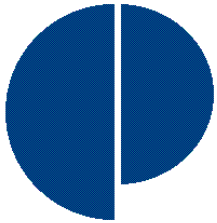


Stock code 2328

This annual report is available at

Market Observation Post System: <http://mops.twse.com.tw>

The official website of the Company: <http://www.panpi.com.tw>



# Pan-International Industrial Corp.

## 2020 Annual Report

**Printing date:**

**April 28, 2021**

For the convenience of readers and for information purpose only, the annual report, the 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. In the event of any discrepancy between the English version and the original Chinese version, or any difference in the interpretation between the two versions, the Chinese language annual report, auditors' report and financial statements shall prevail.

## **I. The spokesperson, acting spokesperson of the Company**

| <u>Spokesperson</u>            | <u>Acting spokesperson</u> |
|--------------------------------|----------------------------|
| Name: Shih-Hua Kuo             | Wen-Ling Yu                |
| Title: Manager, Administration | Professional Staff         |
| Division                       |                            |
| Telephone: (02)2211-3066       | (02)2211-3066              |
| mail: john.kuo@panpi.com.tw    | winnia@panpi.com.tw        |

## **II. Address and telephone number of corporate headquarter, branches, and factories.**

Corporate Headquarter:

No. 97 Anxing Rd., Xindian, New Taipei City (02)2211-3066

Factory:

No. 97 Anxing Rd., Xindian, New Taipei City (02)2211-3066

## **III. Share Registrar and Investor Service Agent:**

Name: Grand Fortune Securities

Address: 6F, No. 6, Zhongxiao West Road, Section 1, Zhongzheng District, Taipei  
City

Website: [www.gfortune.com.tw](http://www.gfortune.com.tw)

Tel: (02)2371-1658

## **IV. Independent Auditors of financial statements in the most recent year**

Name of CPAs: Juan-Lu Man-Yu, Min-Chuan Feng

CPA Office: PwC Taiwan

Address: 27F, No. 333, Keelung Road, Section 1, Xinyi District, Taipei

Website: [www.pwcglobal.com.tw](http://www.pwcglobal.com.tw)

Tel: (02)2729-6666

**V. Name of the stock exchanges listed for the trading of overseas securities, and information on inquiry of these overseas securities:  
None.**

**VI. Company Website**  
<http://www.panpi.com.tw>

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## **One. A report to Shareholders**

Dear Shareholders, Ladies and Gentlemen,

The global economy has been hit hard by the COVID-19, with governments all over the world having announced orders to control and restrain mobility of the people. As a result, many plants had to shut down temporarily which resulted in interruption of production. The restraint of the mobility of people also caused a sizable drop in consumption scale to the extent that the overall economy also withered significantly. The Company was also affected, as revenues of the first half of the year fell. The Company incrementally withdrew from the agency service for Sharp in order to concentrate on its own operations and on products with competitive strengths for thicker gross profit. But the withdrawal also had its influence on the revenue of the fiscal year. Plants in Southeast Asia transferred orders which helped to save the situation, but the consolidated revenue of 2020 still fell significantly as compared with the same period of 2019.

Yet, the operating items of the Company still yielded profits under the optimization of the portfolio of electronic parts and components and the purchase order switching of business units in Southeast Asia. However, the sizable appreciation of New Taiwan dollar and Renminbi exerted strong pressure due to exchange loss. As a result, the profit of 2020 is expected to be not as good as 2019 due to influence from the environment. The unpredictable economic environment and the frequent occurrence of unanticipated incidents posed severe challenges. Yet, it also entailed business opportunities. The Company will expend great effort to secure the opportunity through hard work and frugality in order to get through the hardships. In the future, the Company will commit further resources to raising the revenues from electric car products with a view to gaining a lion share in market, improving gross profits and enhancing the competitive power of the Company.

### **I. Business Results of 2020:**

#### **(I) Result of Business Plan Implementation:**

The Company has in 2020 consolidated revenue amounting to NT\$20,500 million, which was a decline of 19.7% from NT\$26,500 million in the same period of 2019. Net income amounted to NT\$790 million, which was a decline of 31.4% from NT\$1,150 million in the same period of 2019. The earnings per share were NT\$1.28.

#### **(II) Budget execution: The Company did not release any financial forecasts in 2020. All the operation segments of the Company have properly executed the budget of the year with strict control over spending to create profit for the shareholders.**

### (III) Financial Balance and profitability analysis

| Item                         | 2018             | 2019  | 2020  |       |
|------------------------------|------------------|-------|-------|-------|
| Return on assets (%)         | 6.31             | 5.36  | 3.86  |       |
| Return on equity (%)         | 11.01            | 9.19  | 6.23  |       |
| Ratio to paid-in capital (%) | Operating profit | 23.37 | 23.04 | 17.84 |
|                              | Pre-tax profit   | 33.95 | 29.52 | 23.02 |
| Net profit rate (%)          | 4.97             | 4.50  | 3.85  |       |
| Earnings per share (NT\$)    | 2.29             | 1.99  | 1.28  |       |

### (IV) Research and Development Status

Regardless of the impact from the pandemic and the rapidly changing environment, the Company will still commit further human and material resources to research and development to maintain its competitiveness and get ready to enter the electric car industry. In addition to the research and development of the new products under planning, optimization of production processes, and the upgrade of the automation, the Company also already set up a research and development team for automotive wire products and invested in related equipment to lay down the foundation for fortifying the capacity of research and development of wire products for the electric car industry in the future, to get hold of the high growth opportunities of electric cars and create better revenue and profit. The research and development of new products covers connection cord and connectors (such as Automotive low-voltage harness, High-voltage cable for EV, Medical instrument cable), PCB (such as combined hard/soft boards, PCB for Mini LED), and consumer electronics (such as Medical Consumables, Wi-Fi 6 for 5G routers, 5G POE Wi-Fi Gateway). The Company has spent NT\$267 million in research and development this year, which was 3% less than the previous year. In the future, the Company will appropriate about 1–2% of its total revenue (approximately NT\$200~300 million) for research and development, and will increase the proportion depending on the needs of the customers and the competition in the market for strengthening competitiveness.

## II. Summary of the 2021 Business Plan

Under the US-China trade dispute and the geopolitical rivalry in the region, the supply chain is undergoing low-key and active reintegration. Capacity and logistic planning will be critical for competitiveness. The continued launch of new models of electric cars, the



demand for medical devices, and the 5G infrastructure in many countries will bring about a new wave of industrial development which provides brand-new opportunities and market demand. This year will be a year of challenges and opportunities. The Company will take this opportunity to concentrate on its core competitive products and to transform and upgrade its competitiveness and profitability. The following are the policies of the Company for business operations, production, and sale to gradually achieve strategic objectives.

(I) Business Policy:

1. Focus on the electric car and medical device industries and actively upgrade the development technology and production capacity of products.
2. Integrate the production capacity of all plants to satisfy the needs of the customers in markets of different regions in production and logistics.
3. Continue to review the cost and efficiency of production, and map out corrective action plans to improve the competitive strength of the Company.

(II) Production and Sale Policy:

1. Upgrade the technical capacity in the new electric cars and medical device industries, recruit seasoned development engineers in technology and sales personnel to actively expand the share of the product market.
2. Integrate the production resources in China and Southeast Asia, supply customers of different regions with production and logistics planning to satisfy the needs of the customers while jointly developing of the ASEAN market in greater depth.
3. Embrace the business opportunities granted by AIoT and proactively develop automotive, medical, 5G and production control products, and optimize the revenue combination of products to raise gross profits.
4. Improve the capacity of all plants in responding to major accidents, re-examine the occupational health and safety plan at any time to protect the health of the employees to maintain uninterrupted production with zero accidents.
5. Maintain close liaison with the supply chain to prevent shortage of materials, strictly control the cost of inventory level and streamline various expenses to reduce the cost of production.
6. Express concern for issues of corporate social responsibility, raise the standards for environmentally friendly production, and develop green products in a concerted

effort with customers to achieve the goal sustainable operations.

### **III. The Prospect**

There will be many more challenges in 2021 than anticipated. Yet, we will, as usual, be work hard and frugally, and stay clam in response to any situation. The corporate strategy will still be to focus on core products with strong competitiveness. In addition to keeping current customers and engaging in joint development of new products for higher revenue, the Company has already formed a research and development team in a joint venture with customers for the development of automotive wire products and related products. The Company will go for the business opportunity in the high growth market of electric cars in order to upgrade the know-how and productivity of the Company and achieve the objective of transformation and upgrading at this stage. The facilities in Southeast Asia will continue to expand their production capacity to satisfy the needs of current customers and coordinate with all other facilities worldwide to jointly win customer arrangements and plans for regional production capacity and logistics. The Company will make the best effort in reviewing and improving the remuneration and benefits for the employees for their hard work, take the best practice in the prevention of the pandemic and contributions, and maintain a safe and friendly workplace that will earn their recognition and mutual support. In addition, we will also continue to review costs and maintain a competitive advantage, enhance the efficient use of different resources and the recycling rate for reuse, and establish a green supply chain with suppliers to reduce waste discharge and mitigate damage to the environment. The Company will pursue all policies incrementally in order to upgrade its value and create the biggest profit for the shareholders. I would like to express my sincere gratitude to all shareholders.

May I wish all the Shareholders, Ladies and Gentlemen

Good health and good luck

Chairperson

## **Two. Company Profile**

- I. Date of establishment: May 19, 1971
- II. Organization and operations:
  - 1971\* Pan-International was established on May 19, and was engaged in the trading of electric appliances and light fixtures.
  - 1973\* Home appliance connector, terminals and plugs factories were established.
  - 1974\* Raw wire and cable factories were established.
  - 1978\* Purchase of the land at Anxing Road, Xindian, for the plant site to expand production capacity. This plant was charged with the task of producing series of computer connectors and wire product. A tooling department was also established for making molds for computer wire products.
    - \* Cited as outstanding quality by Mitsubishi Electric Corporation of Japan.
  - 1989\* Invested in establishing Pan-International Electronics (Malaysia) Sdn Bhd. and Pan-International Wire & Cable (Malaysia) Sdn. Bhd.
    - \* Pan-International Industrial (USA) Corp. was established to develop the market in the USA and establish a marketing network in the Americas.
    - \* Won the High Quality Award of Apple Inc., USA.
  - 1990\* Invested to establish Pan-International Electronics (Thailand) Co., Ltd.
    - \* Purchase of land occupying an area of 6,744 m<sup>2</sup> as the site for the Yangmei Plant for capacity expansion.
  - 1991\* Approved as a publicly-traded company.
    - \* Launch of the new plant of Pan-International Electronics (Malaysia) Sdn. Bhd.
  - 1992\* Accredited with the ISO-9002 quality certificate. The system and quality assurance system of the Company was internationally recognized.
  - 1993\* Approved by Taiwan Stock Exchange Corporation to list the stock for trading on the TWSE, with official listing of stock for trading in November 9.
    - \* Launch of new plant of Pan-International Wire & Cable (Malaysia) Sdn. Bhd.
  - 1994\* Pan-International Electronics (Malaysia) Sdn. Bhd. was accredited with the ISO-9002 certificate.
  - 1995\* Expansion of Pan-International Electronics (Thailand) Co., Ltd. completed.
    - \* Renamed as “Pan-International Industrial Corp.” in December.
  - 1996\* Pan Global Holding Co., Ltd. was established in the British Virgin Islands to coordinate overseas reinvestment .
    - \* Pan-International Precision Electronic Co., Ltd., a wholly-owned company, was established in Dongguan, China.
    - \* Pan-International Wire & Cable (Malaysia) Sdn. Bhd. was accredited with the ISO-9002 certificate.
  - 1997\* Acquisition of Pojie Technology Co., Ltd. as Electronics Department II for the exclusive engagement in optoelectronics products.
  - 1998\* Approved by Securities and Futures Bureau to raise capital of NT\$600 million by offering new shares on October 31.

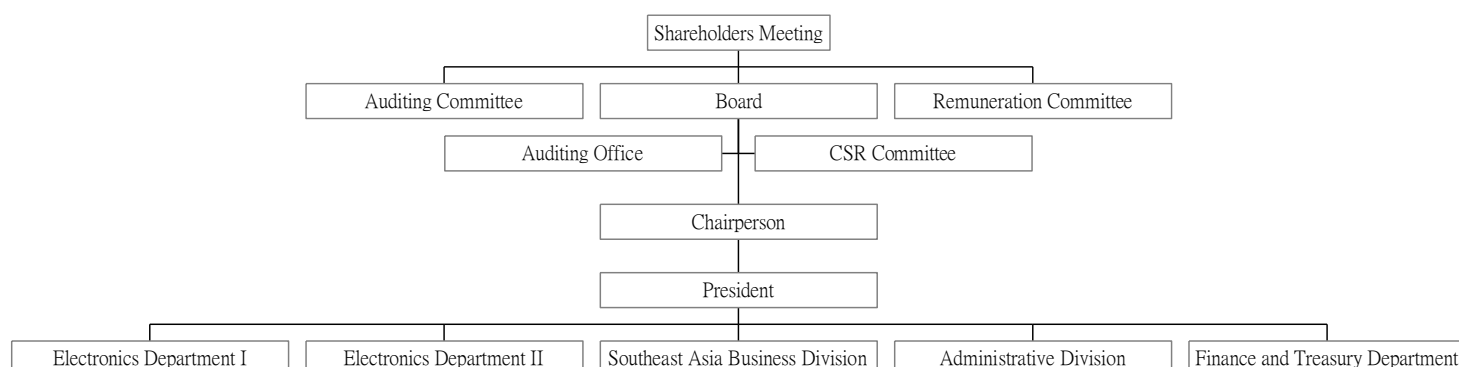
- 1999\* Raising of new capital in 1998 accomplished, with paid-in capital of NT\$2,641 million.
- \* A special session of the Shareholders Meeting was held on April 12 for the election of a new Directors and Supervisors, with the amendment to the Articles of Incorporation whereby 9 seats of Directors and 2 seats of Supervisors were revised as 5 seats of Directors and 2 seats of Supervisors.
- 2000\* Approval by the Securities and Futures Bureau to raise capital by NT\$800 million by offering new shares, with paid-in capital amounting to NT\$3,441 million.
- \* PIB, the subsidiary in Malaysia, was approved for listing at the stock exchange of Kuala Lumpur.
- 2001\* The business mode for CD-ROM products was changed from self-production to outsourcing.
- 2002\* Extended into the printed circuit board (PCB) business to broaden business horizons.
- 2003\* Invested in the SMS Marketing Service (Asia) Co., Ltd. to handle the retailing and bulk sale of 3C products in China.
- 2004\* Capitalization of retained earnings into new shares completed, with paid-in capital amounting to NT\$3,628 million.
- 2005\* Capitalization of retained earnings into new shares completed, with paid-in capital amounted to NT\$4,016 million.
- 2006\* Capitalization of retained earnings into new shares completed, with paid-in capital amounting to NT\$4,230 million.
- \* Indirect investment in Ganchuang International Trade (Shenzhen) Co., Ltd. via a third area.
- 2007\* Capitalization of retained earnings into new shares completed, with paid-in capital amounting to NT\$4,415 million.
- 2008\* Capitalization of retained earnings into new shares completed, with paid-in capital amounting to NT\$4,678 million.
- \* Resolved in invest US\$13 million in NCIH and raised capital of the wholly-owned subsidiary Yen Yung by NT\$500 million.
- 2009\* Capitalization of retained earnings into new shares completed, with paid-in capital amounting to NT\$4,879 million.
- \* Subsidiary PGH purchased 100% of the stakes of Cybertant Technology Co., Ltd. for US\$27.25 million.
- 2010\* Capitalization of retained earnings into new shares completed, with paid-in capital amounting to NT\$5,037 million.
- \* Joint investment with Hon Hai in the BOT project at Syntrend Creative Park.
  - \* Indirect investment in New Ocean Precision Component (Jiangxi) Co., Ltd. via a third area.
- 2011\* Capitalization of retained earnings into new shares completed, with paid-in capital amounting to NT\$5,094 million.

- \* The Board resolved to indirectly acquire the equity shares of Honghuasheng Precision Electronics (Yantai) Co., Ltd.
- 2012\* The Investment Commission passed plan for investment in China of the indirect acquisition of Honghuasheng Precision Electronics (Yantai) Co., Ltd., officially adding the PCB plant at Yantai to the operations of the Company.
- 2013\* Capitalization of retained earnings into new shares completed, with paid-in capital amounting to NT\$5,158 million.
  - \* Disposal of Fubai Industrial (Shenzhen) Co., Ltd., an investment in China.
- 2014\* Disposal of the equity shares of SMS Marketing Service (Asia) Co., Ltd., a reinvestment of the Company.
  - \* Capitalization of retained earnings into new shares completed, with paid-in capital amounting to NT\$5,183 million.
- 2015\* The subsidiary PGH acquired the equity shares of FSK Holdings Ltd.
  - \* The Board resolved to approve the joint venture between the subsidiary CBT and Hon Hai, and proceeded to raise capital for the transformation of the land at Minhang District, Shanghai, for the Greater Hongqiao Innovation Center for Science and Technology Strategy.
- 2016\* Amendment to the Articles of Incorporation whereby 3 seats were established for Independent Directors to form an Auditing Committee after elections in 2017.
- 2017\* 3 Independent Directors were elected in the Shareholder Meeting to form the Auditing Committee.
- 2018\* Unprecedented high revenue and profit.
- 2019\* Establishment of the position of Corporate Governance Officer.
- 2020\* Establishment of the automotive wire products research and development team.

## Three. Corporate Governance Report

### I. Organization

#### (I) Organizational Structure



#### (II) Duties of major functional departments

| Major departments                | Duties   |
|----------------------------------|--|
| Auditing Office                  | Examine and evaluate the reliability, efficiency and effectiveness of the business record and internal control of the Company, give recommendations for improvement for the effective pursuit of internal control. |
| CSR Committee                    | Responsible for the design and execution of the policy objective of corporate social responsibility and ethical corporate management.  |
| Electronics Department I         | Responsible for the development, manufacturing, and sale of connection cord, wires, connectors, and electronic assemblies.   |
| Electronics Department II        | Responsible for the manufacturing and sale of computer parts and components, peripherals, and PCBs.  |
| Southeast Asia Business Division | Responsible for administering the operations of subsidiaries in Southeast Asia.  |
| Administrative Division          | Coordinate the administrative affairs of the Company, including accounting, administration and information functions.  |
| Finance and Treasury Department  | Coordinate the administrative affairs of the financial management and funding of the Company.  |

II. Profiles of the Directors, President, Vice Presidents, Assistant Vice Presidents, and the heads of the functions and branches  
(I) Profiles of the Directors

Profiles of the Directors (I)

April 13, 2021

| Title                                       | Nationality or place of registration | Name   | Gender | Date of election to (assumption of) office | Tenure  | Date of initial term to office | Quantity of shareholding at the time of election to office |                       | Number of shares held at present |                       | Holding of shares at present by spouse, underage children. |                       | Holding of shares in the name of a third party |                       | Major experience (education)                       | Additional posts of the Company and other companies at present             | Another officer, Director, or Supervisor who is spouse or kin within the 2 <sup>nd</sup> degree |      |          |
|---|--------------------------------------|--|--------|--|---------|--------------------------------|--|-----------------------|----------------------------------|-----------------------|--|-----------------------|--|-----------------------|--|--|---|------|----------|
|   |                                      |  |        |  |         |                                | Shares   | Ratio of shareholding | Shares                           | Ratio of shareholding | Shares   | Ratio of shareholding | Shares   | Ratio of shareholding |  |  | Title   | Name | Relation |
| Chairperson                                 | Republic of China                    | Sung-Fa Lu                                   | Male   | June 12, 2020                              | 3 years | January 29, 2002               | 2,035,616  | 0.39                  | 2,035,616                        | 0.39                  | -  | -                     | -  | -                     | Vice President, Pan-International Industrial Corp. | President, Pan-International Industrial Corp.                              | -   | -    | -        |
| Director                                    | Republic of China                    | Feng-An Huang                                | Male   | June 12, 2020                              | 3 years | June 10, 2002                  | 35,000   | 0.01                  | 35,000                           | 0.01                  | -  | -                     | -  | -                     | Manager of Hon Hai Precision Industry Co., Ltd.    | Manager of Administrative Division, Pan-International Industrial Corp.     | -   | -    | -        |
| Director                                    | Republic of China                    | Ming-Feng Tsai                               | Male   | June 12, 2020                              | 3 years | June 14, 2005                  | 494,227  | 0.10                  | 280,227                          | 0.05                  | -  | -                     | -  | -                     | Manager, Pan-International Industrial Corp.        | Vice President, Pan-International Industrial Corp.                         | -   | -    | -        |
| Director                                    | Republic of China                    | Hong Yuan International Investment Co., Ltd. | -      | June 12, 2020                              | 3 years | April 12, 1999                 | 17,941,593   | 3.46                  | 17,941,593                       | 3.46                  | -  | -                     | -  | -                     | -  | -  | -   | -    | -        |
| Representative of Institutional Shareholder | Republic of China                    | Tsai-Yu Hsiao                                | Male   | June 12, 2020                              | 3 years | June 12, 2020                  | 0  | 0                     | 0                                | 0                     | -  | -                     | -  | -                     | Vice President, HTC Corporation<br>Vice President, | Chief Product Officer/Vice President, Hon Hai Precision Industry Co., Ltd. | -   | -    | -        |

|                      |                   |                  |      |               |         |               |   |   |   |   |   |   |   |   |   |   |  |   |   |   |   |
|----------------------|-------------------|------------------|------|---------------|---------|---------------|---|---|---|---|---|---|---|---|---|---|--|---|---|---|---|
|                      |                   |                  |      |               |         |               |   |   |   |   |   |   |   |   |   |   | Lenovo Group   |   |   |   |   |
| Independent Director | Republic of China | Wen-Jung Cheng   | Male | June 12, 2020 | 3 years | June 12, 2020 | 0 | 0 | 0 | 0 | - | - | - | - | - | - | Partner CPA, Fubo United Accounting Firm             | Supervisor, Top Food Industrial Corporation Director, Fuzheng Business Management Consultancy | - | - | - |
| Independent Director | Republic of China | Min-Chang Wei    | Male | June 12, 2020 | 3 years | June 14, 2017 | 0 | 0 | 0 | 0 | - | - | - | - | - | - | Chief Financial Officer, Foxconn Technology Co., Ltd | -   | - | - | - |
| Independent Director | Republic of China | Mien-Ching Huang | Male | June 12, 2020 | 3 years | June 12, 2020 | 0 | 0 | 0 | 0 | - | - | - | - | - | - | Supervisor, Pan-International Industrial Corp.       | -   | - | - | - |

Note: The reason, rationality, necessity and policies for the same person holding the position of Chairperson and President at the same time: Chairperson Lu of the Company is experienced in the industry and started his career from the entry level and was promoted to the position of Chairperson. He is familiar with business development and operation management. He also holds the post of President for raising operating efficiency and effective decision-making and performance. The Company is actively engaged in the training and development of senior officers as candidates for the seats of President and Directors. After the election, the new Board of Directors will discuss the election of a new Chairperson and appointment of the President. Furthermore, the Auditing Committee and the Remuneration Committee of the Company consists of all Independent Directors. The committees can perform their functions independently and effectively. The Company's Chairperson and the Directors and Independent Directors maintain positive and sufficient communication for the joint planning of development strategies for the future to make corporate governance perfect.



**Dominant shareholders of institutional shareholders**

April 25, 2021

| Name of institutional shareholder  | Dominant shareholders of the institutional shareholder |
|------------------------------------|--|
| Hong Yuan International Investment | Hon Hai Precision Industry Co., Ltd.(100%)             |

**If the dominant shareholders of the institutional shareholders are corporate bodies, the dominant shareholders of these corporate bodies**

April 25, 2021

| Name of institutional                | Dominant shareholders of the institutional shareholder  |
|--------------------------------------|---|
| Hon Hai Precision Industry Co., Ltd. | Kuo Tai-Ming (9.68%)<br>Account of Terry Kuo's trusted property, trusted to CTBC (2.89%)<br>Investment account of Singapore Government, trusted to Citibank (1.90%)<br>Special account of Honhai Precision Industry Co., Ltd Depository Receipts, trusted to Citibank (1.40%)<br>Investment account of Norwegian Central Bank, trusted to Citibank (1.21%)<br>New system of Labor Pension Fund (1.18%)<br>Vanguard Emerging Market ETF, trusted to JP Morgan (1.18%)<br>PGIA Composite International Equity Index, trusted to JP Morgan (1.08%)<br>Fidelity Puritanism Trust: Fidelity Low-Priced Share Fund, trusted to Standard Charter (1.03%)<br>Fubon Life Insurance Co., Ltd. (0.92%) |

Note: Only the names of shareholders holding more than 10% of the shares issued by the Company or among the top 10 by ratio of shareholding will be mentioned.

Profiles of the Directors (II)

April 13, 2020

| Condition        | More than 5 years of work experience<br>With the following professional qualifications   |   |  | Conformity to the status of independence (Note) |   |   |   |   |   |   |   |   |    |    |    | The number of additional posts as Independent Directors with other publicly-traded companies |
|------------------|--|---|--|---|---|---|---|---|---|---|---|---|----|----|----|--|
|                  | A lecturer or a higher position at a public or private school of higher education in the disciplines of commerce, law, finance, accounting, or other specializations required by the business of the Company | A court judge, prosecutor, lawyer, certified public accountant, or other professional or technician required by the business of the Company and having passed the national examinations with issuance of certificates | Work experience in commerce, law, finance, accounting, or others required by the business of the Company | 1   | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |  |
| Name             |  |   |  |   |   |   |   |   |   |   |   |   |    |    |    |  |
| Sung-Fa Lu       |  |   | V  |   |   | V | V | V | V |   | V | V | V  | V  | V  | -  |
| Feng-An Huang    |  |   | V  |   |   | V | V | V | V | V | V | V | V  | V  | V  | -  |
| Ming-Feng Tsai   |  |   | V  |   |   | V | V | V | V | V | V | V | V  | V  | V  | -  |
| Tsai-Yu Hsiao    |  |   | V  |   | V | V | V | V | V | V | V | V | V  | V  |    | -  |
| Wen-Jung Cheng   |  | V   | V  | V   | V | V | V | V | V | V | V | V | V  | V  | V  | -  |
| Min-Chang Wei    |  |   | V  | V   | V | V | V | V | V | V | V | V | V  | V  | V  | -  |
| Mien-Ching Huang |  |   | V  | V   | V | V | V | V | V | V | V | V | V  | V  | V  | -  |

Note: The Directors meet the following conditions in the period of 2 years before the assumption of office or within the term of office.

- (1) Not an employee of the Company or its affiliates.
- (2) Not a Director, Supervisor of the Company or its affiliate (except holding the positions of Independent Directors of the Company who also act as Independent Directors its parent company, subsidiary, or group company under the same parent company under the Securities and Exchange Act or applicable laws and regulations of the local country).
- (3) Not a natural person who holds more than 1% of the outstanding shares issued by the Company to the person, spouse, underage children or in the name of a third party, or is among the top 10 shareholders.
- (4) Not the spouse, kin within the 2<sup>nd</sup> degree or next of kin within the 3<sup>rd</sup> degree of the managers as stated in (1), or persons stated in (2) and (3).
- (5) Not a Director, Supervisor or employee of the institutional shareholder who directly holds more than 5% of the outstanding shares issued by the Company, among the top 5 shareholders, or appointed representatives to assume positions as Directors or Supervisors of the Company under Paragraph 1 or Paragraph 2 of Article 27 of the

Company Act (except holding the positions of Independent Directors of the Company who also act as Independent Directors of its parent company, subsidiary, or group company under the same parent company under the Securities and Exchange Act or applicable laws and regulations of the local country).

- (6) Not a Director, Supervisor, or employee of a third-party company held by the same person who also holds the seats of Directors of the Company or more than half of the voting shares (except holding the positions of Independent Directors of the Company who also act as Independent Directors of its parent company, subsidiary, or group company under the same parent company under the Securities and Exchange Act or applicable laws and regulations of the local country).
- (7) Not a Director, Supervisor, or employee of other companies or institution or the spouse of Director, Supervisor, or employee of a third-party company or institution who also holds the position of Chairman, President, or similar position (except holding the positions of Independent Directors of the Company who also act as Independent Directors of its parent company, subsidiary, or group company under the same parent company under the Securities and Exchange Act or applicable laws and regulations of the local country).
- (8) Not a Director, Supervisor, Manager or shareholder holding more than 5% of the shares of particular company or institution having financial or business transactions with the Company (except such particular company or institution which holds more than 20% but less than 50% of the shares issued by the Company, and holds the position of Independent Director of the Company who also act as Independent Director of its parent company, subsidiary, or group company under the same parent company under the Securities and Exchange Act or applicable laws and regulations of the local country).
- (9) Not an owner, partner, Director, Supervisor, Manager or spouse of a professional, sole proprietor, partnership, company or institution providing business, legal, financial or accounting services to the Company or its affiliates, or who have received accumulated remunerations of less than NT\$500,000 over the last 2 years. Except for members of the remuneration committee, public acquisition review committee, or mergers and acquisitions special committee performing their assigned duties under the Securities and Exchange Act or the Business Mergers and Acquisitions Act and other applicable laws and regulations.
- (10) Not a spouse or kin within the 2<sup>nd</sup> degree to another Director.
- (11) The particulars inscribed in Article 30 of the Company Act are not applicable.
- (12) No representative of the government, institutions or their representative were elected under Article 27 of the Company Act.

The diversity of the members of the Board:

The Company has established 7 seats of Directors for its Board in accordance with the Articles of Incorporation of which 3 seats were reserved for Independent Directors with tenure of 3 years. The candidate nomination system was adopted for the election of the Directors and the candidates on the list will be elected by the Shareholders Meeting to the seats. Directors may assume a new term of office if reelected. The Company has taken liability insurance for the protection of the Directors within the scope of their assigned duties.

The new directors was elected in June 2020 by the Shareholders Meeting and the term of office started on 2020-06-12 and expires on 2023-06-11. Directors who are also employees accounted for 43% while Independent Directors accounted for 43% of the total seats of Directors. Two of the Independent Directors have seniority of service of less than 3 years and 1 has been in office for 3 to 6 years. One Director is at the age of over 70 and 3 Directors are at the age of 60 to 69. Three Directors are at the age of under 60. (There was 1 female Director in last term of the Director (at 14%). At least 1 more female candidate will be nominated for the election of the next term of the Board to increase the proportion of women and improve gender equality on the Board).

According to the Corporate Governance Best Practice Principles of the Company, the Board shall be capable of performing the following functions for achieving the ideal goal of corporate governance.

1. Operational judgment.
2. Capacity for accounting and financial analysis.
3. Capacity for corporate management.
4. Capacity for crisis management.
5. Industry knowledge.
6. International market view.
7. Leadership.
8. Decision-making capacity.

Further to the above capacities, the Company has also mapped out a strategy for diversity for the members of the Board, and seeks appropriate candidates specialized in sales and marketing, production, finance and accounting, and who understand the corporate development of the Company. Gender equality will also be seriously considered to grant the opportunity for female members to participate in corporate decision-making. As such, the Company is eager in seeking for female candidates and is preparing a list of candidates suitable for the positions to present to the Shareholders for election to office.

The members of the Board have the professional skills shown in the table below:

| Director         | Title                | Seniority of service of the Independent Director |                   | The overall capacity required for the Board |                          |                      |                   |                    |                      |                     |                          | Hold position as |   |
|------------------|----------------------|--|-------------------|---|--------------------------|----------------------|-------------------|--------------------|----------------------|---------------------|--------------------------|------------------|---|
|                  |                      | Less than 3 years                                | More than 3 years | Operational judgment                        | Accounting and financial | Corporate management | Crisis management | Industry knowledge | International market | Leadership capacity | Decision-making capacity |                  |   |
| Sung-Fa Lu       | Chairperson          |  |                   | V   |                          | V                    | V                 | V                  | V                    | V                   | V                        | V                | V |
| Feng-An Huang    | Director             |  |                   |   | V                        | V                    | V                 |                    | V                    |                     | V                        |                  | V |
| Ming-Feng Tsai   | Director             |  |                   | V   |                          | V                    | V                 | V                  | V                    | V                   | V                        | V                | V |
| Tsai-Yu Hsiao    | Director             |  |                   | V   |                          | V                    | V                 | V                  | V                    | V                   | V                        | V                |   |
| Wen-Jung Cheng   | Independent Director | V  |                   | V   | V                        | V                    | V                 |                    | V                    | V                   | V                        | V                |   |
| Min-Chang Wei    | Independent Director |  | V                 |   | V                        | V                    | V                 |                    | V                    |                     | V                        |                  |   |
| Mien-Ching Huang | Independent Director | V  |                   | V   | V                        | V                    | V                 |                    | V                    |                     | V                        |                  |   |

Deputy Manager Tai of the Accounting Department assumed office as the Corporate Governance Officer of the Company under the Corporate Governance Best Practice Principles of the Company and charged with the duties related to corporate governance specified as follows:

1. Administer all matters pertinent to the convention and affairs of the Board and the Shareholders Meeting.
2. Prepare the minutes of meetings of the Board and the Shareholders Meeting on record.
3. Assist the Directors and Supervisors in assumption of office and continuing education.
4. Provide materials for the Directors and Supervisors necessary for performing their duties.
5. Assist the Directors and Supervisors in matters of law compliance.
6. Any other matters inscribed in the Articles of Incorporation or contracts.

## (II) Profiles of the President, Vice President, Assistant Vice President, and heads of the functions and branches

April 13, 2021

| Title  | Nationality       | Name             | Gender | Date of election to (assumption of) office | Number of shares held |                       | Holding of shares by spouse, underage children |                       | Holding of shares in the name of a third party |                       | Major experience (education)   | Additional posts with other companies | A manager who is spouse or kin within the 2 <sup>nd</sup> degree. |      |          |
|--|-------------------|------------------|--------|--|-----------------------|-----------------------|--|-----------------------|--|-----------------------|--|---------------------------------------|---|------|----------|
|  |                   |                  |        |  | Shares                | Ratio of shareholding | Shares   | Ratio of shareholding | Shares   | Ratio of shareholding |  |                                       | Title   | Name | Relation |
| The Chairperson also hold the position as the President        | Republic of China | Sung-Fa Lu       | Male   | January 29, 2002                           | 2,035,616             | 0.39                  | 0  | 0                     | 0  | 0                     | High school graduate<br>Vice President, Pan-International Industrial Corp.   | None.                                 | -   | -    | -        |
| Manager of Administrative Division/<br>Chief Financial Officer | Republic of China | Feng-An Huang    | Male   | January 29, 2002                           | 35,000                | 0.01                  | 0  | 0                     | 0  | 0                     | University graduate<br>Manager of Hon Hai Precision Industry Co., Ltd.       | None.                                 | -   | -    | -        |
| Vice President   | Republic of China | Ming-Feng Tsai   | Male   | October 1, 2014                            | 280,227               | 0.05                  | 0  | 0                     | 0  | 0                     | Graduate from graduate school<br>Manager, Pan-International Industrial Corp. | None.                                 | -   | -    | -        |
| Assistant Vice President                                       | Republic of China | Tseng-Hsiang Lin | Male   | February 7, 2006                           | 100,151               | 0.02                  | 0  | 0                     | 0  | 0                     | College graduate<br>Vice President of Northstar Systems Corporation          | None.                                 | -   | -    | -        |
| Assistant Vice President                                       | Republic of China | Jen-Peng Wu      | Male   | August 5, 2016                             | 60,079                | 0.01                  | 0  | 0                     | 0  | 0                     | University graduate<br>Manager, Pan-International Industrial Corp.           | None.                                 | -   | -    | -        |
| Assistant Vice President                                       | Republic of China | Chen Teng-Wang   | Male   | August 5, 2016                             | 100,000               | 0.02                  | 0  | 0                     | 0  | 0                     | College graduate<br>Manager, Pan-International Industrial Corp.              | None.                                 | -   | -    | -        |
| Assistant Vice President                                       | Republic of China | Yuan Feng-Hsiang | Male   | August 5, 2016                             | 62,791                | 0.01                  | 324  | 0                     | 0  | 0                     | University graduate<br>Manager, Pan-International Industrial                 | None.                                 | -   | -    | -        |

|   |                   |                |        |                  |       |      |   |   |   |   |  |       |   |   |   |
|---|-------------------|----------------|--------|------------------|-------|------|---|---|---|---|--|-------|---|---|---|
|   |                   |                |        |                  |       |      |   |   |   |   | Corp.  |       |   |   |   |
| Assistant Vice President                      | Republic of China | Yu-Yuan Chen   | Male   | December 4, 2020 | 0     | 0.00 | 0 | 0 | 0 | 0 | University graduate Assistant Vice President of Hon Hai Precision Industry Co., Ltd. | None. | - | - | - |
| Assistant Vice President                      | Republic of China | Chen Ming-Lung | Male   | May 1, 2018      | 0     | 0.00 | 0 | 0 | 0 | 0 | Vocational high school graduate Manager, Pan-International Industrial Corp.          | None. | - | - | - |
| Assistant Vice President                      | Republic of China | Chen Ping      | Female | December 4, 2020 | 4,000 | 0.00 | 0 | 0 | 0 | 0 | University graduate Vice President of Antec Electric System Co., Ltd.                | None. |   |   |   |
| Deputy Manager (Corporate Governance Officer) | Republic of China | Chih-Hao Tai   | Male   | November 6, 2020 | 1,000 | 0.00 | 0 | 0 | 0 | 0 | University graduate Deputy Manager, Pan-International Industrial Corp.               | None. | - | - | - |

III. Remuneration to the Directors, President and Vice President in the most recent year

(I) Remuneration to the Directors (there was no loss after taxation, no insufficient holding of shares by Directors, and no Directors pledged equity shares of the Company over the most recent 2 years)

| Unit: NTD Thousand   |   |                               |  |                               |  |  |  |                                 |  |   |  |   |  |                               |  |  |                |   |   |  |  |  |
|----------------------|---|-------------------------------|--|-------------------------------|--|--|--|---------------------------------|--|---|--|---|--|-------------------------------|--|--|----------------|---|---|--|--|--|
| Title                | Name  | Remuneration to the Directors |  |                               |  |  |  |                                 |  | The sum total of A, B, C, D in proportion to the net income |  | Remuneration to Directors who are also employees  |  |                               |  |  |                |   |   | The sum total of A, B, C, D, E, F, and G in proportion to net income |  | Any remuneration from investee companies other than the subsidiaries |
|                      |   | Remuneration (A) (Note 1)     |  | Pension and severance pay (B) |  | Remuneration to Directors (C) (Note 2) |  | Business allowance (D) (Note 3) |  |   |  | Salaries, bonus, and special subsidy (E) (Note 4) |  | Pension and severance pay (F) |  | Remuneration to the employees (G) (Note 5) |                |   |   |  |  |  |
|                      |   | The Company                   | All companies listed in the financial statements | The Company                   | All companies listed in the financial statements | The Company                            | All companies listed in the financial statements | The Company                     | All companies listed in the financial statements | The Company   | All companies listed in the financial statements | The Company                                       | All companies listed in the financial statements | The Company                   | All companies listed in the financial statements | The Company                                |                | All companies listed in the financial statements) |   | The Company  | All companies listed in the financial statements |  |
|                      |   |                               |  |                               |  |  |  |                                 |  |   |  |   |  |                               | Amount of cash                                   | Amount of stock                            | Amount of cash | Amount of stock                                   |   |  |  |  |
| Director             | Sung-Fa Lu  |                               |  |                               |  |  |  |                                 |  |   |  |   |  |                               |  |  |                |   |   |  |  |  |
|                      | Feng-An Huang   |                               |  |                               |  |  |  |                                 |  |   |  |   |  |                               |  |  |                |   |   |  |  |  |
|                      | Ming-Feng Tsai  |                               |  |                               |  |  |  |                                 |  |   |  |   |  |                               |  |  |                |   |   |  |  |  |
|                      | Tsai-Yu Hsiao, representative of Hong Yuan International Investment | 0                             | 0  | 0                             | 0  | 2,810                                  | 2,810  | 0                               | 0  | 0.42%   | 0.42%  | 8,176   | 8,176  | 240                           | 240  | 3,839                                      | 0              | 3,839   | 0 | 2.27%  | 2.27%  | None   |
|                      | Representative Yu-Yuan Chen (relieved from office)                  |                               |  |                               |  |  |  |                                 |  |   |  |   |  |                               |  |  |                |   |   |  |  |  |
|                      | Hong Chiao International Investment (relieved from office)          |                               |  |                               |  |  |  |                                 |  |   |  |   |  |                               |  |  |                |   |   |  |  |  |
| Independent Director | Wen-Jung Cheng  | 1,080                         | 1,080  | 0                             | 0  | 1,204                                  | 1,204  | 0                               | 0  | 0.34%   | 0.34%  | 0   | 0  | 0                             | 0  | 0  | 0              | 0   | 0 | 0.34%  | 0.34%  | None   |
|                      | Min-Chang Wei   |                               |  |                               |  |  |  |                                 |  |   |  |   |  |                               |  |  |                |   |   |  |  |  |



|   |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|---|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
| Mien-Ching Huang                          |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Chien-Kuo Chang<br>(relieved from office) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Lin Ching-Wei<br>(relieved from office)   |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

The policy, system, standard and structure of the remuneration to the Independent Directors, the association between the duties charged, the risk, the time consumed and related factors and the amount of payment:

Independent Directors receive fixed monthly payment, which is the service income. The payment will be based on the number of attendances to the meetings of the Board, Auditing Committee and Remuneration Committee, and the participation in the discussion and decision in related meetings. The Articles of Incorporation also specified that the Company shall appropriate at least 5% of its earnings as remuneration to the employees and no more than 0.5% of the earnings as remuneration to the Directors, so that the Directors and the employees can share the result of operation. The Company reviews the system of remuneration to the Directors every year and submits it to the Remuneration Committee for discussion, which allows for the duties and risks the Directors assumed to be commensurate with their remuneration.

