	(10,933)
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 64</u>	<u>\$ 44,089</u>	<u>\$ 5,659</u>	<u>\$ -</u>	<u>\$ 756</u>	<u>\$ 754</u>	<u>\$ 51,322</u>
Net balance at December 31, 2019	<u>\$ 9,789</u>	<u>\$ 30,131</u>	<u>\$ 14,317</u>	<u>\$ 620</u>	<u>\$ -</u>	<u>\$ 4,976</u>	<u>\$ 723</u>	<u>\$ 60,556</u>

As a result of the life cycle of some products, the related equipment used to produce these products would be left idle due to insufficient capacity. The Company carried out a review of the recoverable amount of the related equipment and determined that the carrying amount exceeded the recoverable amount. As of December 31, 2020 and 2019, the accumulated impairment losses recognized were \$29,444 thousand and \$51,322 thousand, respectively. For the years ended December 31, 2020 and 2019, the accumulated impairment amount decreased due to disposal of equipment and were \$21,878 thousand and \$10,933.

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

Buildings	
Plant structures	20-45 years
Electricity and barrier constructions	3-20 years
Machinery equipment	5-10 years
Testing equipment	3-10 years
Transportation equipment	5 years
Office equipment	3-5 years
Other equipment	2-3 years

### 13. LEASE ARRANGEMENTS

#### Other Lease Information

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Expenses relating to short-term leases and low-value asset leases	<u>\$ 2,282</u>	<u>\$ 2,265</u>
Total cash outflow for leases	<u>\$ 2,282</u>	<u>\$ 2,265</u>

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

### 14. OTHER PAYABLES

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Payroll	\$ 31,231	\$ 35,857
Tooling	9,445	5,958
Employee leave	7,814	3,503
Equipment	7,009	733
Services	4,200	9,551
Others	<u>24,553</u>	<u>19,650</u>
	<u>\$ 84,252</u>	<u>\$ 75,252</u>

### 15. RETIREMENT BENEFIT PLANS

#### a. Defined contribution plans

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

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 2.5% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Present value of defined benefit obligation	\$ 51,356	\$ 84,038
Fair value of plan assets	<u>(16,226)</u>	<u>(37,814)</u>
Net defined benefit liabilities	<u>\$ 35,130</u>	<u>\$ 46,224</u>

Movements in net defined benefit liabilities were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2019	<u>\$ 77,868</u>	<u>\$ (34,897)</u>	<u>\$ 42,971</u>
Current service cost	2,153	-	2,153
Net interest expense (income)	<u>779</u>	<u>(357)</u>	<u>422</u>
Recognized in profit or loss	<u>2,932</u>	<u>(357)</u>	<u>2,575</u>
Remeasurement			
Return on plan assets	-	(1,055)	(1,055)
Actuarial loss - changes in demographic assumptions	1,688	-	1,688
Actuarial loss - changes in financial assumptions	1,798	-	1,798
Actuarial gain - experience adjustments	<u>(248)</u>	<u>-</u>	<u>(248)</u>
Recognized in other comprehensive income (loss)	<u>3,238</u>	<u>(1,055)</u>	<u>2,183</u>
Contributions from the employer	<u>-</u>	<u>(1,505)</u>	<u>(1,505)</u>
Balance at December 31, 2019	<u>84,038</u>	<u>(37,814)</u>	<u>46,224</u>
Service cost			
Current service cost	2,086	-	2,086
Past service cost and gain on settlements	(9,157)	-	(9,157)
Net interest expense (income)	<u>630</u>	<u>(290)</u>	<u>340</u>
Recognized in profit or loss	<u>(6,441)</u>	<u>(290)</u>	<u>(6,731)</u>

(Continued)



	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Remeasurement			
Return on plan assets	\$ -	\$ (1,183)	\$ (1,183)
Actuarial loss - changes in demographic assumptions	1,142	-	1,142
Actuarial loss - changes in financial assumptions	1,369	-	1,369
Actuarial gain - experience adjustments	<u>(4,347)</u>	<u>-</u>	<u>(4,347)</u>
Recognized in other comprehensive income (loss)	<u>(1,836)</u>	<u>(1,183)</u>	<u>(3,019)</u>
Contributions from the employer	-	(1,344)	(1,344)
Benefits paid	<u>(24,405)</u>	<u>24,405</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 51,356</u>	<u>\$ (16,226)</u>	<u>\$ 35,130</u> (Concluded)

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Operating costs	\$ (3,577)	\$ 626
Selling and marketing expenses	(833)	482
General and administrative expenses	(1,746)	1,001
Research and development expenses	<u>(575)</u>	<u>466</u>
	<u>\$ (6,731)</u>	<u>\$ 2,575</u>

Through the defined benefit plans under the Labor Standards Act, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Discount rate(s)	0.50%	0.75%
Expected rate(s) of salary increase	3.00%	3.00%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Discount rate(s)		
0.25% increase	\$ (1,102)	\$ (1,828)
0.25% decrease	\$ 1,140	\$ 1,889
Expected rate(s) of salary increase		
0.25% increase	\$ 1,092	\$ 1,816
0.25% decrease	\$ (1,062)	\$ (1,767)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
The expected contributions to the plan for the next year	\$ 711	\$ 1,576
The average duration of the defined benefit obligation	9.4 years	8.9 years

## 16. EQUITY

### a. Share capital

#### Ordinary shares

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Number of shares authorized (in thousands)	300,000	300,000
Amount of shares authorized	\$ 3,000,000	\$ 3,000,000
Number of shares issued and fully paid (in thousands)	60,000	60,000
Amount of shares issued	\$ 600,000	\$ 600,000

On August 31, 2020, the extraordinary shareholders meeting convened by the Company resolved to issue less than 9,000 thousand ordinary shares for capital increase in cash through private placement.

On June 12, 2019, the Company resolved in their shareholders' meeting to implement a capital reduction in cash of \$1,193,838 thousand, cancelling 119,384 thousand ordinary shares, and the capital reduction ratio was 66.552167%. The above mentioned proposal was approved and declared effective by the FSC. The record date of capital reduction was set as July 26, 2019, and the refund of shares to shareholders was completed on September 27, 2019.

b. Capital surplus

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
May be used to offset a deficit, distributed as <u>cash dividends, or transferred to share capital</u>		
Issuance of ordinary shares	<u>\$ 507,154</u>	<u>\$ 507,154</u>

Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's paid in capital and only once a year).

c. Retained earnings and dividend policy

According to the Company's dividend policy, if there is a net profit after tax upon the final settlement of accounts of each fiscal year, the Company shall first offset any previous accumulated losses (including adjustment of unappropriated earnings, if any) and set aside a legal reserve at 10% of the net profit, unless the accumulated legal reserve is equal to the total capital of the Company; then, it shall set aside or reverse a special reserve in accordance with the relevant laws or regulations or as requested by the authorities in charge. The remaining net profit, plus the beginning unappropriated earnings (including adjustment of unappropriated earnings, if any), shall be distributed as dividends to shareholders according to the distribution plan proposed by the board of directors and submitted to the shareholders in the shareholders' meeting for approval. For the policies on the distribution of compensation of employees and remuneration of directors, refer to Note 21 (b) Employee benefits expenses.

The Company's dividend policy is designed with present and future development plans in mind and takes into consideration the investment environment, international or domestic competition while simultaneously meeting shareholders' interests. When there is no cumulative loss, the Company shall distribute dividends to shareholders at a percentage of no less than 70% of the net profit after tax. Dividends could be distributed either through cash or shares, and cash dividends distributed shall not be less than 90% of the total dividends distributed for the year.

In case there are no earnings for distribution in a certain year, or the earnings of a certain year are significantly less than the earnings actually distributed by the Company in the previous year, or considering the financial, business or operational factors of the Company, the Company may allocate a portion or all of its reserves for distribution in accordance with relevant laws or regulations or the orders of the authorities in charge.

Cash distribution of the Company's earnings and reserves, authorizing the board of directors' meeting to attend with more than two-thirds of directors and more than half of the directors present approval then report to the shareholders' meeting. Distribution of earnings and reserves in the form of new shares shall be resolved in the shareholders' meeting in accordance with the regulations.

In the shareholders' meeting held on June 18, 2020, the shareholders decided to amend the Company's Articles to abolish the rule that appropriates earnings or offsets deficit at the end of every quarter.

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reverse a special reserve.

The appropriations of earnings for 2019 and 2018 were approved in the shareholders' meeting on June 18, 2020 and June 12, 2019, respectively, are as follows:

	<b>Appropriation of Earnings</b>	
	<b>2019</b>	<b>2018</b>
Special reserve	\$ 1,669	\$ 143,099

## 17. REVENUE

According to IFRS 15, the type of customer contract revenue is identified as "product sales revenue". The Company's core technology is to integrate rubber, plastic, optical and other components, which are widely used in industries and products such as mechanical integration components and automotive components.