\* In addition to the disclosures in the above table, any remuneration to the Directors who provided services for the companies included in the financial statements in the most recent year (such as consultants): None.

Note 1: The Shareholders Meeting elected a new Board in the regular session of 2020. Director Yu-Yuan Chen, Independent Directors Chien-Kuo Chang and Ching-Wei Lin were relieved from office on June 12, 2020. Director Tsai-Yu Hsiao, Independent Directors Wen-Jung Cheng and Mien-Ching Huang assumed office on June 12, 2020.

Note 2: Pension and severance pay are recognized as expenses appropriated for payment



### Remuneration bracket

| Remuneration bracket for individual Directors of the Company | Name of Director  |   |  |  |
|--|---|---|--|--|
|  | Total of (A+B+C+D)  |   | Total of (A+B+C+D+E+F+G)   |  |
|  | The Company   | All companies included in the financial statements I  | The Company  | All companies included in the financial statements J   |
| Less than NTD1,000,000                                       | Feng-An Huang, Ming-Feng Tsai, Tsai-Yu Hsiao, Min-Chang Wei, Wen-Jung Cheng, Mien-Ching Huang, Yu-Yuan Chen, Ching-Wei Lin, Chien-Kuo Chang | Feng-An Huang, Ming-Feng Tsai, Tsai-Yu Hsiao, Min-Chang Wei, Wen-Jung Cheng, Mien-Ching Huang, Yu-Yuan Chen, Ching-Wei Lin, Chien-Kuo Chang | Tsai-Yu Hsiao, Min-Chang Wei, Wen-Jung Cheng, Mien-Ching Huang, Yu-Yuan Chen, Ching-Wei Lin, Chien-Kuo Chang | Tsai-Yu Hsiao, Min-Chang Wei, Wen-Jung Cheng, Mien-Ching Huang, Yu-Yuan Chen, Ching-Wei Lin, Chien-Kuo Chang |
| NTD1,000,000 (inclusive) ~ NTD2,000,000                      | Sung-Fa Lu  | Sung-Fa Lu  | -  | -  |
| NTD2,000,000 (inclusive) ~ NTD3,500,000                      | -   | -   | -  | -  |
| NTD3,500,000 (inclusive) ~ NTD5,000,000                      | -   | -   | Feng-An Huang  | Feng-An Huang  |
| NTD5,000,000 (inclusive) ~ NTD10,000,000                     | -   | -   | Sung-Fa Lu, Ming-Feng Tsai   | Sung-Fa Lu, Ming-Feng Tsai   |
| NTD10,000,000 (inclusive) ~ NTD15,000,000                    | -   | -   | -  | -  |
| NTD15,000,000 (inclusive) ~ NTD30,000,000                    | -   | -   | -  | -  |
| NTD30,000,000 (inclusive) ~ NTD50,000,000                    | -   | -   | -  | -  |
| NTD50,000,000 (inclusive) ~ NTD100,000,000                   | -   | -   | -  | -  |
| More than NTD100,000,000                                     | -   | -   | -  | -  |
| Total  | 10  | 10  | 10   | 10   |

Note 1: The remuneration to the Directors in the most recent year (including salaries, business allowances, severance pay, bonuses, incentive benefits, etc.).

Note 2: The amount stated was the remuneration to the Directors passed by the Board in the most recent year.

Note 3: The expenses incurred from services provided by the Directors in the most recent year (including travelling fees, special subsidies, allowances, accommodation, transport, supply in kind, etc.).

Note 4: The payment to Directors in the capacity of employees (including the President, Vice President, and other managers and employees) of the most recent year, including salaries, business allowances, severance pay, bonuses, incentive benefits, travelling fees, special subsidy, allowances, accommodation, transport, supply in kind, etc.

Note 5: Remuneration to Directors in the capacity as employees (including the President, Vice President, and other managers and employees) in the most recent year (including stock and cash).

\* The content of remuneration as disclosed in this table is different from the concept under the Income Tax Act, which is for disclosure only and not for taxation purpose.

(II) Remuneration to the President and the Vice Presidents

Unit: NTD Thousand

| Title                              | Name           | Salaries (A) |  | Pension and severance pay (B) |  | Bonuses and special subsidies (C) |  | Amount of remuneration to employees (D) |                 |  |                 | The sum total of A, B, C, D in proportion to net income (%) |  | Any remuneration from investee companies other than the subsidiaries |
|------------------------------------|----------------|--------------|--|-------------------------------|--|-----------------------------------|--|---|-----------------|--|-----------------|---|--|--|
|                                    |                | The Company  | All companies listed in the financial statements | The Company                   | All companies listed in the financial statements | The Company                       | All companies listed in the financial statements | The Company                             |                 | All companies listed in the financial statements |                 | The Company   | All companies listed in the financial statements |  |
|                                    |                |              |  |                               |  |                                   |  | Amount of cash                          | Amount of stock | Amount of cash                                   | Amount of stock |   |  |  |
| The President                      | Sung-Fa Lu     | 5,786        | 5,786  | 240<br>(appropriated amount)  | 240<br>(appropriated amount)                     | 2,390                             | 2,390  | 3,839                                   | 0               | 3,839  | 0               | 1.85%   | 1.85%  | None.  |
| Manager of Administrative Division | Feng-An Huang  |              |  |                               |  |                                   |  |   |                 |  |                 |   |  |  |
| Vice President                     | Ming-Feng Tsai |              |  |                               |  |                                   |  |   |                 |  |                 |   |  |  |

Remuneration bracket

| Payment to individual President and Vice Presidents,<br>remuneration bracket | Names of President and Vice Presidents |   |
|--|--|---|
|  | The Company                            | All companies included in the financial<br>statements E |
| Less than NTD1,000,000   | -                                      | -   |
| NTD1,000,000 (inclusive) ~ NTD2,000,000                                      | -                                      | -   |
| NTD2,000,000 (inclusive) ~ NTD3,500,000                                      | Feng-An Huang                          | Feng-An Huang   |
| NTD3,500,000 (inclusive) ~ NTD5,000,000                                      | Sung-Fa Lu, Ming-Feng Tsai             | Sung-Fa Lu, Ming-Feng Tsai                              |
| NTD5,000,000 (inclusive) ~ NTD10,000,000                                     | -                                      | -   |
| NTD10,000,000 (inclusive) ~ NTD15,000,000                                    | -                                      | -   |
| NTD15,000,000 (inclusive) ~ NTD30,000,000                                    | -                                      | -   |
| NTD30,000,000 (inclusive) ~ NTD50,000,000                                    | -                                      | -   |
| NTD50,000,000 (inclusive) ~ NTD100,000,000                                   | -                                      | -   |
| More than NTD100,000,000   | -                                      | -   |
| Total  | 3                                      | 3   |

\* The content of remuneration as disclosed in this table is different from the concept under the Income Tax Act, which is for disclosure only and not for taxation purpose.

Names of managers with distribution of employee remuneration and the status of distribution

April 13, 2021

|                     | Title  | Name             | Amount in stock (NTD Thousand) | Amount in cash (NTD Thousand) | Total (NTD Thousand) | Amount total in proportion to net income (%) |
|---------------------|--|------------------|--------------------------------|-------------------------------|----------------------|--|
| Managerial Officers | The President  | Sung-Fa Lu       | 0                              | 9,321                         | 9,321                | 1.01%  |
|                     | Manager of Administrative Division/Chief Financial Officer | Feng-An Huang    |                                |                               |                      |  |
|                     | Vice President   | Ming-Feng Tsai   |                                |                               |                      |  |
|                     | Assistant Manager  | Tseng-Hsiang Lin |                                |                               |                      |  |
|                     | Assistant Manager  | Jen-Peng Wu      |                                |                               |                      |  |
|                     | Assistant Manager  | Chen Teng-Wang   |                                |                               |                      |  |
|                     | Assistant Manager  | Yuan Feng-Hsiang |                                |                               |                      |  |
|                     | Assistant Manager  | Yu-Yuan Chen     |                                |                               |                      |  |
|                     | Assistant Manager  | Chen Ming-Lung   |                                |                               |                      |  |
|                     | Assistant Manager  | Ping Chen        |                                |                               |                      |  |
|                     | Deputy Manager (Corporate Governance Officer)              | Chih-Hao Tai     |                                |                               |                      |  |

(IV) The total payment to Directors, President, and Vice Presidents of the Company in proportion to the net income of the most recent 2 years:

|                               | 2019        |   | 2020        |   |
|-------------------------------|-------------|---|-------------|---|
|                               | The Company | All companies included in the consolidated financial statements | The Company | All companies included in the consolidated financial statements |
| Director                      | 2.02%       | 2.02%   | 2.61%       | 2.61%   |
| President and Vice Presidents | 1.32%       | 1.32%   | 1.85%       | 1.85%   |

- (1) The Company started to appropriate for remuneration to the Directors in 2019 and for release in subsequent years. As such, the total amount of remuneration to the Directors will be in a higher proportion to net income as stated in the financial statements as compared with the preceding periods. Under the influence of the economic situation, profit declined in 2020, which drove up the ratio as compared with 2019.
- (2) Remuneration to the President and the Vice Presidents covers salaries, bonuses, and employee remuneration. Remuneration was determined in accordance with the internal rules and regulations of the Company and in consideration of salaries for the same position and rank on the market of the same industry. In addition, the functions and scope of duties, the contribution to the operation objective of the Company will also be considered. The policy of remuneration was made with reference to the overall operation performance of the Company, individual attainment of performance goals, and contribution to the Company and set at a reasonable level.

IV. The pursuit of corporate governance

(I) The operation of the Board:

(1) The Board convened 5 times in the most recent year (2020). The attendance of the Directors is shown below:

| Title                | Name   | Attendance in person | Attendance by proxy | Actual attendance rate (%) | Remarks                 |
|----------------------|--|----------------------|---------------------|----------------------------|-------------------------|
| Chairperson          | Sung-Fa Lu   | 5                    | 0                   | 100%                       | Reelected to office     |
| Director             | Feng-An Huang  | 5                    | 0                   | 100%                       | Reelected to office     |
| Director             | Ming-Feng Tsai   | 5                    | 0                   | 100%                       | Reelected to office     |
| Director             | Hong Yuan International Investment Representative, Tsai-Yu Hsiao | 3                    | 0                   | 100%                       | Newly elected to office |
| Independent Director | Wen-Jung Cheng   | 3                    | 0                   | 100%                       | Newly elected to office |
| Independent Director | Min-Chang Wei  | 5                    | 0                   | 100%                       | Reelected to office     |
| Independent Director | Mien-Ching Huang   | 3                    | 0                   | 100%                       | Newly elected to office |
| Director             | Hong Yuan International Investment Representative, Yu-Yuan Chen  | 2                    | 0                   | 100%                       | Relieved from office    |
| Independent Director | Lin Ching-Wei  | 2                    | 0                   | 100%                       | Relieved from office    |
| Independent Director | Chien-Kuo Chang  | 2                    | 0                   | 100%                       | Relieved from office    |

Additional information:

- I. If any of the following applies to the Board in operation, specify the date, the session, content of the motions, opinions of the Independent Directors, and the response of the Company to these opinions:
- (I) According to Article 14-3 of the Securities and Exchange Act:
1. Passed by the 2<sup>nd</sup> session of the Board in 2020 on May 12, 2020:
    - (1) Routine evaluation of the independence of the independent auditors and appointment of the CPAs as independent auditors.
    - (2) Loaning of funds to subsidiary (PGH).
  2. Passed by the 3<sup>rd</sup> session of the Board in 2020 on June 12, 2020:
    - (1) Election of the Chairperson.
    - (2) Appointment of the members of the Remuneration Committee.
  3. Passed by the 5<sup>th</sup> session of the Board in 2020 on November 6, 2020:
    - (1) Replacement of the Corporate Governance Officer.
    - (2) Amendment to the "Organization Charter of the Remuneration Committee".
    - (3) Revision of the questionnaire for self-assessment of the performance of the Board and Directors.
- (II) In addition to the aforementioned issues, other resolutions of the Board with adverse or qualified opinions from the Independent Directors with recorded or written declaration: Not applicable.
- II. In the recusal of the Directors to avoid conflict of interest, specify the names of the Directors, the content of the motions, the reasons for recusal, and the participation in voting: Motions proposed to the Board in this year did not require recusal due to the conflict of interest.
- III. Companies listed at TWSE or TPEx should disclose the frequency of self-evaluation (or peer evaluation) of the Board and the intervals between the evaluations, the scope and method of evaluation, and related information. Fill in Table II (2) the pursuit of Board evaluation: Refer to the table below.

IV. The objective of fortifying the functions of the Board in current and most recent year (such as the establishment of the Auditing Committee and the enhancement of information transparency) and evaluation of the implementation: The Company has established the Auditing Committee on June 14, 2017. This committee reviews related motions and supervises the operations of the Company in accordance with its organization charter. The Company has also established the Remuneration Committee on December 23, 2011 to assist the review of the remuneration to managers and employees and related issues. In addition, the CSR execution committee of the Company has established several functional teams for the collection of information on legal affairs and initiatives pertinent to sustainability to map out plans in response to the situations and report to the Board for discussion, and for disclosure of non-financial data of the Company in the operation for enhancing transparency.

The attendance of Independent Directors to the meetings of the Board in 2020:

| Date<br>Name            | March 23,<br>2020 | May 12,<br>2020 | June 12,<br>2020 | August 12,<br>2020 | November<br>6, 2020 |
|-------------------------|-------------------|-----------------|------------------|--------------------|---------------------|
| Wen-Jung<br>Cheng       | -                 | -               | ◎                | ◎                  | ◎                   |
| Min-Chang<br>Wei        | ◎                 | ◎               | ◎                | ◎                  | ◎                   |
| Mien-<br>Ching<br>Huang | -                 | -               | ◎                | ◎                  | ◎                   |
| Lin Ching-<br>Wei       | ◎                 | ◎               | -                | -                  | -                   |
| Chien-Kuo<br>Chang      | ◎                 | ◎               | -                | -                  | -                   |

Note: ◎: Attended in person; ☆: Attended by proxy.

(2) The implementation of Board evaluation:

The Company passed the “Regulations Governing the Evaluation of the Board” in the 3<sup>rd</sup> session of the Board in 2019, and has completed the evaluation of the Board, Directors and the members of the functional committees of 2020 in November 2021. The implementation is as follows:

| Frequency of evaluation        | Period for evaluation                        | Scope of evaluation | Method of evaluation                    | Content of evaluation   |
|--------------------------------|--|---------------------|---|---|
| Evaluation<br>Once<br>annually | January 1,<br>2020 ~<br>December<br>31, 2020 | The Board           | Self-<br>Evaluation of<br>the Board     | A. Degree of participation<br>in the operation of the<br>Company<br>B. Improving the quality of<br>decision-making of the<br>Board<br>C. The organization and<br>structure of the Board<br>D. The election of<br>Directors and<br>continuing education<br>E. Internal Control |
|                                |  | Director            | Self-<br>Evaluation of<br>the Directors | A. Mastery of the company<br>objective and mission<br>B. Understanding of the   |



|  |  |                        |                                   |  |
|--|--|------------------------|-----------------------------------|--|
|  |  |                        |                                   | duties of Directors<br>C. Degree of participation in the operation of the Company<br>D. Engagement of internal relations and communication<br>E. Professional standing of the Directors and continuing education<br>F. Internal control  |
|  |  | Auditing Committee     | Self-evaluation of the committees | A. Degree of participation in the operation of the Company<br>B. Improving the quality of decision-making of the committee<br>C. Understanding of the duties of the committee<br>D. The organization of the committee and the election of the committee members<br>E. Internal Control |
|  |  | Remuneration Committee | Self-evaluation of the committees | A. Degree of participation in the operation of the Company<br>B. Improving the quality of decision-making of the committee<br>C. Understanding of the duties of the committee<br>D. The organization of the committee and the election of the committee members                        |

The findings from the questionnaire collected indicated that the self-evaluation result of the Board, members of the Directors, Auditing Committee, and Remuneration Committee are excellent. The result has been presented at the 1<sup>st</sup> session of the Board meeting in 2021 as reference for remuneration and nomination of candidates for continued appointment. In the future, all members of the Board will continue their education and training in order to strengthen their decision-making capacities to enhance decision-making quality and plan for the sustainable development of the Company.

(II) The operation of the Auditing Committee:

The Auditing Committee convened 5 times in the most recent year (2020). The attendance of the Independent Directors is shown below:

| Title                | Name             | Attendance in person | Attendance by proxy | Actual attendance rate (%) | Remarks                 |
|----------------------|------------------|----------------------|---------------------|----------------------------|-------------------------|
| Independent Director | Wen-Jung Cheng   | 3                    | 0                   | 100%                       | Newly elected to office |
| Independent Director | Min-Chang Wei    | 3                    | 0                   | 100%                       | Reelected to office     |
| Independent Director | Mien-Ching Huang | 3                    | 0                   | 100%                       | Newly elected to office |
| Independent Director | Lin Ching-Wei    | 2                    | 0                   | 100%                       | Relieved from office    |
| Independent Director | Chien-Kuo Chang  | 2                    | 0                   | 100%                       | Relieved from office    |

Additional information:

I. If any of the following applies to the operation of the Auditing Committee, specify the date, session, content of motions of the Board, the resolution of the Auditing Committee and the response of the Company to the opinions of the Auditing Committee:

(I) According to Article 14-5 of the Securities and Exchange Act: Approved by the Auditing Committee and presented to the Board

1. Passed by the 1<sup>st</sup> session of the Board in 2020 March 23, 2020:

(1) Consolidated financial statements of 2019.

(2) "Evaluation of the Effectiveness of the Internal Control System" of 2019.

2. Passed by the 2<sup>nd</sup> session of the Board in 2020 on May 12, 2020:

(1) Evaluation of the independence of CPAs and appointment.

(2) Loaning of funds to subsidiary (PGH).

(II) In addition to the above issues, other issues not passed by the Auditing Committee but passed by the Board with the consent of more than two thirds of the Directors: Not applicable.

II. In the recusal of the Independent Directors to avoid the conflict of interest, specify the names of the Directors, the content of the motions, the reasons for recusal, and the participation in voting: Motions proposed to the Board in this year did not require recusal due to the conflict of interest.

III. The communication between the Independent Directors and the Chief Internal Auditor and the CPAs (including the communication of material aspects of finance and business operations, and means and the result):

1. The Auditing Committee convened four times this year. The Chief Internal Auditor attended all the sessions and presented the implementation of the audit plan and the improvement of shortcomings. The Chief Internal Auditor also responded to the questions of the Independent Directors with detailed explanation with documented materials to support. Communication was proper and sufficient. In addition, audit reports and follow-up reports have also been presented at the end of each month as scheduled for the review of the Independent Directors.

2. Summary of the communication between the Independent Directors and the CPAs:

- (1) Corporate Governance Meeting on March 23, 2020
  - The CPAs elaborated the content of the audited consolidated financial statements of 2019 and the Auditors' Report in the meeting.
  - The CPAs responded to the questions of the Independent Directors with explanations, discussion and communication.
- (2) Corporate Governance Meeting on May 12, 2020
  - The CPAs explained the content of the audited consolidated financial statements of Q1 2019 and the Auditors' Report in writing for communication.
- (3) Corporate Governance Meeting on August 12, 2020
  - The CPAs explained the content of the audited consolidated financial statements of Q2 2019 and the Auditors' Report in writing for communication.
- (4) Corporate Governance Meeting on November 6, 2020
  - The CPAs explained the content of the audited consolidated financial statements of Q3 2019 and the Auditors' Report in writing for communication.

IV. Main points of the work of the Auditing Committee of the year and the operation:

- (I) Main points of the work of the year
  1. The audit of the financial statements of the Company and routine interaction with the independent auditors on the audit findings.
  2. Communication with the Chief Internal Auditor on the audit findings at regular intervals and review of the annual audit plan.
  3. The evaluation of the effectiveness of the internal control system.
  4. Amendment to the procedures of material financial and business acts for the acquisition and disposal of assets, derivative trade, loaning of funds to others, endorsements and guarantees.
  5. The transaction of major assets or derivative trade.
  6. Legal compliance.
  7. The appointment, dismissal or remuneration of the independent auditors
  8. Evaluation of the qualification and independence of the independent auditors.

(II) The operation

| The Board  | Content of the motions  | Resolution of the Auditing Committee         | Response of the Company to the opinions of the Auditing Committee |
|--|---|--|---|
| 1 <sup>st</sup> session in 2020<br>March 23,<br>2020 | 1. Review of the financial statements of 2019.<br>2. Proposal for the distribution of earnings in 2019. | Passed by the members in session with common | Passed by the members in session with common consent.             |

|  |   |   |   |   |
|--|---|---|---|---|
|  |   | 3. The review of the evaluation of the effectiveness of the internal control system and the statement of declaration. | consent.  |   |
|  | 2 <sup>nd</sup> session in 2020<br>May 12, 2020     | 1. The evaluation of the independence of the CPAs and appointment.<br>2. Loaning of funds to subsidiaries.            | Passed by the members in session with common consent. | Passed by the members in session with common consent. |
|  | 4 <sup>th</sup> session in 2020<br>August 12, 2020  | 1. Amendment to the “Ethical Corporate Governance Best Practice Principles”.  | Passed by the members in session with common consent. | Passed by the members in session with common consent. |
|  | 5 <sup>th</sup> session in 2020<br>November 6, 2020 | 1. Review of the 2021 Audit Plan.   | Passed by the members in session with common consent. | Passed by the members in session with common consent. |

Note: The content of the motion has been reviewed and passed by the Auditing Committee and presented to the Board.

(III) The pursuit of corporate governance and the divergence from the Corporate Governance Best Practice Principles for TWSE/TPEX listed Companies, and the reasons

| Items of evaluation  | The operation |    |  | Variations from the Corporate Governance Best Practice Principles for TWSE/TPEX listed Companies, and the reasons |
|--|---------------|----|--|---|
|  | Yes           | No | Summary description  |   |
| I. Has the Company instituted its own corporate governance best practice principles in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX listed Companies and made disclosure? | V             |    | The Company passed the motion for the institution of the “Corporate Governance Best Practice Principles” in the 5 <sup>th</sup> session of the Board in 2016, with amendment in the 2 <sup>nd</sup> session of the Board in 2020 for the protection of the rights and interests of the shareholders and stakeholders, reinforcement of the function of the Board, and enhancement of | No significant difference   |

| Items of evaluation  | The operation |    |  | Variations from the Corporate Governance Best Practice Principles for TWSE/TPEX listed Companies, and the reasons                   |
|--|---------------|----|--|---|
|  | Yes           | No | Summary description  |   |
|  |               |    | information transparency. Effort will be made in the future to continue improving the mode of governance and amend the principles for reporting to the Board. Investors may access the information on the official website of the Company.   |   |
| <p>II. The Equity Structure and Shareholders Equity of the Company</p> <p>(I) Has the Company established internal operation procedures for responding to the suggestions, queries, disputes, and legal actions of the shareholders, and implemented them in accordance with the procedures?</p> <p>(II) Has the Company kept the list of the dominant shareholders that exercise de facto control of the Company and the parties that exercise ultimate control of these dominant shareholders under control?</p> <p>(III) Has the Company established and exercised risk control and firewall mechanisms with its affiliates?</p> <p>(IV) Has the Company instituted internal rules and regulations prohibiting insiders from using undisclosed information in the market for the trading of securities?</p> | V             | V  | <p>(I) The spokesman, shares affairs, and legal affairs units act in compliance with relevant procedures and are charged with the duty to respond to the issues of the Shareholders.</p> <p>(II) The Company keeps the list of dominant shares and the ultimate control of the dominant shareholders under control and makes disclosures as required.</p> <p>(III) The Company has instituted the “Regulations Governing the Monitoring and Control of Subsidiaries” and related internal control systems, and strictly enforced the control system and monitored the transactions of the affiliates to prevent possible risks deriving from unconventional transactions.</p> <p>(IV) The Company has instituted the “Procedures for the Prevention of Insider Trade and Points of Control” to prevent insider trade and provided education for the Directors and senior officers on laws and related cases. For further information, visit the official website of the Company.</p> | <p>No significant difference</p> <p>No significant difference</p> <p>No significant difference</p> <p>No significant difference</p> |
| <p>III. The Organization and Function of the Board</p> <p>(I) Has the Board developed its policies in diversity relevant to the composition of the members and has it properly pursued these policies?</p>   | V             |    | <p>(I) The Company designed the policy of diversity of the Board members in accordance with the “Corporate Governance Best Practice Principles”. The members of the Board are</p>  | <p>No significant difference</p>  |

| Items of evaluation   | The operation |    |   | Variations from the Corporate Governance Best Practice Principles for TWSE/TPEX listed Companies, and the reasons |
|---|---------------|----|---|---|
|   | Yes           | No | Summary description   |   |
| (II) Has the Company voluntarily established other functional committees further to the establishment of a remuneration committee and auditing committee?   | V             |    | <p>experienced in business, production, and finance, achieving the goal of diversity. For further information on the professional standing of the members of the Board and their independence, refer to pages 9–10.</p> <p>(II) In addition to the Auditing Committee and the Remuneration Committee, the Company has also established the employee welfare committee and pension reserve monitoring committee, and will establish additional functional committees where necessary.</p>                            | No significant difference   |
| (III) Has the Company established the rules and regulations and the methods for the evaluation of Board performance, and has it conducted performance evaluation at regular intervals of each year? And report the performance evaluation result to the Board as reference for deciding the remuneration to individual Directors and nomination for a renewed term of office? | V             |    | (III) The Company has conducted the performance evaluation of the Board, Directors and the committees for 2020 in February 2021 in accordance with the “Regulations Governing the Evaluation of the Board” passed by the Board, and reported to the 1 <sup>st</sup> session of the Board in 2021.   | No significant difference   |
| (IV) Has the Company assessed the independence of the CPAs at regular intervals?  | V             |    | (IV) The Accounting Department prepares an evaluation sheet to set the standard for the evaluation of the professional standing, independence and impartiality of the independent auditors each year. Each of the independent auditors has provided their curriculum vitae and declaration of independence (without violation against Professional Code of Ethics No. 10) for the discussion by the Board. The 2020 Annual Report has been assessed and passed by the 2 <sup>nd</sup> session of the Board in 2020. | No significant difference   |

| Items of evaluation  | The operation |    |  | Variations from the Corporate Governance Best Practice Principles for TWSE/TPEX listed Companies, and the reasons |
|--|---------------|----|--|---|
|  | Yes           | No | Summary description  |   |
| IV. Has the company listed on the TWSE/TPEX designated a number of qualified personnel and appointed an officer for administering corporate governance (including but not limited to the supply of information for the Directors and Supervisors in performing their duties, holding of meetings for the Board and the Shareholders Meeting and handling related matters, assist the Directors and Supervisors in legal compliance, and compilation of the minutes of meetings of the Board and Shareholders Meeting on record)? | V             |    | The 5 <sup>th</sup> session of the Board in 2020 passed the motion of appointing Deputy Accounting Manager Tai as the Corporate Governance Officer to train the management team of the younger generation. Deputy Manager Tai will lead the team consisting of designated personnel from the Administrative Division and Shares Registrar Office to handle the matters of the Board and the administrative details of the Shareholders Meeting, provide the Board with information on laws and regulations, assist the Directors in legal compliance, prepare the minutes of the sessions of the Board and the Shareholders Meeting on record, and respond to the questions of the Directors and the shareholders. | No significant difference   |
| V. Has the Company established channels for the communication with the stakeholders (including but not limited to the shareholders, employees, customers, and suppliers), and a section for the stakeholders on the official website of the Company to respond to all concerns of the stakeholders on corporate social responsibility?   | V             |    | The Company has established the spokesperson system, and set up a special section for the stakeholders at its official website with related channels for the proper response to issues of concern for stakeholders. In addition, the Company also discloses its CSR report annually at the official website for the viewing of the stakeholders.   | No significant difference   |
| VI. Has the Company appointed a professional share registration and investors service agent for handling matters pertaining to the Shareholders Meeting?   | V             |    | The Company commissioned the agency department of Grand Fortune Securities, a professional firm providing share registration services, as the agent for handling share registration and matters pertinent to the Shareholders Meeting.   | No significant variation.   |
| VII. Disclosure of Information<br>(I) Has the Company installed a website for the disclosure of information on its financial position and operation, as well as corporate governance?<br>(II) Has the Company adopted any other means for disclosing information (such as the installation of an English-language website, appointment of designated persons for the collection and disclosure of information on the Company, the implementation of a spokesperson system, and placing   | V<br><br>V    |    | (I) The Company has installed a website for the disclosure of information on finance, business, and corporate governance.<br><br>(II) The company has already set up an English-language website, appointed a designated person for the collection and disclosure of information on the Company, and implemented a spokesperson system according to the regulations, convened institutional investor conferences   | No significant difference<br><br>No significant difference  |

| Items of evaluation  | The operation |    | Summary description   | Variations from the Corporate Governance Best Practice Principles for TWSE/TPEX listed Companies, and the reasons |
|--|---------------|----|---|---|
|  | Yes           | No |   |   |
| <p>the records of institutional investor conferences on the official website)?</p> <p>(III) Has the Company disclosed and declared the financial statements within 2 months after the end of the fiscal year, and announced and declared the financial statements covering Q1, Q2, and Q3, and the monthly business reports before the deadline?</p>   | V             |    | <p>and announced English-language financial reports and disclosed relevant information.</p> <p>(III) The Company has declared and announced the annual and quarterly progress report and financial statements by the deadline as required. The Company aims at making announcements well before the deadline and schedules for the operation in advance so that the investors can quickly learn about the operation results of the Company.</p>   | No significant difference   |
| <p>VIII. Is there any other essential information that would help understand the implementation of corporate governance (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholder rights, the continuing education of the Directors and Supervisors, the pursuit of a risk management policy and standard of risk assessment, the pursuit of a customer policy, and liability insurance coverage for the Directors and Supervisors)?</p> | V             |    | <p>The Company has established the employee welfare committee for assuring the protection of the rights and interests of and the concern for employees through subsidizing their activities. The Company maintains positive communication with the investors and there has been no major dispute. The Company is on good terms with the suppliers for cooperation in making a green supply chain. The Company spares effort in seeking solutions for issues and initiatives on environmental protection, community harmony, and issues that concern the stakeholders, in order to protect the rights of all parties and perform its corporate social responsibility. Related information and the CSR report is disclosed on the official website of the Company for inquiry. In addition:</p> <p>1. The Directors and Independent Directors of the Company have professional backgrounds in the industry, knowledge of corporate management and good practical experience. They will also undergo continuing education in the future on topics of corporate governance, environmental protection trends, and new technologies in the industry. They will also seek to better understand applicable legal rules.</p> | No significant difference   |



| Items of evaluation  | The operation |    |   | Variations from the Corporate Governance Best Practice Principles for TWSE/TPEX listed Companies, and the reasons |
|--|---------------|----|---|---|
|  | Yes           | No | Summary description   |   |
|  |               |    | <p>2. The implementation of risk management policies and risk measurement standards: The Company has established a sound accounting system, internal control system and internal audit system and has properly implemented these systems.</p> <p>3. The implementation of customer policy: Customer policy has been implemented properly with positive interaction with consumers or customers.</p> <p>4. Protection of Directors with liability insurance: The Company takes out annual liability insurance for the protection of all Directors and reports this to the Board.</p> |   |
| <p>IX. The state of corrective action taken in response to the corporate governance evaluation result announced by the Corporate Governance Center of the Taiwan Stock Exchange Corporation, and issues requiring special effort for improvement and related measures of the most recent year.</p> <ol style="list-style-type: none"> <li>1. The substantive objective of the policy of diversification and the attainment of the objective of the directors has not been disclosed: The Company will disclose related information in the annual report of this year and at the official website.</li> <li>2. The succession plan of the members of the Board and key management personnel has not been disclosed: Related plans will be mapped out this year and will be disclosed.</li> <li>3. The risk management policies and procedures passed by the Board, and the organizational structure and pursuit of the policies and procedures have not been disclosed: The corporate governance team of the Company will map out the risk management policy and action plans, and will report to the Board, and details of implementation will be disclosed to the outside.</li> <li>4. The channels for communications with the stakeholders, the means and frequency for response to stakeholders have not been disclosed: Related information will be organized for disclosure to the outside.</li> <li>5. The substantive methods for the pursuit of ethical corporate management policies and the prevention of unethical practices of the year have not been disclosed: The internal audit and HR unit of the Company will gather and compile related information for disclosure on the official website.</li> </ol> |               |    |   |   |

Continuing education of the Directors:

| Title                | Name             | Date of training      | Organizer   | Name of course taken  | Hours of training |
|----------------------|------------------|-----------------------|---|---|-------------------|
| Director             | Feng-An Huang    | 2020-07-30–2020-07-31 | Republic of China Accounting Research and Development Institute | Continuing Education Program for Accounting Officers of Securities Issuers, Securities Dealers, and Stock Exchanges | 12 hours          |
| Director             | Ming-Feng Tsai   | 2020-07-14            | Securities and Future Institute                                 | How to Innovate KPI and Performance Management in the Digital Economic Age  | 3 hours           |
|                      |                  | 2020-07-16            | Securities and Future Institute                                 | The Interpretation and Use of Corporate Financial Information in Decision-Making                                    | 3 hours           |
| Independent Director | Min-Chang Wei    | 2020-12-03            | Republic of China Accounting Research and Development Institute | Case Study and Legal Responsibility Investigation of Illegal Securities Trade with Disguised Foreign Capital        | 3 hours           |
|                      |                  | 2020-12-04            | Republic of China Accounting Research and Development Institute | Defects Commonly found in Corporate Governance and Related Legal Interpretations                                    | 3 hours           |
| Independent Director | Mien-Ching Huang | 2020-12-30            | Republic of China Accounting Research and Development Institute | Compilation of Financial Statements under IFRS, Amendments and Common Defects                                       | 3 hours           |
| Independent Director | Wen-Jung Cheng   | 2020-10-23            | Taiwan Stock Exchange Corporation                               | 2020 Conference on Corporate Governance and Director and Supervisor Good Faith                                      | 3 hours           |

Continuing education of Corporate Governance Officer:

| Title                        | Name         | Date of training | Organizer   | Name of course taken   | Hours of training |
|------------------------------|--------------|------------------|---|--|-------------------|
| Corporate Governance Officer | Chih-Hao Tai | 2020-11-16       | Corporate Operation Association                                 | “The 7th Session of the Best Practices of the Board for Presiding Officers of Board in 2020” Lecture Series  | 3 hours           |
|                              |              | 2021-03-18       | Republic of China Accounting Research and Development Institute | How Should Internal Auditors Respond to Common Defects in the Compilation of Financial Statements under IFRS | 6 hours           |

## (IV) Remuneration committee

## (1) Profiles of the members of the Remuneration Committee

| Identity             | Condition        | Does the person have more than 5 years of experience and the professional qualifications specified below?  |   |  | Conformity to the status of independence (Note) |   |   |   |   |   |   |   |   |    | The number of public companies where the person also holds positions in their remuneration committees. | Remarks                 |
|----------------------|------------------|--|---|--|---|---|---|---|---|---|---|---|---|----|--|-------------------------|
|                      |                  | A lecturer or a higher position at a public or private school of higher education in the disciplines of commerce, law, finance, accounting, or other specializations required by the business of the Company | A court judge, prosecutor, lawyer, certified public accountant, or other professional or technician required by the business of the Company and having passed the national examinations with issuance of certificates | Work experience in commerce, law, finance, accounting, or others required by the business of the Company | 1   | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |  |                         |
| Independent Director | Min-Chang Wei    |  |   | V  | V   | V | V | V | V | V | V | V | V | V  | 0  | Reelected to office     |
| Independent Director | Wen-Jung Cheng   |  | V   | V  | V   | V | V | V | V | V | V | V | V | V  | 0  | Newly elected to office |
| Independent Director | Mien-Ching Huang |  |   | V  | V   | V | V | V | V | V | V | V | V | V  | 0  | Newly elected to office |
| Independent Director | Lin Ching-Wei    |  | V   | V  | V   | V | V | V | V | V | V | V | V | V  | 0  | Relieved from office    |
| Independent Director | Chien-Kuo Chang  |  | V   | V  | V   | V | V | V | V | V | V | V | V | V  | 2  | Relieved from office    |

Note: If the members meet the following conditions in a period of 2 years before the assumption of office or during the term of office, put a “✓” in the appropriate box.