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Customer contracts revenue		
Product sales revenue	<u>\$ 638,082</u>	<u>\$ 949,744</u>

## 18. NON-OPERATING INCOME AND EXPENSES

### a. Interest income

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Bank deposits	<u>\$ 1,402</u>	<u>\$ 3,354</u>

### b. Other income

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Rental income	\$ 1,516	\$ 1,442
Subsidy from government	9,532	-
Others	<u>5,779</u>	<u>6,327</u>
	<u>\$ 16,827</u>	<u>\$ 7,769</u>

c. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Foreign currency exchange	\$ 177	\$ (1,244)
Net loss on Financial liabilities mandatorily classified as at FVTPL	(415)	-
Net gain on disposal of PPE	536	-
Impairment loss on investments in associates accounted for using the equity method	-	(7,986)
Others	<u>(9)</u>	<u>(30)</u>
	<u>\$ 289</u>	<u>\$ (9,260)</u>

d. Gains or losses on foreign currency exchange

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Foreign exchange gains	\$ 7,907	\$ 14,498
Foreign exchange losses	<u>(7,730)</u>	<u>(15,742)</u>
Net foreign exchange gains (losses)	<u>\$ 177</u>	<u>\$ (1,244)</u>

## 19. INCOME TAX

a. Income tax recognized in profit or loss

Major components of income tax expense (benefit) are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Current tax		
In respect of the current period	\$ -	\$ 681
Deferred tax		
In respect of the current period	<u>3,726</u>	<u>(682)</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ 3,726</u>	<u>\$ (1)</u>

A reconciliation of accounting profit and income tax expense (benefit) is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Loss before income tax	<u>\$ (362,532)</u>	<u>\$ (30,496)</u>
Income tax benefit calculated at the statutory rate	\$ (72,506)	\$ (6,099)
Nondeductible items in determining taxable income	-	7,916
Tax-exempt income	(1,906)	-
Unrecognized loss carryforwards/deductible temporary differences	78,138	(2,499)
Other	<u>-</u>	<u>681</u>
Income tax benefit recognized in profit or loss	<u>\$ 3,726</u>	<u>\$ (1)</u>

b. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Current tax assets		
Tax refund receivable	<u>\$ 89</u>	<u>\$ 89</u>

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2020

	<b>Opening Balance</b>	<b>Recognized in Profit (Loss)</b>	<b>Recognized in Other Comprehensive Income (Loss)</b>	<b>Reclassified From Equity to Profit or Loss</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>					
Temporary differences					
Unrealized loss on inventories	\$ 44	\$ 197	\$ -	\$ -	\$ 241
Unrealized exchange loss	358	(300)	-	-	58
Defined benefit obligation	9,084	(1,599)	(604)	-	6,881
Exchange differences on translation of the financial statements of foreign operations	35,300	-	16,138	-	51,438
Payables for annual leave	700	863	-	-	1,563
Loss carryforwards	29,302	-	-	-	29,302
Others	<u>170</u>	<u>48</u>	<u>-</u>	<u>-</u>	<u>218</u>
	<u>\$ 74,958</u>	<u>\$ (791)</u>	<u>\$ 15,534</u>	<u>\$ -</u>	<u>\$ 89,701</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Unrealized exchange gain	\$ 784	\$ (650)	\$ -	\$ -	\$ 134
Land value increment tax	9,477	-	-	-	9,477
Share of profit of subsidiaries and associates	<u>22,869</u>	<u>3,585</u>	<u>-</u>	<u>-</u>	<u>26,454</u>
	<u>\$ 33,130</u>	<u>\$ 2,935</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,065</u>

For the year ended December 31, 2019

	<b>Opening Balance</b>	<b>Recognized in Profit (Loss)</b>	<b>Recognized in Other Comprehensive Income (Loss)</b>	<b>Reclassified From Equity to Profit or Loss</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>					
Temporary differences					
Unrealized loss on inventories	\$ 72	\$ (28)	\$ -	\$ -	\$ 44
Unrealized exchange loss	237	121	-	-	358
Defined benefit obligation	8,432	215	437	-	9,084
Exchange differences on translation of the financial statements of foreign operations	35,186	-	847	(733)	35,300
Payables for annual leave	553	147	-	-	700
Loss carryforwards	29,302	-	-	-	29,302
Others	<u>170</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>170</u>
	<u>\$ 73,952</u>	<u>\$ 455</u>	<u>\$ 1,284</u>	<u>\$ (733)</u>	<u>\$ 74,958</u>

(Continued)

	Opening Balance	Recognized in Profit (Loss)	Recognized in Other Comprehensive Income (Loss)	Reclassified From Equity to Profit or Loss	Closing Balance
<u>Deferred tax liabilities</u>					
Temporary differences					
Unrealized exchange gain	\$ 257	\$ 527	\$ -	\$ -	\$ 784
Land value increment tax	9,477	-	-	-	9,477
Share of profit of subsidiaries and associates	<u>23,623</u>	<u>(754)</u>	<u>-</u>	<u>-</u>	<u>22,869</u>
	<u>\$ 33,357</u>	<u>\$ (227)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,130</u>
					(Concluded)

- d. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the balance sheets

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Loss carryforwards		
Expiry in 2027	\$ 604	\$ 604
Expiry in 2028	63,661	38,727
Expiry in 2029	87,299	87,299
Expiry in 2030	<u>113,413</u>	<u>-</u>
	<u>\$ 264,977</u>	<u>\$ 126,630</u>
Deductible temporary differences		
Impairment loss of property, plant and equipment	<u>\$ -</u>	<u>\$ 213</u>

- e. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2019 comprised:

<b>Unused Amount</b>	<b>Year of Expiry</b>
\$ 147,114	2027
63,661	2028
87,299	2029
<u>113,413</u>	2030
<u>\$ 411,487</u>	

- f. Income tax assessments

The income tax returns of the Company for all years through 2018 have been assessed by the tax authorities.

## 20. LOSS PER SHARE

Unit: NT\$ Per Share

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Basic loss per share	\$ (6.10)	\$ (0.24)
Diluted loss per share	\$ (6.10)	\$ (0.24)

The net loss and weighted average number of ordinary shares outstanding used in the computation of loss per share are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Net loss for the year</u>		
Loss for the year attributable to owners of the Company	\$ (366,258)	\$ (30,495)

### Shares

Unit: In Thousand Shares

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Weighted average number of ordinary shares used in the computation of basic loss per share	60,000	127,378
Effect of potentially dilutive ordinary shares:		
Compensation of employees	—	—
Weighted average number of ordinary shares used in the computation of diluted loss per share	<u>60,000</u>	<u>127,378</u>

The Company may settle the bonuses or remuneration paid to employees in cash or shares, the Company assumes that the entire amount of the bonuses or remuneration will be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. The dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 21. ADDITIONAL INFORMATION ON EXPENSES

### a. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Property, plant and equipment	\$ 11,315	\$ 10,963
Intangible assets	<u>809</u>	<u>1,096</u>
	<u>\$ 12,124</u>	<u>\$ 12,059</u>

(Continued)



	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
An analysis of depreciation by function		
Recognized in operating costs	\$ 5,782	\$ 5,168
Recognized in operating expenses	<u>5,533</u>	<u>5,795</u>
	<u>\$ 11,315</u>	<u>\$ 10,963</u>
An analysis of amortization by function		
Recognized in operating expenses	<u>\$ 809</u>	<u>\$ 1,096</u>
		(Concluded)

b. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Post-employment benefits		
Defined contribution plans	\$ 7,258	\$ 7,261
Defined benefit plans (Note 15)	<u>(6,731)</u>	<u>2,575</u>
	527	9,836
Other employee benefits	<u>228,893</u>	<u>200,088</u>
	<u>\$ 229,420</u>	<u>\$ 209,924</u>
Employee benefits expense summarized by function		
Recognized in operating costs	\$ 98,537	\$ 58,686
Recognized in operating expenses	<u>130,883</u>	<u>151,238</u>
	<u>\$ 229,420</u>	<u>\$ 209,924</u>

The Company's Articles of Incorporation stipulate the distribution of compensation of employees and remuneration of directors at rates of no less than 10% and no higher than 5%, respectively, of net profit before income tax, compensation of employees and remuneration of directors.

As the Company reported net losses for the years ended December 31, 2020 and 2019, no compensation of employees and remuneration of directors were estimated. The board of directors resolved not to distribute compensation of employees and remuneration of directors for the years ended December 31, 2020 and 2019 in their meetings on February 22, 2021 and February 24, 2020, respectively.

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

Information on compensation of employees and remuneration of directors and supervisors resolved by the Company's board of directors in 2021 and 2020 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 22. CAPITAL MANAGEMENT

The Company maintains its capital to support equipment upgrades. The Company's capital management is to ensure there are sufficient financial resources and operation plans, in order to meet the needs of working capital, capital expenditures, research and development fees, debt repayment and dividend distribution over the next 12 months.

## 23. FINANCIAL INSTRUMENTS

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

The management considers that the carrying amounts of financial assets and financial liabilities not measured at fair value approximate their fair values or their fair values cannot be measured reliably.

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

#### 1) Fair value hierarchy

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments - domestic unlisted equities	\$ -	\$ -	\$ 6,899	\$ 6,899
Financial liability at FVTPL				
Derivative instruments	\$ -	\$ 345	\$ -	\$ 345

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments - domestic unlisted equities	\$ -	\$ -	\$ 6,162	\$ 6,162

There were no transfers between Levels 1 and 2 during the years ended December 31, 2020 and 2019.

#### 2) Reconciliation of Level 3 fair value measurements of financial instruments: None.

#### 3) Valuation techniques and inputs applied for the purpose of Level 3 fair value measurement

The fair values of unlisted equity securities - ROC were based on the fair value of net assets to determine the expected present value of the investment expectably.

c. Categories of financial instruments

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 395,487	\$ 659,924
Financial assets at FVTOCI	6,899	6,162
<u>Financial liabilities</u>		
Amortized cost (2)	197,262	291,390
Financial liabilities at FVTPL	345	-

- 1) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, trade receivables, other receivables and guarantee deposits.
- 2) The balances include financial liabilities measured at amortized cost, which comprise trade payables and other payables.

d. Financial risk management objectives and policies

The Company's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include currency risk, interest rate risk, credit risk and liquidity risk. In order to reduce financial risk, the Company is committed to identify, assess and avoid the uncertainty of the market and reduce the potential downside effects against the Company's financial performance due to market fluctuation.

The corporate treasury function is reviewed by the Company's board of directors and audit committee in accordance with related rules and internal control systems. The Company should implement the overall financial management objective as well as observe the levels of delegated authority and ensure that those with delegated authority carry out their duties.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below). The Company entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk.

a) Foreign currency risk

The Company's primary operating activities and foreign investment structures were in foreign currencies, which exposed the Company to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing short-term loans and derivative financial instruments (i.e., currency swap contracts). The Company could reduce but would be unable to eliminate the effect caused by foreign currency risks under the use of derivative financial products.

The Company's derivative financial instruments did not qualify under hedged items due to the fact that such products were due within 90 days of the initial transaction.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 26.

### Sensitivity analysis

The following table details the Company's sensitivity to a 5% increase and decrease in the NTD against the USD and the EUR. The sensitivity analysis included only outstanding foreign currency denominated monetary items. The number below indicates an increase or a decrease in pre-tax profit associated with the NTD depreciating 5% against the USD and the EUR. For a 5% appreciation of the NTD against the USD and the EUR, there would be an equal and opposite impact on pre-tax profit.

	<b>USD Impact (i)</b>		<b>EUR Impact (ii)</b>	
	<b>For the Year Ended</b>		<b>For the Year Ended</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Profit or loss	\$ 745	\$ 860	\$ 1,495	\$ 1,392

- i. This was mainly attributable to the exposure on outstanding receivables and payables in USD in cash flow hedges at the end of the reporting period.
- ii. This was mainly attributable to the exposure on outstanding receivables and financial liabilities at FVTPL and payables in EUR in cash flow hedges at the end of the reporting period.

#### b) Interest rate risk

Interest rate risk refers to the risk of changes in the fair value of financial instruments and cash flow as a result of changes in the market rate.

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period are as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Fair value interest rate risk		
Financial assets	\$ 170,000	\$ 310,000
Cash flow interest rate risk		
Financial assets	96,056	157,955

### Sensitivity analysis

The sensitivity analyses were determined based on the Company's exposure to interest rates for both derivatives and non-derivative instruments held for a quarter at the end of the reporting period. If interest rates had been 10 basis points higher and all other variables were held constant, the Company's profit or loss would be as follows:

	<b>Market Rate Change Impact</b>	
	<b>2020</b>	<b>2019</b>
Profit or loss	\$ 96	\$ 158

## 2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. The Company is exposed to credit risk from trade receivables, deposits and other financial instruments. Credit risk on business-related exposures is managed separately from that on financial-related exposures.

### a) Business-related credit risk

To maintain the quality of receivables, the Company has established operating procedures to manage credit risk.

For individual customers, risk factors considered include the customer's financial position, credit agency rating, the Company's internal credit rating, and transaction history as well as current economic conditions that may affect the customer's ability to pay. The Company also has the right to use some credit protection enhancement tools, such as requiring advance payments, to reduce the credit risks involving certain customers.

The Company's concentration of credit risk of 96% and 98% of total trade receivables as of December 31, 2020 and 2019, respectively, was related to the Company's ten largest customers. The credit concentration risk of the remaining accounts receivable is relatively insignificant.

### b) Financial-related credit risk

Credit risk from bank deposits and other financial instruments are measured and monitored by the Company's finance department. However, since the Company's counterparties are all reputable financial institutions and government agencies, there are no significant financial-related credit risks.

## 3) Liquidity risk

The objective of liquidity risk management, is to maintain sufficient operating cash and cash equivalents in order to ensure that the Company has financial flexibility.

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

The following table details the Company's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturities dates for other non-derivative financial liabilities were based on the agreed repayment dates.

### December 31, 2020

	<b>On Demand or Less than 1 Year</b>	<b>1-3 Years</b>	<b>Over 3 Years to 5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing liabilities	<u>\$ 236,307</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2019

	<b>On Demand or Less than 1 Year</b>	<b>1-3 Years</b>	<b>Over 3 Years to 5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing liabilities	<u>\$ 330,750</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## 24. TRANSACTIONS WITH RELATED PARTIES

The details of transactions between the Company and other related parties are disclosed below.

### a. Related parties and their relationships

<u>Related Party</u>	<u>Relationship with the Company</u>
Lite-On Technology Corporation	The Company's major institutional shareholder (the parent company before December 30, 2020)
Lite-On Japan Ltd.	Other related party (subsidiary invested by the Company's major institutional shareholders)
Chi Mei Mold Co., Ltd.	Other related party (as of June 29, 2020, the Company retired from its directorship position)
Lite-On Semiconductor Corp.	Other related party (subsidiary invested by the Company's major institutional shareholders until November 30, 2020)
Lite-On Semiconductor (Wuxi) Co., Ltd.	Other related party (subsidiary invested by the Company's major institutional shareholders until November 30, 2020)
Lite-On Electronics (Guangzhou) Limited	Other related party (subsidiary invested by the Company's major institutional shareholders)
Lite-On Integrated Service Inc.	Other related party (subsidiary invested by the Company's major institutional shareholders)
Silport Travel Corp.	Related party in substance
Silitech Technology Corporation Limited.	Subsidiary
Silitech Technology Corporation Sdn. Bhd.	Subsidiary
Silitech (Bermuda) Holding Ltd.	Subsidiary
Xurong Electronic (Shenzhen) Co., Ltd	Subsidiary

### b. Sales of goods

<b>Item</b>	<b>Related Party Category</b>	<b><u>For the Year Ended December 31</u></b>	
		<b>2020</b>	<b>2019</b>
Sales of goods	Subsidiaries	\$ 19,235	\$ 22,953
	The Company's major institutional shareholder	13,135	1,134
	Other related parties	<u>17,861</u>	<u>53,060</u>
		<u>\$ 50,231</u>	<u>\$ 77,147</u>

The sale of goods to related parties were made at the Company's usual list prices which had no significant difference with other non-related parties.

c. Purchases

Related Party Category	For the Year Ended December 31	
	2020	2019
Subsidiaries - Silitech Technology Corporation Limited	\$ 156,740	\$ 564,946
Other related parties	2,852	6,678
Subsidiaries	<u>-</u>	<u>5,068</u>
	<u>\$ 159,592</u>	<u>\$ 576,692</u>

The purchases conditions to related parties had no significant difference with other non-related parties.

d. Other revenue and operating expenses

Item	Related Party Category	For the Year Ended December 31	
		2020	2019
Operating expenses	Other related parties	\$ 4,558	\$ 4,805
	The Company's major institutional shareholder	2,575	5,450
	Related party in substance	<u>96</u>	<u>1,238</u>
		<u>\$ 7,229</u>	<u>\$ 11,493</u>
Other revenue	Other related parties	\$ 766	\$ 1,431
	The Company's major institutional shareholder	<u>10</u>	<u>-</u>
		<u>\$ 776</u>	<u>\$ 1,431</u>

The Company leases offices to Chi Mei Mold Co., Ltd. (as of June 29, 2020, the Company retired from its directorship position) for \$125 thousand and \$119 thousand per month for the years 2020 and 2019, respectively, and payment is made by telegraphic transfer on a monthly basis.

e. Receivables from related parties (excluding loans to related parties)

Item	Related Party Category	December 31	
		2020	2019
Trade receivables	The Company's major institutional shareholder	\$ 9,184	\$ -
	Other related parties	6,209	5,215
	Subsidiaries	<u>3,153</u>	<u>1,535</u>
		<u>\$ 18,546</u>	<u>\$ 6,750</u>
Other receivables	Subsidiaries	\$ 516	\$ 684
	The Company's major institutional shareholder	<u>99</u>	<u>1,721</u>
		<u>\$ 615</u>	<u>\$ 2,405</u>

The outstanding trade receivables to related parties are unsecured.

f. Payables to related parties (excluding borrowings from related parties)

Item	Related Party Category	December 31	
		2020	2019
Trade payables	Subsidiaries-Silitech Technology Corp. Ltd.	\$ 14,167	\$ 148,349
	Subsidiaries	504	-
	Other related parties	<u>-</u>	<u>2,072</u>
		<u>\$ 14,671</u>	<u>\$ 150,421</u>
Other payables	Subsidiaries	\$ 543	\$ -
	The Company's major institutional shareholder	142	1,981
	Other related parties	44	5,694
	Related party in substance	<u>-</u>	<u>57</u>
		<u>\$ 729</u>	<u>\$ 7,732</u>

The outstanding trade payables from related parties are unsecured.

g. Disposal of PPE

Related Party Category/Name	Proceeds		Gain (Loss) on Disposal	
	2020	2019	2020	2019
Other related parties	<u>\$ 5</u>	<u>\$ -</u>	<u>\$ 5</u>	<u>\$ -</u>

h. Compensation of key management personnel

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	\$ 5,040	\$ 4,849
Termination benefits	<u>197</u>	<u>195</u>
	<u>\$ 5,237</u>	<u>\$ 5,044</u>

The remuneration of directors and key executives was determined by the remuneration committee with regard to the performance of individuals and market trends.