- (1) Not an employee of the Company or its affiliates.
- (2) Not a Director, Supervisor of the Company or its affiliate (except holding the positions of Independent Directors of the Company who also act as Independent Directors its parent company, subsidiary, or group company under the same parent company under the Securities and Exchange Act or applicable laws and regulations of the local country).
- (3) Not a natural person who holds more than 1% of the outstanding shares issued by the Company to the person, spouse, underage children or in the name of a third party, or is among the top 10 shareholders.
- (4) Not the spouse, kin within the 2<sup>nd</sup> degree or next of kin within the 3<sup>rd</sup> degree of the managers as stated in (1), or persons stated in (2) and (3).

- (5) Not a Director, Supervisor or employee of the institutional shareholder who directly holds more than 5% of the outstanding shares issued by the Company, among the top 5 shareholders, or appointed representative to assume position as Directors of Supervisors of the Company under Paragraph 1 or Paragraph 2 of Article 27 of the Company Act (except holding the positions of Independent Directors of the Company who also act as Independent Directors of its parent company, subsidiary, or group company under the same parent company under the Company Act or applicable laws and regulations of the local country).
- (6) Not a Director, Supervisor of employee of other company held by the same person who also holds the seat of Directors of the Company or more than half of the voting shares (except holding the positions of Independent Directors of the Company who also act as Independent Directors of its parent company, subsidiary, or group company under the same parent company under the Securities and this Act or applicable laws and regulations of the local country).
- (7) Not a Director, Supervisor, or employee of other company or institution or the spouse of Director, Supervisor, or employee of a third-party company or institution who also holds the position of Chairperson, General Manager, or similar position (except holding the positions of Independent Directors of the Company who also act as Independent Directors of its parent company, subsidiary, or group company under the same parent company under this Act or applicable laws and regulations of the local country).
- (8) Not a Director, Supervisor, Manager or shareholder holding more than 5% of the shares of particular company or institution having financial or business transactions with the Company (except such particular company or institution which holds more than 20% but less than 50% of the shares issued by the Company, and holds the position of Independent Directors of the Company who also act as Independent Directors of its parent company, subsidiary, or group company under the same parent company under this Act or applicable laws and regulations of the local country).
- (9) Not an owner, partner, Director, Supervisor, Manager or spouse of a professional, sole proprietor, partnership, company or institution providing business, legal, financial or accounting services to the Company or its affiliates, or who have received accumulated remunerations of less than NT\$500,000 over the last 2 years. Except for members of the remuneration committee, public acquisition review committee, or mergers and acquisitions special committee performing their assigned duties under the Securities and Exchange Act or the Business Mergers and Acquisitions Act and other applicable laws and regulations.
- (10) The particulars inscribed in Article 30 of the Company Act are not applicable.

(2) Information on the Remuneration Committee in operation

- I. The Remuneration Committee of the Company contains 3 members.
- II. The tenure of the committee members: from June 12, 2020, to June 11, 2023. The Remuneration committee convened 3 times in the most recent year. The qualification requirement and attendance of the members is shown below:

| Title    | Name             | Attendance in person | Attendance by proxy | Actual attendance rate (%) | Remark                  |
|----------|------------------|----------------------|---------------------|----------------------------|-------------------------|
| Convener | Min-Chang Wei    | 2                    | 0                   | 100%                       | Reelected to office     |
| Members  | Wen-Jung Cheng   | 2                    | 0                   | 100%                       | Newly elected to office |
| Members  | Mien-Ching Huang | 2                    | 0                   | 100%                       | Newly elected to office |
| Members  | Chien-Kuo Chang  | 1                    | 0                   | 100%                       | Relieved from office    |
| Members  | Lin Ching-Wei    | 1                    | 0                   | 100%                       | Relieved from office    |

Additional information:

- I. If the Board declines to accept or revise the recommendations of the Remuneration Committee, specify the meeting date, the session, the content of the motion, the resolutions of the Board, and the response of the Company to the opinions of the Remuneration Committee (if the Board resolved a better remuneration than the recommendation of the Remuneration Committee, specify the difference and the reason for the difference): Not applicable.
- II. If a member of the Remuneration Committee has adverse or qualified opinions on the resolutions of the Remuneration Committee on record or in written declaration, specify the meeting date, the session, the content of the motion, the opinions of all members, and the response to the opinions of the members: Not applicable.

| Date   | Cause of motion for discussion   | Resolution | The response of the Company to the opinions of the members |
|--|--|------------|--|
| March 23, 2020<br>The 6th session of the 3rd Meeting   | Appropriation of remuneration to the employees and the Directors in 2019.  | Passed     | No opinion, not applicable.                                |
| August 12, 2020<br>The 1st session of the 4th Meeting  | <ol style="list-style-type: none"> <li>1. Nomination of the convener for the Remuneration Committee.</li> <li>2. Review of the remuneration plan to managers and employees.</li> <li>3. Appropriation of remuneration to the Directors for the first half of 2020.</li> </ol>  | Passed     | No opinion, not applicable.                                |
| November 6, 2020<br>The 2nd session of the 4th Meeting | <ol style="list-style-type: none"> <li>1. Revision of the questionnaire for the self-evaluation of the Board and the Directors for performance evaluation.</li> <li>2. Proposal for the release of year-end bonuses and performance bonuses to the employees in 2020.</li> <li>3. Distribution of employee bonuses in 2019.</li> </ol> | Passed     | No opinion, not applicable.                                |

(V) The implementation of social responsibility and the divergence from the Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies, and the reason for the variation

| Items of evaluation   | The operation |    |   | Divergence from the Corporate Governance Best Practice Principles for TWSE/TPEX – Listed Companies, and the reason for the variation |
|---|---------------|----|---|--|
|   | Yes           | No | Summary description   |  |
| I. Does the Company follow the principle of materiality in assessing the environmental, social, and corporate governance risks related to its operations, and map out related risk management policies or strategies? | V             |    | The Corporate Governance Team under the CSR Committee has identified the environmental, social and corporate governance risk issues related to the operations of the Company under the principle of materiality, and has provided related countermeasures to relevant business units to map out related response plans to reduce possible hazards and losses. | No significant difference  |

| Items of evaluation  | The operation |    |   | Divergence from the Corporate Governance Best Practice Principles for TWSE/TPEX – Listed Companies, and the reason for the variation |
|--|---------------|----|---|--|
|  | Yes           | No | Summary description   |  |
|  |               |    | Related plans have been presented to the 5 <sup>th</sup> session of the Board in 2020. Related information is disclosed on the official website of the Company for the reference of investors.  |  |
| II. Has the Company established a designated full-time (or part-time) body or position for the advocacy of corporate social responsibility administered by the senior management with the authorization of the Board and reporting to the Board? | V             |    | The Company has established the CSR Committee headed by the Chairperson. The members of this committee are the heads of the functional committees of the Company. This committee reviews and maps out the corporate social responsibility policies and plans every year. The Manager of the Administrative Division (a member) is responsible for supervising the implementation of the policies by all functional units and compiles the results into the CSR report annually for reporting to the Board. The 2019 CSR Report has been reported to the Board in the 4 <sup>th</sup> session in 2020.   | No significant difference  |
| III. Environmental Issues<br>(I) Has the Company established an appropriate environmental management system by nature of its industry?   | V             |    | The product line of the Company covers connection cords (connectors), EMS and PCB industry. The local governments at different plant sites implement different systems and regulations governing the production, pollution, release of waste and handling of industrial waste. The Company has established a related monitoring and management system in compliance with applicable laws and regulations governing specific industries and in conformity to the requirements of the customers in order to comply with applicable local laws and regulations and environmental protection requirements. All the plants have been accredited with the ISO 9001, ISO 14001, OHSAS 18001, and ITAF 16949 quality management and environmental protection systems. | No significant difference  |

| Items of evaluation   | The operation |    |   | Divergence from the Corporate Governance Best Practice Principles for TWSE/TPEX – Listed Companies, and the reason for the variation |
|---|---------------|----|---|--|
|   | Yes           | No | Summary description   |  |
|   |               |    | Information on related certification and validity is available at the official website of the Company.  |  |
| (II) Has the Company made efforts for the efficient use of all resources, and used renewable materials for mitigating the impact on the environment?  | V             |    | The Company has spared no effort in enhancing the recycling and reuse rate of resources to perform corporate social responsibility in environmental protection in its entirety. The water from PCB plants is recycled and reused at 35% of the annual water consumption capacity. Power saving plans are reviewed at regular intervals to encourage energy saving and reduction of waste. Scraps and solid waste is classified at different stages to improve the recycling rate. Materials that cannot be regenerated will be recycled by outsourced handlers. Issues related to environmental protection are further discussed in the 2019 CSR report on pages 31–34. | No significant difference  |
| (III) Has the Company assessed the potential risks or opportunities deriving from climate change and its effect on the Company at present and in the future, and mapped out a response to climate related issues? | V             |    | Climate change has resulted in natural disasters, which cause significant damage to natural resources, transportation, logistics, and property loss. The Corporate Governance Team of the CSR Committee has assessed the risks inherent to related issues, and has mapped out proper plans in the use of resources, supply chain security, and asset preservation for relevant business units in response to possible scenarios of disasters for the prevention of impact on the operations of the Company and the preservation of company assets. Related risk issues have been reported at the 5th session of the Board in 2020.                                      | No significant difference  |



| Items of evaluation   | The operation |    | Divergence from the Corporate Governance Best Practice Principles for TWSE/TPEX – Listed Companies, and the reason for the variation  |                           |
|---|---------------|----|---|---------------------------|
|   | Yes           | No |   | Summary description       |
| (IV) Has the Company kept statistics on the greenhouse gas emission volume, water consumption volume, and total weight of waste over the last 2 years, and mapped out the policies for managing the reduction of carbon and greenhouse gas emissions, water consumption, and the generation of waste? | V             |    | The Company compiles statistics on environmental protection, waste emission, energy saving and carbon reduction policies of all plant sites annually to improve information transparency. The above information will also be disclosed in the CSR report annually. For further information on environmental protection, refer to the 2018 CSR Report, pages 27 to 30, and the 2019 CSR Report, pages 31 to 34. Related information has also already been disclosed on the official website of the Company.  | No significant difference |
| IV. Social Issues   |               |    |   |                           |
| (I) Has the Company established related management policies and procedures in accordance with applicable laws and the international human rights conventions?   | V             |    | The Company duly observes local labor laws of the plants sites and the International Convention on Human Rights, and has also established labor policies and human resource regulations in accordance with the local laws to protect labor rights. The Company has taken labor insurance, health insurance, and appropriated for pension and related benefits in accordance with the local laws in respective plant sites, and has also taken public accident and group insurance for the protection of the employees. In addition, the Company has also established occupational safety regulations for the employees to observe in order to create a safe and fair workplace. | No significant difference |
| (II) Has the Company established and pursued reasonable welfare policies for the employees (including remuneration, holidays, and other benefits), and reflected the performance or results of operations in the remunerations to the employees?  | V             |    | The Company has established policies for employee salaries and benefits at or higher than industry level of the respective locations of the plant sites in accordance with local laws and the level of remuneration and benefits. The Company has also offered generous bonuses of different kinds to share with the employees the result of the operations in years of surplus to retain talent. The Company hopes employees see their jobs as a vital stage in the  | No significant difference |

| Items of evaluation  | The operation |    | Divergence from the Corporate Governance Best Practice Principles for TWSE/TPEX – Listed Companies, and the reason for the variation   |
|--|---------------|----|--|
|  | Yes           | No |  |
|  |               |    | development of their career and to support the Company and grow together. Additional information is available at the official website.   |
| (III) Has the Company provided a safe and healthy work environment for employees, and education on occupational safety and health for employees at regular intervals?  | V             |    | The Company launched the 6S policy to keep the work environment tidy, clean, and safe. The Company also arranges all employees, including the new recruits, to receive training on fire safety, first-aid, disaster evacuation, production safety, and related topics. The learning performance is included as a part of the annual performance evaluation so as to make the employees aware of occupational safety. The Company also provides physical examination for the employees annually with consultation on health education provided by the health examination professionals. The Company has arranged training for 4,032 people for 168 hours. |
| (IV) Has the Company established a plan for the training of effective career development and planning of employees?  | V             |    | The Company provides different kinds of training for employees to meet the needs in performing their diverse assigned duties and to improve their professional capacity and competitiveness. The Company also arranges transparent channels for promotion as incentives for employees to strive for improvement.   |
| (V) Has the Company complied with applicable legal rules and international standards in the marketing and labeling of products and services for the health, safety, and privacy of customers, and mapped out policies for the protection of consumer rights, and procedures for complaint? | V             |    | Most of the customers of the Company are product manufacturers, not the ultimate consumers. However, the Company has also established standard operating procedures for assuring smooth channels for filing complaints as per the production standards and requirements of the customers for protecting their rights.  |

| Items of evaluation   | The operation |    |   | Divergence from the Corporate Governance Best Practice Principles for TWSE/TPEX – Listed Companies, and the reason for the variation |
|---|---------------|----|---|--|
|   | Yes           | No | Summary description   |  |
| (VI) Has the Company established a supplier management policy to demand suppliers to observe applicable rules and regulations governing environmental protection, occupational safety and health, or labor rights, and the state of implementation?   | V             |    | The Company requires suppliers to duly observe the code for business integrity and protection of labor rights, and includes their record on environmental protection and related social issues for evaluation. This constitutes an integral part of the “Commitment to Environmental and Social Responsibility” to be signed by qualified suppliers. Under this commitment, qualified suppliers shall commit to ethical corporate management, protection of the environment, and implementation of corporate social responsibility. If a specific supplier acts in defiance of its commitments, the Company shall rescind the purchase contract and claim for the damage thereof. | No significant difference  |
| V. Has the Company consulted the standard or directions commonly used worldwide in compiling corporate social responsibility reports for the disclosure of non-financial information of the Company? Is the aforementioned report subject to the validation or guarantee by a third-party accreditor?   | V             |    | The Company compiled the 2019 CSR Report in accordance with the GRI Sustainability Reporting Standard in Chinese Version translated and edited by the Business Council for Sustainable Development-Taiwan (core requirements). The report has not been subject to validation or guarantee by a third party accreditor.  | No significant difference  |
| <p>VI. If the Company has instituted the corporate social responsibility best practice principles in accordance with the “Corporate Social Responsibility Best Practice Principles for the TWSE/TPEX-listed Companies”, specify the implementation of these principles and the divergence from the Corporate Social Responsibility Best Practice Principles for the TWSE/TPEX-listed Companies:</p> <p>The Company has instituted the Corporate Social Responsibility Best Practice Principles, and has duly observed applicable legal rules and charters. In addition, the Company actively participates in community events and makes efforts in environmental protection, caring for employees, valuing customers and suppliers, and investors. The Company also seeks to protect the rights of the stakeholders. The practice does not diverge from the best practice principles.</p> |               |    |   |  |
| <p>VII. Any other vital information that could help to understand the performance of corporate social responsibility better:</p> <p>The Company holds the philosophy of giving feedback to society and participating in community events, and has made donations to the vulnerable social groups, medical and care centers, and police service stations from time to time achieve social charity goals such as caring for the elderly and vulnerable. The Company also supports blood donations and arranges volunteers to help clean the community. In the event of major disasters or accidents, the Company encourages employees to make donations as an</p>   |               |    |   |  |

| Items of evaluation | The operation |    |  | Divergence from the Corporate Governance Best Practice Principles for TWSE/TPEX – Listed Companies, and the reason for the variation |
|---------------------|---------------|----|--|--|
|                     | Yes           | No | Summary description  |  |
|                     |               |    | <p>integral part of corporate social responsibility. To improve the reuse of resources and reduction of waste, the Company works in cooperation with in-kind “Give-Circle” donation network to carry out the “Send Love Box” campaign by recycling used items for donation. Employees will contribute items from home that they do not use to donate to social welfare groups and schools in rural areas in need of those items, through the platform of the network to maximize the use of resources. In 2020, the Company donated 209 items with the circulation of resources at 196 kg and reducing carbon emissions by 404 kg.</p> <p>The Company participates in activities for community development, medical and care centers and local governments through in-kind donations.</p> <ol style="list-style-type: none"> <li>1. Donation of NT\$200,000 to Genesis Social Welfare Foundation to support vulnerable social groups.</li> <li>2. Donation of NT\$100,000 to Disasters Rescue Association for helping disaster rescue and relief.</li> <li>3. Donation of NT\$100,000 to Mennonite Christian Hospital for helping the medical and long-term care in rural areas.</li> <li>4. Donation of NT\$80,000 to the New Taipei City Friends of Police office in Xindian and the Anhe police service station for sponsoring their activities.</li> <li>5. Every month, each plant site arranges and organizes employees to help clean the environment of local communities, visit the homes of the elderly and orphanages, volunteer help or donate blood to give something back to society. There are more than 100 participants on average every month.</li> </ol> |  |

(VI) The Practice of Ethical Corporate Management and Related Policies and Divergence from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-listed Companies

| Items of evaluation  | The operation |    |  | Divergence from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-listed Companies |
|--|---------------|----|--|--|
|  | Yes           | No | Summary description  |  |
| I. Establishment of ethical corporate management policies and action plans   |               |    |  |  |
| (I) Has the Company specified its policies and methods for the implementation of ethical corporate management in its internal rules and regulations and external documents, and have the Board and the management of the Company promised to implement the ethical corporate management policies?  | V             |    | (I) The Company passed the amendment to the “Ethical Corporate Management Best Practice Principles” in the 4 <sup>th</sup> session of the Board in 2020, thereby updating the rules and regulations governing ethical corporate management. Accordingly, customers, suppliers, and employees are required to sign the undertaking of integrity to strictly enforce and prevent corruption and bribery and other illegal activities. Additional information is disclosed in the CSR Report and on the official website.   | No significant difference  |
| (II) Has the Company developed mechanisms for the assessment of integrity risks with routine analysis and assessment of business activities exposed to higher integrity risks in the operation, based on which the Company has planned for the prevention of unethical practices? The content shall cover at least the preventive measures contained in Paragraph 2 in Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE Listed and TPEX Listed Companies”. | V             |    | (II) The Company conduct regular inspections based on the “Ethical Corporate Management Best Practice Principles” and the findings of internal audits for unethical practices as stated in Paragraph 2 of Article 7, and proposes corrective action and preventive action plans. Examples are the prevention of shortcomings by establishing the ethic and integrity clauses, requiring employees, suppliers, and customers are to sign the undertaking of integrity. Regulations governing the rewarding and punishing of employees on their conduct have also been instituted. Through the internal audit system and reporting offenses against the rules and regulations, the Company seeks to prevent unethical practices. | No significant difference  |
| (III) Has the Company established plans for the prevention of unethical practices, and has it specified the operation procedures, code of conduct, and punishment for  | V             |    | (III) The Company has explicitly specified related rules and regulations in the Ethical Corporate Management Best Practice Principles, Employee  | No significant difference  |

| Items of evaluation  | The operation |    |   | Divergence from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-listed Companies |
|--|---------------|----|---|--|
|  | Yes           | No | Summary description   |  |
| violation, and system for disciplining and complaints, and have these plans been implemented with routine review and revision?   |               |    | Code of Conduct, Undertaking of Integrity, and Regulations Governing the Reporting of Unethical Practices. The Company instituted the “Ethical Corporate Management Procedure and Guidelines” for clarifying the standard and punishment for unethical practices, and reported to the Board for approval.   |  |
| II. Implementation of ethical corporate management   |               |    |   |  |
| (I) Has the Company evaluated the record of the counterparties on business ethics, and explicitly stated business integrity as an integral part of the contracts when entering into agreements with counterparties of trade?   | V             |    | (I) The Company considers the record of business integrity of the suppliers in assessing the suppliers and customers, and requires them to sign the Undertaking of Integrity at the time of entering into business agreements, to realize the Ethical Corporate Management Best Practice Principles.  | No significant difference  |
| (II) Has the Company established a designated body directly under the Board for administering ethical corporate management with routine reporting to the Board (at least once a year) on the implementation of ethical corporate management policies and plans for the prevention of unethical practices, and the supervision of the implementation of these policies? | V             |    | (II) The Ethical Corporate Management Supervisory Team under the CSR Committee is responsible for the making and implementing of ethical corporate management related policies, and work in cooperation with the Auditing Office to check for unethical practices. The result of implementation has been reported to the 4 <sup>th</sup> session of the Board in 2020.  | No significant difference  |
| (III) Has the Company made policies for the prevention of conflicts of interest, and appropriate channels for complaints, and properly implemented the policies?   | V             |    | (III) The rules and regulations for the prevention of conflicts of interest have been specified in the Ethical Corporate Management Best Practice Principles and the Employee Code of Conduct with the establishment of different channels for complaints. HR or audit units are responsible for responding to the complaints and handle the complaints fairly while protection the safety of the informants. | No significant difference  |
| (IV) Has the Company established effective accounting systems and internal control systems for the proper implementation of ethical  | V             |    | (IV) The Company has established viable accounting and internal control systems, and has implemented these systems  | No significant difference  |

| Items of evaluation   | The operation |    |  | Divergence from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-listed Companies |
|---|---------------|----|--|--|
|   | Yes           | No | Summary description  |  |
| corporate management? Has the internal audit unit designed relevant audit plans on the basis of the assessment results of integrity risks for the prevention of unethical practices and compliance of related rules and regulations, or commissioned certified public accountants to conduct audits on unethical practices? |               |    | smoothly. In addition to the implementation of the annual audit plan, the internal auditors will adjust the plan on the basis of the findings from the assessment of the risks of unethical practices, and compile the findings into audit report for routine reporting to the Auditing Committee and the Board.   |  |
| (V) Has the Company provided internal and external training on topics of business integrity?  | V             |    | (V) The Company has reiterated integrity and the channels for reporting corruption in its internal training of employees and conferences with the suppliers so that all will observe the Ethical Corporate Management Best Practice Principles. Related training has been held in the year with 2,155 people participating, with a total of 56 hours of classes. | No significant difference  |
| III. The reporting system of the Company in practice<br>(I) Has the Company established a substantive reporting and reward and punishment system and convenient channels for reporting, and appointed designated personnel for handling the targets of reports?   | V             |    | (I) The Company has established regulations governing a reward and punishment system. Employees may report any offense by telephone, mail box and e-mail to HR or Audit units. The functional unit responsible for response will carry out investigations and punishment according to the regulations.   | No significant difference  |
| (II) Has the Company established standard operation procedures for responding to reports and complaints, the measures to be taken after the investigation, and related mechanisms for confidentiality?  | V             |    | (II) The personnel administration regulations of the Company explicitly state the mechanisms for responding to reports, and carry out investigations and punishment according to the regulations, and keep strict confidence on the information of the informants and the investigation procedures.  | No significant difference  |
| (III) Has the Company taken any measures for the protection of the informants from suffering undue treatment?   | V             |    | (III) According to the “Ethical Corporate Management Best Practice Principles” of the Company, the identity of the informants and the contents of the report will be kept in strict confidence. Informants will not suffer undue treatment for the act of whistle blowing.   | No significant difference  |

| Items of evaluation   | The operation |    |  | Divergence from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-listed Companies |
|---|---------------|----|--|--|
|   | Yes           | No | Summary description  |  |
| IV. Enhancement of information disclosure<br>Has the Company disclosed the content of the Ethical Corporate Management Best Practice Principles on its official websites and MOPS, and the result of the implementation?  | V             |    | The Company has instituted the “Ethical Corporate Management Best Practice Principles” and has disclosed the content on its official website and MOPS. | No significant difference  |
| V. If the Company has instituted the Ethical Corporate Management Best Practice Principles in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX-listed Companies”, specify the implementation of the principles and any deviations, if applicable:<br><br>The Company has instituted the Ethical Corporate Management Best Practice Principles and there is no deviation from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX-listed Companies”.  |               |    |  |  |
| VI. Any other important information that helps to understand the implementation of the Ethical Corporate Management Best Practice Principles better: (Such as the review and amendments to the Ethical Corporate Management Best Practice Principles)<br><br>The Company has amended the “Ethical Corporate Management Best Practice Principles” in the 4 <sup>th</sup> session of the Board in 2020 to update the regulations governing ethical corporate management. As a pledge to the policies and principles of ethical corporate management, the Company requires all contractors to sign the Undertaking of Integrity to promise ethical business. Training of employees in business ethics and the reporting mechanisms have also been intensified. The principles have been properly implemented. The Company is also receptive to any comments for revising the principles accordingly. For additional information on the implementation, refer to the official website, annual report, and CSR Report. |               |    |  |  |

(VII) If the Company has instituted the Ethical Corporate Management Best Practice Principles and related rules and regulations, disclose the means for inquiry:

The Company has instituted the Ethical Corporate Management Best Practice Principles in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX-listed Companies”, and operates in accordance with applicable legal rules. In addition, the Company has also gradually implemented corporate governance. Additional information is available on the official website.

Company website: [www.panpi.com.tw](http://www.panpi.com.tw)

(VIII) Any other important information that helps to under the pursuit of corporate governance better:

The Company has compiled the annual CSR Report and disclosed the contents of its CSR policy and Ethical Corporate Management Best Practice Principles and the results of their implementation at the official website and MOPS.

Website of the Market Observation Post System: [mops.twse.com.tw](http://mops.twse.com.tw)



(IX) Implementation of Internal Control:

1. Declaration of Internal Control

Pan-International Industrial Corp.  
Declaration of Internal Control System

Date: March 23, 2021

The Company has conducted self-assessment of its internal control system in 2020 and hereby declares as follows:

- I. The Company acknowledges and understands that the establishment, enforcement and preservation of the internal control system is the responsibility of the Board and the managers, and that the Company has already established such system. Its purpose is to reasonably ensure the effect and efficiency of operations (including profitability, performance and security of assets), the reliability, timeliness, transparency, and compliance with relevant legal rules.
- II. There is a limitation inherent to internal control systems, no matter how perfect the design. As such, effective internal control systems may only reasonably ensure the achievement of the aforementioned goals. Furthermore, the operating environment and situation may vary, and hence the effectiveness of internal control systems. Only if the internal control system of the Company features a self-monitoring mechanism, can any shortcomings be corrected immediately once they are identified.
- III. The company judges the effectiveness of the internal control system's design and enforcement in accordance with the "Criteria for the Establishment of Internal Control System of Public Offering Companies" (hereinafter referred to as "the Criteria"). The items "the Criteria" uses for judging the internal control system are composed of five elements according to the procedure of management control: 1. control environment; 2. risk evaluation; 3. control operation; 4. information and communication; 5. monitoring. Each of the elements in turn contains certain audit items. For more information on the items, please refer to the "the Criteria".
- IV. The company has adopted the aforementioned internal control system to evaluate the effectiveness of the design and implementation of the internal control system.
- V. Based on the findings of the aforementioned evaluation, the Company believes that it has reasonably guaranteed the achievement of the aforementioned goals within the aforementioned period of internal control (including the monitoring over the subsidiaries) as of December 31, 2020, including the effectiveness and efficiency of operations, reliability, timeliness and transparency of financial reporting and compliance with relevant legal rules, and that the design and implementation of the internal control system is effective.
- VI. This statement of declaration shall form an integral part of the annual report and prospectus on the Company and will be made public. If there is any fraud, concealment and unlawful practice discovered in the contents of the aforementioned information, the Company shall be liable for legal consequences under Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchanges Act.
- VII. This statement of declaration has been approved by the Board on March 23, 2021, with 7 directors in common consent.

Pan-International Industrial Corp.

Chairman: Sung-Fa Lu (Signature)

President: Sung-Fa Lu (Signature)

2. If CPAs are retained to examine the internal control system, disclose the review report:  
None.

- (X) Penalties for the Company and its staff due to the violation of laws, the penalties for Company staff due to the violation of the internal control system in the most recent year to the day this annual report was printed, the major defects and state of corrective action: The Company was penalized by the Taiwan Stock Exchange Corporation on May 18, 2020, with a fine amounting to NT\$50,000 due to violation of the requirement for declaration of materiality. The Company has declared the missing part of the information and revised its internal operating procedure to avoid repeat violations.
- (XI) Major decisions of the Shareholders Meeting and the Board in the most recent year to the day this annual report was printed:

1. The regular session of the Shareholders Meeting on June 12, 2020, resolutions made by all Shareholders in session and implementation of the resolutions:

| Resolutions  | Status of implementation   |
|--|--|
| Passed the 2019 Business Report and Financial Statements | -  |
| Passed the proposal for distribution of earnings in 2019 | Cash dividend at NT\$1 per share will be paid to shareholders, payment was completed on September 25, 2020.  |
| Election of a new Directors                              | A new Board consisting 7 seats of Directors was elected as per the results of the ballot. Tenure is 3 years, from June 12, 2020, to June 11, 2023.<br>List of elected Directors: Sung-Fa Lu, Feng-An Huang, Ming-Feng Tsai, Tsai-Yu Hsiao (representative of institutional shareholder Hong Yuan International Investment).<br>List of elected Independent Directors: Wen-Jung Cheng, Min-Chang Wei, Mien-Ching Huang. |
| Lifting of the non-compete ban for Directors             | Resolved to pass the motion of lifting the non-compete ban for Tsai-Yu Hsiao (representative of institutional shareholder Hong Yuan International Investment).   |

2. Major resolutions of the Board in 2020:

| Date            | Important resolutions:   |
|-----------------|--|
| March 23, 2020  | <ol style="list-style-type: none"> <li>1. Passed the financial statements of 2019.</li> <li>2. Passed the proposal for remuneration to employees in 2019. .</li> <li>3. Passed the proposal for distribution of earnings in 2019.</li> <li>4. Passed the amendment to matters pertinent to the regular session of the Shareholders Meeting in 2020.</li> <li>5. Passed the motion for the election of a new Directors.</li> <li>6. Passed the motion of lifting the ban on non-compete of the Directors.</li> <li>7. Passed the Declaration of the Internal Control System in 2019.</li> <li>8. Passed the motion for applying for banking facilities .</li> </ol> |
| May 12, 2020    | <ol style="list-style-type: none"> <li>1. Passed the evaluation of the independence of CPAs and appointment.</li> <li>2. Passed the institution of “Corporate Governance Best Practice Principles”.</li> <li>3. Passed the motion for recognition of the letter of guarantee on tariffs.</li> <li>4. Passed the motion for loaning of funds to subsidiaries.</li> </ol>  |
| June 12, 2020   | <ol style="list-style-type: none"> <li>1. Election of the Chairperson.</li> <li>2. Appointment of members of the Remuneration Committee.</li> </ol>  |
| August 12, 2020 | <ol style="list-style-type: none"> <li>1. Passed the ex-dividend base date and related matters for 2020.</li> <li>2. Passed the amendment to the “Ethical Corporate Management</li> </ol>  |

|                  |  |
|------------------|--|
|                  | Best Practice Principles”.<br>3. Passed the amendment to the “Parliamentary Procedure for the Board”.  |
| November 6, 2020 | 1. Passed the 2021 Audit Plan.<br>2. Passed the 2021 Business Plan.<br>3. Passed the motion for the replacement of the Corporate Governance Officer.<br>4. Passed the amendment to the “Remuneration Committee Organization Charter”.<br>5. Passed the motion for revising the questionnaire for the self-evaluation of the Board and Directors for evaluation of performance.<br>6. Passed the motion for applying banking facilities.<br>7. Passed the motion for extension of the letter of guarantee on tariffs. |

(XII) Summary of the adverse opinions from the Directors or Supervisors on major decisions of the Board in the most recent year to the day this annual report was printed, with record or in written declaration: None.

(XIII) Resignation or dismissal of the Chairperson, President, Chief Accounting Officer, Chief Financial Officer, Chief Internal Auditor, Corporate Governance Officer, and Head of R&D in the most recent year to the day this annual report was printed:

| Title                        | Name        | Date of assuming office | Date of relief from office | Reason for resignation or discharge |
|------------------------------|-------------|-------------------------|----------------------------|-------------------------------------|
| Corporate Governance Officer | Liu Yu-Chun | 2019-08-12              | November 6, 2020           | New assignment of duties            |

V. CPA Public Expense Information:

CPA Public Expense Information

| Name of CPA Firm | Name of CPA    |                | Audit Period                        | Remarks |
|------------------|----------------|----------------|-------------------------------------|---------|
| PwC Taiwan       | Man-Yu Ruan Lu | Min-Chuan Feng | January 1, 2020 ~ December 31, 2020 | -       |

Amount Unit: NTD Thousand

| Public Expense Items |  | Auditing Public Expense | Non-auditing Public Expense | Total |
|----------------------|--|-------------------------|-----------------------------|-------|
| Amount Bracket       |  |                         |                             |       |
| 1                    | Less than 2,000 thousand                     | -                       | V                           | -     |
| 2                    | 2,000 thousand (inclusive) ~ 4,000 thousand  | -                       | -                           | -     |
| 3                    | 4,000 thousand (inclusive) ~ 6,000 thousand  | V                       | -                           | V     |
| 4                    | 6,000 thousand (inclusive) ~ 8,000 thousand  | -                       | -                           | -     |
| 5                    | 8,000 thousand (inclusive) ~ 10,000 thousand | -                       | -                           | -     |

|   |  |   |   |   |
|---|--|---|---|---|
| 6 | 10,000 thousand (inclusive)<br>or higher | - | - | - |
|---|--|---|---|---|

Unit: NTD thousand

| CPA Firm Name | Independent Auditors Name        | Auditing Public Expense | Non-auditing Public Expense |                       |                 |              |          | CPA Audit Period                      |
|---------------|----------------------------------|-------------------------|-----------------------------|-----------------------|-----------------|--------------|----------|---------------------------------------|
|               |                                  |                         | System Design               | Business Registration | Human Resources | Other (note) | Subtotal |                                       |
| PwC Taiwan    | Man-Yu Ruan Lu<br>Min-Chuan Feng | 4,130                   |                             |                       |                 | 980          | 980      | January 1, 2020~<br>December 31, 2020 |

Note: The content of services includes transfer pricing operation handling at NT\$520 thousand, group enterprise master file preparation at NT\$350 thousand, dual-status business entity company direct deduction certification at NT\$80 thousand, and non-supervisory staff salary declaration CPA certification at NT\$30 thousand.

- (I) If the non-audit public expenses paid to the CPA, the CPA's firm, and its affiliated companies are over 1/4 of the public audit fee; please disclose the amount of the audit and non-audit public expenses as well as the content of the non-audit services: None.
- (II) The CPA firm is replaced and the public audit fee paid in the year of the replacement is less than the public audit fee paid compared to the previous year: None.
- (III) The audit certification expenditure has decreased by over 15% compared to that of the previous year: None.

VI. Information related to CPA change: None.

VII. Information on the Company's chairman, president, manager in charge of financial or accounting affairs, and those who have worked in the CPA firm or its affiliates within the last year: None.

VIII.. Equity transfer and equity pledge modification status of directors, managers, and shareholders holding over 10% of the shares for the last years until the printing date of this annual report:

Changes in the Equity of Directors, Managers, and Major Shareholders

Unit: Shares

| Title                        | Name   | 2020  |  | As of April 13, 2021                              |  |
|------------------------------|--|---|--|---|--|
|                              |  | Increase (decrease) for the number of shares held | Increase (decrease) for the number of shares pledged | Increase (decrease) for the number of shares held | Increase (decrease) for the number of shares pledged |
| Chairman                     | Sung-Fa Lu   | 0   | 0  | 0   | 0  |
| Director                     | Huang Feng-An  | 0   | 0  | 0   | 0  |
| Director                     | Tsai Ming-Feng   | 0   | 0  | 0   | 0  |
| Director                     | Hong Yuan International Investment Co., Ltd.:<br>Representative: Tsai-Yu Hsiao | 0   | 0  | 0   | 0  |
| Independent Director         | Cheng Wen-Rong   | 0   | 0  | 0   | 0  |
| Independent Director         | Wei Min-Chang  | 0   | 0  | 0   | 0  |
| Independent Director         | Mien-Ching Huang   | 0   | 0  | 0   | 0  |
| The President                | Sung-Fa Lu   | 0   | 0  | 0   | 0  |
| Corporate Governance Officer | Tai Chi-Hao  | 0   | 0  | 0   | 0  |
| Major Shareholders           | Hon Hai Precision Industry Co., Ltd.   | 0   | 0  | 0   | 0  |

Note 1: Affiliate that is a counterparty of equity transfer or equity pledge: None.

Note 2: None of the directors, supervisors, managers, and major shareholders of the Company has handled equity pledges. So there is no change in pledges.

IX. The top 10 shareholders who are spouses or relatives within the second degree of kinship as listed in the Statement of Financial Accounting Standards (SFAS) No.6.:

Information on relationship among the top 10 shareholding ratio shareholders

| Name   | Personal Shareholding |                       | Holding of shares by spouse, underage children |                       | Total shares held under the name of others |                       | The title, name, and relationship of top 10 shareholders who are spouses or relatives within the second degree of kinship as listed in the Statement of Financial Accounting Standards (SFAS) No.6. |   | Remarks |
|--|-----------------------|-----------------------|--|-----------------------|--|-----------------------|---|---|---------|
|  | Shares                | Ratio of shareholding | Shares   | Ratio of shareholding | Shares                                     | Ratio of shareholding | Name (or name)  | Relation  |         |
| Hon Hai Precision Industry Co., Ltd.<br>Representative:<br>Young Liu                                   | 107,776,254           | 20.79%                | 0  | 0                     | 0  | 0                     | Hong Yuan International Investment Co., Ltd.; Hongchi International Investment Co., Ltd.; Baoxin International Investment Co., Ltd.   | Investors whose investment is evaluated using the equity method |         |
|  | 0                     | 0%                    |  |                       |  |                       | --  | --  |         |
| Hong Yuan International Investment Co., Ltd.<br>Representative:<br>Te-Tsai Huang                       | 17,941,593            | 3.46%                 | 0  | 0                     | 0  | 0                     | Hongchi International Investment Co., Ltd.; Baoxin International Investment Co., Ltd.   | Same Person as Chairman   |         |
|  | 0                     | 0%                    |  |                       |  |                       | --  | --  |         |
| Standard Chartered Bank (Taiwan) Limited as custodian of LGT   | 11,910,000            | 2.30%                 | 0  | 0                     | 0  | 0                     | --  | --  |         |
| Hongchi International Investment Co., Ltd.<br>Representative:<br>Te-Tsai Huang                         | 7,595,399             | 1.47%                 | 0  | 0                     | 0  | 0                     | Hong Yuan International Investment Co., Ltd.; Baoxin International Investment Co., Ltd.   | Same Person as Chairman   |         |
|  | 0                     | 0%                    |  |                       |  |                       | --  | --  |         |
| Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds      | 5,036,000             | 0.97%                 | 0  | 0                     | 0  | 0                     | --  | --  |         |
| JPMorgan Chase Bank N.A. Taipei Branch in Custody for Vanguard Total International Stock Index Fund, a | 4,879,613             | 0.94%                 | 0  | 0                     | 0  | 0                     | --  | --  |         |

|  |           |       |   |   |   |   |  |                         |  |
|--|-----------|-------|---|---|---|---|--|-------------------------|--|
| series of Vanguard Star Funds  |           |       |   |   |   |   |  |                         |  |
| Standard Chartered Bank (Taiwan) Limited as custodian of Credit Suisse Securities (Europe) Limited | 4,302,000 | 0.83% | 0 | 0 | 0 | 0 | --   | --                      |  |
| JPMorgan Taipei as custodian of JPMorgan Asset Management Taiwan                                   | 4,070,527 | 0.79% | 0 | 0 | 0 | 0 | --   | --                      |  |
| Baoxin International Investment Co., Ltd.<br>Representative:<br>Te-Tsai Huang                      | 3,655,479 | 0.71% | 0 | 0 | 0 | 0 | Hong Yuan International Investment Co., Ltd.; Hongchi International Investment Co., Ltd. | Same Person as Chairman |  |
|  | 0         | 0%    |   |   |   |   | --   | --                      |  |
| Hong Yuan International Investment Co., Ltd.<br>Representative:<br>Chiu-Lien, Huang                | 2,093,775 | 0.40% | 0 | 0 | 0 | 0 | --   | --                      |  |
|  | 0         | 0%    |   |   |   |   |  |                         |  |



- X. Combine the number of shares held for the same reinvestment enterprise by an enterprises directly or indirectly controlled by the Company as well as its directors and managers; and calculate the comprehensive shareholding ratio:

Comprehensive Shareholding Ratio

Unit: Shares

| Reinvestment Business                      | Investment by the Company |              | Investment by the directors and managers or an enterprises they directly or indirectly controlled |              | Combined Investment |              |
|--|---------------------------|--------------|---|--------------|---------------------|--------------|
|  | Shares                    | Shares Ratio | Shares  | Shares Ratio | Shares              | Shares Ratio |
| PAN GLOBAL HOLDING CO., LTD.               | 12,220                    | 100%         | —   | —            | 12,220              | 100%         |
| PAN-INTERNATIONAL ELECTRONICS INC.         | 28,000                    | 100%         | —   | —            | 28,000              | 100%         |
| Yen Yung International Investment Co., Ltd | 44,316,236                | 100%         | —   | —            | 44,316,236          | 100%         |

## Four. Fundraising Status

- I. Capital and Shares  
(I) Source of Equity

Source of Equity

Unit: NTD / Share

| Year<br>Month              | Price<br>of<br>Issua<br>nce | Approved Share Capital |               | Paid-in Capital |               | Remarks   |   |            |
|----------------------------|-----------------------------|------------------------|---------------|-----------------|---------------|---|---|------------|
|                            |                             | Shares                 | Amount        | Shares          | Amount        | Source of<br>Equity                                 | Those who use<br>assets other than<br>cash to offset<br>the share price | Oth<br>ers |
| May<br>2000<br>(Note 1)    | 29                          | 450,000,000            | 4,500,000,000 | 344,100,000     | 3,441,000,000 | Cash Capital<br>Increase<br>80,000,000<br>shares    | —   | —          |
| August<br>2004<br>(Note 2) | 10                          | 450,000,000            | 4,500,000,000 | 362,800,000     | 3,628,000,000 | Surplus Capital<br>Increase<br>18,700,000<br>shares | —   | —          |
| July<br>2005<br>(Note 3)   | 10                          | 530,000,000            | 5,300,000,000 | 401,626,000     | 4,016,260,000 | Surplus Capital<br>Increase<br>38,826,000<br>shares | —   | —          |
| July<br>2006<br>(Note 4)   | 10                          | 530,000,000            | 5,300,000,000 | 423,000,000     | 4,230,000,000 | Surplus Capital<br>Increase<br>21,374,000<br>shares | —   | —          |
| July<br>2007<br>(Note 5)   | 10                          | 530,000,000            | 5,300,000,000 | 441,500,000     | 4,415,000,000 | Surplus Capital<br>Increase<br>18,500,000<br>shares | —   | —          |
| July<br>2008<br>(Note 6)   | 10                          | 530,000,000            | 5,300,000,000 | 467,800,000     | 4,678,000,000 | Surplus Capital<br>Increase<br>26,300,000<br>shares | —   | —          |
| June<br>2009<br>(Note 7)   | 10                          | 530,000,000            | 5,300,000,000 | 487,903,158     | 4,879,031,580 | Surplus Capital<br>Increase<br>20,103,158<br>shares | —   | —          |
| June<br>2010               | 10                          | 600,000,000            | 6,000,000,000 | 503,674,118     | 5,036,741,180 | Surplus Capital<br>Increase                         | —   | —          |

|                     |    |             |               |             |               |   |   |   |
|---------------------|----|-------------|---------------|-------------|---------------|---|---|---|
| (Note 8)            |    |             |               |             |               | 15,770,960 shares                         |   |   |
| June 2011 (Note 9)  | 10 | 600,000,000 | 6,000,000,000 | 509,413,546 | 5,094,135,460 | Surplus Capital Increase 5,739,428 shares | — | — |
| July 2013 (Note 10) | 10 | 600,000,000 | 6,000,000,000 | 515,767,445 | 5,157,674,450 | Surplus Capital Increase 6,353,879 shares | — | — |
| July 2014 (Note 11) | 10 | 600,000,000 | 6,000,000,000 | 518,346,282 | 5,183,462,820 | Surplus Capital Increase 2,578,837 shares | — | — |

Note 1: Approval letter March 9, 2000 (2000) Tai-Cai-Zheng (Yi) No. 108193

Note 7: Effective letter June 23, 2009 Jin-Guan-Zheng-Fa-Zi No. 0980031298

Note 2: Effective letter June 24, 2004 Tai-Cai-Zheng-Yi-Zi No. 0930127993

Note 8: Effective letter June 29, 2010 Jin-Guan-Zheng-Fa-Zi No. 0990033566

Note 3: Effective letter July, 1, 2005 Jin-Guan-Zheng-Yi-Zi No. 0940126601

Note 9: Effective letter June 29, 2011 Jin-Guan-Zheng-Fa-Zi No. 1000030068

Note 4: Effective letter July, 21, 2006 Jin-Guan-Zheng-Yi-Zi No. 0950131865

Note 10: Effective letter July 5, 2013 Jin-Guan-Zheng-Fa-Zi No. 1020026265

Note 5: Effective letter July, 9, 2007 Jin-Guan-Zheng-Yi-Zi No. 0960035127

Note 11: Effective letter July 16, 2014 Jin-Guan-Zheng-Fa-Zi No. 1030027194

Note 6: Effective letter July 3, 2008 Jin-Guan-Zheng-Yi-Zi No. 0970033177

| Type of Shares | Approved Share Capital |                |             | Remarks  |
|----------------|------------------------|----------------|-------------|--|
|                | Outstanding share      | Unissued share | Total       |  |
| Common share   | 518,346,282            | 81,653,718     | 600,000,000 | All of the outstanding shares are listed stocks. |

Information about the blanket declaration system: None.

(II) Shareholder structure:

**Shareholder structure**

Unit: share  
April 13, 2021

| Shareholder Structure \ Quantity | Government institution | Financial institution | Other corporation | Foreign institutions and foreigners | Individual  | Total       |
|----------------------------------|------------------------|-----------------------|-------------------|-------------------------------------|-------------|-------------|
| Number of people                 | 0                      | 8                     | 292               | 173                                 | 101,929     | 102,402     |
| Number of shares held            | 0                      | 1,273,333             | 150,644,774       | 50,756,799                          | 315,671,376 | 518,346,282 |
| Shares Ratio                     | %                      | 0.25%                 | 29.06%            | 9.79%                               | 60.90%      | 100%        |

## (III) Equity ownership dispersion status:

**Equity ownership dispersion status**

Unit: Shares

Face value NT\$10 per share April 13, 2020

| Shareholding rating | Number of shareholder | Number of shares held | Shares Ratio |
|---------------------|-----------------------|-----------------------|--------------|
| 1-----999           | 34,731                | 3,138,698             | 0.61%        |
| 1,000-----5,000     | 56,023                | 110,677,728           | 21.35%       |
| 5,001-----10,000    | 6,856                 | 54,616,221            | 10.54%       |
| 10,001-----15,000   | 1,785                 | 22,286,407            | 4.30%        |
| 15,001-----20,000   | 1,128                 | 21,141,534            | 4.08%        |
| 20,001-----30,000   | 760                   | 19,371,853            | 3.74%        |
| 30,001-----40,000   | 333                   | 11,930,671            | 2.30%        |
| 40,000-----50,000   | 227                   | 10,716,567            | 2.07%        |
| 50,001----100,000   | 321                   | 23,184,476            | 4.47%        |
| 100,001----200,000  | 129                   | 17,164,417            | 3.31%        |
| 200,001----400,000  | 57                    | 16,127,746            | 3.11%        |
| 400,001----600,000  | 10                    | 5,121,856             | 0.99%        |
| 600,001----800,000  | 11                    | 8,018,544             | 1.55%        |
| 800,001--1,000,000  | 8                     | 7,081,700             | 1.36%        |
| over 1,000,001      | 23                    | 187,767,864           | 36.22%       |
| Total               | 102,402               | 518,346,282           | 100.00 %     |

Special share: None.

(IV) Name list for the main shareholders:

**Name list for the main shareholders**

Shareholding ratios for the top 10 shareholders of the Company are listed as follows:

Unit: Shares

| Share<br>Name of major shareholders  | Number of shares<br>held | Shares Ratio |
|--|--------------------------|--------------|
| Hon Hai Precision Industry Co., Ltd.   | 107,776,254              | 20.79%       |
| Hong Yuan International Investment Co., Ltd.   | 17,941,593               | 3.46%        |
| Standard Chartered Bank (Taiwan) Limited as<br>custodian of LGT  | 11,910,000               | 2.30%        |
| Hongchi International Investment Co., Ltd.   | 7,595,399                | 1.47%        |
| Vanguard Emerging Markets Stock Index Fund, a<br>series of Vanguard International Equity Index Funds                                       | 5,036,000                | 0.97%        |
| JPMorgan Chase Bank N.A. Taipei Branch in Custody<br>for Vanguard Total International Stock Index Fund, a<br>series of Vanguard Star Funds | 4,879,613                | 0.94%        |
| Standard Chartered Bank (Taiwan) Limited as<br>custodian of Credit Suisse Securities (Europe) Limited                                      | 4,302,000                | 0.83%        |
| JPMorgan Taipei as custodian of JPMorgan Asset<br>Management Taiwan  | 4,070,527                | 0.79%        |
| Baoxin International Investment Co., Ltd.  | 3,655,479                | 0.71%        |
| Hong Yuan International Investment Co., Ltd.   | 2,093,775                | 0.40%        |

(V) Prices, net worth, surplus, dividends, and related information of stocks in the most recent two years.

**Information on market price, net worth, earnings, and dividend per share**

Unit: NTD/thousand shares

| Item                       |                                      | Year  | 2019    | 2020     | Current year until March 31, 2021 |
|----------------------------|--------------------------------------|---|---------|----------|-----------------------------------|
| Market Price per Share     | Highest                              |   | 28.60   | 26.50    | 50.30                             |
|                            | Lowest                               |   | 18.30   | 14.50    | 27.70                             |
|                            | Average                              |   | 23.61   | 18.90    | 39.71                             |
| Net value per share        | Before distribution                  |   | 21.14   | 21.54    | (Note 2)                          |
|                            | After distribution                   |   | 20.14   | (Note 1) | --                                |
| Earnings per share (EPS)   | Weighted average number of shares    |   | 518,346 | 518,346  | 518,346                           |
|                            | Earnings per share (EPS)             | Before adjustment (basic)                           | 1.99    | 1.28     | (Note 2)                          |
|                            |                                      | After adjustment (diluted)                          | 1.97    | 1.27     | --                                |
| Dividend per share         | Cash dividends                       |   | 1.0     | 0.65     | --                                |
|                            | Stock Dividends                      | Stock Dividends Appropriated from Retained Earnings | --      | --       | --                                |
|                            |                                      | Stock Dividends Appropriated from Capital Reserve   | --      | --       | --                                |
|                            | Accumulated Unappropriated Dividends |   | --      | --       | --                                |
| Investment Return Analyses | P/E Ratio                            |   | 11.86   | 14.77    | (Note 2)                          |
|                            | Price-Dividend Ratio                 |   | 23.61   | 29.08    | (Note 2)                          |
|                            | Cash Dividend Yield (%)              |   | 4.24    | 3.44     | --                                |

Note 1: The 2020 surplus distribution has yet to be approved by the shareholders meeting.

Note 2: As of the printing date of the annual report, there is no information verified or certified by CPA.

(VI) Company Dividend Policy and Implementation Status

1. Dividend policy

The Company is presently in the growing phase. The Company's dividend distribution policy will depend upon its current and future investment environment, capital needs, domestic and foreign competition conditions, and capital budgets while taking into account the shareholders' interests and the Company's long-term financial planning. Shareholder dividends are allocated as the shareholders' cumulative distributable surplus and shall not be less than 15% of the distributable surplus for the current year, and the cash dividends in shareholder dividends shall not be less than 10%.

2. Implementation Status:

The board of directors has passed a resolution to distribute a cash dividend of NT\$0.65 per share and reported the proposal to this shareholders meeting. After the meeting, the board of directors shall separately determine the ex-dividend base date, payment date, and other related matters.

(VII) Impact of the distribution of bonus shares proposed in the present shareholders' meeting on the business performance of the Company and earning per share:

Not applicable because the Company has no stock dividend this year.

(VIII) Remuneration to Employees and Directors

1. The percentage or scope of remuneration for employees and directors as stipulated in the Company's Articles of Incorporation:

If the Company makes a profit during the year (the so-called profit refers to the pre-tax profit before the distribution of employee compensation and directors' compensation), no less than 5% shall be allocated for employee remuneration and no more than 0.5% shall be allocated for directors' remuneration, which shall be distributed after a special resolution by the board of directors and reported to the shareholders meeting. However, where the Company still has accumulated losses, amount shall be reserved for making up the accumulated loss first,

The remuneration of employees described in the preceding paragraph may be made in the form of shares or cash, and the subjects for receiving the shares or cash may include employees of the affiliated companies meeting certain specific requirements, and the Board of Directors is authorized to establish said specific requirements.

2. Account handling when the basis for the assessment of employee and director remuneration, the basis of calculation for the number of shares distributed as employee remuneration, and the actual estimation amount for this period are

inconsistent:

All calculations are based on the number or range specified in the aforesaid Articles of Incorporation, and there is no plan to distribute employee remuneration via stocks during this period.

3. Remuneration distribution approved by the board of directors:

- (1) Remuneration in cash for employees was NT\$40,143,627 and remuneration for directors was NT\$4,014,363.
- (2) There is no employee remuneration distributed by stocks.

4. Actual remuneration distributions for employees and directors in the previous year:

| Distribution Status                     | Amount of actual distributions resolved by the shareholders meeting | Amount of distributions originally approved by the board of directors | Difference | Reason for the difference |
|---|---|---|------------|---------------------------|
| 1. Employee cash                        | NT\$60,753,720  | NT\$60,753,720  | —          | —                         |
| 2. Employee shares                      |   |   |            |                           |
| (1) Shares                              | 0 shares  | 0 shares  | —          | —                         |
| (2) Amount                              | NT\$0   | NT\$0   | —          | —                         |
| (3) Stock value                         | —   | —   | —          | —                         |
| 3. Director and supervisor remuneration | NT\$6,075,372   | NT\$6,075,372   | —          | —                         |

(IX) Company shares buyback status: None

II Corporate bonds, special shares, overseas depository receipts, employee stock warrants, new restricted shares for subscription by employees, and mergers and acquisitions (including mergers, acquisitions, and divisions):

(I) Corporate debt handling status: None

(II) Preferred share handling status: None

(III) Disclosure relating to overseas depository receipts: None

(IV) Disclosure relating to employee stock warrants: None

(V) Disclosure relating to restricted shares for subscription by employees: None

(VI) Mergers, acquisitions (including mergers, acquisitions and divisions), or transfers: None

III. Fund Utilization Plan Implementation Status

The Company has not issued, not completed, or completed a fund utilization plan within the last 3 years but has not yet shown any benefit.



## Five. Operation Overview

### I Business Content

#### (I) Business Scope

##### 1. Main contents of business operation

- (1) CC01080 Electronics Components Manufacturing.
- (2) CC01110 Computer and Peripheral Equipment Manufacturing.
- (3) CC01060 Wired Communication Mechanical Equipment Manufacturing.
- (4) CC01020 Electric Wires and Cables Manufacturing.
- (5) CQ01010 Mold and Die Manufacturing.
- (6) F106010 Wholesale of Hardware.
- (7) F107990 Wholesale of Other Chemical Products.
- (8) CB01010 Mechanical Equipment Manufacturing.
- (9) CC01990 Other Electrical Engineering and Electronic Machinery Equipment Manufacturing.
- (10) F401010 International Trade.
- (11) CC01070 Wireless Communication Mechanical Equipment Manufacturing.
- (12) CC01100 Controlled Telecommunications Radio-Frequency Devices and Materials Manufacturing.
- (13) F208031 Retail Sale of Medical Apparatus.
- (14) F108031 Wholesale of Medical Devices.
- (15) ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

##### 2. The Company's current product items and business proportions

|   | Item  | Business Proportions |
|---|---|----------------------|
| 1 | Electronic Components                         | 63%                  |
| 2 | Consumer Electronics and Computer Peripherals | 37%                  |
|   | Total   | 100.00%              |

##### 3. New products planned to be developed

- (1) Automotive low-voltage harness
- (2) High-voltage cable for EV
- (3) Medical Consumables
- (4) Medical instrument cable
- (5) Industrial control cable
- (6) AIoT smart home kit
- (7) WiFi 6 for 5G router
- (8) 5G POE Wifi Gateway
- (9) 5G MiFi / CPE
- (10) Type C to HDMI With CEC Converter Cable
- (11) USB 3.2 Type-C 20Gb/s cable
- (12) CAT7 / 8 Lan cable
- (13) Waterproof cable for Heavy vehicle
- (14) Router PCB
- (15) IPC PCB

## (II) Industry Overview

### 1. Cables and Connectors

- (1) The cables and connectors produced by the Company are primarily used in computers as well as their peripheral equipment and network communication systems. Therefore, the product growth is in synch with the development of personal computers, peripherals, and mobile communications related products. The Company intends to use its existing cable manufacturing technology to enter and cultivate the niche industries such as automotive/medical/industrial/cloud server as well as other components and modules required by the market in order to raise the product technology content threshold.
- (2) In light of the global climate changes and energy resource reduction, there has been increased international concerns about environmental protection and energy conservation. New energy vehicles showed strong sales strength globally in the last 2 months of 2020, whereby a total of 2.9 million new energy vehicles (including pure electric and petrol-electric vehicles) were sold and exhibited an annual growth rate of 43%. The number of sales for such vehicles is expected to reach up to 3.9 million in 2021. Moreover, governments of various nations have also set production suspension targets for pure gas vehicles, introduced related industrial policies for the electric vehicle industry, and offered supplementary benefits. These efforts will significantly strengthen development for the new energy vehicle market. The future popularization of electric vehicles will also directly create a large demand for automotive electronic equipment and charging piles. The demand for electric vehicle cables and charging cables will also grow gradually.
- (3) In recent years, the bicycle market has shown a decline in sales for traditional bicycles while sales for electric bicycles have continued to grow. In many countries, bicycles are commonly used for daily commuting and holiday trips. To satisfy consumer demands for "faster, farther, and more interesting" bicycle rides; electric bicycles have already become the trend of bicycle development for the future. European bicycle component manufacturers have boldly predicted that the sales of electric bicycles will account for over 65% of all bicycles for the next decade. Although the battery of some electric bicycles is placed in the frame, the waterproof cables must be customized due to high electronization, which may result in high unit price. These products have strong development potential after profit rationalization.
- (4) The scale for medical materials is expected to reach US\$340 billion globally in 2021 mainly due to the medical expenditure growth, health awareness increase,

and the aging population phenomenon. Surgery materials, infection control, cardiovascular applications, general medical materials, and home care supplies will make up the bulk of the main medical materials market. Hospital surgery and infection control are related to life survival, and the price can always maintain an advantage. Medical products must comply with local regulations before they reach the market. If the products have applied for licenses in the European and American markets previously, it would pose a major advantage for expanding into other markets.

- (5) The global health care expenditure has continued to rise, and it is anticipated to exceed US\$15 trillion by 2030. Moreover, with the advancements in digital technologies, the development of AI and 5G technologies, the lack of human resources in the care industry, and the demands for precision diagnosis; the development of smart health is accelerating. The integration of medical and digital technology industries has become a new market trend. The Company's medical equipment and electronic components have increased integration. Many electronic foundries are designing medical equipment with component manufacturers in an attempt to stay ahead of the digital health development trend. This is especially true during the AI era, where Big Data analysis and prediction in the medical field can create huge business opportunities in the digital electronics industry.

The development of Class III medical equipment such as heart rate regulators and defibrillators have continued to accelerate. The United States produces a large number of Class III medical equipment every year. The production line and product assurance test have 50 steps and 80 components at every turn. Some components are even too small to be held by human hands. According to a Med Device Online report, Class III medical devices and their manufacturing processes must comply with the strict U.S. Food and Drug Administration (FDA) regulations. This must rely on automated production line management, and inventory control also poses a major challenge. Industry 4.0 technology includes machine-to-machine (M2M) communication, cyber physical system (CPS), and Cloud computing in order to overcome such production challenges via high-level automation. The law requires third-level medical device manufacturers to provide a device history record (DHR) for each device, including a bill of materials (BOM), an approved manufacturers list (AML), and manufacturing processes. The DHR will also record the part number, serial number, date code, manufacturing date, and test results for equipment and parts. In addition to recording these data, the manufacturer must also ensure that the manufacturing

process complies with the device master record (DMR). The scanner is installed in the manufacturing equipment and can communicate with the manufacturing execution system (MES) via the Cloud to ensure that only the parts mentioned in the DMR are assembled. The scanner uploads the part number, serial number, and date code to the electronic DHR; records all of the medical equipment manufacturing and testing processes one by one; and the test results are uploaded to the Cloud MES system for instant easy query. Some parts of the Class III medical equipment must reach a precision of 0.5mm or less and a dimensional tolerance of 10um. At this time, the high-quality vision system is used to check the parts as well as confirm the size and direction. The vision system will also communicate with special machinery and equipment to assist in the correct handling and placement of parts. The parts are originally stored in the warehouse, and they need to be replenished when the inventory is low. Therefore, inventory management is also critical. In the past, inventory management was manually processed and entered into the enterprise resource planning (ERP) system. However, with the advent of Industry 4.0 technology, inventory management has changed from manual to automation thanks to the machine-to-cloud communication, which can facilitate real-time inventory control.

- (6) The Universal Serial Bus (USB) Type-C interface is facing revolutionary changes brought by consumer electronics applications. As the data to be transferred becomes increasingly larger, the USB specification is still evolving, and the speed of USB3.1 has been increased to 10 Gbps in the newer generation computers. USB 3.2 also doubles the speed of USB 3.1 Gen2 to reach 20 Gbps. Other than that, there is no difference from the USB 3.1 specification. But USB 4.0 is totally different. Intel is vigorously promoting the Thunderbolt3 technology, which allows multiple devices to be connected in series and eventually achieves a total bandwidth of 40 Gbps (twice that of USB3.2). Meanwhile, this interface (wire) can also transmit display signals simultaneously as well as over 100 W of electricity. At present, the USB4.0 specification directly copies this protocol, which means that while USB4.0 can double the transmission speed of USB3.2 to 40 Gbps, it also has the same interface/line video data and power transmission capabilities. USB4.0 uses a USB type-C interface. This new generation USB peripheral transfer protocol can support the highest transmission rate of 40 Gbps (or higher transmission rate) while transmitting display port video signal (for video output) and provide USB PD fast charging (for fast charging). It is essentially Intel's Thunderbolt3 technology, but it also supports the USB protocol. So it is perfectly backward compatible with Thunderbolt3, USB3.2, USB3.1, and

USB2.0 protocols. As the USB organization will officially incorporate the Thunderbolt3 specification into USB 4.0, it is estimated that this protocol may be officially released around the year 2020. In general, the official release of USB 3.2 and USB 4.0 have significantly promoted the development of widely used high-speed interfaces, making data transfer and copying ever more convenient. It is foreseeable that when USB 3.2 and even USB 4.0 become the mainstream interface, the era of "one universal interface" is upon us, and displays will only need one cable to complete the power and signal transmission, which will make the people's lives significantly more convenient.

- (7) HDMI transmission cables are commonly used for the audio and video transmission of consumer audio and video products such as TVs, computers, video players, and other video streaming devices. An HDMI transmission line carries both video and audio signals, and ensures that the video and audio signals will not attenuate during transmission. High-definition video has gradually become the mainstream TV and video standard, and HDMI has also taken advantage of this trend to release the latest HDMI 2.1 version standard and announce the official arrival of the 4K and 8K era. Due to the latest HDMI development as well as future video trends and as high-quality video gradually becomes the mainstream standard, the data transmission specifications of the past may no longer meet future demands. At the beginning of 2017, the HDMI forum INC. announced a new audio-visual standard and officially released the HDMI 2.1 specification prior to the end of 2017. In addition to the significant increase in image data transmission speed, the new HDMI 2.1 specification also includes the addition of Dynamic HDR specifications. In the future, the depth of field, detail, and brightness of images can be improved to display with a wider color gamut; and vertical depth and dynamic HDR are added to the visual effect in order to achieve a better 3D effect. In the future, 10K/5K images will also be considered. This means that the new era of 10K/5K for consumer audio and video is formally upon us.
- (8) Cat6a network cable can support a frequency bandwidth of up to 500MHz, which is twice that of a Cat6 network cable. Cat7 network cable can support a frequency bandwidth of up to 600MHz as well as 10GBASE-T Ethernet, and can significantly reduce crosstalk noise. In response to the future 5G transmission speed and bandwidth requirements, the demand for Cat6a/Cat7 will gradually increase.

## 2. Electronic Manufacturing Service

- (1) Today's consumer demands are changing with each passing day. Industry

competition is becoming increasingly fierce, technological innovation is accelerating, and product cycles are becoming shorter. In order to speed up product launches, seize the market, and reduce production costs; many companies worldwide have increasingly relied on professional electronic manufacturing services (EMS) companies to provide global manufacturing and service OEMs. Under the support of EMS factories, the original manufacturers can focus on the professional R&D, marketing, and sales. In addition, many products today require a high degree of customization, and customers have a low amount/diversified demands. So, it is necessary to maintain a moderate degree of flexibility in addition to ensure strict quality assurance.

- (2) Among the many technologies that can promote smart consumption, Beacon has become one of the most eye-catching technologies. Beacon refers to the creation of a signal zone via the Bluetooth low energy technology to provide accurate field information for mobile device APPs and generate different virtual/real interactive experiences. At present, the application areas include smart consumer applications such as consumer interaction or sales marketing solutions. Its customer base includes different industries such as air transportation, finance, retail, entertainment, sports, and exhibitions. Another Beacon application is in the field of smart IoT such as smart meeting rooms/door locks, inspection systems, or people and object tracking. Its customer base includes semiconductors, traditional manufacturing, and health care industries. Beacon is like a small base station. It will be covered by the Beacon signal as long as it is within a radius of 30 meters from the Beacon. Consumers will be detected as long as they enter this range, and users can actively push various messages to consumers within range. The message type can be text, image, video, web page, etc. The Company's strategic partners have comprehensive IoT & Big Data analysis solutions. The designed product sensor/beacon can be applied to Cloud-connected enterprises or retail IoT. This Cloud solution can help companies to extract, analyze, and aggregate data from millions of events.
- (3) The Internet of Things will further develop significantly during the 5G era, and the "Internet of Everything" is the ultimate goal for 5G. However, 5G signals have weaker "through-wall" capabilities compared to that of 4G. So, using WiFi6 indoors to compensate for 5G signal coverage is an excellent complementary solution. Wi-Fi Alliance has officially incorporated the 802.11ax standard WiFi as part of its 6th generation WiFi technology. Wi-Fi Alliance has also taken the opportunity to rename the WiFi standards. The previous standards 802.11n, 802.11ac, and 802.11ax were renamed as WiFi 4, WiFi 5, and WiFi 6; respectively.

WiFi 6 can also satisfy the universal demand of multiple people/devices connected to the Internet simultaneously. In the future, 5G for outdoor and WiFi6 for indoor setups are likely to be adopted. The transmission technology effects of OFDMA and MU-MIMO under WiFi6 can be superimposed to have a complementary effect. OFDMA is suitable for parallel transmission of small data packets to improve channel utilization and transmission efficiency. MU-MIMO is suitable for parallel transmission of large data packets, increasing the effective bandwidth of a single user, and reducing time delay. The technologies mentioned above have paved the way for the high performance of WiFi6, and were with the gradual promotion of smart homes. Routers are often connected by more than just terminals such as mobile phones and laptops that have relatively high demand for the Internet. There are also many smart home devices that do not require high bandwidth. However, these devices are also required to be continuously connected to the router. To a certain extent, these devices will also affect the network status. Data transmission in particular will slow down the network response speed to a certain extent. For this reason, WiFi6 has added the Target Wake Time (TWT) mechanism. The TWT mechanism is specifically designed for low-speed devices in smart homes. Examples include WiFi devices with 2.4GHz frequency band and 20MHz frequency band configurations. The router will automatically generate a wake-up time for data exchange, and wake up these low-speed devices in turn for data exchange during periods when the network data transmission is lower. (For example, download the latest database, upload the generate data, etc.) This method can effectively prevent network congestion. This is also a technical means used to optimize network bandwidth utilization. The superimposition of these functions will most definitely improve the user experience. As the price of WiFi6 devices gradually reduces, WiFi6 devices will become increasingly popular to the users. Each one of these WiFi 6 functions will be realized in real world applications. WiFi 6 will also collaborate with 5G to create a better network experience for users.

- (4) The Internet of Things (IoT) not only has huge market potential, it also contains a wide range of technology applications. The MGI report shows that starting from 2025, the Internet of Things will generate an output value of US\$3.9 trillion to 11.1 trillion in 9 environments such as factories, retail, and cities. The number of Internet of Things devices is estimated to grow to 75.4 billion. This is equivalent to an increase of 127 IoT devices every second worldwide starting in 2020. The Internet of Things (IoT) is driving a new revolution in the industry that covers a wide range of fields such as the Internet of Vehicles, medical care,

communications, smart manufacturing, and smart homes.

- (5) The next wave of the home networking revolution is smart home appliances. In the future, lamps, air conditioners, refrigerators, kettles, and other home appliances controlled by smart routers may be connected to the Internet; which mean the full blossom of the IoT era. In the next 4 years, each household will increase from an average of 9 connected devices to an average of 29 connected devices. Smart homes provide important fuel to drive the IoT. Strategy Analytics predicted that global consumer spending on smart-home related devices is expected to drop from US\$52 billion in 2019 to US\$44 billion in 2020 due to the COVID-19 epidemic in 2020. However, Strategy Analytics believes that this market will rebound in 2021, and reach US\$62 billion in consumer spending during 2021. However, image transmission is also an important aspect of smart home applications. In the IoT era, smart home cameras are no longer just cameras, but have become intelligent "eyes" that can think individually. They are used for smart doorbell, children, or anti-theft monitoring; and have a certain degree of importance. Based on the current development trend, smart home demands will drive approximately over 20% of growth each year. Europe and the United States have the strongest growth momentum, and the growth rate will be even faster after the demand from emerging countries catches on in the future.
- (6) The evolution of vehicle electrification and intelligentization has also brought the IoT applications into the vehicle transportation field and enabled the "Internet of Vehicles" to flourish. The objective is to connect vehicle information and mobile networks using technologies such as satellite positioning, sensors, electronic tags, wireless network communications, and data processing. The system can effectively identify and transmit static and dynamic vehicle, pedestrian, and road environment related information; and gather the data on the back-end platform for smart management and services. The system is also commonly used in traffic safety, traffic services, city management, logistics, and transportation in addition to providing driver-related information. The development of the Internet of Vehicles has promoted the evolution of in-vehicle systems, and directly triggered the demand increase for automotive electronics in vehicles and on the roadside. Automotive market rebound, electrification, and intelligentization will become the three main forces to drive the steady growth for automotive electronics. They will also provide an explosion of business opportunities for the back-end automotive electronic module manufacturing and assembly industries.



### 3. PCB Industry Overview

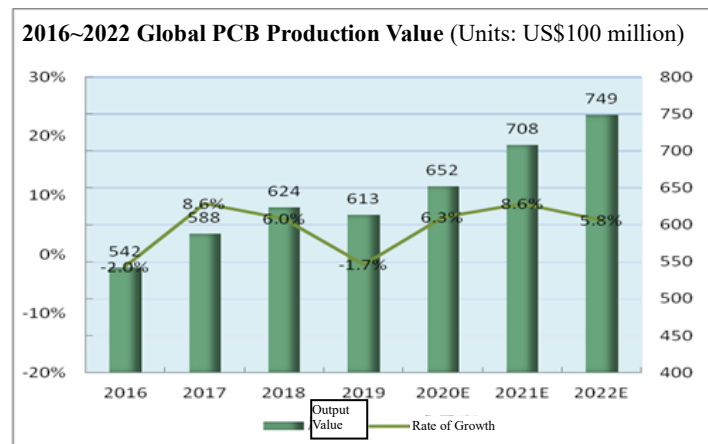
A Printed Circuit Board (PCB) composes of an insulating board of a certain size with at least one conductive pattern attached to it as well as holes (component holes, fastening holes, metallized holes, etc.). It is used to replace the chassis designed to hold electronic components devices in the past. Its main function is to enable various electronic components to form a predetermined circuit connection and relay transmission, and is one of the main components for all electronic products. So, it is also called the "mother of electronic products." The PCB industry is the foundation of the electronic information industry and is indispensable to electronic products. Its downstream application fields are extensive and cover various social and economic fields such as communications, industrial control, medical, aerospace, automotive electronics, and computers. Its production cycle is less affected by a single industry, and is adjusted mainly based on the fluctuations of the macro economy and the overall development of the electronic information industry.

#### (1) PCB Global Market:

The global PCB output value experienced a slight decline in 2019 due to the Sino-US trade frictions, declining terminal demand, and exchange rate depreciation. In 2020, COVID-19 continued to spread and gradually sweep the globe to cause severe damages to the global economy. Measures taken to prevent and control the epidemic such as production suspension and personnel isolation have also had a certain impact on the PCB industry. However, with the rapid development of electric vehicles, 5G, Big Data, Internet of Things, mobile Internet, artificial intelligence, etc.; the global PCB industry product output has continued to increase.

The global PCB industry has undergone a short-term adjustment between 2015 and 2016, and the industry's prosperity has rebounded in 2017. According to Prismark's forecast, the global PCB industry will continue to show a gradual growth trend in the medium- and long-term. Prismark also predicted that the compound growth rate for global PCB production value between 2020 and 2025 will be approximately 5.8%, and it is estimated that the global PCB production value will reach approximately US\$86.3 billion by 2025.

The global PCB output value and growth rate from 2016 to 2022 are shown in the figure below:

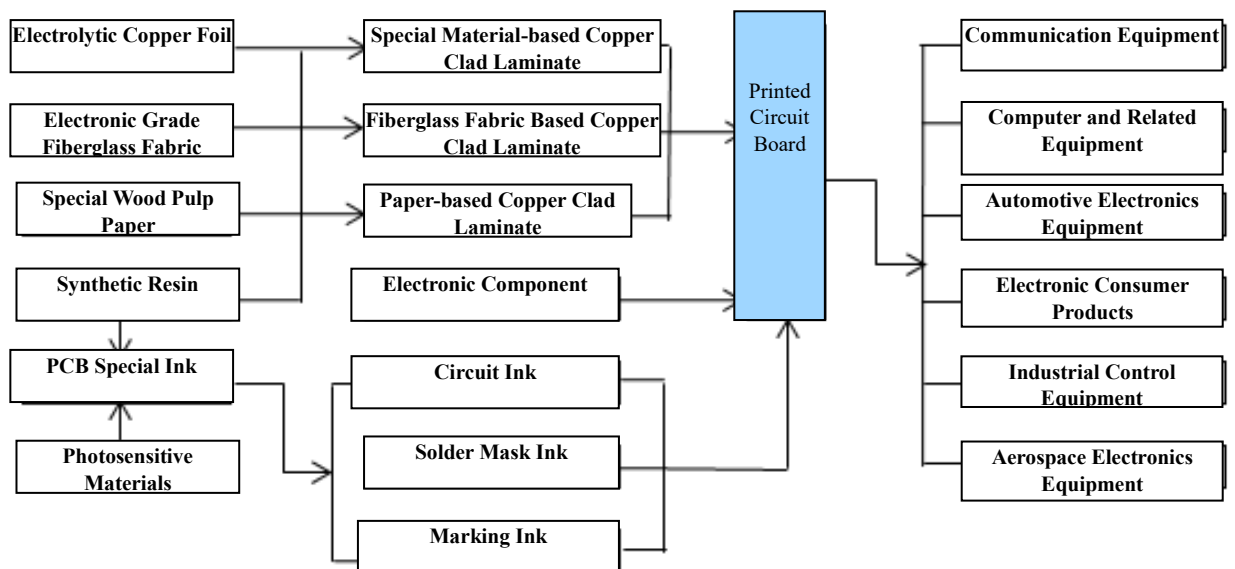


From the product structure perspective, the global PCB industry is moving towards higher precision, density, and reliability. The industry will continue to improve performance; strengthen production efficiency; and develop towards specialization, large-scale, and green production direction in order to adapt to the development of various downstream electronic equipment industries. According to Prismark's forecast, multilayer boards will still maintain an important market position and provide important support for the overall development of the PCB industry for a certain period of time in the future. The proportion of high-tech PCBs such as flexible boards, HDI boards and packaging substrates will continue to increase and become the mainstream development for the market.

The downstream industry also has a significant traction and driving effect on PCB industry development because its demand changes can directly determine the future development of the PCB industry. With the rapid evolution of new-generation information technologies such as Cloud computing, Big Data, Internet of Things, mobile Internet, and artificial intelligence; core technology system restructuring for hardware, software, and services has accelerated. This new trend has triggered a new round of changes. In the future, the PCB product applications will be expanded even further and the market space is vast. Under the impact of the overall demand environment, the global PCB industry product output will also continue to increase. In terms of industrial layout, multilayer boards are still the dominant product type, which is rapidly expanding to high-end HDI high-density interconnection boards, FPC flexible circuit boards, IC carrier boards, etc.