## 25. OTHER MATTERS

Due to the impact of the COVID-19 pandemic in the first half of 2020, some of the Company's subsidiaries operating locations were temporarily suspended, and orders were postponed. As of June 30, 2020, the Company fully resumed operation and increased its operating revenue by 17% from October 2020 to December 2020. In addition, Xurong Electronic (Shenzhen) Co., Ltd. was impacted by the COVID-19 pandemic, which resulted in a substantial decline in operating revenue. Coupled with the rising rental payment, the Company decided to reduce production gradually. Thus, the Company recognized an impairment loss of those related assets and reduces the operating expenses. Because uncertainties over the pandemic remain, the Company will continue its observation on development of the pandemic.



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

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

December 31, 2020

	<b>Foreign Currency (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount (In Thousands)</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,386	28.045 (USD:NTD)	\$ 38,882
EUR	1,407	34.4954 (EUR:NTD)	48,536
JPY	8,051	0.2716 (JPY:NTD)	2,187
Non-monetary items			
Investments accounted for using the equity method			
USD	62,000	28.045 (USD:NTD)	1,738,780
<u>Financial liabilities</u>			
Monetary items			
USD	855	28.045 (USD:NTD)	23,971

December 31, 2019

	<b>Foreign Currency (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount (In Thousands)</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 5,870	29.93 (USD:NTD)	\$ 175,702
EUR	834	33.5096 (EUR:NTD)	27,954
JPY	9,147	0.2749 (JPY:NTD)	2,514
RMB	256	4.3053 (RMB:NTD)	1,102
Non-monetary items			
Investments accounted for using the equity method			
USD	69,504	29.93 (USD:NTD)	2,080,253
<u>Financial liabilities</u>			
Monetary items			
USD	5,296	29.93 (USD:NTD)	158,498
EUR	4	33.5096 (EUR:NTD)	119
JPY	3,453	0.2749 (JPY:NTD)	949

The significant unrealized foreign exchange gains (losses) are as follows:

	For the Year Ended December 31			
	2020		2019	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
USD	29.4539 (USD:NTD)	\$ (36)	30.8681 (USD:NTD)	\$ 2,239
RMB	4.241 (RMB:NTD)	-	4.4882 (RMB:NTD)	(45)
EUR	34.25 (EUR:NTD)	415	33.535 (EUR:NTD)	(66)
JPY	0.2722 (JPY:NTD)	<u>2</u>	0.2776 (JPY:NTD)	<u>3</u>
		<u>\$ 381</u>		<u>\$ 2,131</u>

## 27. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and b. Information on investees:

- 1) Financing provided: None.
- 2) Endorsements/guarantees provided: None.
- 3) Marketable securities held (excluding investment in subsidiaries, associates and jointly controlled entities): See Table 1 below.
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None.
- 5) Acquisitions of individual real estate properties at costs of at least NT \$300 million or 20% of the paid-in capital: None.
- 6) Disposals of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: See Table 2 below.
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
- 9) Trading in derivative instruments: See Note 7.
- 10) Information on investees: See Table 3 below.

c. Information on investments in mainland China:

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. See Table 4 below.

- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: See Table 5 below.
- a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
  - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
  - c) The amount of property transactions and the amount of the resultant gains or losses.
  - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
  - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
  - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.
- d. Information on major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: See Table 6 below.

**TABLE 1**

**SILITECH TECHNOLOGY CORPORATION**

**MARKETABLE SECURITIES HELD**  
**DECEMBER 31, 2020**  
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Name of Held Company	Type and Name of Marketable Securities	Relationship with the Held Company	Financial Statement Account	December 31, 2020				Note
				Shares/Units (In Thousands)	Carrying Value	Percentage of Ownership (%)	Fair Value	
Silitech Technology Corporation	Ordinary shares							
	Chi Mei Mold Co., Ltd.	-	Financial assets at FVTOCI	1,300	\$ 6,899	8.67	\$ 6,899	
	RTR-TECH Technology Co., Ltd.	-	Financial assets at FVTOCI	6,820	-	9.46	-	Note

Note: Unrealized losses have been recognized for the full carrying amount of the financial instrument after assessment.

**TABLE 2**

**SILITECH TECHNOLOGY CORPORATION**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts (Payable) or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Silitech Technology Corporation	Silitech Technology Corporation Limited	Third-tier subsidiary	Purchase	\$ 156,740	34	90 days	No significant difference	90-120 days	\$ (14,167)	9	
Silitech Technology Corporation Limited	Silitech Technology Corporation	Parent	Sale	US\$ 5,016 JPY 5,269 EUR 182	100	90 days	No significant difference	90-120 days	US\$ 493 JPY 1,287	100	

**TABLE 3**

**SILITECH TECHNOLOGY CORPORATION**

**NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2020			Net Income (Losses) of the Investee	Share of Profits/ (Losses) of Investee	Note
				December 31, 2020	December 31, 2019	Number of Shares (In Thousands)	Percentage of Ownership (%)	Carrying Value			
Silitech Technology Corporation	Silitech (BVI) Holding Ltd.	British Virgin Islands	Investment activities	US\$ 52,182	US\$ 52,182	52,182	100.00	\$ 1,738,780	US\$ (8,817)	\$ (259,571)	Subsidiary (Note)

Note: Refer to Table 4 for information on investments in mainland China.

TABLE 4

SILITECH TECHNOLOGY CORPORATION

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

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investments from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investments from Taiwan as of December 31, 2020	Net Income (Losses) of the Investee Company	Percentage of Ownership (%)	Share of Profits/(Losses) (Note 2)	Carrying Amount as of December 31, 2020	Accumulated Inward Remittance of Earnings as of December 31, 2020	Note
					Outflow	Inflow							
Xurong Electronic (Shenzhen) Co., Ltd.	Manufacture of touch panels and plastic and rubber assemblies	\$ 78,526 (US\$ 2,800)	Note 1	\$ 203,354	\$ -	\$ -	\$ 203,354	\$ (336,811) (RMB -79,411)	100	\$ (336,811) (RMB -79,411)	\$ 178,077 (RMB 41,393)	\$ 3,925,064 (US\$ 122,919) (RMB 71,822)	
Silitech Technology (Suzhou) Co., Ltd.	Manufacture and sale of automotive parts	-	Note 1	981,575 (US\$ 35,000)	-	-	981,575 (US\$ 35,000)	8 (RMB 2)	-	8 (RMB 2)	-	1,170,049 (US\$ 8,796) (RMB 214,783)	(Note 6)

Accumulated Investments in Mainland China as of December 31, 2020	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on Investment
\$ 1,269,064 (Note 4) (US\$ 38,000) (NT\$ 203,354)	\$ 1,406,625(Note 4) (US\$ 42,905) (NT\$ 203,354)	\$6,350,330 (Note 3)

- Note 1: Indirect investment in mainland China through holding companies
- Note 2: The financial statements used as basis for calculating the investment amounts were all audited by the independent auditors.
- Note 3: The Company’s upper limit on investments to China (calculated based on the higher of 60% of Silitech Technology Corporation’s net worth or worth of \$80 million plus accumulated inward remittance of share capital or earnings from subsidiaries in mainland China: \$2,092,028 (net worth) × 60% + \$5,095,113 = \$6,350,330.
- Note 4: Investment amounts approved by the Ministry of Economic Affairs, ROC are as follows:

Name of Investee	Order No.	Approved Amounts
Xurong Electronic (Shenzhen) Co., Ltd.	091030841	NT\$ 203,354
Silitech Electronic (Changshu) Ltd. (liquidated in October 2010)	093032599	US\$ 3,000
Silitech Technology (Suzhou) Co., Ltd. (liquidated in January 2020) (Note 6)	10930007090	US\$ (43,000)
Silitech Technology (Suzhou) Co., Ltd. (liquidated in January 2020) (Note 6)	09600170390	US\$ 20,000
Silitech Technology (Suzhou) Co., Ltd. (liquidated in January 2020) (Note 6)	09600164790	US\$ 2,000
Silitech Technology (Suzhou) Co., Ltd. (liquidated in January 2020) (Note 6)	09500326290	US\$ 11,000
Silitech Technology (Suzhou) Co., Ltd. (liquidated in January 2020) (Note 6)	09700434630	US\$ 45,000
Silitech Plating (Shenzhen) Co., Ltd. (liquidated in September 2012)	09500004400	US\$ 605
Suzhou Xulong Mold Producing Co., Ltd. (liquidated in May 2018) (Notes 5 and 7)	09700063560	US\$ 1,200
Suzhou Xulong Mold Producing Co., Ltd. (liquidated in May 2018) (Notes 5 and 7)	10000321080	US\$ 1,500
Silitech Surface Treatment (Shenzhen) Co., Ltd. (liquidated in December 2012)	09900449200	US\$ 1,600

- Note 5: Including accumulated investment of US\$2,700 thousand which is not from Taiwan (ROC).
- Note 6: Silitech Technology (Suzhou) Co., Ltd. was dissolved after liquidation in January 2020. The share capital of RMB21,720 thousand was remitted to Silitech (Hong Kong) Holding Ltd. and was approved on March 5, 2020 by Order No. 10930007110.
- Note 7: Suzhou Xulong Mold Producing Co., Ltd. was dissolved after liquidation in May 2018. The share capital of US\$58 thousand was remitted to Silitech Technology Corporation Limited and was approved on June 25, 2018 by Order No. 10730038150.

**TABLE 5**

**SILITECH TECHNOLOGY CORPORATION**

**SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized Gain (Loss)	Note
		Amount	%		Payment Terms	Comparison with Normal Transactions	Ending Balance	%		
Xurong Electronic (Shenzhen) Co., Ltd.	Purchase	\$ 156,740	34	No significant difference	90 days	90-120 days	\$ (14,671)	10	\$ 394	-



**TABLE 6****SILITECH TECHNOLOGY CORPORATION****INFORMATION ON MAJOR SHAREHOLDERS****DECEMBER 31, 2020**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Lite-On Technology Corporation	11,322,003	18.87
Walsin Technology Corporation	9,000,000	15.00

Note: The information on the major shareholder listed in the table above is based on the total number of ordinary and preference shares (including treasury shares) owned by the shareholder at a minimum shareholding percentage of 5%, and which have been delivered as non-physical securities to the Taiwan Depository & Clearing Corporation on the last business day at the end of the quarter. The actual number of shares delivered as non-physical securities and the number of shares recorded in the Company's consolidated financial statements may be different due to differences in the basis of preparation and calculation.

## **6.6 Financial Difficulties and Impacts**

The Company should disclose the financial impact if the Company and its affiliated companies have incurred any financial or cash flow difficulties in 2020 and as of the date of this Annual Report (The term "affiliates" refers to entities meeting the requirements set forth under Article 369-1 of the Company Act.): None.

## Financial Status, Operating Results and Risk Management

### 7.1 Financial Status

Unit: NT\$ thousands; %

Item \ Year	2019	2020	Difference	
			Amount	%
Current Assets	2,665,563	2,415,977	(249,586)	(9)
Property, Plant and Equipment	454,030	241,912	(212,118)	(47)
Other Non-current Assets	225,806	221,870	(3,936)	(2)
Total Assets	3,345,399	2,879,759	(465,640)	(14)
Current Liabilities	714,824	639,598	(75,226)	(11)
Non-current Liabilities	109,572	148,133	38,561	35
Total Liabilities	824,396	787,731	(36,665)	(4)
Capital Stock	600,000	600,000	0	0
Capital Surplus	507,154	507,154	0	0
Retained Earnings	1,698,359	1,333,196	(365,163)	(22)
Total Equity	2,521,003	2,092,028	(428,975)	(17)

Analysis of deviation over 20%:

1. Decreased in Property, Plant and Equipment : Due to the increase in impairment losses.
2. Increased in Non-current Liabilities : Due to the increase in lease liabilities.
3. Decreased in Retained Earnings : Due to the increase in impairment losses.

## 7.2 Operating Results

Unit: NT\$ thousands; %

Item \ Year	2019	2020	Difference	%
Operating Revenue	2,295,774	1,734,002	(561,772)	(24)
Cost of Goods Sold	1,948,940	1,569,681	(379,259)	(19)
Gross Profit	346,834	164,321	(182,513)	(53)
Operating Expenses	432,497	344,775	(87,722)	(20)
Income (Loss) from Operations	(85,663)	(180,454)	(94,791)	(111)
Non-operating Income and Expenses	86,744	(124,883)	(211,627)	(244)
Income (Loss) before Income Tax	1,081	(305,337)	(306,418)	(28,346)
Income Tax Expense (Benefit)	31,576	60,921	29,345	93
Net Income (Loss)	(30,495)	(366,258)	(335,763)	(1,101)

### 7.2.1 Analysis of Deviation over 20%:

- ♦ Decreased in operating revenue: due to the decrease in operating revenue of Xurong factory.
- ♦ Decreased in gross profit: due to the decrease in operating revenue and Xurong factory's impairment loss.
- ♦ Decreased in operating expenses: due to the decrease in operating expenses of Xurong factory.
- ♦ Decreased in Income from operations: explained as above.
- ♦ Decreased in non-operating income and expenses: due to the impairment loss.
- ♦ Decreased in Income before Income Tax: explained as above.
- ♦ Increased in income tax expenses: as Xurong factory's impairment loss is undeductable by deferred income assets then incurred the income tax expense.
- ♦ Decreased in net income: explained as above.

### 7.2.2 Sales Forecast, Major Impact and Future Plan

The direction of the Company's operation has applied to different industries and products which are divided into two categories: Automotive Components and Mechanical Integration. In Automotive Components: in addition to solidly profitable automotive interior components, the Company also developed new technologies for interior mechanical components. In Mechanical Integration: Main products such as the wearable products, smart lock modules, netcom components and optical mechanism modules and other fields. In 2020, Silitech continued transformation and adjustment: After capacity downsizing in mainland China factory, gradual reduction of production in Shenzhen Xurong factory and increase in the production capacity investment in Taiwan factory, Silitech has refocused on Automotive Components and Mechanical Integration; Walsin Technology Corporation has become one of Silitech's major shareholders. It is expected that Silitech can enhance the competitive advantages to expand the market through WTC's experience, technology and channels in the automotive fields.

## 7.3 Cash Flow

### 7.3.1 Analysis of Cash Flow

Unit: NT\$ thousands

Cash Balance 2020/1/1 (1)	Net Cash from Operating Activities in 2020 (2)	Net Cash Flow from Investing and Financing Activities in 2020 (3)	Cash Balance 2020/12/31 (1) + (2) + (3)	Remedy for Liquidity Shortfall	
				Investment Plan	Financing Plan
1,951,108	(125,587)	(119,197)	1,706,324	Not Applicable	

- ♦ Analysis of Cash Flow:
  1. NT\$125,587 thousand net cash used in operating activities: mainly due to the operating income and expenses, and the layoff expenses of Xurong factory.
  2. NT\$8,773 thousand net cash used in investing activities: mainly due to the purchase of property, factory and equipment and the disposal of the property, plant and equipment of Xurong factory.
  3. NT\$41,288 thousand net cash used in financing activities: mainly due to the repayment of lease principal.
  4. NT\$69,136 thousand net cash outflow caused by effects of exchange rate changes.
- ♦ Remedial Actions for Liquidity Shortfall: Not Applicable.

### 7.3.2 Analysis of Liquidity

Item \ Year	2019	2020	%
Cash Flow Ratio (%)	12.85	(19.64)	(253)
Cash Flow Adequacy Ratio (%)	8.85	(82.98)	(1038)
Cash Flow Reinvestment Ratio (%)	2.13	(3.71)	(274)

- ♦ Analysis of deviation over 20%:
  1. Decreased in cash flow ratio (%): due to increase in net cash outflow from operating activities.
  2. Decreased in cash flow adequacy ratio (%): explained as above.
  3. Decreased in cash flow reinvestment ratio (%): explained as above.
- ♦ Remedial Actions for Liquidity Shortfall: Not Applicable.

### 7.3.3 Cash Flow Projection for Next Year

Unit: NT\$ thousands

Cash Balance 2021/1/1 (1)	Projected Net Cash from Operating Activities in 2021 (2)	Projected Net Cash Flow from Investing and Financing Activities in 2021 (3)	Projected Cash Balance 2021/12/31 (1) + (2) + (3)	Projected Remedy for Liquidity Shortfall	
				Investment Plan	Financing Plan
1,706,324	52,968	96,627	1,855,919	Not Applicable	

- ♦ Analysis of Cash Flow Projection:
  1. Estimate NT\$52,968 thousand net cash generated by operating activities: mainly due to the operating income and expenses.
  2. NT\$135,894 thousand net cash used in investing activities: mainly due to the purchase of property, plant and equipment.
  3. NT\$232,521 thousand net cash generated by financing activities: mainly due to the capital injection in cash through private placement
- ♦ Remedial Actions for Liquidity Shortfall: Not Applicable.