(2) PCB industry chain:

From the industrial chain perspective, the PCB industry is in the middle of the overall industrial chain. The upstream is the raw materials such as copper clad laminate, copper foil, copper balls, gold salt, ink, dry film, and other chemical materials needed to produce various PCBs. The downstream mostly applies to computers, communication equipment, industrial control, automotive electronics, consumer electronics, aerospace, and a wide range of other fields. The printed circuit board industry chain is relatively long, and the relationship between upstream and downstream is shown in the figure below:



The development of upstream and downstream industries is interrelated and mutually supporting in the PCB industry. On the one hand, a good development momentum for the PCB upstream and downstream industries can lay the foundation of growth for the PCB industry. The downstream industries would continue to demand stricter requirements for higher system integration and performance from PCB products, which will push PCB products to evolve and upgrade towards the direction of "lighter, shorter, thinner, and smaller." On the other hand, technological innovations of the PCB industry make it possible for upstream and downstream industries to create product innovations and thereby satisfy the needs of the end market.

### (III) Long-term and Short-term Business Development Plans

#### 1. Cables and Connectors

With the development trend of electric vehicles and the popularization of automotive electronics, the Company can provide different automotive wiring harness solutions according to the needs of different customers in various regions, and customize automotive connection products with different functions for our customers. In terms of the existing industrial control and consumer wiring harness, the Company provides niche products in combination to some market standard products (ex. Mini SAS, HDMI, USB, Lan cable) and implements sales promotions. The Company aims to increase the product lines' breadth and business depth for the long-term, provide strategic agency for some components, actively develop the European and American markets, establish sales bases in Mainland China, and integrate a dual-operation sales network.

The Company will cultivate the niche market via its cable manufacturing technology and simultaneous pipeline compression advantages, invest in external connection cable and disposable medical wires required for medical equipment layout, and further advance the development of direct human body contact type-2 medical lines. The market target is aimed at medical equipment power supply and signal transmission line as well as medical gas and liquid pipelines products that provide simultaneous extrusions such as ion scalpel, medical disinfection, patient monitoring equipment, and other medical wire/cable products.

#### 2. Electronic Manufacturing Service

Based on the existing EMS one-stop production facility system and Industry 4.0 development orientation, the Company intends to further optimize the vertical production line integration and introduce the automated production advantages. The goal is to focus on the development of consumer communication products and electronic accessories, industrial PCBA, and the medical electronic product assembly market. Secondly, the Company can also enter the vehicle control modules foundry production market via its heavy vehicle wiring harness development advantages.

Master the development trend and application of new generation wireless communication technologies; use solid wireless technologies as the foundation to further strengthen the production capacity for wireless products in the communication field; and focusing on the development of WiFi 6, CPE, MiFi, and Beacon based on the development of 5G related electronic peripheral products. Seek strategic cooperation with thriving start-ups, develop smart devices and accessories-related products, and select highly complementary strategic partners to build win-win partnership networks.

### 3. PCB Products

The long-term business development plan for the Company's PCB products is to follow the customers' product demand trends in order to achieve sustainable operation. The Company will continue to improve quality, increase efficiency, reduce costs, and reducing inventory; and follow the rationalization, standardization, automation, and systemization steps to gradually promote and achieve the Company's PCB manufacturing industry 4.0 goals. Follow the industry development momentums and trends to continuously consolidate and enhance the Company's own advantages; continue to introduce automated production equipment and strengthen efficiency for the existing production capacity; keep follow up on the development of new products and models from customers and cooperate with customers to improve product technology content and cost optimization; continue to improve raw material price comparison and bargaining power autonomy in order to maintain competitiveness with low prices; and strive to improve the foundation of upstream and downstream supply chain integration. Furthermore, the Company must establish brand advantages, attach importance to product quality, and strictly control quality standards.

For short-term business development, the Company will continue to develop consumer electronics products in fields such as (1) game console products, (2) smart speaker products, (3) photoelectric board products, and (4) TV products. The Company will continue to maintain current customer product model requirements, and cooperate with customers to improve product technology content and cost optimization. Meanwhile, the Company will endeavor to promote new product model development and quality certification operations; strive for new customer recognition; promote HDI boards; and promote the introduction of new orders for HDI boards, automotive-related boards, and rigid-flex boards.

Under the automotive electronization trend, the increase in demand for automotive electronics has driven the growth of automotive PCB products. The output value of automotive PCB products has continued to grow, and attracted many PCB manufacturers to actively participate in this field. In contrast, automotive PCB certification cycle is long and entry thresholds are high. To save costs, manufacturers generally do not replace certified suppliers often. At present, Foxconn Technology Group has proposed a "3+3" development strategy to list electric vehicles, digital health, and robotics as its new operating projects. The Group will also vigorously develop 3 new technology fields: artificial intelligence, semiconductors, and new-generation communication technologies. Each year, most of the tens of billions of investments in the "3+3" development strategy are concentrated in the electric vehicle field to catapult

electric vehicle development. The Company has the R&D capability needed to continue to enhance the design and development of automotive PCBs, and has obtained the TS16949 certification (renamed to IATF16949 in 2016). The Company will take this opportunity to provide professional PCB technical support, collaborate with the development and introduction of the Group's electric vehicle products, and actively expand the proportion of automotive PCBs in the Company's products.

The long-term goal is to follow the development momentum and trend of the PCB industry, adjust market strategy prospectively, and optimize customer structure and product structure. Continue to invest in the existing PCB products (such as HDI boards/photoelectric boards to increase the work orders), search for alternative products with PCB investment opportunities, and find entry points for PCB niche products. Strengthen R&D for smart product lines, use advanced equipment to replace the original outdated equipment, simplify the production process, improve the production automation levels, and reduce manpower requirements. In response to high environmental protection standards and strict environmental inspections, the Company has established a special Environmental Protection Management Department to actively respond to the latest environmental regulations and requirements, continue to increase investment in environmental protection, and provide employees with environmental protection knowledge training in order to enhance their environmental awareness. The Company has passed the ISO14001 environmental management system certification, and formulated effective prevention and control measures for different types of pollutants in order to meet the requirements provided by the laws, regulations, and customers.

Finally, the Company has worked hard in internal management in order to cope with the market competition as well as the cost pressure caused by the exchange rate and raw material price fluctuations in the peer industry. The efforts include strengthen production site management, improve material utilization, and reduce overall costs by lowering energy consumption, optimizing process design, and applying new processes and new materials. In the future, the Company will continue to maintain its growth trend via excellent cost control and production capacity.

## II. Market, Production, and Sales Overview

### (I) Market analysis

#### 1. Sales area for main products

The main sales areas of the Company and its subsidiaries are primarily Mainland China, Hong Kong, Malaysia, the United States, and Taiwan. The main sales areas are distributed as follows:

Unit: NTD Thousand

| Region               | Amount     | Ratio (%) |
|----------------------|------------|-----------|
| 1. Mainland China    | 9,461,754  | 46        |
| 2. Hong Kong         | 2,788,589  | 14        |
| 3. Malaysia          | 2,846,724  | 14        |
| 4. The United States | 1,563,317  | 7         |
| 5. Taiwan            | 2,283,819  | 11        |
| 6. Other             | 1,603,510  | 8         |
| Total                | 20,547,713 | 100       |

#### 2. Market share, future market supply, demand status, and growth

##### (1) Cables and Connectors

The global cable and connector market is showing a growing trend due to the rise of the electric vehicle and digital medical care industries. The global clients have also increased their production customization strengths for wire harnesses due to product diversification and production automation demands. Pan-International has actively engaged in product transformation in recent years by focusing on wire harness development in the health care, automotive multimedia electronics, green energy, industrial application, and Cloud communications industries. From 2020 to 2021, Pan-International has transcended its original wire harness manufacturing and wire harness connector assembly role to become an overall solutions provider for wiring harness connectors in various fields.

For the 2nd half of 2021, the momentum for growth in sales is expected to come from high-voltage wiring harnesses for electric vehicles, connectors and cables related to automotive audio-visual electronics and automotive systems, and external connection cables for medical instruments and medical wiring harness products. Shipment ratio for these product lines will continue to increase as the trend develops due to the long life-cycle for the related products and stable shipments.

## (2) Electronic Manufacturing Service

According to the forecast by Technology Forecasters, the EMS market is growing rapidly at a compound annual growth rate of 7% each year. The service items offered by general EMS providers are divided 3 main categories: printed circuit board assembly, semi-finished product assembly, and system assembly. As the electronics industry has a tendency to gradually outsource part or all of the manufacturing processes, the service contents provided by the electronic manufacturing service industry have become more diversified. EMS providers provide serves to a wide range of electronic products from network communications to computer peripherals, from medical equipment to mobile phones, and from motherboards to notebook computers. EMS providers accepts commissions from clients to provide professional production and process services in accordance with actual production needs.

In the future, EMS manufacturers will no longer simply provide manufacturing foundry and must be flexible in order to provide integrated service functions, including:

- (a) Rapid technical solutions: Assist customers in solving technical problems from concept, product molding, to mass production.
- (b) Effective supply chain integration: Establish a procurement and logistics center to obtain low-cost and high-quality components, prevent raw material shortage, accelerate inventory turnover, and increase capacity utilization to ensure rapid delivery to clients.
- (c) Stable production and operation: Provide rapid new product introduction to shorten product development time, and assist mass production maximization for the product.
- (d) Global logistics services: The overseas and Mainland Chinese production bases as well as the rapid service structure can provide timely product development services and avoid international geopolitical interference.

## (3) PCB Products

The vigorous development of the electronic information industry provides an important boost to PCB industry development. In terms of terminal application; communication electronics, computers, and consumer electronics have become the 3 major PCB application fields. PCB has increased in demand and value with the vigorous development of emerging needs from downstream fields such as automotive



electronics, wearable devices, industrial control, and medical equipment; and the PCB industry will continue to grow steadily.

In terms of communication electronics, the main PCB product application directions are wired/wireless infrastructure and service storage. The 5G terminal ecology shows a flourishing trend. 5G robots, industrial CPE, vehicle modules and other industry application terminal forms will continue to innovate and emerge as well as expand the extension of 5G terminals. 5G requires higher data rates, lower latency, more reliable connections, and ultra-large-scale device connections. Accordingly, the requirements for servers will also be upgraded. Therefore, 5G development can drive server demand increase, promote server product upgrade, and strengthen the continuous growth of server PCB demands.

Consumer electronics include digital devices (such as mobile phones, computers, photography equipment, etc.), learning hardware (such as dictionary pens, translation pens, etc.), and wearable devices. Although consumer electronic products such as smart phones and tablet computers have entered the stock era, the global mobile phone market is currently maintaining a steady growth trend thanks to the continuous upgrade of 5G communication technology and mobile phone components. The development of artificial intelligence and the Internet of Things have driven the rapid growth of the market for smart home appliances, smart wearables, entertainment devices, and the consumer electronics PCB market is expected to undergo accelerate growth.

In terms of automotive electronics, the upgrade and innovation of industrial technologies such as new energy vehicles and smart driving will drive the rapid expansion of the automotive electronics market as the standard of living for the people continues to improve. PCB is widely used as automotive electronics parts in the engine system, chassis system, control system, safety system, information system, vehicle environment control system, etc., without exception. Moreover, the higher the class of a car, the greater the PCB application ratio. At present, the cost of automotive electronics in mid-to-high-end vehicles accounts for 28%, and the cost of automotive electronics in new energy vehicles is as high as 47%. As the developments of the Internet of Vehicles and advanced driver assistance system ADAS in the 5G era accelerate, the amount of PCB used in vehicles is expected to increase considerably. Due to the high-frequency and high-speed characteristics for automotive PCBs, the entry threshold for automotive electronic products is relatively high. However, after certification by the car manufacturer, good customer cohesion can bring stable revenue growth.

In addition, market demands for industrial control and medical equipment have emerged, and many PCB manufacturers have actively explored emerging products such as industrial robots and high-end medical equipment. At present, the PCB output value as well as industrial control and medical equipment ratio are quite small, and the overall impact on PCB is low.

In sum, PCB has almost penetrated into all terminal fields of the electronics industry. As the new generation information technology advances, the use and market of PCB products will continue to expand in the future. With the growth of residents' income; the expansion of domestic demands; consumption structure upgrades; and industrial development for computers, communication equipment, consumer electronics, etc.; the development and upgrading of new products will bring a broader market space for the PCB industry.

### 3. The advantages, disadvantages, and countermeasures of competitive niche and development vision

#### (1) Favorable factors

- A. A number of high-precision SMT production lines have been constructed, which can significantly improve SMT production efficiency and yield while helping to drastically reduce manufacturing costs.
- B. The manufacturing units of the Mainland China plant have implemented localization to improve personnel training efficiency and the overall management team performances.
- C. The global marketing system integration and division of labor has completed, which can enhance the synergy of global customer service and marketing information collection.
- D. At present, the Company's current financial health is sound and can fully support and implement global operations and investment activities.
- E. All of the plants have passed the IATF-16949 and ISO-13485 certifications, and have established a firm foothold in the automotive and medical fields.
- F. Because electronic information product manufacturing largely depends on the PCB industry development, the Mainland China Government has selected new PCB and high-density PCB as the new key support products. The goals are to guide industrial transformation, upgrade, and structural adjustment as well as promote the sustainable and healthy development of the PCB industry.

- G. The increase in demand for the 3 major terminal application areas (communication electronics, consumer electronics, and computers) has promoted the continuous output value growth for the PCB industry. In addition, the emerging needs from downstream industries such as automotive electronics, wearable devices, industrial control, and medical devices are booming and will significantly benefit the increase in PCB demand in the future.
- H. Driven by the high automotive electronization trend, automotive electronics will drive the demand for automotive PCB products and increase output value. Moreover, artificial intelligence, 5G, OLED, and other new concept products have entered the substantive application phase; and PCB demand in the mid-to-high-end market will become increasingly more vigorous. In the future, the continuous development trend of the downstream electronic information industry will be the biggest driving force for PCB industry growth.

(2) Unfavorable factors

- A. The life cycle of consumer electronics products is fast, and is affected by the uncertainty of the overall economic environment and the business cycle recovery. This resulted in a conservative wait-and-see mentality at the beginning, but quickly place irrational orders as soon as demand is exhibited. The situation shows low certainty about the real demand in the future.
- B. Semiconductor ICs as well as active and passive components have often encountered temporary shortages in recent years, resulting in supply chain management and control risks.
- C. The price of raw materials continues to rise, which directly erodes product gross profit.
- D. The diversification and life cycle of consumer electronic products are getting increasingly shorter, resulting in the low volume and high customization product trend.
- E. Because COVID-19 has ravaged numerous countries, the global epidemic risks have continued despite the vaccination efforts. If the epidemic cannot be effectively controlled in the near future, it will have a negative impact on the macro economy and the electronics industry.
- F. The prices of raw materials have continued to rise due to the gradual global economy recovery and impact on inflation expectations. If the rising trend continues to cause changes in the supply and demand structure for the relevant raw materials, it will pose an adverse impact on the Company's product costs and profitability.

G. The investment cost for PCB production lines and related supporting equipment is relatively higher. It is necessary for the Company to continuously upgrade and transform production equipment and processes, and maintain high R&D investment in order to maintain product competitiveness. Under the gradual reduction of labor cost advantages and the increasingly stringent environmental protection control, competition from the peer industry will become fiercer.

(3) Response measures

- A. Speed up new product development and increase product gross profit margin in niche product application fields such as wire harnesses and connectors.
- B. Introduce automated production equipment and testing equipment, optimize medical workshops, and improve production efficiency and product quality.
- C. Expand the production scale of overseas factories in Southeast Asia, reduce production costs, and diversify geopolitical risks.
- D. Actively adjust the 5 major business strategies: enterprise production, sales, R&D, finance, and human resources. Fundamentally strengthen the overall corporate competitiveness, strengthen the Company's intangible assets and core competitiveness, and widen the gap from competitors.
- E. In terms of important raw materials, use effective supply chain strategies to strive for reasonable costs, adjust the raw material stock inventory in a timely and appropriate manner, and reduce the impact from rising pressures on raw materials.
- F. Actively build a green supply chain to create a resource-conservation and environment-friendly green manufacturing system for procurement, production, marketing, recycling, and logistics. In terms of main raw materials, adopt the quantity-based pricing principle and appropriately adjust inventory in a timely manner in order to reduce the impact of rising pressure on raw material prices.
- G. Due to the impacts of COVID-19 on the global industrial chain, the Company will actively implement epidemic prevention and control, maintain normal production, and ensure smooth communication with clients and suppliers. In addition, the Company has established an epidemic prevention team to formulate operating guidelines to protect the health and safety of employees, and continues to pay close attention to the latest COVID-19 status.
- H. In terms of PCB products, continue to strengthen production technology, improve product quality, and increase the ratio of high-profit HDI-related boards. Seek out excellent third-party manufacturers to reduce manufacturing and labor costs for customers with diversified and complex-attribute product demands.
- I. Maintain the image of corporate integrity management, protect the environment, care for the community, and establish a sustainable business model.

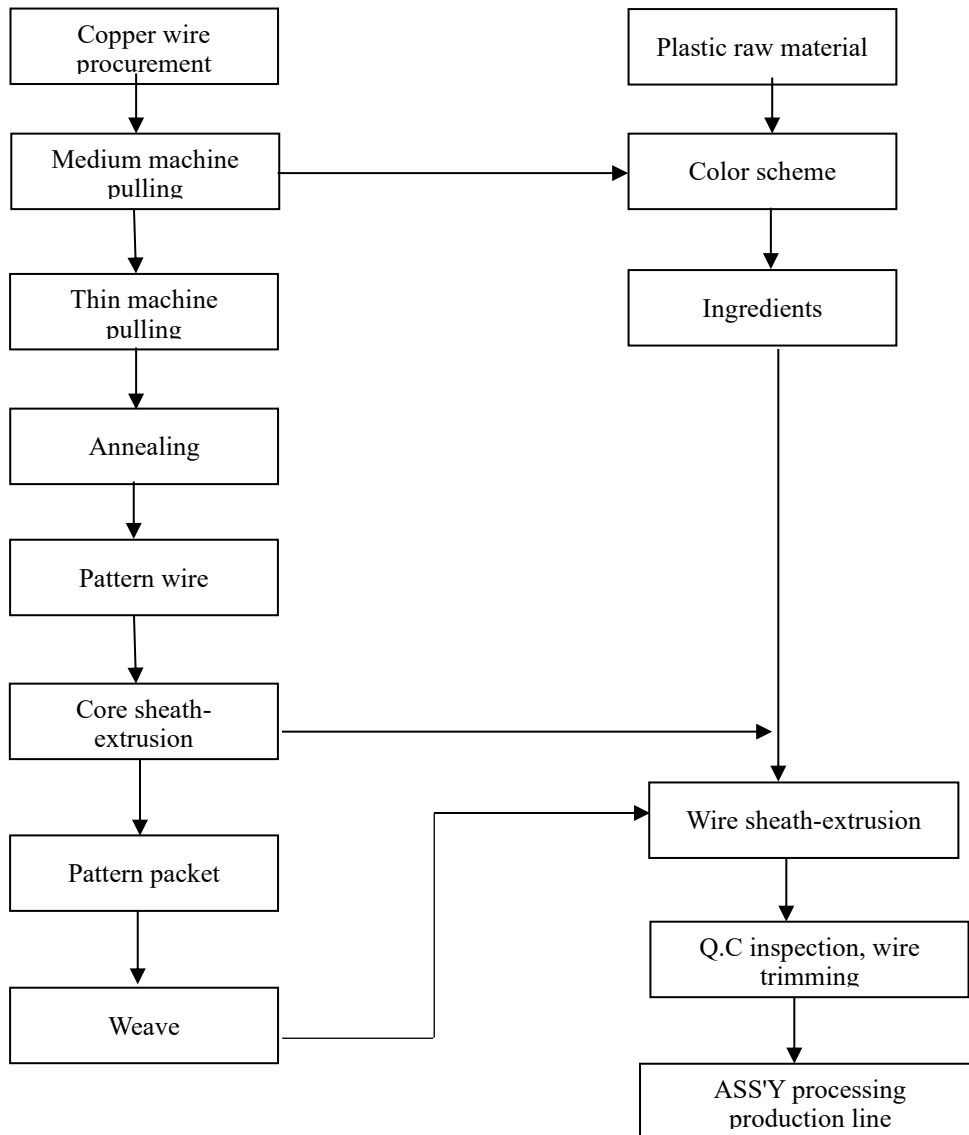
(II) Important Purpose and Production Process for Main Products

(1) Important purpose for main products

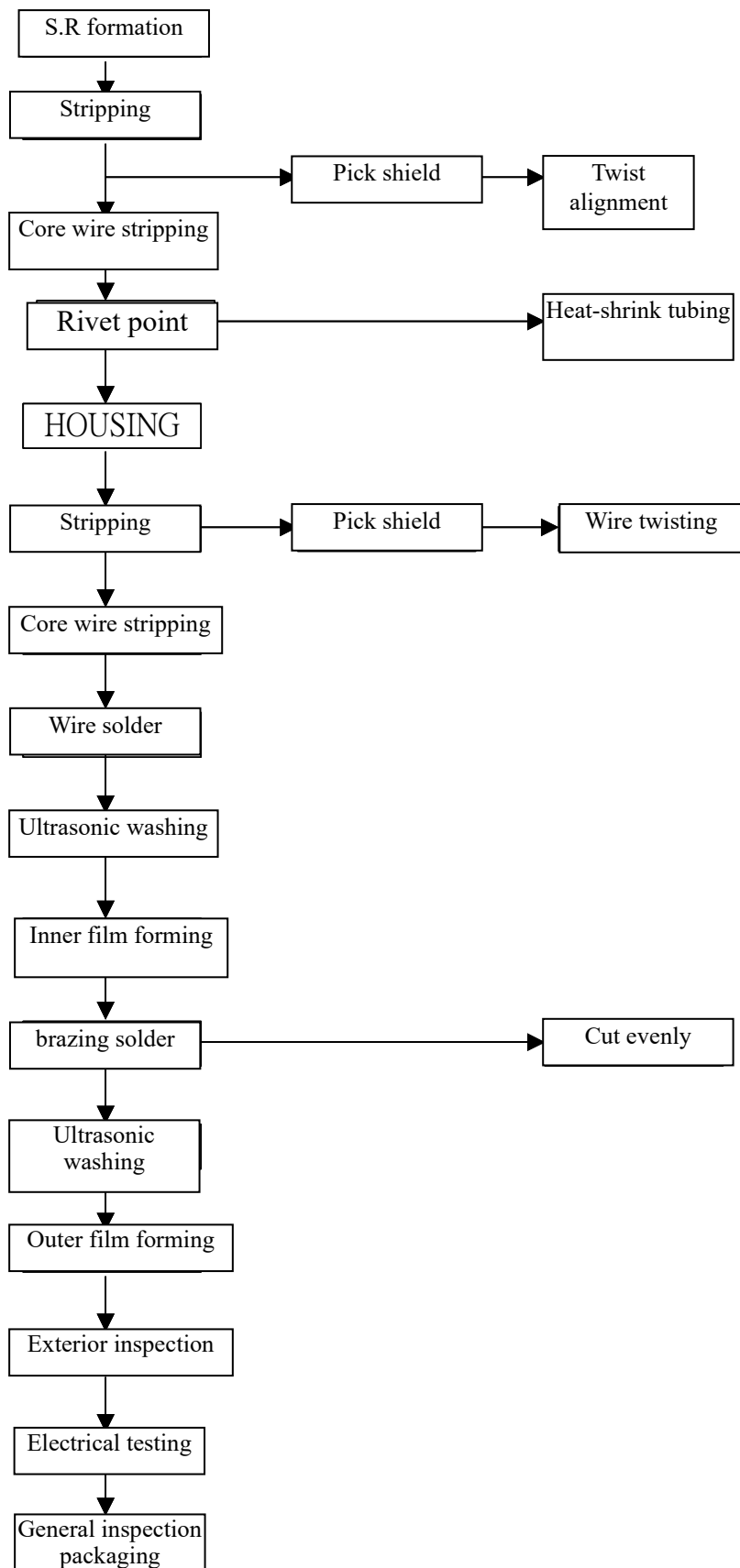
| Main products                             | Important purpose   |
|---|---|
| 1. Raw Cables                             | Applicable to electronic signal transmission by monitors, photocopiers, and other computer peripheral products, computer systems, communication systems, and networks.  |
| 2. Connectors                             | Various connectors between computers, communication systems, home appliances, office equipment, and other systems.  |
| 3. Cable Assembly                         | Connection cables with connectors that are suitable for electronic signal transmissions between wearable portable devices, computer systems, peripheral products, medical equipment connections, high and low voltage automotive wiring harnesses, and automotive electronic multimedia wiring harnesses. |
| 4. Electronic manufacturing services      | OEM foundry products for information, communications, and consumer industries including Bicycle GPS Meter, Industrial control products, IP camera, HUB accessory, Docking Station, Beacon, Alcohol Tester, WiFi 6, WiFi Gateway, and other devices.   |
| 5. Computer peripheral products and parts | PCBs for computer communication equipment, devices that require professional foundry for electronic circuit board surface adhesion technology, and mobile phone related accessories.  |
| 6. Printed circuit board (PCB)            | Optoelectronic products such as game consoles, monitors and TVs, smart speakers, mobile phones, communication products, PC motherboards, automotive electronics, and other rigid and HDI PCBs.  |

(2) Production process for main products

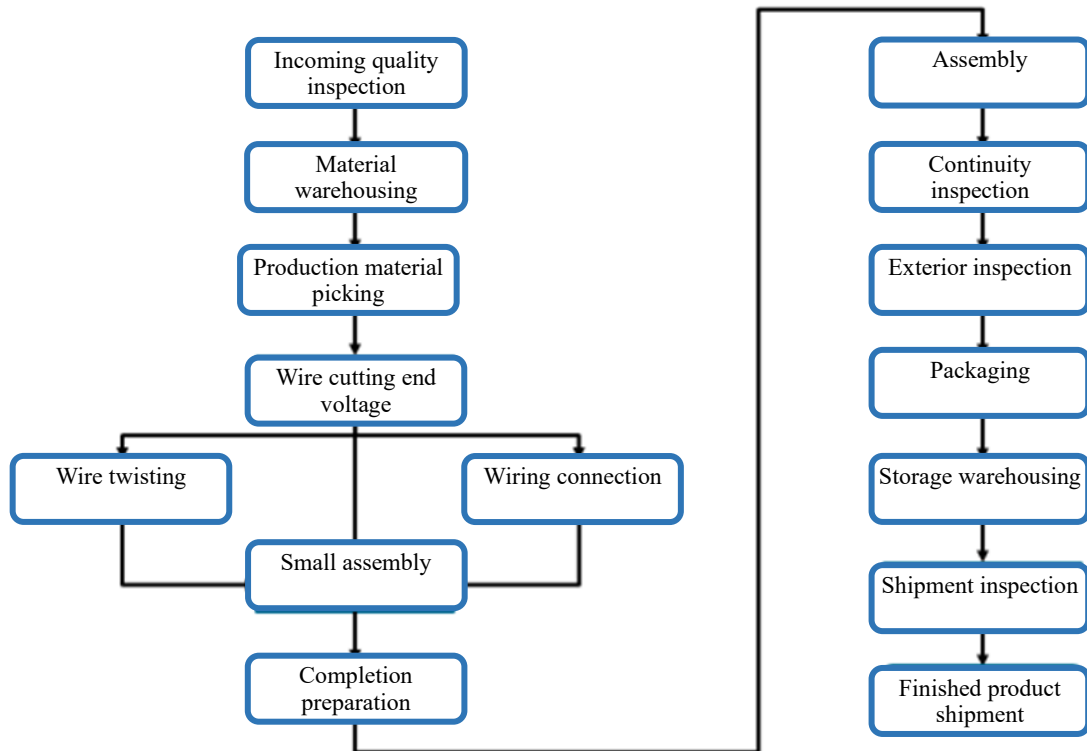
1. Wire production process



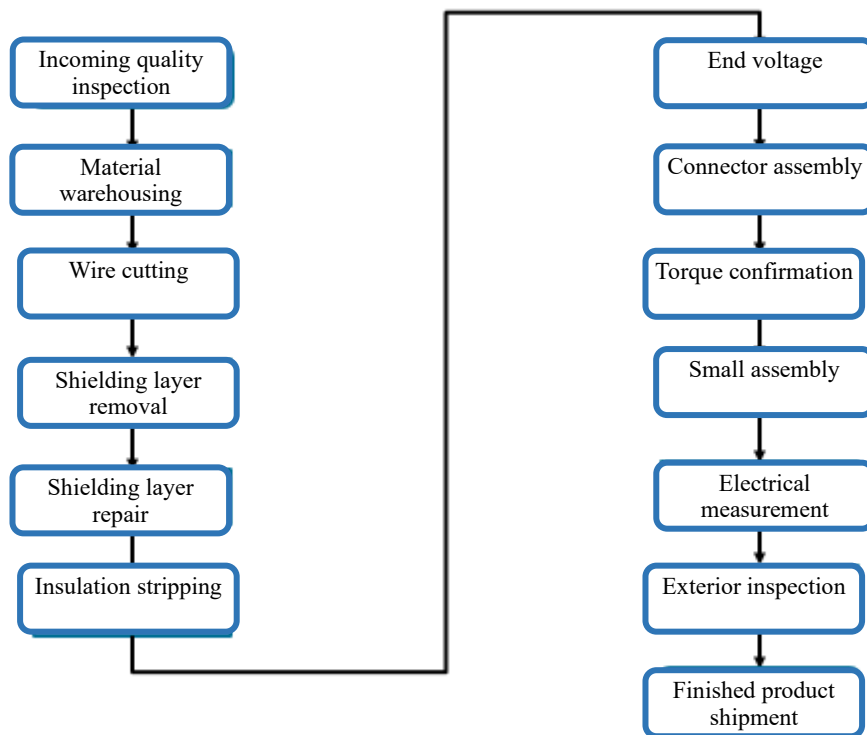
## 2. Connection line production process



### 3. Automobile low-voltage wiring harness production process

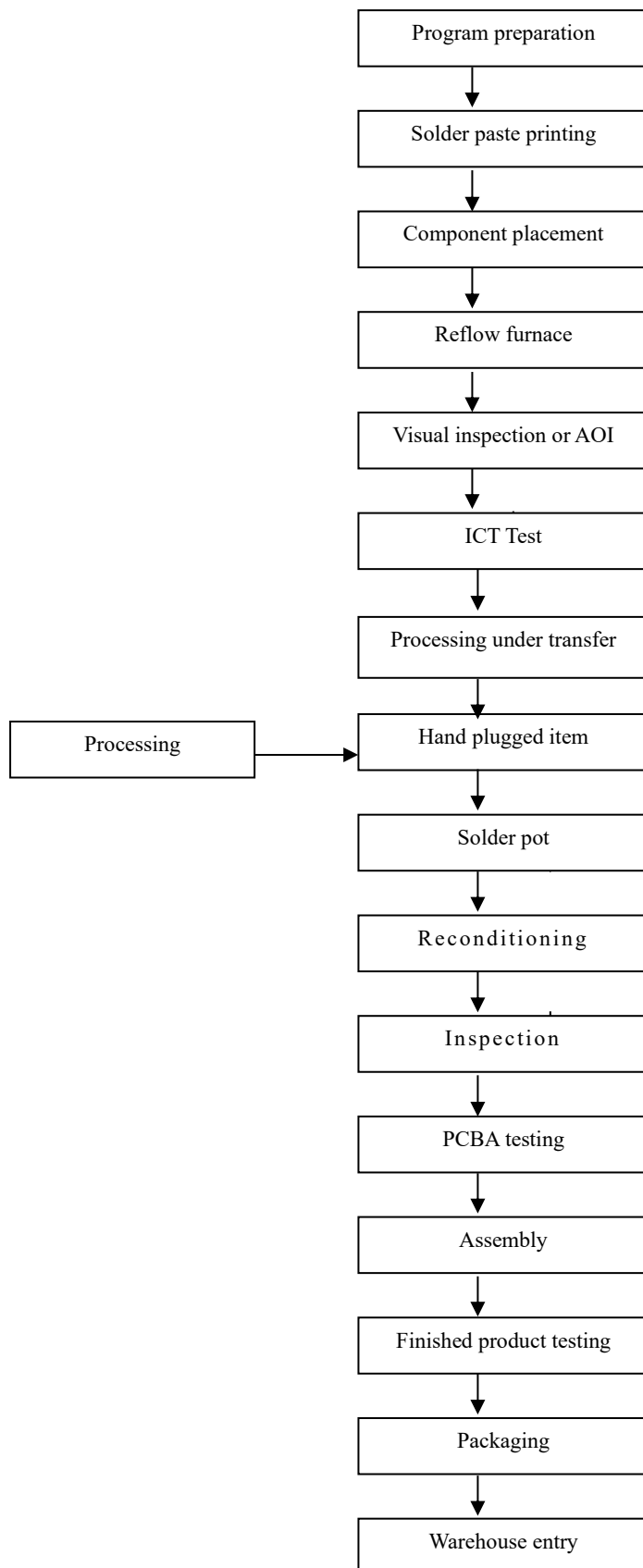


### 4. Automobile high voltage wiring harness production process



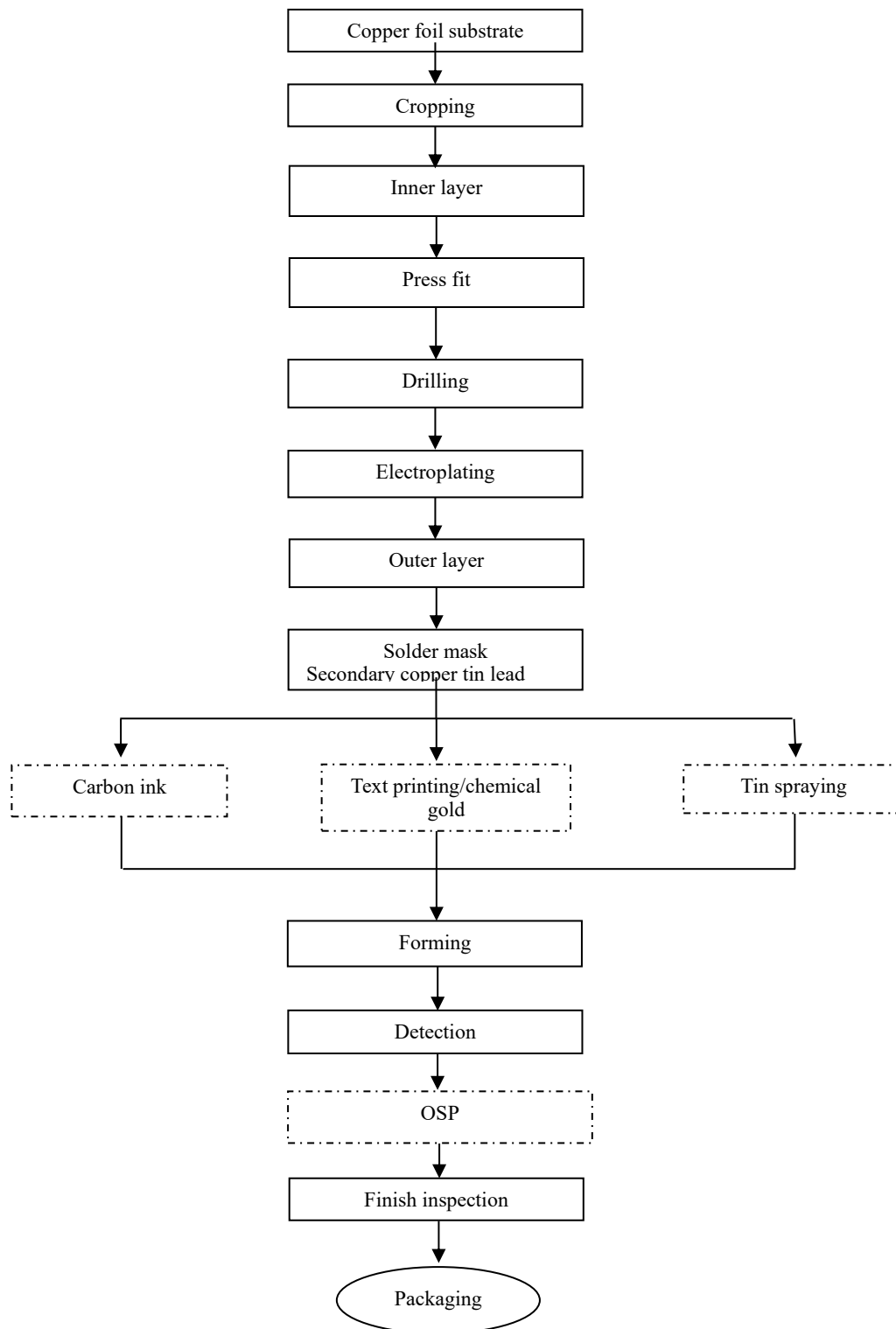


## 5. Computer peripheral products and parts turnkey processing flow



## 6. PCB manufacturing process

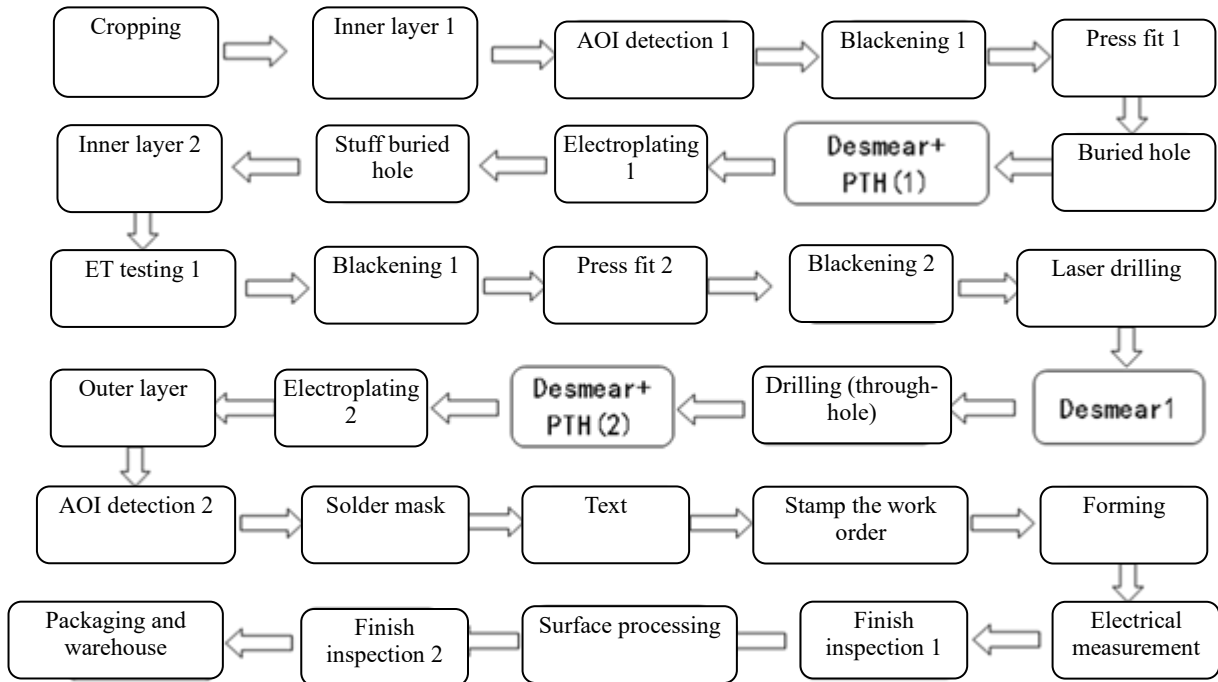
### 6.1 Traditional board



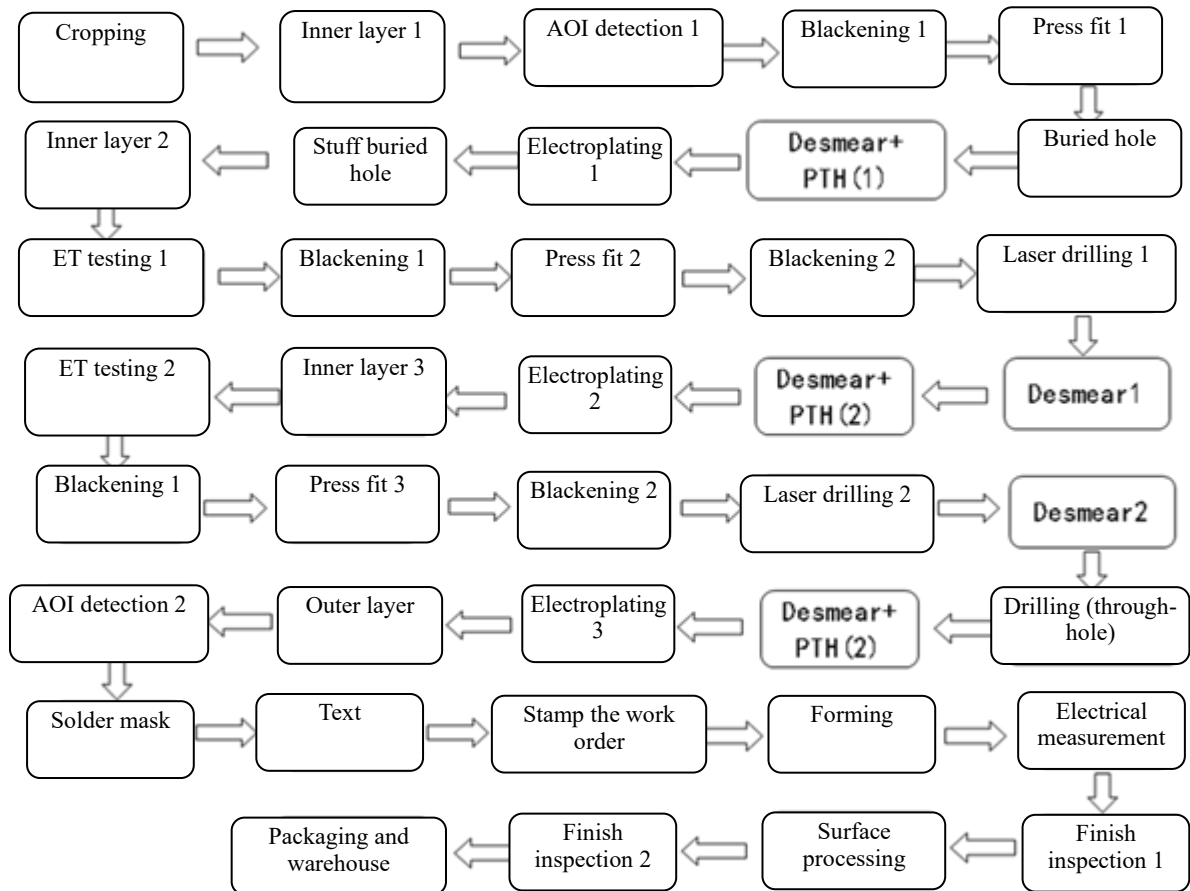
Remark: The dashed box is optional process (subject to customer requirements)

## 6.2 HDI board

### 1+4+1 Production flow chart



### 2+4+2 Production flow chart



### (III) Main raw material supply status

The main raw materials for the Company's products are supplied by world-renowned manufacturers such as domestic Hon Hai, Formosa Plastics, and other big manufacturers; which provide good quality that conforms to international standards. Since the Company has established good supply-demand partnerships with its suppliers, it is able to obtain good supply price and delivery conditions.

Company's main raw material supply status

| Main raw material         | Supply status  |
|---------------------------|--|
| Copper wire               | Contracts are signed with domestic manufacturers to provide stable supply at a more favorable price. |
| Plastic granules & powder | Priority is given to domestic manufacturers with shorter delivery periods.                           |
| Terminal                  | Normal supply by domestic manufacturers.   |
| Connectors                | Supply by domestic and foreign manufacturers.  |
| Metal & plastic parts     | Normal supply by domestic manufacturers.   |
| Electronics components    | Supply by domestic and foreign manufacturers.  |

(IV) Customers who have accounted for over 10% of total purchases (sales) in any one of the most recent two years.

Major Suppliers Information for the Last Two Years

Unit: NTD thousand

| Item | 2019                                 |            |  |   | 2020                                 |            |  |   |
|------|--------------------------------------|------------|--|---|--------------------------------------|------------|--|---|
|      | Name                                 | Amount     | Percentage accounted for to annual net purchases (%) | Relation with the Issuer  | Name                                 | Amount     | Percentage accounted for to annual net purchases (%) | Relation with the Issuer  |
| 1    | Hon Hai Company and its subsidiaries | 3,108,506  | 15   | Investment companies evaluated using the equity method of the Company | Hon Hai Company and its subsidiaries | 2,647,263  | 16   | Investment companies evaluated using the equity method of the Company |
| 2    | Sharp and its subsidiaries           | 4,824,167  | 23   | Other related parties   | Sharp and its subsidiaries           | 2,357,346  | 15   | Other related parties   |
| 3    | Manufacturer A                       | 2,436,731  | 12   | None.   | Manufacturer A                       | 1,930,815  | 12   | None.   |
|      | Others                               | 10,614,778 | 50   | --  | Others                               | 9,223,263  | 57   | --  |
|      | Net purchase amount                  | 20,984,182 | 100  | --  | Net purchase amount                  | 16,158,687 | 100  | --  |

Note: As of the publication date of this annual report, there is no 1st quarter financial information that has been verified by a CPA.

Increase / decrease fluctuation analysis:

Based on the Company's business, raw material need, and cost consideration results.

Major Customers Information for the Last Two Years

Unit: NTD thousand

| Item | 2019                                 |            |  |   | 2020                                 |            |  |   |
|------|--------------------------------------|------------|--|---|--------------------------------------|------------|--|---|
|      | Name                                 | Amount     | Percentage accounted for to annual net sales (%) | Relation with the Issuer  | Name                                 | Amount     | Percentage accounted for to annual net sales (%) | Relation with the Issuer  |
| 1    | Hon Hai Company and its subsidiaries | 11,088,751 | 43   | Investment companies evaluated using the equity method of the Company | Hon Hai Company and its subsidiaries | 7,772,303  | 38   | Investment companies evaluated using the equity method of the Company |
|      | Others                               | 14,511,957 | 57   | --  | Others                               | 12,775,410 | 62   | --  |
|      | Net sales amount                     | 25,600,708 | 100  | --  | Net sales amount                     | 20,547,713 | 100  | --  |

Note: As of the publication date of this annual report, there is no 1st quarter financial information that has been verified by a CPA.

Increase / decrease fluctuation analysis:

Due to changes in market trends, customer product demand, and other reasons.

## (V) Production Value Table for the Last Two Years

**Production Value Table for the Last Two Years**

Unit: NTD Thousand / 1000 unit, 1000 kg, or 1000 PCS

| Production volume & value<br>Main Products<br>(or department type) | Year | 2019                |              |              | 2020                |              |              |
|--|------|---------------------|--------------|--------------|---------------------|--------------|--------------|
|  |      | Production Capacity | Output Yield | Output Value | Production Capacity | Output Yield | Output Value |
| Consumer Electronics / Computer Peripherals                        | --   | 288,613             | 8,051,201    | --           | 167,407             | 7,276,761    |              |
| Electronics Components Manufacturing & Assembly                    | --   | --                  | 14,073,098   | --           | --                  | 9,737,492    |              |
| Total  | --   | 288,613             | 22,124,299   | --           | 167,407             | 17,014,253   |              |

Note: The quantity and production capacity cannot be calculated because manufacturing and assembly of electronic components have different measurement units.

## (VI) Sales Value for the Last 2 Years

**Sales Volume & Value Table for the Last 2 Years**

Unit: NTD Thousand / Sq ft PC/KSET

| Sales Volume & Value<br>Main Products<br>(or department type) | Year | 2019           |         |              |       | 2020           |         |              |       |
|---|------|----------------|---------|--------------|-------|----------------|---------|--------------|-------|
|   |      | Domestic sales |         | Export sales |       | Domestic sales |         | Export sales |       |
|   |      | Volume         | Value   | Volume       | Value | Volume         | Value   | Volume       | Value |
| Electronics Components Manufacturing & Assembly               | --   | 643,981        | --      | 16,604,655   | --    | 280,047        | --      | 12,611,317   |       |
| Consumer Electronics / Computer Peripherals                   | 562  | 81,256         | 375,363 | 8,270,816    | 1,593 | 35,353         | 355,716 | 7,620,996    |       |
| Total   | 562  | 725,237        | 375,363 | 24,875,471   | 1,593 | 315,400        | 355,716 | 20,232,313   |       |

Note: The quantity and production capacity cannot be calculated because manufacturing and assembly of electronic components have different measurement units.

### III. Working staff

Information of employees in the most recent 2 years and as of the publication date of this annual report.

| Year                         |                        | 2019        |   | 2020        |   | As of April 16, 2021 |   |
|------------------------------|------------------------|-------------|---|-------------|---|----------------------|---|
|                              |                        | The Company | All companies included in the consolidated financial statements | The Company | All companies included in the consolidated financial statements | The Company          | All companies included in the consolidated financial statements |
| Number of Employees          | Working Staff          | 65          | 1,816   | 64          | 1,764   | 65                   | 1,767   |
|                              | Operating staff        | 0           | 5,751   | 0           | 5,259   | 0                    | 5,506   |
|                              | Total                  | 65          | 7,567   | 64          | 7,023   | 65                   | 7,273   |
| Average age                  |                        | 50.00       | 38.82   | 49.54       | 39.38   | 49.52                | 39.29   |
| Average service tenure       |                        | 16.46       | 7.84  | 16.26       | 8.18  | 16.26                | 7.99  |
| Education distribution ratio | Doctoral degree        | --          | --  | --          | --  | --                   | --  |
|                              | Master's degree        | 10.77       | 0.32  | 12.50       | 0.38  | 13.85                | 0.41  |
|                              | College                | 76.92       | 14.91   | 71.88       | 18.29   | 70.77                | 17.08   |
|                              | High school            | 9.23        | 20.34   | 12.50       | 27.03   | 12.31                | 26.30   |
|                              | Lower than high school | 3.08        | 64.43   | 3.12        | 54.30   | 3.07                 | 26.21   |



#### **IV. Environmental protection expenditure information**

The total amount of losses (including compensation) and dispositions suffered due to environmental pollution, future countermeasures (including improvement measures), and possible expenditures (including the estimated amount of losses, dispositions and compensation that may occur if no countermeasures are taken, and please state the facts why the case cannot be reasonably estimated if it cannot be reasonably estimated) in the most recent year and as of the printing date of the annual report): The Company has no such situation.

Each plant of the Company has set up a dedicated environmental protection department in order to protect the community environment and safeguard the rights and interests of nearby residents. Meanwhile, the Company has endeavored to gain a thorough understanding of international environmental protection-related trends, initiatives, and environmental protection laws and regulations of various regional governments in order to set standards for waste discharge operations that comply with the requirements while regularly reviewing waste discharge to prevent pollution. The Company has also established energy-conservation and emission-reduction strategies, implemented water and electricity management guidelines, actively increased the recovery and reuse rate of all resources, and ensured that all plants comply with the relevant regulations to prevent environmental pollution. In term of environmental protection requirements for special regions such as the European Union's environmental protection directives (i.e., RoHs 2.0), the Company has also formulated the relevant internal provisions and testing standards in order to meet customer demands for compliance with regional environmental protection regulations. Regarding the UN's Conflict-Free Minerals Initiative, the Company has made a "Conflict Minerals Policy Declaration" to ban the procurement and use of "conflict minerals" mined in the Democratic Republic of the Congo and surrounding countries and regions.

In addition to strengthening internal knowledge and provide practical training for employees, the environmental protection department has also collaborated with the procurement department to require all suppliers to comply with all regulations and declarations. Therefore, in addition to review whether the suppliers have polluted the environment in the past as a preliminary review standard, qualified suppliers must also sign integrity, product material composition declaration, and environmental protection related commitments. The Company has also conducted regular reviews as the basis to determine whether to improve supplier quality or eliminate the supplier.

In the future, the Company will continue to enhance the environmental awareness of employees and the supply chain system, maintain pollution-free operations, and fulfill corporate social responsibility. Environmental protection expenditures will also be appropriately adjusted according to the annual budget status and practical needs.

## **V. Labor Management Relations**

### **(I) Current important labor-management agreements and implementation status:**

#### **1. Employee welfare measures, further education and training;**

The Company has established an Employee Welfare Committee with members elected by both employers and employees, and organized various activities regularly. The Company has also issued souvenirs and bonuses during the three major festivals and Labor Day, organized employee trips and health check every year, provided free accommodations for remote residents, encouraged employees to take external studies, and held education training on an irregular basis. The Company also provides group insurance for employees.

#### **2. Retirement system and implementation status:**

(1) Pursuant to the "Labor Standards Act," the Company has established a retirement pension method, which is applicable to the tenures of all regular employees before the "Labor Pension Act" went into effect on July 1, 2005 as well as the continual service tenures for those who have elected to apply the "Labor Standards Act" after the "Labor Pension Act" went into effect. According to the regulations, seniority shall be calculated from the date of employment. For each employee, two bases are given for each full year of service rendered. But for the rest of the years starting from the 16th year, one base is given for each full year of service rendered (half of a base is given for each full year of service rendered prior to the implementation of the Labor Pension Act). The length of service is calculated as half year when it is less than six months, and as one year when it is over six months (not calculated prior to the implementation of the Labor Pension Act). The total number of bases shall not exceed 45. The employee retirement pension payment shall be calculated based on the length of service and the average salary until six months prior to the approved retirement. In addition, employees of the Company whose total age plus service years exceed or are equal to 55 can also apply for preferential retirement with the Company. The Company has established its Pension Supervision Committee in accordance with Taipei County Government approval letter (1988) Fu-Lao-Yi-Zi No. 272020 dated August 31, 1988; allocated the labor retirement reserve into a special account in Bank of Taiwan based on 6% of the total salary paid; promoted referential retirement projects for employees on an irregular basis; and report the status via letters to the competent authority for reference. The Company also provides group insurance for employees.

(2) The Company has established a definitive pension allocation retirement method in accordance with the "Labor Pension Act," which is applicable to all domestic employees. The Company has applied the labor pension system stipulated by the "Labor Pension Act" to allocate 6% of the salary to the employee's personal account held by the Bureau of Labor Insurance.

3. Other important agreements:

The Company's labor and management agreements when an employee enters the Company are based on the Labor Standards Act in principle and in accordance with the personnel management provisions so as to protect the rights and interests of employees.

(II) The losses suffered due to labor disputes in the most recent year and up to the publication date of this annual report: None.

**VI. Important Contract: None.**

## Six. Financial Overview

### I. Condensed Balance & Comprehensive Income Statement for the Last five Years

#### Condensed Balance & Comprehensive Income Statement Information

##### 1. Condensed Balance Statement - Consolidated

Unit: NTD Thousand

| Item  | Year                | Financial Analysis Information for the Last five Years (Note 1) |            |            |             |             |
|---|---------------------|---|------------|------------|-------------|-------------|
|   |                     | 2016  | 2017       | 2018       | 2019        | 2020        |
| Current assets                                      |                     | 12,752,862  | 14,775,537 | 17,097,250 | 15,839,869  | 15,167,544  |
| Property, plant, and equipment                      |                     | 2,151,536   | 1,937,795  | 1,852,346  | 1,682,528   | 1,670,684   |
| Intangible asset                                    |                     | 38,799  | 38,636     | 38,255     | 37,142      | 36,963      |
| Other assets  |                     | 301,551   | 295,684    | 278,621    | 136,285     | 108,123     |
| Total Assets  |                     | 18,735,011  | 20,587,130 | 23,074,059 | 21,687,782  | 20,697,624  |
| Current liability                                   | Before distribution | 6,933,349   | 8,394,619  | 10,280,089 | 8,588,925   | 7,450,391   |
|   | After distribution  | 7,296,191   | 8,809,296  | 10,850,270 | 9,107,271   | 註 2         |
| Non-current liabilities                             |                     | 191,005   | 201,734    | 280,871    | 520,923     | 440,939     |
| Total liabilities                                   | Before distribution | 7,124,354   | 8,596,353  | 10,560,960 | 9,109,848   | 7,891,330   |
|   | After distribution  | 7,487,196   | 9,011,030  | 11,131,141 | 9,628,194   | Note 2      |
| Equity attributable to owners of the parent company |                     | 10,248,751  | 10,509,611 | 10,932,342 | 10,958,812  | 11,165,789  |
| Share capital                                       |                     | 5,183,462   | 5,183,462  | 5,183,462  | 5,183,462   | 5,183,462   |
| Capital surplus                                     |                     | 1,503,606   | 1,503,606  | 1,503,606  | 1,503,606   | 1,503,606   |
| Retained earnings                                   | Before distribution | 3,992,299   | 4,319,441  | 5,128,479  | 5,584,018   | 5,828,445   |
|   | After distribution  | 3,629,457   | 3,904,764  | 4,558,298  | 5,065,672   | Note 2      |
| Other equities                                      |                     | (430,616)   | (496,898)  | (883,205)  | (1,312,274) | (1,312,274) |
| Treasury shares                                     |                     | 0   | 0          | 0          | 0           | 0           |
| Non-controlling interests                           |                     | 1,361,906   | 1,481,166  | 1,580,757  | 1,619,122   | 1,622,505   |
| Shareholders' Equity                                | Before distribution | 11,610,657  | 11,990,777 | 12,513,099 | 12,577,934  | 12,788,294  |
|   | After distribution  | 11,247,815  | 11,576,100 | 11,942,918 | 12,059,588  | Note 2      |
| Total Amount  |                     | 11,247,815  | 11,576,100 | 11,942,918 | 12,059,588  | Note 2      |

Note 1: The preceding annual financial statements have been verified by CPAs.

Note 2: As of April 28, 2021, the 2020 surplus distribution has yet to be approved by the shareholders meeting.

Note 3: As of the publication date of this annual report, there is no 2021 first quarter financial statement information that has been verified by a CPA.

## 2. Condensed Comprehensive Balance Statement – Consolidated

Unit: NTD Thousand

| Item   | Year | Financial Analysis Information for the Last five Years (Note) |            |            |            |            |
|--|------|---|------------|------------|------------|------------|
|  |      | 2016  | 2017       | 2018       | 2019       | 2020       |
| Operating revenue  |      | 18,412,296  | 26,238,360 | 27,160,517 | 25,600,708 | 20,547,713 |
| Operating profit margin  |      | 1,458,032   | 2,185,910  | 2,352,024  | 2,359,199  | 2,144,695  |
| Operating profit & loss  |      | 123,885   | 1,050,514  | 1,211,575  | 1,194,408  | 924,798    |
| Non-operating income and expense   |      | 1,323,039   | 73,102     | 548,429    | 335,702    | 268,468    |
| Net income before tax  |      | 1,446,924   | 1,123,616  | 1,760,004  | 1,530,110  | 1,193,266  |
| Current profit and loss for subsisting business units                                    |      | 0   | 0          | 0          | 0          | 0          |
| Loss from closed business units  |      | 0   | 0          | 0          | 0          | 0          |
| Net profit (loss) of the period  |      | 1,267,382   | 851,631    | 1,348,685  | 1,153,137  | 790,495    |
| Other comprehensive profit (loss) for the current period (net after tax)                 |      | (934,588)   | (43,259)   | (434,647)  | (452,321)  | 1,767      |
| Total comprehensive income in the current period   |      | 332,794   | 808,372    | 914,038    | 700,816    | 792,262    |
| Net profit attributable to the owners of the parent company                              |      | 1,098,517   | 690,998    | 1,185,379  | 1,029,323  | 663,190    |
| Net profit attributable to non-controlling interests                                     |      | 168,865   | 160,633    | 163,306    | 123,814    | 127,305    |
| Net total comprehensive profit and loss attributable to the owners of the parent company |      | 359,656   | 623,702    | 733,654    | 596,651    | 725,323    |
| Total comprehensive profit and loss attributable to non-controlling interests            |      | (26,832)  | 184,670    | 180,384    | 104,165    | 66,939     |
| Basic earnings (loss) per share (NTD)  |      | 2.15  | 1.33       | 2.29       | 1.99       | 1.28       |

Note: All the annual financial statements listed above have been verified by a CPA, and as of the publication date of this annual report there is no 2021 first quarter financial statement information that has been verified by a CPA.

## 3. Condensed Balance Statement – Parent Company Only

Unit: NTD Thousand

| Item  | Year                | Financial Analysis Information for the Last five Years (Note 1) |            |            |             |             |
|---|---------------------|---|------------|------------|-------------|-------------|
|   |                     | 2016  | 2017       | 2018       | 2019        | 2020        |
| Current assets                                      |                     | 3,967,462   | 6,000,984  | 7,047,452  | 5,819,114   | 4,386,760   |
| Property, plant, and equipment                      |                     | 20,966  | 21,342     | 20,834     | 19,704      | 18,788      |
| Intangible asset                                    |                     | 0   | 0          | 0          | 0           | 0           |
| Other assets  |                     | 34,642  | 34,851     | 30,113     | 38,842      | 27,699      |
| Total Assets  |                     | 14,102,938  | 16,008,296 | 17,260,058 | 16,193,436  | 14,954,952  |
| Current liability                                   | Before distribution | 3,741,749   | 5,388,400  | 6,172,730  | 5,060,438   | 3,624,232   |
|   | After distribution  | 4,104,591   | 5,803,077  | 6,742,911  | 5,578,784   | Note 2      |
| Non-current liabilities                             |                     | 112,438   | 110,285    | 154,986    | 174,186     | 164,931     |
| Total liabilities                                   | Before distribution | 3,854,187   | 5,498,685  | 6,327,716  | 5,234,624   | 3,789,163   |
|   | After distribution  | 4,217,029   | 5,913,362  | 6,897,897  | 5,752,970   | Note 2      |
| Equity attributable to owners of the parent company |                     | -   | -          | -          | -           | --          |
| Share capital                                       |                     | 5,183,462   | 5,183,462  | 5,183,642  | 5,183,462   | 5,183,462   |
| Capital surplus                                     |                     | 1,503,606   | 1,503,606  | 1,503,606  | 1,503,606   | 1,503,606   |
| Retained earnings                                   | Before distribution | 3,992,299   | 4,319,441  | 5,128,479  | 5,584,018   | 5,828,445   |
|   | After distribution  | 3,629,457   | 3,904,764  | 4,558,298  | 5,065,672   | Note 2      |
| Other equities                                      |                     | (430,616)   | (496,898)  | (883,205)  | (1,312,274) | (1,349,724) |
| Treasury shares                                     |                     | 0   | 0          | 0          | 0           | 0           |
| Non-controlling interests                           |                     | 0   | 0          | 0          | 0           | 0           |
| Shareholders' Equity                                | Before distribution | 10,248,751  | 10,509,611 | 10,932,342 | 10,958,812  | 11,165,789  |
| Total Amount  | After distribution  | 9,885,909   | 10,094,934 | 10,362,161 | 10,440,466  | Note 2      |

Note 1: The preceding annual financial statements have been verified by CPAs.

Note 2: As of April 28, 2021, the 2020 surplus distribution has yet to be approved by the shareholders meeting.

Note 3: As of the publication date of this annual report, there is no 2021 first quarter financial statement information that has been verified by a CPA.

4. Condensed Comprehensive Balance Statement – Parent Company Only Unit: NTD Thousand

| Item   | Year | Financial Analysis Information for the Last five Years (Note) |            |            |            |            |
|--|------|---|------------|------------|------------|------------|
|  |      | 2016  | 2017       | 2018       | 2019       | 2020       |
| Operating revenue  |      | 9,946,820   | 17,789,975 | 18,696,894 | 17,288,805 | 12,132,878 |
| Operating profit margin  |      | 261,458   | 750,330    | 662,956    | 632,617    | 606,495    |
| Operating profit & loss  |      | 42,595  | 579,486    | 482,232    | 456,390    | 451,231    |
| Non-operating income and expense   |      | 1,091,272   | 227,005    | 876,542    | 697,931    | 307,484    |
| Net income before tax  |      | 1,133,867   | 806,491    | 1,358,774  | 1,154,321  | 758,715    |
| Current profit and loss for subsisting business units                                    |      | 0   | 0          | 0          | 0          | 0          |
| Loss from closed business units  |      | 0   | 0          | 0          | 0          | 0          |
| Net profit (loss) of the period  |      | 1,098,517   | 690,998    | 1,185,379  | 1,029,323  | 663,190    |
| Other comprehensive profit (loss) for the current period (net after tax)                 |      | (738,891)   | (67,296)   | (451,725)  | (432,672)  | 62,133     |
| Total comprehensive income in the current period   |      | 359,626   | 623,702    | 733,654    | 596,651    | 725,323    |
| Net profit attributable to the owners of the parent company                              |      | 0   | 0          | 0          | 0          | 0          |
| Net profit attributable to non-controlling interests                                     |      | 0   | 0          | 0          | 0          | 0          |
| Net total comprehensive profit and loss attributable to the owners of the parent company |      | 0   | 0          | 0          | 0          | 0          |
| Total comprehensive profit and loss attributable to non-controlling interests            |      | 0   | 0          | 0          | 0          | 0          |
| Basic earnings (loss) per share (NTD)  |      | 2.15  | 1.33       | 2.29       | 1.99       | 1.28       |

Note: All of the annual financial statements listed above have been verified by a CPA, and as of the publication date of this annual report there is no 2021 first quarter financial statement information that has been verified by a CPA.

## II. Financial Analysis for the Last Five Years

### (1) Consolidated Financial Analysis (Adopting International Financial Reporting Standards)

| Analysis items              |   | Financial Analysis Information for the Last 5 Years |        |        |        |        |
|-----------------------------|---|---|--------|--------|--------|--------|
|                             |   | 2016  | 2017   | 2018   | 2019   | 2020   |
| Financial structure (%)     | Debt-to-asset ratio   | 38.03   | 41.76  | 45.77  | 42.00  | 38.16  |
|                             | The ratio of long-term funds to real estate, plant, and equipment | 539.65  | 618.78 | 675.53 | 747.56 | 765.45 |
| Debt repayment Capacity (%) | Current ratio   | 183.94  | 176.01 | 166.31 | 184.42 | 203.58 |
|                             | Quick ratio   | 157.52  | 147.03 | 137.15 | 152.87 | 175.03 |
|                             | Interest coverage ratio   | 95.26   | 54.72  | 51.07  | 28.34  | 35.55  |
| Management capacity         | Turnover rate of accounts receivable (times)                      | 2.94  | 3.78   | 3.32   | 3.33   | 3.42   |
|                             | Average cash collection days                                      | 124.14  | 96.56  | 109.93 | 109.60 | 106.72 |
|                             | Inventory turnover rate (times)                                   | 9.43  | 11.19  | 9.34   | 8.41   | 7.65   |
|                             | Payable turnover rate (times)                                     | 3.58  | 4.44   | 4.07   | 3.86   | 3.81   |
|                             | Average sales days  | 38.70   | 32.61  | 39.07  | 43.40  | 47.71  |
|                             | Turnover rate of real estate, plant, and equipment (times)        | 7.21  | 12.83  | 14.33  | 14.48  | 12.26  |
|                             | Turnover rate of total assets (times)                             | 0.98  | 1.33   | 1.24   | 1.14   | 0.97   |
| Profitability               | Return on assets (%)  | 6.83  | 4.42   | 6.31   | 5.36   | 3.86   |
|                             | Return on equity (%)  | 11.06   | 7.22   | 11.01  | 9.19   | 6.23   |
|                             | Net profit before tax to paid-in capital ratio (%)                | 27.91   | 21.68  | 33.95  | 29.52  | 23.02  |
|                             | Net profit rate (%)   | 6.88  | 3.25   | 4.97   | 4.50   | 3.85   |
|                             | Basic earnings per share (NTD)                                    | 2.14  | 1.33   | 2.29   | 1.99   | 1.28   |
| Cash flow                   | Cash flow ratio (%)   | 22.31   | (1.61) | 13.77  | 28.70  | 23.25  |
|                             | Fund flow adequacy ratio (%)                                      | 84.28   | 70.74  | 71.86  | 79.52  | 117.68 |
|                             | Cash reinvestment ratio (%)                                       | 8.93  | (3.14) | 5.93   | 11.30  | 7.13   |
| Leverage                    | Operating leverage  | 1.00  | 1.00   | 1.00   | 1.00   | 1.00   |
|                             | Financial leverage  | 1.14  | 1.02   | 1.03   | 1.05   | 1.04   |

Please explain the reasons for the changes in various financial ratios for the last 2 years. (exempt if the increase / decrease is lower than 20%)

1. Solvency:

The interest expense of the current period has decreased compared to that of the previous year, resulting in an increase of the interest protection multiple.

2. Profitability:

Profits for the current period decreased compared to that of the previous year, resulting in a decrease in various ratios.

3. Cash flow:

The decrease in net cash inflow from operating activities during the current period resulted in a decrease in the cash flow ratio and cash reinvestment ratio.

Decrease in the amount of inventories and no increase in long-term investment resulted in an increase in the allowable cash flow ratio.

Note: As of the publication date of this annual report, there is no 2021 first quarter financial statement information that has been verified by a CPA.

**(2) Parent Company Only Financial Analysis - (Adopting International Accounting Standards)**

| Analysis items          |   | Financial Analysis Information for the Last 5 Years |           |           |           |           |
|-------------------------|---|---|-----------|-----------|-----------|-----------|
|                         |   | 2016  | 2017      | 2018      | 2019      | 2020      |
| Financial structure (%) | Debt-to-asset ratio   | 27.33   | 34.35     | 36.66     | 32.33     | 25.34     |
|                         | The ratio of long-term funds to real estate, plant, and equipment | 48,882.72   | 49,243.80 | 52,473.56 | 55,617.19 | 59,430.43 |
| Solvency (%)            | Current ratio   | 106.03  | 111.37    | 114.17    | 114.99    | 121.04    |
|                         | Quick ratio   | 95.43   | 99.46     | 95.35     | 99.73     | 116.67    |
|                         | Interest coverage ratio   | 95.30   | 58.62     | 42.92     | 27.08     | 35.54     |
| Management capacity     | Turnover rate of accounts receivable (times)                      | 3.63  | 4.56      | 3.85      | 3.82      | 3.71      |
|                         | Average cash collection days                                      | 100.55  | 80.04     | 94.81     | 95.55     | 98.38     |
|                         | Inventory turnover rate (times)                                   | 24.53   | 32.27     | 20.59     | 17.37     | 22.43     |
|                         | Payable turnover rate (times)                                     | 3.56  | 5.52      | 4.99      | 4.75      | 4.47      |
|                         | Average sales days  | 14.87   | 11.31     | 17.73     | 21.01     | 16.27     |
|                         | Turnover rate of real estate, plant, and equipment (times)        | 497.78  | 840.97    | 886.61    | 852.97    | 630.41    |
|                         | Turnover rate of total assets (times)                             | 0.71  | 1.18      | 1.12      | 1.03      | 0.78      |
| Profitability           | Return on assets (%)  | 7.89  | 4.67      | 7.28      | 6.37      | 4.37      |
|                         | Return on equity (%)  | 10.94   | 6.66      | 11.06     | 9.40      | 6.00      |
|                         | Net profit before tax to paid-in capital ratio (%)                | 21.87   | 15.56     | 26.21     | 22.27     | 14.64     |
|                         | Net profit rate (%)   | 11.04   | 3.88      | 6.34      | 5.95      | 5.47      |
|                         | Earnings per share (NT\$)   | 2.14  | 1.33      | 2.29      | 1.99      | 1.28      |
| Cash flow               | Cash flow ratio (%)   | (14.01)   | (13.24)   | 3.57      | 14.26     | 37.61     |
|                         | Fund flow adequacy ratio (%)                                      | 26.39   | (22.44)   | (10.61)   | (17.50)   | 38.97     |
|                         | Cash reinvestment ratio (%)                                       | (6.72)  | (10.04)   | (1.73)    | 1.34      | 7.34      |
| Leverage                | Operating leverage  | (1.00)  | 1.00      | 1.00      | 1.00      | 1.00      |
|                         | Financial leverage  | 1.39  | 1.02      | 1.07      | 1.11      | 1.05      |

Please explain the reasons for the changes in various financial ratios for the last 2 years. (exempt if the increase / decrease is lower than 20%)

1. Financial structure:

Short-term loans decreased and cash positions increased, resulting in a decline in the liabilities to assets ratio.

2. Solvency:

The current interest expense decreased compared to that of the previous year, resulting in an increase in the interest protection multiple.

3. Operating ability:

The decrease in the amount of inventory during the current period led to an increase in inventory turnover and a decrease in average sales days. Operating revenue decreased from the previous year, resulting in a decrease in the turnover rate of real estate, plant, equipment, and total assets.

4. Profitability:

Operating income decreased from the previous year, resulting in a decrease in the turnover rate of real estate, plant, equipment, and total assets.

5. Cash flow:

The increase in net cash inflow from operating activities during the current period led to an increase in the cash flow ratios.

Note: As of the publication date of this annual report, there is no 2021 first quarter financial statement information that has been verified by a CPA.



## 1. Financial Structure

- (1) Liabilities to assets ratio = total liabilities / total assets.
- (2) Long-term funds to fixed assets ratio = (net shareholders' equity + long term liabilities) / net fixed assets.

## 2 Solvency

- (1) Current ratio = current assets / current liabilities.
- (2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.
- (3) Interest protection multiples = net profit before income tax and interest expense / interest expense in the current period.

## 3. Management Capacity

- (1) Turnover rate for accounts receivable (including accounts receivable and bills receivable due to businesses) = net sales / average balance of accounts receivable (including accounts receivable and bills receivable due to businesses) for each period.
- (2) Average number of days for cash collection = 365 / turnover rate for accounts receivable.
- (3) Inventory turnover rate = cost of goods sold / average inventory value.
- (4) Turnover rate for accounts payable (including accounts payable and bills payable due to businesses) = cost of goods sold / average balance of accounts payable (including accounts payable and bills payable due to businesses) for each period.
- (5) Average number of sales days = 365 / inventory turnover rate.
- (6) Fixed assets turnover rate = net sales / net fixed assets.
- (7) Total assets turnover rate = net sales / total assets.

## 4 Profitability

- (1) Return on assets = [after-tax profit and loss + interest expense × (1 - tax rate)] / average total assets.
- (2) Return on shareholders' equity = after-tax profit and loss / average net shareholders' equity.
- (3) Net profit rate = after-tax profit and loss / net sales.
- (4) Earnings per share = (net profit after tax - special stock dividends) / weighted average number of issued shares. (note 1)

## 5. Cash Flow

- (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
- (2) Cash flow adequacy ratio = (net cash flow from operating activities within five years / (capital expenditure + inventory increase + cash dividend) within five years.
- (3) Cash re-investment ratio = (net cash flow from operating activity - cash dividend) / (gross fixed assets + long-term investment + other assets + working capital). (Note 2)

## 6. Balance:

- (1) Operation balance = (net operating revenue - operating variable cost and expense) / operating income (Note 3).
- (2) Financial balance = operating income / (operating income - interest expense).

Note 1: Please pay special attention to the following matters when assessing the aforesaid calculation formula of earnings per share.

1. The basis should be the weighted average number of common shares instead of the number of outstanding shares at the end of the year.
2. In case of cash capital increase or treasury stock trading, consider the circulation period and calculate the weighted average number of shares.
3. In case of surplus transfer to capital increase or capital reserve transfer to capital increase, retrospective adjustments should be made according to the ratio of capital increase when calculating earnings per share for the previous year and the previous six-month, and the capital increase issuance period need not be considered.

4. If the special shares are non-convertible cumulative special shares, the dividends for the current year (whether issued or not) shall be deducted from the after-tax net profit, or the net loss after-tax should be increased. If the special stock is non-cumulative and if there is after-tax net profit, the dividend of the special stock shall be deducted from the after-tax net profit. No adjustment is necessary if there is a loss.

Note 2: Please pay special attention to the following matters when assessing the cash flow analysis:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditure refers to the annual cash outflow from capital investment.
3. The increase in inventory is only included when the closing balance is greater than the opening balance. If the inventory is decreased at the end of the year, it shall be calculated as zero.
4. Cash dividends shall include cash dividends on ordinary shares and special shares.
5. Gross real estate, plant, and equipment refers to the total amount of real estate, plant, and equipment prior to the deduction of accumulated depreciation.

Note 3: The issuer shall classify the various operating costs and expenses as fixed or variable according to their nature. If estimates or subjective judgments are involved, pay attention to reasonableness and maintain consistency.

### **III. Audit Committee Review Report on the Latest Financial Report**

## **Audit Committee Review Report**

The Board of Directors has prepared the Company's 2020 business report, financial statements and the earnings distribution table. The Audit Committee has reviewed the aforementioned documents, and concluded that all information is presented fairly. We hereby submit this report in accordance with the provisions of Article 219 of the Company Act and Article 14-4 of the Securities and Exchange Act.

To:

Pan-International Industrial Corp. 2021 General Shareholders Meeting

Chairman of the Audit Committee: Wen-Jung Cheng

March 23, 2021

## **IV. Parent Company Only Financial Statements for the most recent year**

Auditors' Report

(2021) Cai-Shen-Bao-Zi. No. 20003400

To Pan-International Electronics Inc.

### **Audit Opinions**

We have audited the Separate Balance Sheet of Pan-International Industrial Corp. of December 31, 2020 and 2019, and the Separate Comprehensive Income Statement, Separate Statement of Changes in Shareholders Equity, the Separate Statement of Cash Flows, and the Notes to Separate Financial Statements (including the summary of significant accounting policies) covering the period of January 1 to December 31, 2020 and 2019.

In our opinion, on the basis of the result of our audit and the audit reports presented by other accountants (please refer to additional information section), all the material items prepared in these separate separate financial statements are in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Therefore, they are able to properly express the separate financial position of Pan-International Industrial Corp. as of December 31, 2020 and 2019, and the separate financial performance and separate cash flows from January 1 to December 31, 2020 and 2019.