## 7.4 Major Capital Expenditures and Impact on Financial and Business

### 7.4.1 Major Capital Expenditures and Source of Funds

Unit: NT\$ thousands

Item	Actual or Expected Source of Funds	Total Amount	Actual or Scheduled Use of Funds		
			2019	2020	2021
Production equipment and facilities	Working Capital	213,230	65,475	16,853	130,902
Others	Working Capital	48,274	12,511	20,456	15,307
Total		261,504	77,986	37,309	146,209

### 7.4.2 Expected Benefits and Impact on Financial and Business:

The above capital expenditures are required for business expansion and the funds required are funded by working capital.

## 7.5 Long-term Investment Policy

In 2020, after capacity downsizing in mainland China factory, gradual reduction of production in Shenzhen Xurong factory, redeploy global sales and production businesses, increase in the production capacity investment in Taiwan factory and Malaysia factory, and focus on the deepening of core technologies. The investment will be focused on the core business of the Company.

## **7.6 Risk Management**

### **7.6.1 The impact of recent interest rates, exchange rate changes, and inflation on the company's profit and loss in the recent year and future measures**

Changes in interest rates and inflation have no material impact on Silitech's operations and profit or loss. As for the exchange rate changes, due to Silitech's export sales, in order to avoid the impact of exchange rate fluctuations, Silitech uses foreign exchange spot and forward contracts to avoid exchange rate fluctuation risks. At the same time, in addition to maintaining close contact with the banks, Silitech will continue to refer to domestic and foreign professional economic reports and data, and immediately grasp the changes in the global economic situation.

### **7.6.2 The main reasons for the policy, profit or loss of high-risk, high-leverage investment, loan to others, endorsement/guarantee and derivative transactions in the recent year and future measures**

Silitech does not engage in high-risk, highly leveraged investments, loans to others and endorsements/guarantee. With regard to the loan of funds to others, endorsement guarantees and derivative transactions, Silitech has formulated the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees" and "Procedures for the Acquisition and Disposal of Assets" to regulate the loan of funds to others, endorsement guarantees and derivatives. The derivative transactions dealt by Silitech are for the purpose of hedging only.

### **7.6.3 Research and development plans in the recent year and future plans**

Silitech has developed in the wearable devices, smart locks, automotive interior glass and optical module products industry. In addition to providing customers with pre-product design and research and development flexible services, Silitech also implements the planning and execution of advanced manufacturing (pre-intelligent manufacturing) to improve production efficiency. Relevant research and development plans and progress will be carried out according to the plan. In the future, we will continue to invest in product research and development, key factors such as talents, capital and technology, and maintain the leading position in research and development capabilities. The estimation of R&D expenses is around NT\$ 40 million in 2021.

### **7.6.4 Impact of material domestic and international policies and legal changes on the company's financial and business in the recent year and corresponding measures**

Silitech's operation complies with the relevant current laws and regulations of domestic and foreign countries. In addition to providing legal change information through online collection and legal counsel employed at home and abroad, overseas subsidiaries also irregularly provide important local policies and laws for reference of the management team. Therefore, Silitech can reply the changes in material policies and laws effectively.

#### **7.6.5 Impact of recent technological changes and industry changes on the company's financial and business and corresponding measures**

Silitech is one of the leading manufacturers in the industry. R&D technology and innovation are indispensable for operation. It is also a major competitive advantage of Silitech. Therefore, the technology change has positive effects on the financial and business of the Company. Silitech will also continue to maintain its leading position in R&D technology. Recent cases of violations of intellectual property rights have led to an increase in intellectual property risks faced by enterprises in market competition. It highlights that the operation and protection of intellectual property have a significant impact on the Company's operation and development prospects. Therefore, the Company has formulated "Trade Secret Management Procedure", "Reward for Patent Invention Policy", "Information Security Policy & Management Procedure" and trademark management, in regards to the creation, protection, application, and subsequent value of the intellectual property rights, so that the risk of intellectual property rights of the Company can be effectively controlled and disputes can be prevented, so as to achieve the maximum value of intellectual property rights.

#### **7.6.6 The impact of corporate image changes in recent years on corporate crisis management and corresponding measures**

Silitech's business objectives are based on the principle of sound and ethical management, the corporate image is good, attracting many outstanding talents, and planting the strength of the management team, and then returning the operating results to the shareholders, and fulfilling the social responsibilities, so there will not be any negative impacts on the image of Silitech. Silitech will continue to do its best to maximize the shareholders' interests, fulfill the corporate social responsibility and make the corporate image even better.

#### **7.6.7 Expected benefits and possible risks of M&A in the recent year**

Silitech has not conducted any mergers and acquisitions in the most recent year and up to the date of publication of the annual report.

#### **7.6.8 Expected benefits and possible risks of expansion of the factory in the recent year**

Please refer to 7.4 Major Capital Expenditures and Impact on Financial and Business.

#### **7.6.9 Risks of purchase or sales concentration in the recent year**

Silitech has been established from the spin-off of Silitek Corporation Rubber BU. It has many years of profound cooperation experience and partnership with material suppliers. The raw material procurement of Silitech's global production base are negotiated together. When purchasing materials, there is a relative bargaining power and a stable supply source. In addition, Silitech has a large variety source of purchases and no centralized purchase. The customers of Silitech are mainly international manufacturers or EMS. Silitech is more active in business development for different customers and developing product applications to expand customer base. Therefore, Silitech has no risk on sales concentration.



#### **7.6.10 Directors or shareholders holding more than 10% of the shares, the impact of a large number of shares transferred or replaced on the company and risks:**

Walsin Technology Corporation (hereinafter referred to as "WTC") obtained 9,000 thousand shares through block trade in public traded market on June 8, 2020 and 8,000 thousand shares through private placement on March 30, 2021. WTC held approximately 25% of the Company's shares and obtained two seats of directors. Mr. Yu-Heng Chiao, Chairman of WTC, has been elected as the chairman of the Company since August 31, 2020. WTC has a considerable degree of understanding of the Company's business and operation and increased its shareholding in the Company through the private placement, WTC and the Company would have a more intensive cooperation relationship, and build a long-term cooperative relationship and the Company could enhance the competitive advantages to expand the market through WTC's experience, technology and channels in the automotive and 5G fields.

Although Lite-On Technology Corporation disposed 9,000 thousand shares through block trade in public traded market on June 8, 2020, still hold two seats of directors and continued to participate in the operation of the board of directors.

#### **7.6.11 Impact of changes in management rights on the company and risks:**

Except for the above 7.6.10, the Company's management team is dominated by professional managers, and various internal regulations are established to comply with laws and regulations, so the change of management rights has no major impact and risk.

#### **7.6.12 Litigation or non-litigation**

Should the Company, its directors, general managers, substance representatives, subordinate companies and major shareholders holding more than 10% of the shares in the last two years have the litigation, non-litigation or administrative disputes up to the date of this annual report: None.

#### **7.6.13 Policy and organizational structure of risk management**

##### **♦ Organization and operation of risk management**

There are considerable variables in operation, growth and even scale adjustments of a company. Silitech pursues the maximization of shareholders' interests and protects all employees and reduces its operating risks in a responsible manner. According to this spirit, the risk management procedure is established, and the management cycle is divided into four categories: project category, operation category, improvement category and other category. Aiming at possible risk causes, each cycle of risk management has its responsible unit. The timing of prevention planning, preventive measures, review cycle, etc., will be proposed by the responsible units. The review of improvement plan will be served as a reference for similar events in the future.

Silitech's operational risk management is divided into three levels for management and control: the responsible unit is the first mechanism, and it takes responsibility for the design, prevention and prevention of the initial risk detection, evaluation and control of the operation. The second mechanism is the evaluation committee chaired by the president. In addition to the feasibility assessment, it also includes assessments of various risks. The third mechanism, it includes audit department's review of the

potential operational risks, regular internal audit reports to the board of directors, and review of the board of directors.

♦ **Organization table of risk management**

Important risk assessment	Responsible Unit (first mechanism)	Risk review and control (second mechanism)	BOD and Audit Department (third mechanism)
1. Interest rates, exchange rates and financial risks 2. High-risk, high-leverage investment, loans to others, endorsement guarantees and derivative commodity transactions and financial management investment	Treasury Unit	Finance Department Assessment	Board of Directors: decision and final control of risk assessment Control  Audit Department: risk inspection, assessment, supervision, improvement tracking and reporting
3. Research and development plan 4. Policy and legal changes 5. Technology and industry changes 6. Corporate image change 7. Merger benefits 8. Expansion of the factory or production 9. Centralized purchase or sales	R&D and New Business Legal Office Information Technology President's Office Finance Sales & Marketing Procurement Mechanical Integration OP Automotive Components OP	R&D, operation and production and sales meetings	
10. Equity movement of directors or major shareholders 11. Changes in management rights	Finance	Management meeting	
12. Litigation or non-litigation matters	Legal Office	Legal meeting	
14. Management of the board of directors	Finance	Legal Office, Audit Department	

#### **7.6.14 Other Important Risks and Corresponding Measures:**

Information processing is an important part of the company's daily operations. Silitech is committed to safeguarding the security of the company's information assets such as information, equipment, employees, and networks, and to prevent internal and external threats, damages, deliberate or accidental. Therefore, The scope of information security at the company formulates Information Security Policy encompasses employees, clients, suppliers, and shareholders and all IT software and hardware associated with its business activities that is not only for the IT department's reference in planning, implementing and evaluating information business, but also should be followed by all employees.