### **Basis of our opinions**

We conducted our audits in accordance with the Rules Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the generally accepted auditing standards in the Republic of China for the statements of 2020, and the Regulations Governing the Audit and Attestation of Financial Statements by Certified Public Accountants, "Rule No. Financial-Supervisory-Securities-Auditing-1090360805 issued by the Financial Supervisory Commission on February 25, 2020", and the auditing principles generally accepted in the Republic of China for the statements of 2019. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Separate Financial Statements. We are independent of Pan-International Group in accordance with the CPA Code of Professional Ethics of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. On the basis of the result of our audit and the audit reports presented by other certified public accountants, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of 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 separate financial statements of Pan-International Industrial Corp. in 2020. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters in the 2020 Separate Financial Statements of Pan-International Industrial Corp. are specified below:

## **Assessment of the provision for valuation loss on inventory**

### Description

For information on the accounting policy of valuation of inventory, refer to Note 4 (13) of the Notes to Separate Financial Statements. The accounting estimate, and the uncertainty of assumption of the valuation of inventory is specified in Note 5 (2) of the Notes to Separate Financial Statements. The inventory items are specified in Note 6 (3) of the Notes to Separate Financial Statements. As of December 31, 2020, the balance of inventory and provision for valuation loss for Pan-International Industrial Corp. amounted to NT\$207,250,000 and NT\$50,976,000, respectively. The balance of inventory and provision for evaluation loss as stated in the consolidated financial statements of the same date amounted to NT\$2,163,387 and NT\$196,191,000, respectively.

The main product line marketed by Pan-International Industrial Corp. are cables for electronic signals, connectors, PCB and computer peripherals manufactured by subsidiaries. Rapid changes in the technological environment allows for only a short life cycle of the inventory. In addition, the inventory is highly vulnerable to price fluctuations in the market. The result is devaluation due to falling prices of inventory, or the risk of phase out is higher. Pan-International Industrial Corp. and its subsidiaries measure the normal sale of inventory using the lower of the cost or the net realizable value. The above provision for the valuation of inventory loss is mainly based on obsolete items or damaged items of inventory. The net realizable value is based on the experience of handling obsolete items of inventory in the estimation. Because the amount of inventory of Pan-International Industrial Corp. and subsidiaries is significant and the inventory covers a great variety of items, it requires human judgment in sorting out the obsolete or damaged items from the inventory. This requires further judgment in the audit. We therefore listed the provision for valuation loss of inventory of Pan-International Industrial Corp. and its subsidiaries as key audit matter.

### The appropriate audit procedure

We have conducted the following audit procedures on the provision for valuation loss of obsolete or damaged inventory:

Assess to determine if the policies for recognizing the provision for valuation loss of inventory in the financial statement period is consistent and reasonable.

Examine if the logic of the system of the inventory aging table for the valuation of inventory used by the management is appropriate, in order to confirm that the information presented in the financial statements is congruent with the policies.

Assess to determine if the provision for valuation loss of inventory is reasonable on the basis of the discussion with the management on the valuation of the net realizable value of the obsolete and damaged items of inventory and the supporting documents obtained.

## **The appropriateness of the manual journal entries**

### Description

The journal entries tracked the day-to-day transactions that took place, and the balance of the items for the financial statements and transaction amount are constituted through posting, aggregation, and classification. Pan-International Industrial Corp. classifies its daily journal entries into automatic entries and manual entries. Automatic entries refers to the operation procedure of initial transactions through the front-end subsystem (e.g., the systems of sale, purchase, production, and inventory) and the approval procedure, and the transfer of related transaction entities to the daily journal. Manual entries use a manual operation mode to directly record and approve other non-automatic transfers in the daily journal.

There are many modes for manual entries and they are complex, which involve manual operation and judgment. Inappropriate daily journal entries may result in material misstatement in the financial statements. We hold that manual entries in the daily journal are highly risky by nature, and singled out the examination of manual entries in the daily journal as key audit matter.

### The appropriate audit procedure

The audit procedure used and the general summary is specified as follows:

Understand and assess the character of manual entries in the daily journal and the entry process, the effectiveness of control, and the appropriate division of labor and authority among the staff, including inappropriate personnel, time, and account titles.

From the above understanding and assessment, for entries identified as high risk due to manual entry, we checked related supporting documents, the appropriateness of the entries, and the confirmation and approval of the authorized personnel.

## **Other matters - Audits conducted by other certified public accountants**

I. Some of the investee companies of Pan-International Industrial Corp. accounted for under the equity method were presented in the Separate Financial Statements. We did not audit the financial statements of these companies. These financial statements were audited by other certified public accountants, and we have made adjustments to these financial statements to make them consistent in accounting policy and conducted necessary examination procedures. Therefore, we presented an opinion on the above separate financial statements and the amount presented thereof is based on the auditors' report of the other certified public accountants. The investment of the above companies accounted for under the equity method amounted to NT\$2,837,693 thousand and NT\$2,773,549 thousand as of December 31, 2020 and 2019, which accounted for 19% and 17% of the individual total assets, respectively. The comprehensive income recognized by the aforementioned companies in the period of January 1 to December 31, 2020 and 2019, amounted to NT\$179,547 thousand and NT\$142,334 thousand, and accounted for 25% and 24% of the individual comprehensive incomes, respectively.

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

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

In preparing the separate financial statements., management is responsible for assessing the ability of Pan-International Industrial Corp. to continue as a going concern, disclosing relevant matters, and using the going concern basis of accounting, unless management either intends to liquidate Pan-International Industrial Corp. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Auditing Committee) are responsible for overseeing the financial reporting process of Pan-International Industrial Corp.

## **Auditor's Responsibilities for the Audit of the Separate Financial Statements**

Our objectives are to obtain reasonable assurance whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 generally accepted auditing standards of the Republic of China will always detect a material misstatement in the separate financial statements when it exists. Misstatements can arise from fraud or error. These 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 separate financial statements.

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

Identify and assess the risks of material misstatement of the separate 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.

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 internal control of Pan-International Industrial Corp.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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 Pan-International Industrial Corp. and its ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate 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 auditor's report. However, future events or conditions may cause Pan-International Industrial Corp. to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the separate financial statements (including the notes to the statements), and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Obtain sufficient appropriate audit evidence regarding the financial information of the entities within Pan-International Industrial Corp. to express an opinion on the separate financial statements. We are responsible for the direction, supervision and performance of the separate audit, and we are responsible for forming an audit opinion on the separate financial statements.

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 separate financial statements of Pan-International Industrial Corp. in 2020 and therefore are 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.



PwC Taiwan

Man-Yu Ruan Lu

Independent Auditors

Min-Chuan Feng

Former Financial Supervisory Commission, Executive Yuan

Approval No.: Jin-Guan-Cheng-Shen-Zi No. 0990058257

Former Securities and Futures Bureau, Financial Supervisory Commission, Executive Yuan

Approval No.: Jin-Guan-Cheng-VI-Zi No. 0960038033

March 23, 2021

Pan-International Industrial Corp.  
Parent Company Only Balance Sheet  
December 31, 2020 and 2019

Unit: NTD thousand

| Assets                    | Note                                    | December 31, 2020 |                      | December 31, 2019 |                      |            |
|---------------------------|---|-------------------|----------------------|-------------------|----------------------|------------|
|                           |   | Amount            | %                    | Amount            | %                    |            |
| <b>Current assets</b>     |   |                   |                      |                   |                      |            |
| 1100                      | Cash and cash equivalents               | 6 (1)             | \$ 1,376,015         | 9                 | \$ 496,952           | 3          |
| 1170                      | Net accounts receivable                 | 6 (2)             | 938,742              | 6                 | 1,393,409            | 8          |
| 1180                      | Accounts receivable - Related parties   | 7                 |                      |                   |                      |            |
|                           | net                                     |                   | 1,489,916            | 10                | 2,712,213            | 17         |
| 1200                      | Other receivables                       | 7                 | 423,543              | 3                 | 444,383              | 3          |
| 130X                      | Inventory                               | 6 (3)             | 156,274              | 1                 | 768,746              | 5          |
| 1479                      | Other current assets -others            |                   | 2,270                | -                 | 3,411                | -          |
| 11XX                      | <b>Total current assets</b>             |                   | <u>4,386,760</u>     | <u>29</u>         | <u>5,819,114</u>     | <u>36</u>  |
| <b>Non-Current Assets</b> |   |                   |                      |                   |                      |            |
| 1517                      | Financial assets measured at fair value | 6 (4)             |                      |                   |                      |            |
|                           | through other comprehensive income -    |                   |                      |                   |                      |            |
|                           | Non-current                             |                   | 1,233,266            | 9                 | 855,556              | 6          |
| 1550                      | Investment by equity method             | 6 (5)             | 9,254,068            | 62                | 9,425,629            | 58         |
| 1600                      | Property, plant, and equipment          | 6 (6)             | 18,788               | -                 | 19,704               | -          |
| 1760                      | Net investment property                 | 6 (7)             | 34,371               | -                 | 34,591               | -          |
| 1840                      | Deferred tax assets                     | 6 (20)            | 27,451               | -                 | 38,194               | -          |
| 1990                      | Other noncurrent assets - others        |                   | 248                  | -                 | 648                  | -          |
| 15XX                      | <b>Total non-current assets</b>         |                   | <u>10,568,192</u>    | <u>71</u>         | <u>10,374,322</u>    | <u>64</u>  |
| 1XXX                      | <b>Total assets</b>                     |                   | <u>\$ 14,954,952</u> | <u>100</u>        | <u>\$ 16,193,436</u> | <u>100</u> |

(To be Continued)

Pan-International Industrial Corp.  
Parent Company Only Balance Sheet  
December 31, 2020 and 2019

Unit: NTD thousand

| LIABILITIES AND EQUITY         |  | Note   | December 31, 2020    |            | December 31, 2019    |            |
|--------------------------------|--|--------|----------------------|------------|----------------------|------------|
|                                |  |        | Amount               | %          | Amount               | %          |
| <b>Current liability</b>       |  |        |                      |            |                      |            |
| 2100                           | Short-term borrowings                          | 6 (8)  | \$ 1,367,040         | 9          | \$ 1,573,950         | 10         |
| 2130                           | Contractual liabilities - Current              |        | 42,286               | -          | 36,448               | -          |
| 2170                           | Accounts payable                               |        | 661,873              | 4          | 1,095,039            | 7          |
| 2180                           | Accounts payable - Related parties             | 7      | 1,299,798            | 9          | 2,102,596            | 13         |
| 2200                           | Other payables                                 | 6 (9)  | 174,857              | 1          | 190,544              | 1          |
| 2230                           | Current tax liabilities                        | 6 (20) | 77,878               | 1          | 61,093               | -          |
| 2399                           | Other current liabilities - Other              |        | 500                  | -          | 768                  | -          |
| 21XX                           | <b>Total current liabilities</b>               |        | <u>3,624,232</u>     | <u>24</u>  | <u>5,060,438</u>     | <u>31</u>  |
| <b>Non-current liabilities</b> |  |        |                      |            |                      |            |
| 2570                           | Deferred tax liabilities                       | 6 (20) | 147,286              | 1          | 128,223              | 1          |
| 2640                           | Net defined benefit liabilities-<br>noncurrent | 6 (10) | 12,459               | -          | 40,776               | -          |
| 2670                           | Other noncurrent liabilities - others          |        | 5,186                | -          | 5,187                | -          |
| 25XX                           | <b>Total non-current liabilities</b>           |        | <u>164,931</u>       | <u>1</u>   | <u>174,186</u>       | <u>1</u>   |
| 2XXX                           | <b>Total liabilities</b>                       |        | <u>3,789,163</u>     | <u>25</u>  | <u>5,234,624</u>     | <u>32</u>  |
| <b>interests</b>               |  |        |                      |            |                      |            |
| Share capital                  |  | 6 (11) |                      |            |                      |            |
| 3110                           | Common share capital                           |        | 5,183,462            | 35         | 5,183,462            | 32         |
| Capital surplus                |  | 6 (12) |                      |            |                      |            |
| 3200                           | Capital surplus                                |        | 1,503,606            | 10         | 1,503,606            | 10         |
| Retained earnings              |  | 6 (13) |                      |            |                      |            |
| 3310                           | Legal reserve                                  |        | 1,062,342            | 7          | 959,410              | 6          |
| 3320                           | Special reserve                                |        | 1,312,274            | 9          | 883,205              | 6          |
| 3350                           | Unappropriated earnings                        |        | 3,453,829            | 23         | 3,741,403            | 23         |
| Other equities                 |  | 6 (14) |                      |            |                      |            |
| 3400                           | Other equities                                 |        | ( 1,349,724)         | ( 9)       | ( 1,312,274)         | ( 9)       |
| 3XXX                           | <b>Total equity</b>                            |        | <u>11,165,789</u>    | <u>75</u>  | <u>10,958,812</u>    | <u>68</u>  |
| 3X2X                           | <b>Total liabilities and equity</b>            |        | <u>\$ 14,954,952</u> | <u>100</u> | <u>\$ 16,193,436</u> | <u>100</u> |

The notes to the separate financial statements attached constitute an integral part of the statements, please refer to them, too.

Chairman : Sung-Fa Lu

Manager : Sung-Fa Lu

Accounting supervisor : Feng-An Huang

Pan-International Industrial Corp.  
Parent Company Only Comprehensive Income Statement  
January 1 to December 31, 2020 and 2019

Unit: NTD thousand  
(except in NTD for earnings per share)

| Item   | Note              | 2020              |             | 2019                 |             |
|--|-------------------|-------------------|-------------|----------------------|-------------|
|  |                   | Amount            | %           | Amount               | %           |
| 4000 Operating revenue   | 6 (15) and 7      | \$ 12,132,878     | 100         | \$ 17,288,805        | 100         |
| 5000 Operating cost  | 6 (13) (18) and 7 | ( 11,526,383)     | ( 95)       | ( 16,656,188)        | ( 96)       |
| 5900 Operating profit margin   |                   | <u>606,495</u>    | <u>5</u>    | <u>632,617</u>       | <u>4</u>    |
| Operating expenses   | 6 (18)            |                   |             |                      |             |
| 6100 Selling and marketing expenses  |                   | ( 70,729)         | -           | ( 90,863)            | ( 1)        |
| 6200 General and administrative expenses   |                   | ( 70,307)         | ( 1)        | ( 73,851)            | -           |
| 6300 Research and development expenses   |                   | ( 12,380)         | -           | ( 11,832)            | -           |
| 6450 Anticipated credit impairment (loss) benefit  | 12 (2)            | ( 1,848)          | -           | 319                  | -           |
| 6000 Total operating expenses  |                   | <u>( 155,264)</u> | <u>( 1)</u> | <u>( 176,227)</u>    | <u>( 1)</u> |
| 6900 Operating profit  |                   | <u>451,231</u>    | <u>4</u>    | <u>456,390</u>       | <u>3</u>    |
| Non-operating income and expense   |                   |                   |             |                      |             |
| 7100 Interest income   |                   | 8,343             | -           | 9,574                | -           |
| 7010 Other income  | 6 (16)            | 9,225             | ( 1)        | 17,068               | -           |
| 7020 Other gains and losses  | 6 (17)            | ( 29,460)         | -           | 123,929              | 1           |
| 7050 Financial costs   | 6 (19)            | ( 21,966)         | -           | ( 44,254)            | -           |
| 7070 The proportion of income from subsidiaries, associates, and joint ventures accounted for under the equity method  |                   | <u>341,342</u>    | <u>3</u>    | <u>591,614</u>       | <u>3</u>    |
| 7000 Total non-operating income and expenses   |                   | <u>307,484</u>    | <u>2</u>    | <u>697,931</u>       | <u>4</u>    |
| 7900 <b>Net income before tax</b>  |                   | <u>758,715</u>    | <u>6</u>    | <u>1,154,321</u>     | <u>7</u>    |
| 7950 Income tax expense  | 6 (20)            | ( 95,525)         | ( 1)        | ( 124,998)           | ( 1)        |
| 8200 <b>Net income for the period</b>  |                   | <u>\$ 663,190</u> | <u>5</u>    | <u>\$ 1,029,323</u>  | <u>6</u>    |
| <b>Other comprehensive income (net)</b>  |                   |                   |             |                      |             |
| <b>Items that will not be reclassified subsequently to profit or loss</b>  |                   |                   |             |                      |             |
| 8311 Remeasured value of defined benefit plan  | 6 (10)            | \$ 26,166         | -           | ( \$ 3,867)          | -           |
| 8316 Unrealized evaluation profit and loss of equity instrument investment measured at fair value through other comprehensive income                         | 6 (14)            | 554,103           | 5           | ( 107,578)           | ( 1)        |
| 8330 The other comprehensive income from subsidiaries, associates, and joint ventures accounted for under the equity method-items not reclassified as income | 6 (21)            | ( 411,687)        | ( 3)        | ( 43,222)            | -           |
| 8349 Income tax related to items not reclassified  | 6 (20)            | ( 5,233)          | -           | 773                  | -           |
| 8310 Total of items not reclassified to profit or loss   |                   | <u>163,349</u>    | <u>2</u>    | <u>( 153,894)</u>    | <u>( 1)</u> |
| <b>Items that may be reclassified subsequently to profit or loss:</b>  |                   |                   |             |                      |             |
| 8361 Currency translation difference   | 6 (14)            | ( 101,216)        | ( 1)        | ( 278,778)           | ( 2)        |
| 8360 Total of items that may be reclassified subsequently to profit or loss:   |                   | <u>( 101,216)</u> | <u>( 1)</u> | <u>( 278,778)</u>    | <u>( 2)</u> |
| 8300 <b>Other comprehensive income (net)</b>   |                   | <u>\$ 62,133</u>  | <u>1</u>    | <u>( \$ 432,672)</u> | <u>( 3)</u> |
| 8500 <b>Total comprehensive income in the current period</b>   |                   | <u>\$ 725,323</u> | <u>6</u>    | <u>\$ 596,651</u>    | <u>3</u>    |
| Earnings per share (EPS)   | 6 (22)            |                   |             |                      |             |
| 9750 Basic earnings per share  |                   | \$                | 1.28        | \$                   | 1.99        |
| 9850 Diluted earnings per share  |                   | \$                | 1.27        | \$                   | 1.97        |

The notes to the separate financial statements attached constitute an integral part of the statements, please refer to them, too.

Chairman : Sung-Fa Lu

Manager : Sung-Fa Lu

Accounting supervisor : Feng-An Huang

Pan-International Industrial Corp.  
Parent Company Only Statement of Changes in Shareholders Equity  
January 1 to December 31, 2020 and 2019

Unit: NTD thousand

|  | Note        | Capital surplus      |                                    |  | Retained earnings   |               |                 | Other equities          |                                 |   | Total Equity  |
|--|-------------|----------------------|------------------------------------|--|---|---------------|-----------------|-------------------------|---------------------------------|---|---------------|
|  |             | Common share capital | Capital reserve - Issuance premium | Capital reserve - Treasury share transaction | Capital reserve - difference between the price and face value from the acquisition or disposal of equity with subsidiaries. | Legal reserve | Special reserve | Unappropriated earnings | Currency translation difference | Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income |               |
| <u>2019</u>  |             |                      |                                    |  |   |               |                 |                         |                                 |   |               |
| January 1  |             | \$ 5,183,462         | \$ 1,402,318                       | \$ 98,543                                    | \$ 2,745  | \$ 840,872    | \$ 496,898      | \$ 3,790,709            | (\$ 783,138 )                   | (\$ 100,067 )   | \$ 10,932,342 |
| Net income for the period  |             | -                    | -                                  | -  | -   | -             | -               | 1,029,323               | -                               | -   | 1,029,323     |
| Other comprehensive income recognized for the period                         | 6 (14) (21) | -                    | -                                  | -  | -   | -             | -               | ( 3,603 )               | ( 278,778 )                     | ( 150,291 )   | ( 432,672 )   |
| Total comprehensive income in the current period                             |             | -                    | -                                  | -  | -   | -             | -               | 1,025,720               | ( 278,778 )                     | ( 150,291 )   | 596,651       |
| Earnings distribution and appropriation for 2018:                            | 6 (13)      |                      |                                    |  |   |               |                 |                         |                                 |   |               |
| Provision of legal reserve   |             | -                    | -                                  | -  | -   | 118,538       | -               | ( 118,538 )             | -                               | -   | -             |
| Provision of special reserve   |             | -                    | -                                  | -  | -   | -             | 386,307         | ( 386,307 )             | -                               | -   | -             |
| Cash dividends   |             | -                    | -                                  | -  | -   | -             | -               | ( 570,181 )             | -                               | -   | ( 570,181 )   |
| December 31  |             | \$ 5,183,462         | \$ 1,402,318                       | \$ 98,543                                    | \$ 2,745  | \$ 959,410    | \$ 883,205      | \$ 3,741,403            | (\$ 1,061,916 )                 | (\$ 250,358 )   | \$ 10,958,812 |
| <u>2020</u>  |             |                      |                                    |  |   |               |                 |                         |                                 |   |               |
| January 1  |             | \$ 5,183,462         | \$ 1,402,318                       | \$ 98,543                                    | \$ 2,745  | \$ 959,410    | \$ 883,205      | \$ 3,741,403            | (\$ 1,061,916 )                 | (\$ 250,358 )   | \$ 10,958,812 |
| Net income for the period  |             | -                    | -                                  | -  | -   | -             | -               | 663,190                 | -                               | -   | 663,190       |
| Other comprehensive income recognized for the period                         | 6 (14) (21) | -                    | -                                  | -  | -   | -             | -               | 20,860                  | ( 101,216 )                     | 142,489   | 62,133        |
| Total comprehensive income in the current period                             |             | -                    | -                                  | -  | -   | -             | -               | 684,050                 | ( 101,216 )                     | 142,489   | 725,323       |
| Earnings distribution and provisions for 2019:                               | 6 (13)      |                      |                                    |  |   |               |                 |                         |                                 |   |               |
| Provision of legal reserve   |             | -                    | -                                  | -  | -   | 102,932       | -               | ( 102,932 )             | -                               | -   | -             |
| Provision of special reserve   |             | -                    | -                                  | -  | -   | -             | 429,069         | ( 429,069 )             | -                               | -   | -             |
| Cash dividends   |             | -                    | -                                  | -  | -   | -             | -               | ( 518,346 )             | -                               | -   | ( 518,346 )   |
| Equity instruments measured at fair value through other comprehensive income | 6 (14)      | -                    | -                                  | -  | -   | -             | -               | 78,723                  | -                               | ( 78,723 )  | -             |
| December 31  |             | \$ 5,183,462         | \$ 1,402,318                       | \$ 98,543                                    | \$ 2,745  | \$ 1,062,342  | \$ 1,312,274    | \$ 3,453,829            | (\$ 1,163,132 )                 | (\$ 186,592 )   | \$ 11,165,789 |

The notes to the separate financial statements attached constitute an integral part of the statements, please refer to them, too.

Chairman: Sung-Fa Lu

Manager: Sung-Fa Lu

Accounting supervisor: Feng-An Huang

Pan-International Industrial Corp.  
Parent Company Only Statement of Cash Flows  
January 1 to December 31, 2020 and 2019

Unit: NTD thousand

|  | Note   | January 1 to<br>December 31, 2020 | January 1 to<br>December 31, 2019 |
|--|--------|-----------------------------------|-----------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |        |                                   |                                   |
| Income before income tax   |        | \$ 758,715                        | \$ 1,154,321                      |
| Adjustments  |        |                                   |                                   |
| income and expenses items  |        |                                   |                                   |
| Depreciation expenses and amortizations  | 6 (18) | 1,544                             | 1,571                             |
| Provision for anticipated credit impairment loss (reversal gain)   | 12 (2) | 1,848                             | ( 319 )                           |
| Net benefits of financial assets and liabilities measured at fair value through the income                       | 6 (17) | -                                 | ( 13,934 )                        |
| Interest expense   | 6 (19) | 21,966                            | 44,254                            |
| Interest income  |        | ( 8,343 )                         | ( 9,574 )                         |
| Dividend income  | 6 (16) | -                                 | ( 5,663 )                         |
| The proportion of income from subsidiaries, associates, and joint ventures accounted for under the equity method |        | ( 341,342 )                       | ( 591,614 )                       |
| Net profit from the disposal of non-current assets pending for sale  | 6 (17) | -                                 | ( 145,112 )                       |
| Unrealized foreign exchange gain   | 6 (23) | ( 73,935 )                        | ( 37,140 )                        |
| Changes in assets/liabilities related to business activities   |        |                                   |                                   |
| Net change in assets related to business activities  |        |                                   |                                   |
| Financial assets and liabilities measured at fair value through the income                                       |        | -                                 | 50,600                            |
| Net accounts receivable  |        | 452,597                           | ( 172,149 )                       |
| Accounts receivable - Related parties net  |        | 1,222,520                         | 1,000,034                         |
| Inventory  |        | 612,472                           | 288,121                           |
| Other receivables  |        | 42,563                            | 111,817                           |
| Other current assets   |        | 1,141                             | 465                               |
| Net change in liabilities related to business activities   |        |                                   |                                   |
| Accounts payable   |        | ( 433,166 )                       | ( 710,764 )                       |
| Accounts payable - Related parties   |        | ( 802,798 )                       | 87,835                            |
| Other payables   |        | ( 41,780 )                        | ( 74,988 )                        |
| Other current liabilities  |        | ( 268 )                           | ( 158 )                           |
| Other non-current liabilities  |        | ( 2,151 )                         | 2,482                             |
| Contractual liabilities  |        | 5,838                             | ( 121,113 )                       |
| Cash inflow from operations  |        | 1,417,421                         | 858,972                           |
| Income tax paid  |        | ( 54,167 )                        | ( 137,589 )                       |
| Net cash inflow from business activities   |        | 1,363,254                         | 721,383                           |
| <u>Cash flows from investing activities</u>  |        |                                   |                                   |
| Decrease (increase) of funds lend to related parties   |        | 946                               | ( 989 )                           |
| Proceeds from disposal of financial assets measured at fair value through other comprehensive income             |        | 166,954                           | -                                 |
| Refund of capital investment in financial assets measured at fair value through other comprehensive income       |        | 9,439                             | -                                 |
| Proceeds from disposal of non-current assets pending for sale  |        | -                                 | 246,191                           |
| Purchase of property, plant and equipment  |        | ( 220 )                           | -                                 |
| Decrease (increase) of receivables from purchase of materials for a third party                                  |        | 3,423                             | ( 24,638 )                        |
| Decrease in refundable deposits  |        | 211                               | -                                 |
| Interest received  |        | 8,343                             | 9,574                             |
| Dividend received  |        | -                                 | 13,363                            |
| Net cash inflow from investment activities   |        | 189,096                           | 243,501                           |
| <u>Cash flows from financing activities</u>  |        |                                   |                                   |
| Decrease in short-term borrowings  | 6 (23) | ( 132,975 )                       | ( 278,190 )                       |
| Interest paid  |        | ( 21,966 )                        | ( 44,254 )                        |
| Cash dividend payment  | 6 (13) | ( 518,346 )                       | ( 570,181 )                       |
| Net cash outflow from financing activities   |        | ( 673,287 )                       | ( 892,625 )                       |
| Increase in cash and cash equivalents in the current period  |        | 879,063                           | 72,259                            |
| Cash and cash equivalents at the beginning of the period   |        | 496,952                           | 424,693                           |
| Cash and cash equivalents at the end of the period   |        | \$ 1,376,015                      | \$ 496,952                        |

The notes to the separate financial statements attached constitute an integral part of the statements, please refer to them, too.

Chairman : Sung-Fa Lu

Manager : Sung-Fa Lu

Accounting supervisor : Feng-An Huang

Pan-International Industrial Corp.  
Notes to Parent Company Only Financial Statements  
2020 and 2019

Unit: NTD thousand  
(unless otherwise noted)

Organization and operations

Pan-International Industrial Corp. (hereinafter referred to as “the Company”) was established in the Republic of China. The principal business of the Company includes the development, manufacturing, and sale of electronic signal cables, connectors, electronic signal cable connectors, precision moulds, PCB and other computer peripherals.

The Authorization of Financial Reports

The Separate Financial Statements have been passed by the Board on March 23, 2021, for announcement.

Application of Newly Released and Revised Standards and Interpretations

The impact of the adoption of the new and revised International Financial Reporting Standards (IFRS) approved by the Financial Supervisory Commission (FSC)

The following table sets forth the standards and interpretations for the new issues, amendments, and revisions of International Financial Reporting Standards (IFRS) recognized by the FSC for application in 2020:

| New issued/amended/revised standards and interpretations                          | Effective date of the<br>release of the<br>International<br>Accounting Standards<br>Board |
|---|---|
| Amendments to IAS 1 and IAS 8 "Disclosure initiative - Definition of materiality" | January 1, 2020   |
| Amendment to IFRS 3 "Definition of business"                                      | January 1, 2020   |
| Amendments to IFRS 9, IAS 39, and IFRS 7 "Interest Rate Benchmark Reform"         | January 1, 2020   |
| Amendment to IFRS 16 "Rent reduction related to new coronavirus pneumonia"        | June 1, 2020 (Note)   |
| Note: FSC has authorized early application from January 1, 2020 onward.           |   |

The Company has assessed that the standards and interpretations above have no significant impact on the financial position and financial performance of the Company.

Impact of not adopting the new and revised International Financial Reporting Standards approved by the FSC

The following table sets forth the standards and interpretations for the new issues, amendments, and revisions of International Financial Reporting Standards (IFRS) recognized by the FSC for application in 2021:

Effective date of the  
release of the  
International Accounting  
Standards Board

New issued/amended/revised standards and interpretations

Amendment to IFRS 4 "Extension of temporary exemption  
from the application of IFRS 9"

January 1, 2021

Amendments to the IFRS 9, IAS 39, IFRS 7, IFRS 4, and  
IFRS 16 second stage "Interest rate benchmark reform"

January 1, 2021

The Company has assessed that the standards and interpretations above have no significant impact on the financial position and financial performance of the Company.

Impact of International Financial Reporting Standards issued by the International Accounting Standards Board not yet approved by the FSC

The following table summarizes the newly issued, amended, and revised standards and interpretations of International Financial Reporting Standards issued by the IASB but not yet recognized by the FSC:

Effective date of the  
release of the  
International  
Accounting Standards  
Board

New issued/amended/revised standards and interpretations

Amendment to IFRS 3 "Index to conceptual framework"

January 1, 2022

Amendments to IFRS 10 and IAS 28 "Asset sales or  
investments between investors and their associated enterprises  
or joint ventures"

To be decided by IASB

IFRS 17 "Insurance contracts"

January 1, 2023

Amendment to IFRS 17 "Insurance contracts"

January 1, 2023

Amendment to IAS 1 "Classification of current or non-current  
liabilities"

January 1, 2023

Amendment to IAS 1 "Disclosure of Accounting Policies"

January 1, 2023

Amendment to IAS 8 "Definition of Accounting Estimates"

January 1, 2023

Amendment to IAS 16 "Property, plant and equipment: price  
before reaching intended use"

January 1, 2022

Amendment to IAS 37 "Loss contracts - Cost of performing  
contracts"

January 1, 2022

Annual improvement from 2018 to 2020

January 1, 2022

The Company has assessed that the standards and interpretations above have no significant impact on the financial position and financial performance of the Company.

Summary of Significant Accounting Policies

The major accounting policies adopted in the preparation of the separate financial statements are as follows. Unless otherwise stated, these policies apply consistently throughout the reporting period.

Statement of compliance

The separate financial statements were compiled in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.



### Basis of preparation

1. The separate financial statements were compiled on the basis of historical cost except for the following important items:

- (1) Financial assets and liabilities (including derivatives) are measured at fair value through income.
- (2) Financial assets measured at fair value through other comprehensive income.
- (3) Defined benefit liabilities are recognized according to the net amount of retirement fund assets minus the present value of defined benefit obligations.

2. The preparation of financial reports in accordance with the International Financial Reporting Standards, International Accounting Standards, Interpretation and Interpretation Announcements (hereinafter referred to as IFRSs) recognized by the Financial Supervisory Commission requires the use of some important accounting estimates. In the application of the Company's accounting policies, the management also needs to use its judgment, involving items with high judgment or complexity, or major assumptions and estimates involving separate financial reports. Please refer to note 5 for details.

### Foreign exchange conversion

1. The separate financial statements were presented in the functional currency of the Company, which is "NTD".

2. Foreign currency transactions and balances

(1) Foreign currency transactions are converted into the functional currency at the spot exchange rate on the transaction date or measurement date, and the conversion difference arising from the conversion of such transactions is recognized as current profit and loss.

(2) The balance of foreign currency monetary assets and liabilities shall be evaluated and adjusted at the spot exchange rate on the balance sheet date, and the conversion difference arising from the adjustment shall be recognized as the current profit and loss.

(3) The balance of foreign currency non-monetary assets and liabilities measured at fair value through income shall be evaluated and adjusted according to the spot exchange rate on the balance sheet date, and the exchange difference arising from the adjustment shall be recognized as the current profit and loss; if the balance is measured at fair value through other comprehensive income, it shall be evaluated and adjusted according to the spot exchange rate on the balance sheet date, and the exchange difference arising from the adjustment shall be recognized in others comprehensive income; if it is not measured by fair value, it is measured according to the historical exchange rate on the initial trading day.

(4) All exchange gains and losses are reported in "other gains and losses" in the income statement.

3. Conversion of foreign operations

(1) For all group individuals and affiliated enterprises whose functional currency is different from the presentation currency, their operating results and financial status shall be converted into the presentation currency in the following ways:

A. The assets and liabilities expressed in each balance sheet are converted at the spot exchange rate on the balance sheet date;

B. The income and expense losses expressed in each consolidated income statement are converted at the current average exchange rate; and

C. All exchange differences arising from the conversion are recognized in other comprehensive income.

D. When the foreign operation which is partially disposed of or sold is a subsidiary, the accumulated exchange difference recognized in other comprehensive income is returned to the non-controlling interest of the foreign operation on a pro-rata basis. If the Company still has the equity of the former subsidiaries in part but lost the control of the foreign operations, it should be treated as the disposal of the equity of the foreign operations in whole.

(2) Goodwill and fair value adjustments arising from the acquisition of a foreign individual entity are treated as assets and liabilities of the foreign individual entity and are converted at the exchange rate at the end of the period.

#### Classification criteria for current and non-current assets and liabilities

1. Assets that meet one of the following conditions are classified as current assets:

- (1) The asset is expected to be realized in the normal business cycle or intended to be sold or consumed.
- (2) Held mainly for trading purposes.
- (3) Expected to be realized within 12 months after the balance sheet date.
- (4) Cash or cash equivalents, except for those to be exchanged or used to settle liabilities in at least 12 months after the balance sheet date.

The Company classified all the assets not conforming to the above conditions as noncurrent assets.

2. Liabilities that meet one of the following conditions are classified as current liabilities:

- (1) Those that are expected to be settled in the normal business cycle.
- (2) Held mainly for trading purposes.
- (3) Expected to be settled within 12 months after the balance sheet date.
- (4) The repayment period cannot be unconditionally deferred to at least 12 months after the balance sheet date. The terms of the liabilities may be based on the choice of the counterparty; the fact that the liabilities are settled due to the issuance of equity instruments does not affect its classification.

The Company classified all the liabilities not conforming to the above conditions as noncurrent assets.

#### Cash equivalents

Cash equivalents refer to short-term and highly liquid investments that can be converted into a fixed amount of cash at any time with little risk of change in value. Time deposits that meet the definition above and are held to meet short-term cash commitments in operation are classified as cash equivalents.

#### Financial assets at FVTPL

1. Financial assets measured at fair value through income refer to financial assets held for trading. Financial assets are classified as held for trading if they are mainly to be sold in a short period at the time of acquisition. Derivatives are classified as financial assets held for trading, except those designated as hedging items according to hedge accounting.
2. The Company adopts the transaction day accounting on financial assets measured at fair value through profit and loss in conformity with trading practices.
3. At initial recognition, the Company measured at fair value. Related transactions cost will be recognized as profit and loss in the period. Subsequently, they are measured at fair value and changes in profit or loss are recognized in profit or loss.

4. If the right to dividend has been determined, economic benefits related to the dividend may flow in, and when the amount of dividend can be measured with reliability, the Company recognizes dividend income in profit and loss.

#### Financial assets at FVTOCI

1. Refers to an irrevocable choice at the time of initial recognition to report changes in the fair value of equity instrument investments that are not held for trading in other comprehensive income; or debt instrument investments that meet the following conditions at the same time:

- (1) The financial asset is held under the business model to collect contractual cash flow and for sale.
  - (2) The cash flow generated on a specific date from the contractual terms of the financial assets is entirely the interest in the payment of the principal and the outstanding principal amount.
2. The Company adopts the transaction day accounting on financial assets measured at fair value through other comprehensive income in conformity with trading practices.

3. At initial recognition, the Company measured at fair value plus the cost of transactions, and measured at fair value in subsequent recognition:

(1) Changes in the fair value of equity instruments are recognized in other comprehensive income. At the time of derecognition, the accumulated profits or losses previously recognized in other comprehensive income shall not be reclassified to profit or loss but transferred to retained earnings. If the right to dividend has been determined, economic benefits related to the dividend may flow in, and when the amount of dividend can be measured with reliability, the Company recognizes dividend income in profit and loss.

(2) Changes in the fair value of debt instruments are recognized in other comprehensive income, and the impairment loss, interest income, and foreign currency exchange gain or loss before derecognition are recognized in profit or loss. At the time of derecognition, the accumulated gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

#### Financial assets measured at after-amortization cost

1. Refers to those who meet the following conditions at the same time:

- (1) Holding the financial asset under the business model to collect the contractual cash flow.
- (2) The cash flow generated on a specific date from the contractual terms of the financial assets is entirely the interest in the payment of the principal and the outstanding principal amount.

2. The Company adopts the transaction day accounting on financial assets measured at amortized cost in conformity with trading practices.

3. The Company measures its fair value plus transaction cost at the time of original recognition. Subsequently, the effective interest method is adopted to recognize interest income and impairment loss in the current period according to the amortization procedure, and the profit or loss is recognized in profit and loss at the time of derecognition.

4. Due to the short holding period, the fixed deposits held by the Company that do not conform to cash equivalents have an insignificant discount effect and are therefore measured by the investment amount.

### Accounts and notes receivable

1. Refer to accounts and notes which, according to the contract, have the unconditional right to receive the amount of consideration obtained from the transfer of goods or services.
2. For short-term accounts receivable and notes receivable without interest payment, the effect of discount is marginal, therefore the Company measures at the initial invoice amount.

### Impairment of financial assets

On each balance sheet day, the Company considers all reasonable and verifiable information (including forward-looking) in respect to debt instrument investment measured at fair value through other comprehensive income, financial assets measured at amortized cost, and accounts receivable with significant financial components. If the credit risk does not increase significantly since the original recognition, the loss allowance is measured as 12 months expected credit loss; if the credit risk has increased significantly since the original recognition, the loss allowance is measured according to the expected credit loss amount for their duration; for accounts receivable or contract assets that do not contain significant financial components, the loss allowance is measured according to the expected credit loss amount for their duration.

### Derecognition of financial assets

When the Company's contractual right to receive cash flows from financial assets lapses, the financial assets will be derecognized.