The Silitech's Information Security Policy is based on the Information Security Regulations established by the Executive Yuan and its affiliated agencies, and refers to various rules of standard operating procedures and work instructions issued by the Silitech. The abstracts are the following:

- ◆ **To establish the "Information Security Committee"**

"Information Security Committee" has the supreme authority on the company's information security. The general manager is the chairman of the committee, the third-level directors of the company are the members of the committee, and the director of the IT department is the convener. The information security meeting will be hosted as needed.

Its missions are to formulate and evaluate the company's information security policies or information incidents review and supervision of security matters.

- ◆ **To organize Information Security Team**

It is composed of the company's IT department team members. It's responsible for information security monitoring and to ensure company's information systems running normally include software and hardware, and equipment maintenance.

- ◆ **To establish information security guidelines**

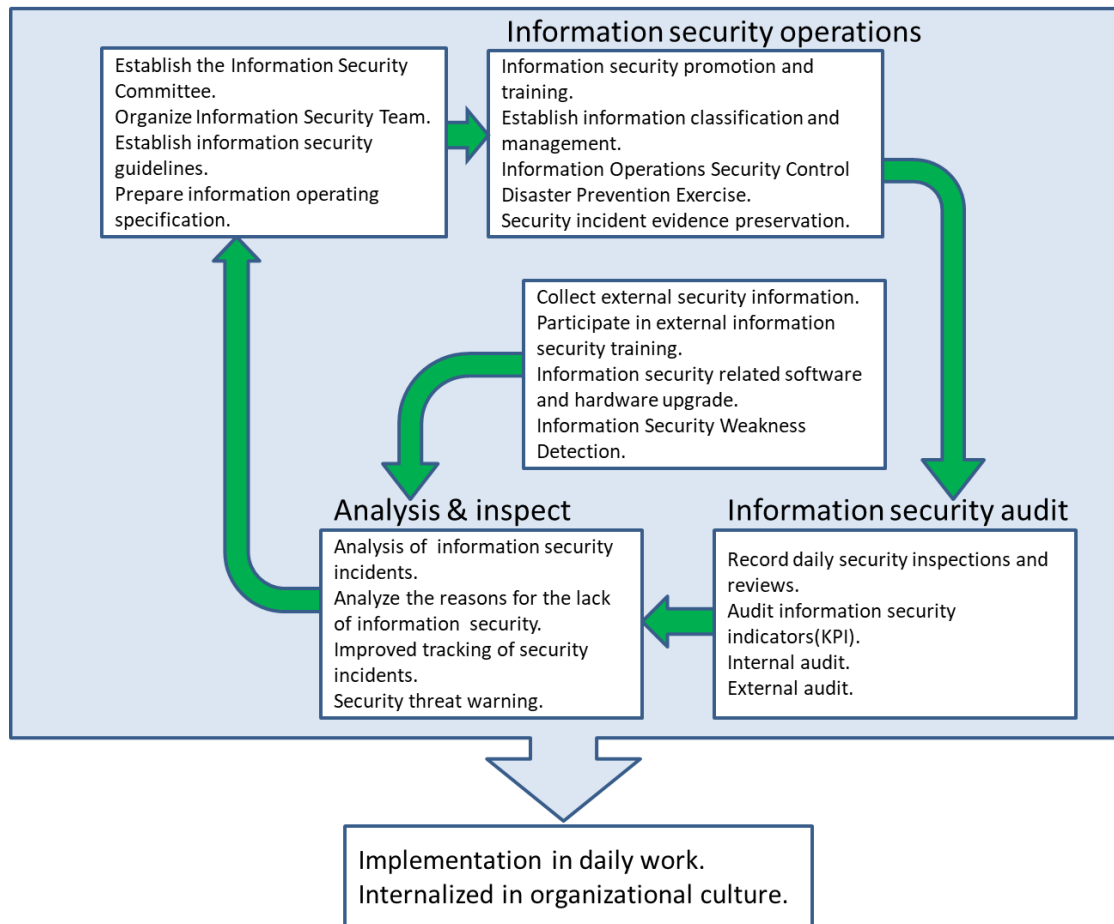
Based on the Silitech's Information Security Policy, to prepare standard operating procedures and work instructions as a basis for daily information security operations.

- ◆ **To training and publish information security propaganda regular**

The Information Security Team should host information security training to improve employees' knowledge of information security and provide the best practice of their working which related to information security.

Release information security threats and precautions by quarterly. Relevant warnings will be issued immediately and the handling procedures will be executed if information security risks are expected to increase.

## Implementation of Information Security Management Blueprint



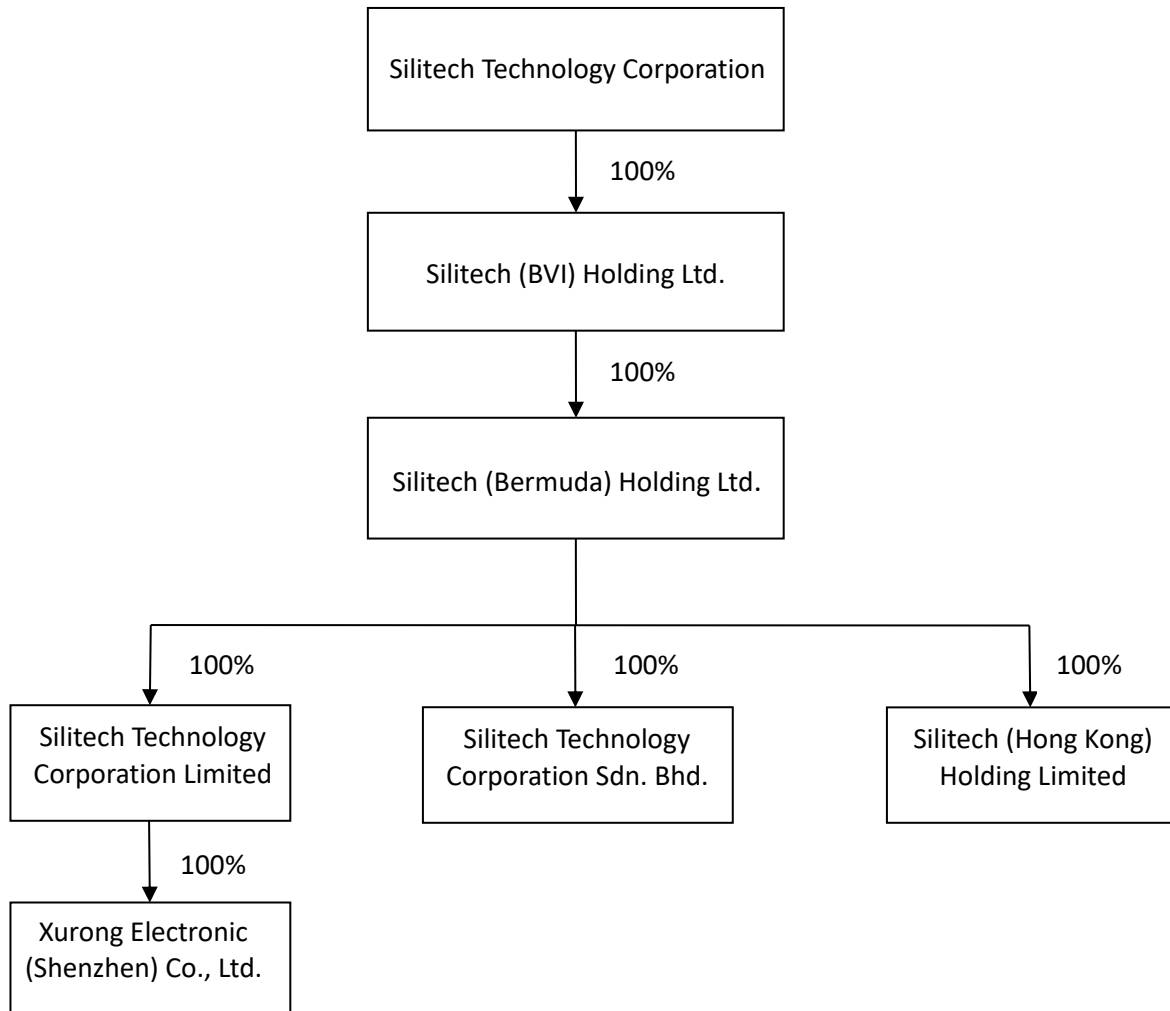
**7.7 Other Important Matters:** None.

## Other Special Notes

### 8.1 Affiliates Information

#### 8.1.1 Affiliated Organization Chart

2020/12/31



### 8.1.2 Consolidated Business Report of Affiliates

#### ♦ Background Information of the Affiliated Companies

2020/12/31

Unit: thousands

Company	Date of Incorporation	Place of Registration	Capital Stock	Business Activities
Silitech (BVI) Holding Ltd.	2001/09/27	Portcullis Chambers, 4th Floor, Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, British Virgin Islands VG1110	USD 52,182	Investment activities
Silitech (Bermuda) Holding Ltd.	2002/08/28	Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda	USD 52,132	Investment activities
Silitech Technology Corporation Sdn. Bhd.	2002/05/09	1528, MK 15, Jalan Besar, 14200 Sungai Jawi, Seberang Perai Selatan Penang, Malaysia	USD 5,632	Manufacture of plastic and computer peripheral products
Silitech Technology Corporation Limited	2002/01/16	Rm1610-11 CC, Wu Building, 302-8 Hennessy Road, Wanchai, HK	USD 8,000	Manufacture of plastic and computer peripheral products
Xurong Electronic (Shenzhen) Co., Ltd.	1999/12/24	No. 461(Building C, D) Nanhuan Road, Shajing Town, Baoan District. Shenzhen, Guangdong	USD 2,800	Manufacture and sale of touch panels and plastic and rubber assemblies
Silitech (Hong Kong) Holding Limited	2007/10/17	Rm1610-11 CC, Wu Building, 302-8 Hennessy Road, Wanchai, HK	USD 24,200	Investment activities

◆ **Presumed to Have Control and Affiliation Common Shareholders Information:** None

◆ **Business Scope of the Company and Affiliated Companies:**

The business scope includes investment, manufacturing, trading and electronics industries.

◆ **Rosters of Directors, Supervisors, and Presidents of Affiliated Companies:**

2020/12/31

Company	Title	Name	Shareholding	
			Shares (Investment Amount)	Proportion of Shareholding
Silitech (BVI) Holding Ltd.	Director	Yu-Heng Chiao	Silitech Technology Corporation holds 52,182 thousand shares	100%
	Director	Yu-Chen Hsu		
	Director	Wei-Lin Chen		
Silitech (Bermuda) Holding Ltd.	Director	Yu-Heng Chiao	Silitech (BVI) Holding Ltd. holds 52,132 thousand shares	100%
	Director	Yu-Chen Hsu		
	Director	Wei-Lin Chen		
Silitech Technology Corporation Sdn. Bhd.	Director	Yu-Heng Chiao	Silitech (Bermuda) Holding Ltd. holds 21,400 thousand shares	100%
	Director	Yu-Chen Hsu		
	Director	Wei-Lin Chen		
	Director	Ong Chin Chye		
Silitech Technology Corporation Limited	Director	Yu-Heng Chiao	Silitech (Bermuda) Holding Ltd. holds 62,400 thousand shares	100%
	Director	Yu-Chen Hsu		
	Director	Wei-Lin Chen		
Xurong Electronic (Shenzhen) Co., Ltd.	Director	Yu-Heng Chiao	Silitech Technology Corporation Limited's Investment RMB 37,131 thousand	100%
	Director	Yu-Chen Hsu		
	Director & Legal representative /President	Laster Cheng		
	Supervisor	Wei-Lin Chen		
Silitech (Hong Kong) Holding Limited	Director	Raymond Soong	Silitech (Bermuda) Holding Ltd. holds 24,200 thousand shares	100%
	Director	Warren Chen		
	Director	James Huang		

◆ **Operational Highlights of Affiliated Companies**

2020/12/31

Unit: NT\$ thousands (Except EPS: NT\$)

Company	Capital Stock	Assets	Liabilities	Net Worth	Operating Revenues	Income (Loss) from Operation	Net Income (Loss)	Basic Earnings (Loss) Per Share
Silitech (BVI) Holding Ltd.	1,463,442	1,739,260	28	1,739,232	0	(114)	(259,695)	(4.98)
Silitech (Bermuda) Holding Ltd.	1,462,040	1,726,394	3,584	1,722,810	0	(19,165)	(259,724)	(4.98)
Silitech Technology Corporation Limited	285,653	256,159	14,339	241,820	155,826	(197)	(331,590)	(5.31)
Xurong Electronic (Shenzhen) Co., Ltd.	99,789	348,215	170,136	178,079	313,612	(141,125)	(336,811)	N/A
Silitech Technology Corporation Sdn. Bhd.	149,981	865,665	319,773	545,892	957,368	100,698	76,492	3.57
Silitech Technology (Suzhou) Co., Ltd. (Note1)	0	0	0	0	0	(5)	8	N/A
Silitech (Hong Kong) Holding Limited	873,473	161,977	0	161,977	0	62	3,419	0.14

The amounts of capital stock, assets, liabilities and net worth are converted at the exchange rate of 2020/12/31; operating revenues, income (loss) from operation, net income (loss), basic earnings (loss) per share are converted according to the average exchange rate of 2020.

Note1: Liquidated in January 2020.



### 8.1.3 Consolidation of Financial Statements of Affiliates

#### DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2020 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard No. 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

SILITECH TECHNOLOGY CORPORATION

By

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Yu-Heng Chiao  
Chairman

February 22, 2021

**8.1.4 Affiliation Report:** N/A.

## 8.2 Private Placement Securities in the Most Recent Year and up to the Publication Date of this Annual Report:

Item	Date of issuance: March 30, 2021				
Type of securities of the private placement	Common shares				
Date of the shareholders' meeting resolution and amount limit	Date of the shareholders' meeting resolution: August 31, 2020; Amount limit : No more than 9 million shares will be issued at once or in two times within one year from the resolution date of the shareholders' meeting.				
Basis and rationale for the pricing	<p>1. Taking March 25, 2021 as the price determination date, the reference price shall be the higher of:</p> <p>(1) The simple average closing price of the common shares of the Company for either the 1, 3, or 5 business days before the price determination date, after adjustment for any capital reduction, distribution of stock dividends or cash dividends, the price is NT\$34.63;</p> <p>(2) The simple average closing price of the common shares of the Company for the 30 business days before the price determination date, after adjustment for any capital reduction, distribution of stock dividends or cash dividends, the price is NT\$32.76;</p> <p>2. According to the principles above, the reference price is NT\$34.63, the actual price for private placement of common share is NT\$33.0, equal to 95.3% of the reference price. It's conformed to the resolution of Special Shareholders' Meeting that actual price should be higher or equal to 80 percent of the reference price.</p> <p>3. The private placement price is determined in accordance with the laws, in addition, considering the future development of the Company, strict restrictions on the transfer timing, counterparty and quantity of privately placed securities, limitation of no-trading for 3 years and poor liquidity, the price determination for the subject private placement shall be reasonable.</p>				
Method for selecting the specific persons	The counterparties for private placement will be limited to the specific persons provided under Article 43-6 of the Securities and Exchange Act and the ruling of the Financial Supervisory Commission, (91) Tai-Cai-Zheng-Yi No. 0910003455, dated June 13, 2002, and those who are relevant to the Company's business development and have synergy are preferred.				
Reasons for the necessity for conducting the private placement	Considering factors such as the capital market condition, issuance costs, time effectiveness of issuance operation, and the restriction on freely transferring privately placed shares, it may ensure and enhance a more intensive long-term cooperation relationship between the Company and Walsin Technology Corporation.				
Date of full payment for shares	March 29, 2021				
Information about the subscriber	Counterparties for private placement	Qualifications	Quantity of subscription (shares)	Relationship with the Company	Operating conditions of participating companies
	Walsin Technology Corporation (hereinafter	The qualification shall comply with the specific persons provided under Article 43-6 of the	8,000,000	Insider of the Company	Mr. Yu-Heng Chiao, Chairman of WTC, has been elected as the chairman of the

	referred to as "WTC")	Securities and Exchange Act and the ruling of the Financial Supervisory Commission, (91) Tai-Cai-Zheng-Yi No. 0910003455, dated June 13, 2002.			Company since August 31, 2020. After participating in the private placement, WTC held approximately 25% of the Company's shares
Actual subscription price	NT\$33 per share				
Difference between Actual subscription price and reference price	The actual price for private placement of common share is NT\$33.0, equal to 95.3% of the reference price. It's conformed to the resolution of Special Shareholders' Meeting that actual price should be higher or equal to 80 percent of the reference price.				
Effect of the private placement on shareholder equity	The purpose of the private placement is to enhance a more intensive long-term cooperation relationship between the Company and WTC and assist the Company's operational development and strengthen the momentum of growth and transformation. All above shall benefit the shareholder equity in a whole.				
Use of capital raised through private placement and progress of the plan	From the second quarter of 2021, it will be used for cooperation and development, expanding channels, enriching working capital, capital expenditures, reinvestments, merger and acquisition purposes or other capital needs of the Company's future development.				
Realization of benefits of the private placement plan	WTC increased its shareholding in the Company through the private placement, it is expected to enhance the opportunity for both parties to conduct cooperation, decrease the business operational risk of the Company, enhance the motivation for the Company's development and transformation, and increase the operation performance and competitiveness of the Company.				

### 8.3 The Company's Common Shares Acquired, Disposed Of and Held by Subsidiaries: None.

### 8.4 Other Necessary Supplement: None.

**Any Events Had Significant Impacts on Shareholders' Right or Security Prices as Stated in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act:** None.