### Lease Transaction -Lessor

Lease income from operating leases, after deducting any incentives given to the lessee, is amortized and recognized as current income on a straight-line method during the lease period.

### Inventory

Inventories are measured by the lower of cost and net realizable value, and the cost is determined by the weighted average method. The cost of finished products and work-in-progress includes raw materials, direct labor, other direct costs, and production-related manufacturing expenses (allocated according to normal production capacity), but does not include borrowing costs. When comparing whether the cost or the net realizable value is lower, the item-by-item comparison method is adopted. The net realizable value refers to the balance of the estimated selling price in the normal business process after subtracting the estimated cost that must be invested before completion and related variable sales expenses.

### Non-current assets to be sold (or the disposal group)

When the book value of a non-current asset (or the disposal group) is mainly recovered through a sale transaction rather than continued use, and it is highly likely to be sold, then it is classified as an asset for sale and is measured at the lower of its book value or fair value less the cost of sale.

### Investment using the equity method / Subsidiaries and associates

1. Subsidiaries refer to individual entities (including structured individual entities) controlled by the Company. When the Company is exposed to or entitled to variable remuneration from participation in an individual entity, and can influence such remuneration through the power over the individual entity, the Company controls such an individual entity.
2. The unrealized income derived from the transactions between the Company and subsidiaries has been eliminated. Necessary changes in the accounting policies of the subsidiaries have been made for consistency with the accounting policies of the Company.
3. The share of income after the acquisition of the subsidiary by the Company is recognized as income in the current period. Other comprehensive income after the acquisition of the subsidiary is recognized as other comprehensive income. If the share of loss of the subsidiary recognized by the Company is greater than or equal to the equity of the subsidiary, the Company shall continue to recognize for loss in proportion to the holding of shares.
4. If the changes in the proportion of shareholding over the subsidiary do not result in the loss of control (transactions with non-controlling interests), it is processed as equity transaction and seen as transactions among owners. The difference between the adjustment amount of a non-controlling interest and the fair value of the consideration paid or received is directly recognized under equity.
5. Associates are entities over which the Company has significant influence but no control. In general, these are the entities where the Company directly or indirectly holds more than 20% of their shares with voting rights. The Company's investment in associates is treated with the equity method and recognized at cost when acquired.
6. The share of income after the acquisition of the associate by the Company shall be recognized as income in the current period. Other comprehensive income after the acquisition is recognized as other comprehensive income. If the share of loss from any of the associates of the Company is greater than or equal to the equity of the associate (including any other unsecured receivables), the Company will not recognize for further loss unless the Company has legal obligations, presumed obligations or has paid for the loss.
7. In case of changes in equity other than income or other comprehensive income at the associate where the proportion of the shareholding of the associate remains unaffected, the Company shall recognize the share of changes in equity of the associate entitled to the Company as "capital reserve" in proportion to the holding of shares over the associate.
8. The unrealized profit and loss from the transactions between the Company and associates shall be written off in proportion to the equity of the associate held by the Company; unless there is evidence indicating the assets transferred in the transaction have been impaired, the unrealized loss shall also be written off. Necessary changes in the accounting policies of the associates have been made for consistency with the accounting policies of the Company.

9. If the associate has offered new shares but the Company did not subscribe or acquire these new shares in proportion to its holding, to the extent that the proportion of investment has changed but the Company still has significant influence, any change in the net value of the equity shall be the adjustment of “capital reserve” and “investment accounted for under the equity method”. If the investment proportion fell, with the exception of the above adjustment, anything related to the decrease in equity which has previously been recognized as profit or loss under other comprehensive income, and such profit or loss shall be reclassified as income at the time of the disposal of related assets or liabilities, and shall be reclassified according to the proportion of the decrease.

10. If the Company loses significant influence over an associate when disposing of it, the full amount related to the associate previously recognized as other comprehensive income shall be treated the same as the direct disposal of related assets or liabilities in accounting. In other words, the Company shall reclassify the disposed assets or liabilities as income or loss previously recognized as profit or loss under other comprehensive income. When losing significant influence over the associate, the profit or loss shall be reclassified as income from equity. If the Group still has a significant influence on the affiliated enterprise, the amount previously recognized in other comprehensive income shall be transferred out in the above manner only in proportion.

11. According to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the income and other comprehensive income presented in the separate financial statements of the current period shall be identical with the share of income and other comprehensive income attributable to the parent company as presented in the separate financial statements of the current period. Likewise, the shareholders equity presented in the separate financial statements shall be the same as the shareholders equity attributable to the parent company presented in the separate financial statements.

#### Property, plant, and equipment

1. Property, plant and equipment are recorded based on the acquisition cost, and the relevant interest during the acquisition and construction period is capitalized.

2. Subsequent cost could be included as asset in the book value of assets or recognized as an independent asset only when the future economic benefit related to the cost of the item will likely flow into the Company in the future and the cost of the item can be reliably measured. The book value of the reset part should be derecognized. All other maintenance costs are recognized in current profit or loss when incurred.

3. For property, plant and equipment, the cost model is adopted for the subsequent measurement. Except that land is not depreciated, the depreciation is calculated by the straight-line method according to the estimated service life. If the components of property, plant and equipment are significant, they are separately depreciated.

4. The Company will review the residual value, life span and depreciation method of all assets on the last day of each fiscal year. If the residual value and life span differs from the previous estimation, or the expected mode of depletion of the economic benefit inherent to the assets has changed significantly, it shall be handled in accordance with the provisions for changes in accounting estimates in IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” from the day of change. The service life of each asset is as follows:

|           |               |
|-----------|---------------|
| Buildings | 20 ~ 40 years |
| Equipment | 2 ~ 10 years  |
| Others    | 2 ~ 10 years  |

### Investment property

Investment property is recognized at the acquisition cost, and the cost model is adopted for the subsequent measurement. Except for land, depreciation is made on a straight-line method based on the estimated service life, and the service life is 10 ~ 40 years.

### Impairment of non-financial assets

The Company estimates the recoverable amount of assets with signs of impairment on the balance sheet date. When the recoverable amount is lower than its book value, the impairment loss is recognized. The recoverable amount refers to the fair value of an asset minus disposal cost or its right-of-use value, whichever is higher. Except for goodwill, when there is no impairment or reduction in the assets recognized in the previous year, the impairment loss will be reversed, but the book value of the assets increased by the reversal of the impairment loss shall not exceed the book value of the assets if the impairment loss is not recognized after deduction of the depreciation or amortization.

### Borrowings

Refers to short-term borrowings from a bank. The Company measures their fair value minus transaction costs at the time of initial recognition, and subsequently, for any difference between the price after deducting transaction costs and the redemption value, the effective interest method is used to recognize interest expenses in profit and loss during the outstanding period according to the amortization procedure.

### Accounts and notes payable

1. Refers to debts arising from the purchase of raw materials, commodities, or labor services on credit and notes payable due to business and non-business reasons.
2. For short-term accounts and notes payable that belong to unpaid interest, as the discounting effect is insignificant, the Group uses the original invoice amount to measure the value.

### Derecognition of financial liabilities

The Company will derecognize financial liabilities if the contractual obligation has been performed, canceled or expired.

### Employee welfare

1. Short-term employee benefits

Short-term employee benefits are measured by the non-discounted amount expected to be paid and recognized as expenses when the related services are provided.

## 2. Pension

### (1) Defined allocation plan

For a defined allocation plan, the amount of pension funds to be allocated is recognized as the current pension cost on an accrual basis. Advance allocations are recognized as assets to the extent that cash is refundable or future payments are reduced.

### (2) Defined benefit plan

A. The net obligation under a defined benefit plan is calculated by discounting the future benefit amount earned by the employee in the current or past service, and the fair value of the plan asset is deducted from the present value of the defined benefit obligation on the balance sheet date. The net obligation of defined benefits is calculated annually by an actuary using the projected unit benefit method. The discount rate is determined by reference to the market yield of high-quality corporate bonds that are consistent with the currency and period of the defined benefit plan on the balance sheet date; in countries where there is no deep market for high-quality corporate bonds, the market yield of government bonds (on the balance sheet date) is used.

B. The rereasured amount arising from a defined benefit plan is recognized in other comprehensive income in the period in which it occurs and is expressed in retained earnings.

C. Expenses related to cost of service of the previous period shall be recognized as profit or loss at once.

## 3. Employee remuneration and director's remuneration

Employee remuneration and director's remuneration are recognized as expenses and liabilities when they have legal or constructive obligations and the amount can be reasonably estimated.

### Income tax

1. Income tax expense includes current and deferred income tax. Income tax is recognized in profit or loss, except for income tax related to items included respectively in other comprehensive income or directly included in equity.

2. The Company calculates the income tax in the current period on the basis of the tax rate already legislated or actually in force in the country of operation or where payable tax is realized as of the balance sheet day. The management assesses the status of income tax returns regularly concerning the applicable income tax laws and regulations, and, where applicable, assesses income tax liabilities based on the amount of tax expected to be paid to the tax authorities. Undistributed earnings are subject to income tax in accordance with the income tax law, and the income tax expense of undistributed earnings shall be recognized in accordance with the actual distribution of earnings in the year following the year in which the earnings are generated after the earnings distribution proposal is passed by the shareholders' meeting.

3. Deferred income tax is recognized according to the temporary difference between the tax base of assets and liabilities and their book value in the separate balance sheet by using the balance sheet method. Deferred income tax liabilities arising from originally recognized goodwill are not recognized. If the deferred income tax comes from the originally recognized assets or liabilities in a transaction (excluding business merger), and the accounting profit or tax income (tax loss) is not affected at the time of the transaction, then it is not recognized. If there is a temporary difference arising from the investment in subsidiaries and associates, the Company may control the time point for the reversal of the temporary difference, and does not recognize the temporary difference if it could not be reversed in the foreseeable future. Deferred income tax is subject to the tax rate (and tax law) that has been enacted or substantively enacted on the balance sheet date and is expected to apply when the relevant deferred income tax assets are realized or the deferred income tax liabilities are settled.



4. Deferred income tax assets are recognized to the extent that the temporary differences are likely to be used to offset future taxable income, and the unrecognized and recognized deferred income tax assets are reassessed on each balance sheet date.

5. The current income tax assets and current income tax liabilities can be offset when there is a legal enforcement right to offset the recognized current income tax assets and liabilities and there is an intention to pay off on a net basis or to realize assets and liabilities at the same time. When there is a legal enforcement right to offset the current income tax assets and current income tax liabilities, and the deferred income tax assets and liabilities are generated by the same taxpayer, or different taxpayers of the same tax authority and each entity intends to pay off the assets and liabilities on a net basis or realize the assets and settle the liabilities at the same time, then the deferred income tax assets and liabilities can be offset against each other.

#### Dividend distribution

Dividends distributed to the company's shareholders are recognized in the financial reports when the company's shareholders' meeting decides to distribute such dividends. Cash dividends are recognized as liabilities, and stock dividends are recognized as stock dividends to be distributed and transferred to common shares on the base date of issuing new shares.

#### Revenue recognition

The sale of 3C and related products. Revenue from sales is recognized when the control of the product is transferred to the customer, which is when the product is delivered to the buyer. The buyer has discretion over the price of the product, and the Company has no outstanding performance obligation that may affect the customer's acceptance of the product. When the product is delivered to the designated place, the risk of obsolescence and loss has been transferred to the customer, and the customer accepts the product according to the sales contract, or if there is objective evidence to prove that all acceptance criteria have been met. Accounts receivable are recognized when the goods are delivered to the customer. After that, the Company has unconditional rights to the contract price, and the consideration can be collected from the customer after a certain period of time.

## Major Sources of Uncertainty in Significant Accounting Judgments, Estimates, and Assumptions

When the Company prepares the separate financial statements, the management has used its judgment to determine the adopted accounting policies and has made accounting estimates and assumptions based on the reasonable expectations of future events based on the situation on the balance sheet date. Significant accounting estimates and assumptions made may differ from the actual results. Historical experience and other factors will be considered for continuous evaluation and adjustment. These estimates and assumptions contain risk that may result in significant adjustments to the book values of assets and liabilities in the next fiscal year. Please see below for a detailed description of the uncertainties of significant accounting judgments, estimates, and assumptions:

### Important judgment on the adoption of accounting policies

#### Recognition of gross or net income

The Company determines if it is the owner or agent of the transaction depending on the mode of trade and whether the economic benefit is exposed to significant risk and return deriving from the sale of products or rendering of services. If the transaction of product sales or rendering of services is exposed to significant risk and return, the Company is the owner, and it is recognized as income on the total amount of economic benefit receivable or received. If the Company is judged as the agent, the net sale is recognized as income.

The Company recognizes the incomes from some customers in total when meeting the following indicators on the characteristics of an owner:

1. Assuming the primary responsibility of the supply of products or services
2. Assuming the risk of inventory
3. Assuming the credit risk of the customers

### Important accounting estimates and assumptions

The Company makes accounting estimates on the basis of the reasonable expectation of events in the future projected from the situation on the balance sheet day, but the actual result may be different from the expectation. For the assets and liabilities of the next fiscal year that may be exposed to the risk of significant adjustment of the book value in estimate and assumption, please refer to the following details:

#### Inventory evaluation

Since inventory must be priced at the lower of the cost and net realizable value, the Company must use judgment and estimation to determine the net realizable value of inventory on the balance sheet date. Due to rapid changes in technology, the Company assesses the amount of inventory on the balance sheet due to normal wear and tear, obsolescence, or lack of market sales value, and writes off the cost of inventory to net realizable value. This inventory evaluation is mainly based on the estimated product demand in a specific period in the future, so significant changes may occur.

## Note to important account titles

### Cash and cash equivalents

|                                      | December 31, 2020   | December 31, 2019 |
|--------------------------------------|---------------------|-------------------|
| Cash on hand and working capital     | \$ 80               | \$ 80             |
| Checking and demand deposit accounts | 1,125,935           | 396,872           |
| Time deposit                         | 250,000             | 100,000           |
|                                      | <u>\$ 1,376,015</u> | <u>\$ 496,952</u> |

The credit quality of the financial institutions with which the Company interacts is good, and the Company interacts with several financial institutions to diversify credit risks. The probability of default is expected to be very low.

### Accounts receivable

|                                     | December 31, 2020 | December 31, 2019   |
|-------------------------------------|-------------------|---------------------|
| Accounts receivable                 | 943,538           | 1,396,135           |
| Less: Allowance for impairment loss | ( 4,796 )         | ( 2,726 )           |
|                                     | <u>\$ 938,742</u> | <u>\$ 1,393,409</u> |

1. The balance of accounts receivable on December 31, 2020 and 2019 are generated from customer contracts. As of January 1, 2019, the balance of accounts receivable from customer contracts amounted to NT\$1,223,986.
2. The Company does not hold any collateral.
3. For additional information on related credit risk, refer to Note 12 (2).

### Inventory

|                   | December 31, 2020 |                                   |                   |
|-------------------|-------------------|-----------------------------------|-------------------|
|                   | Cost              | Allowance for<br>valuation losses | Book value        |
| Raw materials     | \$ 17,785         | ( \$ 3,250 )                      | \$ 14,535         |
| Work in process   | 189,465           | ( 47,726 )                        | 141,739           |
| Finished products | 207,250           | ( \$ 50,976 )                     | \$ 156,274        |
|                   | <u>\$ 17,785</u>  | <u>( \$ 3,250 )</u>               | <u>\$ 14,535</u>  |
|                   | December 31, 2019 |                                   |                   |
|                   | Cost              | Allowance for<br>valuation losses | Book value        |
| Raw materials     | \$ 435,302        | ( \$ 99 )                         | \$ 435,203        |
| Work in process   | 385,313           | ( 51,770 )                        | 333,543           |
| Finished products | 820,615           | ( \$ 51,869 )                     | \$ 768,746        |
|                   | <u>\$ 435,302</u> | <u>( \$ 99 )</u>                  | <u>\$ 435,203</u> |

Cost of inventory recognized by the Company as expense losses in current period:

|  | 2020                 | 2019                 |
|--|----------------------|----------------------|
| Cost of inventory sold                       | \$ 11,527,276        | \$ 16,644,251        |
| Valuation loss (rebound profit) of inventory | ( 893 )              | 11,937               |
|  | <u>\$ 11,526,383</u> | <u>\$ 16,656,188</u> |

Because the Company got rid off part of the inventory of which the net realizable value fell below the cost in the period of January 1 to December 31, 2020, the net realizable value of inventory rebounded.

Financial assets measured at fair value through other comprehensive income - Non-current

| Item                                | December 31, 2020 | December 31, 2019 |
|-------------------------------------|-------------------|-------------------|
| Non-current items:                  |                   |                   |
| Equity instruments                  |                   |                   |
| Listed and OTC stocks               | \$ 1,166,154      | \$ 786,236        |
| Non-listed, OTC, or emerging stocks | 67,112            | 69,320            |
| Total                               | \$ 1,233,266      | \$ 855,556        |

1. The Company has recognized the changes in fair values as other comprehensive income in 2020 and 2019, and the detail is specified in Note 6 (14), other equities.

2. The Company did not pledge any of the financial assets measured at fair value through other comprehensive income on December 31, 2020 and 2019.

3. For additional information related to credit risk, refer to Note 12 (2).

Investment by equity method

|  | December 31, 2020 | December 31, 2019 |
|--|-------------------|-------------------|
| Pan Global Holding Co., Ltd. (PGH)                       | \$ 8,741,959      | \$ 8,833,046      |
| PAN- INTERNATIONAL ELECTRONICS<br>INC.(PIU)              | 195,781           | 192,689           |
| Yen Yung International Investment Co., Ltd (Yen<br>Yung) | 316,328           | 399,894           |
|  | \$ 9,254,068      | \$ 9,425,629      |

For information on the subsidiaries of the Company, refer to Note 4 (3) of the 2020 consolidated financial statements of the Company.

## Property, plant, and equipment

|                          | <u>Land</u>      | <u>Buildings</u> | <u>Equipment</u> | <u>Others</u>   | <u>Total</u>     |
|--------------------------|------------------|------------------|------------------|-----------------|------------------|
| <u>January 1, 2020</u>   |                  |                  |                  |                 |                  |
| Cost                     | \$ 17,567        | \$ 15,943        | \$ 179,207       | \$ 20,819       | \$ 233,536       |
| Cumulative depreciation  | -                | ( 15,943 )       | ( 178,304 )      | ( 19,585 )      | ( 213,832 )      |
|                          | <u>\$ 17,567</u> | <u>\$ -</u>      | <u>\$ 903</u>    | <u>\$ 1,234</u> | <u>\$ 19,704</u> |
| <u>2020</u>              |                  |                  |                  |                 |                  |
| January 1                | \$ 17,567        | \$ -             | \$ 903           | \$ 1,234        | \$ 19,704        |
| Addition                 | -                | -                | 220              | -               | 220              |
| Depreciation expenses    | -                | ( - )            | ( 577 )          | ( 559 )         | ( 1,136 )        |
| December 31              | <u>\$ 17,567</u> | <u>\$ -</u>      | <u>\$ 546</u>    | <u>\$ 675</u>   | <u>\$ 18,788</u> |
| <u>December 31, 2020</u> |                  |                  |                  |                 |                  |
| Cost                     | \$ 17,567        | \$ 15,943        | \$ 179,374       | \$ 19,544       | \$ 232,428       |
| Cumulative depreciation  | -                | ( 15,943 )       | ( 178,828 )      | ( 18,869 )      | ( 213,640 )      |
|                          | <u>\$ 17,567</u> | <u>\$ -</u>      | <u>\$ 546</u>    | <u>\$ 675</u>   | <u>\$ 18,788</u> |
| <u>January 1, 2019</u>   |                  |                  |                  |                 |                  |
| Cost                     | \$ 17,567        | \$ 15,943        | \$ 185,648       | \$ 20,886       | \$ 240,044       |
| Cumulative depreciation  | -                | ( 15,943 )       | ( 184,174 )      | ( 19,093 )      | ( 219,210 )      |
|                          | <u>\$ 17,567</u> | <u>\$ -</u>      | <u>\$ 1,474</u>  | <u>\$ 1,793</u> | <u>\$ 20,834</u> |
| <u>2019</u>              |                  |                  |                  |                 |                  |
| January 1                | \$ 17,567        | \$ -             | \$ 1,474         | \$ 1,793        | \$ 20,834        |
| Depreciation expenses    | -                | ( - )            | ( 571 )          | ( 559 )         | ( 1,130 )        |
| December 31              | <u>\$ 17,567</u> | <u>\$ -</u>      | <u>\$ 903</u>    | <u>\$ 1,234</u> | <u>\$ 19,704</u> |
| <u>December 31, 2019</u> |                  |                  |                  |                 |                  |
| Cost                     | \$ 17,567        | \$ 15,943        | \$ 179,207       | \$ 20,819       | \$ 233,536       |
| Cumulative depreciation  | -                | ( 15,943 )       | ( 178,304 )      | ( 19,585 )      | ( 213,832 )      |
|                          | <u>\$ 17,567</u> | <u>\$ -</u>      | <u>\$ 903</u>    | <u>\$ 1,234</u> | <u>\$ 19,704</u> |

## Investment property

|  | <u>Land</u>      | <u>Buildings</u> | <u>Total</u>     |
|--|------------------|------------------|------------------|
| January 1, 2020                        |                  |                  |                  |
| Cost                                   | \$ 32,413        | \$ 43,647        | \$ 76,060        |
| Cumulative depreciation and impairment | -                | ( 41,469 )       | ( 41,469 )       |
|  | <u>\$ 32,413</u> | <u>\$ 2,178</u>  | <u>\$ 34,591</u> |
| <u>2020</u>                            |                  |                  |                  |
| January 1                              | \$ 32,413        | \$ 2,178         | \$ 34,591        |
| Depreciation expenses                  | -                | ( 220 )          | ( 220 )          |
| December 31                            | <u>\$ 32,413</u> | <u>\$ 1,958</u>  | <u>\$ 34,371</u> |
| December 31, 2020                      |                  |                  |                  |
| Cost                                   | \$ 32,413        | \$ 43,647        | \$ 76,060        |
| Cumulative depreciation and impairment | -                | ( 41,689 )       | ( 41,689 )       |
|  | <u>\$ 32,413</u> | <u>\$ 1,958</u>  | <u>\$ 34,371</u> |
|  | <u>Land</u>      | <u>Buildings</u> | <u>Total</u>     |
| January 1, 2019                        |                  |                  |                  |
| Cost                                   | \$ 32,413        | \$ 43,647        | \$ 76,060        |
| Cumulative depreciation and impairment | -                | ( 41,249 )       | ( 41,249 )       |
|  | <u>\$ 32,413</u> | <u>\$ 2,398</u>  | <u>\$ 34,811</u> |
| 2019                                   |                  |                  |                  |
| January 1                              | \$ 32,413        | \$ 2,398         | \$ 34,811        |
| Depreciation expenses                  | -                | ( 220 )          | ( 220 )          |
| December 31                            | <u>\$ 32,413</u> | <u>\$ 2,178</u>  | <u>\$ 34,591</u> |
| December 31, 2019                      |                  |                  |                  |
| Cost                                   | \$ 32,413        | \$ 43,647        | \$ 76,060        |
| Cumulative depreciation and impairment | -                | ( 41,469 )       | ( 41,469 )       |
|  | <u>\$ 32,413</u> | <u>\$ 2,178</u>  | <u>\$ 34,591</u> |

### 1. Rental income and direct operating expenses of investment property:

|  | <u>2020</u>   | <u>2019</u>   |
|--|---------------|---------------|
| Rental income of investment property   | \$ 4,399      | \$ 4,382      |
| Direct operating expenses of investment property that generate rental income in the current period | <u>\$ 220</u> | <u>\$ 220</u> |

2. The fair value of the investment property held by the Company on December 31, 2020 and 2019, amounted to \$199,715 and \$199,715, respectively, which was obtained from the evaluation from public information announced by the government. The result indicated Level 3 fair value.

3. The Company signed a letter of intent for a property transaction in October 2018, intending to dispose of the land and plant of the Yangmei factory. Therefore, a book value of NT\$101,079 was converted into non-current assets to be sold. The assets were sold in March 2019, and a disposal gain of NT\$145,112 was recognized.

#### Short-term borrowings

| Nature of the borrowings  | December 31,<br>2020 | Interest rate bracket | Collateral |
|---------------------------|----------------------|-----------------------|------------|
| Bank loans - Credit loans | \$ 1,367,040         | 0.63%~0.74%           | None.      |

| Nature of the borrowings  | December 31,<br>2019 | Interest rate bracket | Collateral |
|---------------------------|----------------------|-----------------------|------------|
| Bank loans - Credit loans | \$ 1,573,950         | 2.22%~2.7%            | None.      |

#### Other payables

|  | December 31, 2020 | December 31, 2019 |
|--|-------------------|-------------------|
| Salary, bonus, and employee remuneration payable | \$ 146,337        | \$ 163,664        |
| Others   | 28,520            | 26,880            |
|  | 174,857           | \$ 190,544        |

#### Pension

##### 1. Measures for defined retirement benefits

(1) The Company has instituted measures for defined benefit retirement in accordance with the provisions of the "Labor Standards Act", which apply to the seniority of service of formal employees prior to the enactment of the "Labor Pension Act" on July 1, 2005, and to the seniority of service for employees who choose to continue to adopt the seniority of service defined by the Labor Standards Act after the enactment of the "Labor Pension Act". If an employee is eligible for retirement, the pension payment shall be based on the service years and the average monthly salary of the six months before retirement. Two base numbers shall be given for each full year of service within 15 years (inclusive), and one base number shall be given for each full year of service over 15 years, but the cumulative maximum is 45 base numbers. The Company appropriates 6% of the total salary to the retirement fund every month which is deposited with the Trust Department of the Bank of Taiwan in the name of the Labor Pension Fund Supervisory Committee. In addition, before the end of each year, the Company estimates the balance of the labor retirement reserve account mentioned in the If the balance is insufficient to pay the pension amount of the workers who meet the retirement conditions estimated in the next year according to the above calculation, the Company will provide funding to make up of the shortage before the end of March in the following year. paragraph. If the balance is insufficient to pay the pension amount of the workers who meet the retirement conditions estimated in the next year according to the above calculation, the Company will provide funding to make up of the shortage before the end of March in the following year.

(2) The amount recognized at the balance sheet is specified below:

|   | December 31,<br>2020 | December 31,<br>2019 |
|---|----------------------|----------------------|
| Present value of defined benefit obligation   | \$ 74,917            | \$ 106,562           |
| Fair value of plan assets   | ( 62,458 )           | ( 65,786 )           |
| Net defined benefit liabilities (presented as net defined benefit liabilities - noncurrent) | <u>\$ 12,459</u>     | <u>\$ 40,776</u>     |

(3) Changes in the net defined benefit liabilities are shown below:

|  | Present value of<br>defined benefit<br>obligation | Fair value of<br>plan assets | Net defined benefit<br>liabilities |
|--|---|------------------------------|------------------------------------|
| 2020   |   |                              |                                    |
| Balance on January 1                         | \$ 106,562  | ( \$ 65,786 )                | \$ 40,776                          |
| Cost of service in current period            | 975   | -                            | 975                                |
| Interest expense (income)                    | 746   | ( 461 )                      | 285                                |
|  | <u>108,283</u>                                    | <u>( 66,247 )</u>            | <u>42,036</u>                      |
| Remeasurement:                               |   |                              |                                    |
| Return on plan assets (Note)                 | -   | ( 2,544 )                    | ( 2,544 )                          |
| Effect of the change in financial assumption | ( 5,911 )   | -                            | ( 5,911 )                          |
| Experience adjustment                        | ( 17,711 )  | -                            | ( 17,711 )                         |
|  | <u>( 23,622 )</u>                                 | <u>( 2,544 )</u>             | <u>( 26,166 )</u>                  |
| Appropriation of pension reserve             | -   | ( 3,411 )                    | ( 3,411 )                          |
| Payment of pension                           | ( 9,744 )   | 9,744                        | -                                  |
| Balance on December 31                       | <u>\$ 74,917</u>                                  | <u>( \$ 62,458 )</u>         | <u>\$ 12,459</u>                   |

(Note) Excluding the amount with interest income or expense



|  | Present value of<br>defined benefit<br>obligation | Fair value of plan<br>assets | Net defined<br>benefit liabilities |
|--|---|------------------------------|------------------------------------|
| 2019   |   |                              |                                    |
| Balance on January 1                               | \$ 98,746   | (\$ 59,602)                  | \$ 39,144                          |
| Cost of service in<br>current period               | 962   | –                            | 962                                |
| Interest expense<br>(income)                       | 889   | ( 536 )                      | 353                                |
|  | <u>100,597</u>                                    | <u>( 60,138 )</u>            | <u>40,459</u>                      |
| Remeasurement:                                     |   |                              |                                    |
| Return on plan<br>assets (Note)                    | –   | ( 2,098 )                    | ( 2,098 )                          |
| Effect of the change<br>in financial<br>assumption | 1,603   | –                            | 1,603                              |
| Experience<br>adjustment                           | 4,362   | –                            | 4,362                              |
|  | <u>5,965</u>                                      | <u>( 2,098 )</u>             | <u>3,867</u>                       |
| Appropriation of<br>pension reserve                | –   | ( 3,550 )                    | ( 3,550 )                          |
| Balance on December<br>31                          | <u>\$ 106,562</u>                                 | <u>( \$ 65,786 )</u>         | <u>\$ 40,776</u>                   |

(Note) Excluding the amount with interest income or expense

(4) The defined pension plan assets of the Company fall within the ratio and scope of items entrusted to the Bank of Taiwan in using the plan for investment in the year under appointment pursuant to Article 6 of the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund (deposits in domestic and foreign financial institutions, investments in domestic and foreign listed or OTC equity securities or through private placement, and investments in domestic and foreign products through securitization of real estate). The Labor Pension Fund Supervisory Committee is responsible for the supervision of the use of the fund. In using the fund, the minimum return from annual account settlement shall not fall below the return from interest paid by local banks on 2-year time deposits. If there are insufficiencies, the national treasury shall make up the difference after approval by the competent authority. Because the Company has no right to participate in the operation and management of the fund, it cannot disclose the categories of the plan assets at fair value under IAS 19 and IAS 142. The fair value forming the total assets of the fund as of December 31, 2020 and 2019, is stated in the labor pension fund utilization report announced by the government for the respective years.

(5) The actuarial assumption of pension fund is specified below:

|                                    |       |       |
|------------------------------------|-------|-------|
|                                    | 2020  | 2019  |
| Discount rate                      | 0.30% | 0.70% |
| Salary increase rate in the future | 2.00% | 3.50% |

The assumption of the mortality rate in the future is based on the statistics released by relevant countries and estimation by experience.

The analysis of the change in the principal actuarial assumption and the influence on the present value of defined benefit obligation is shown below:

|  | Discount rate        |                      | Salary increase rate in the future |                      |
|--|----------------------|----------------------|------------------------------------|----------------------|
|  | Increase by<br>0.25% | Decrease<br>by 0.25% | Increase by<br>0.25%               | Decrease<br>by 0.25% |
| December 31, 2020  |                      |                      |                                    |                      |
| Effect on the present value of defined benefit obligations | (\$ 1,289)           | \$ 1,328             | \$ 1,302                           | (\$ 1,271)           |
| December 31, 2019  |                      |                      |                                    |                      |
| Effect on the present value of defined benefit obligations | (\$ 1,997)           | \$ 2,065             | \$ 1,772                           | (\$ 1,725)           |

The aforementioned sensitivity analysis is under the assumption that all other assumptions remain unchanged, in order to analyze the effect of a change in a single assumption. In practice, changes in several assumption could be linked. The sensitivity analysis is consistent with the method adopted for the net pension liabilities presented in the balance sheet. The method and assumption adopted for the sensitivity analysis in current period is identical with the previous period.

(6) The Company expected to appropriate NT\$1,455 for payment to the pension plan in 2021.

(7) As of December 31, 2020, the weighted average duration of the pension plan was 6 years.

## 2. Regulations for the defined appropriation of pension fund

(1) Since July 1, 2005, the Company instituted the regulations for the appropriation of pension fund in accordance with the "Labor Pension Act", which applies for Taiwanese employees. For employees choosing the labor pension system under the "Labor Pension Act", the Company appropriates 6% of the monthly salary for contribution to the personal accounts of the employees as pension fund at the Labor Insurance Bureau. The payment of pension to employees will be made monthly or in lump sum from the personal pension special account and the accumulated return to the accounts.

(2) In 2020 and 2019, the Company recognized the cost of pension of NT\$1,374 and NT\$1,261 under the above pension fund regulations, respectively.

### Share capital

As of December 31, 2020, the stated quantity of shares issued by the Company are 600,000,000 shares (including 30,000,000 shares under subscription warrants or subscription rights of convertible bonds), with 518,346,282 shares outstanding with a par value of NT\$10 per share.

### Capital surplus

In accordance with the Company Act, the premium from the issuance of shares above par value and the capital reserve from the receipt of gifts may be used to make up for the losses. When the Company has no accumulated loss, new shares or cash shall be issued or paid in proportion to the original shares of the shareholders. In addition, according to the relevant provisions of the Securities and Exchange Act, when the capital reserve above is appropriated to capital, its total amount each year shall not exceed 10% of the paid-in capital. The company shall not use the capital reserve to make up for the capital loss unless the earnings reserve is still insufficient to make up for the capital loss.

### Retained earnings

1. According to the articles of association of the company, if there is any surplus in the annual final accounts, in addition to paying all taxes according to law, the company shall first make up for the losses of previous years, and then set aside 10% as the legal reserve. If there is still a surplus, it shall be retained or distributed according to the resolution of the shareholders' meeting.
2. The company is in a growth stage at present, and the dividend distribution policy shall be based on the company's current and future investment environment, capital demand, domestic and foreign competition status, capital budget and other factors, while taking into account the shareholders' interests and the company's long-term financial planning. The shareholders' dividend shall be allocated from the cumulative distributable earnings and shall not be less than 15% of the distributable earnings of the current year, and the cash dividend ratio shall not be less than 10% of the total dividend.
3. The legal reserve shall not be used except to make up for the company's losses and issuing new shares or paying cash in proportion to the original number of shares held by the shareholders. However, if new shares or cash are issued, the amount of such reserve shall exceed 25% of the paid-in capital.
4. When the company distributes earnings, it is required by laws and regulations to set aside a special reserve for the debit balance of other equity items on the balance sheet date of the current year before distribution. When the debit balance of other equity items is subsequently reversed, the amount of reversal can be included in the earnings available for distribution.

5. The Shareholders Meeting resolved to pass the distribution of earnings in 2019 and 2018 on June 12, 2020 and June 14, 2019, specified as follows:

|                 | 2019                |                           | 2018                |                           |
|-----------------|---------------------|---------------------------|---------------------|---------------------------|
|                 | Amount              | Dividend per share (NT\$) | Amount              | Dividend per share (NT\$) |
| Legal reserve   | \$ 102,932          |                           | \$ 118,538          |                           |
| Special reserve | 429,069             |                           | 386,307             |                           |
| Cash dividends  | 518,346             | \$ 1.00                   | 570,181             | \$ 1.10                   |
|                 | <u>\$ 1,050,347</u> |                           | <u>\$ 1,075,026</u> |                           |

6. The Board of the Company resolved on March 23, 2021, to pass the distribution of earnings in 2020 specified as follows:

|                 | 2020              |                           |
|-----------------|-------------------|---------------------------|
|                 | Amount            | Dividend per share (NT\$) |
| Legal reserve   | \$ 76,277         |                           |
| Special reserve | 37,450            |                           |
| Cash dividends  | 336,925           | \$ 0.65                   |
|                 | <u>\$ 450,652</u> |                           |

#### Other equities

|   | Financial assets at FVTOCI | Adjustment for currency conversion | Total                   |
|---|----------------------------|------------------------------------|-------------------------|
| January 1, 2020   | ( \$ 250,358 )             | ( \$ 1,061,916 )                   | ( \$ 1,312,274 )        |
| Unrealized gain or loss of financial products:          |                            |                                    |                         |
| - The Company   | 554,103                    | -                                  | 554,103                 |
| - Subsidiaries  | ( 411,614 )                | - (                                | 411,614 )               |
| Evaluation adjustment transferred to retained earnings: |                            |                                    |                         |
| - The Company   | ( 52,876 )                 | - (                                | 52,876 )                |
| - Subsidiaries  | ( 25,847 )                 | - (                                | 25,847 )                |
| Foreign currency exchange difference:                   |                            |                                    |                         |
| - The Company   | -                          | ( 101,216 )                        | ( 101,216 )             |
| December 31, 2020                                       | <u>( \$ 186,592 )</u>      | <u>( \$ 1,163,132 )</u>            | <u>( \$ 1,349,724 )</u> |

|  | Financial assets at FVTOCI | Adjustment for currency conversion | Total                   |
|--|----------------------------|------------------------------------|-------------------------|
| January 1, 2019                                | ( \$ 100,067 )             | ( \$ 783,138 )                     | ( \$ 883,205 )          |
| Unrealized gain or loss of financial products: |                            |                                    |                         |
| - The Company                                  | ( 107,578 )                | - (                                | 107,578 )               |
| - Subsidiaries                                 | ( 42,173 )                 | - (                                | 42,173 )                |
| Foreign currency exchange difference:          |                            |                                    |                         |
| - The Company                                  | -                          | ( 278,778 )                        | ( 278,778 )             |
| December 31, 2020                              | <u>( \$ 250,358 )</u>      | <u>( \$ 1,061,916 )</u>            | <u>( \$ 1,312,274 )</u> |

### Operating revenue

|                                 | 2020          | 2019          |
|---------------------------------|---------------|---------------|
| Revenue from customer contracts | \$ 12,132,878 | \$ 17,288,805 |

#### Details of revenue from customer contracts

The revenue of the Company came from the transfer of merchandise at a particular point in time and the revenue could be allocated to the following major product lines:

| 2020            | Electronic<br>Components | Consumer Electronics and<br>Computer Peripherals | Total         |
|-----------------|--------------------------|--|---------------|
| Segment Revenue | \$ 9,538,009             | \$ 2,594,869                                     | \$ 12,132,878 |

| 2019            | Electronic<br>Components | Consumer Electronics and<br>Computer Peripherals | Total         |
|-----------------|--------------------------|--|---------------|
| Segment Revenue | \$ 13,902,368            | \$ 3,386,437                                     | \$ 17,288,805 |

### Other income

|                      | 2020     | 2019      |
|----------------------|----------|-----------|
| Dividend income      | -        | \$ 5,663  |
| Rental income        | 4,399    | 4,382     |
| Other income - Other | 4,826    | 7,023     |
|                      | \$ 9,225 | \$ 17,068 |

### Other gains and losses

|   | 2020       | 2019       |
|---|------------|------------|
| Net gain from financial assets and liabilities<br>measured at fair value through income | \$ -       | \$ 13,934  |
| Net foreign currency conversion gain  | ( 29,240 ) | ( 34,897 ) |
| Gains from the disposal of non-current assets<br>to be sold                             | -          | 145,112    |
| Others  | ( 220 )    | ( 220 )    |
|   | \$ 29,460  | \$ 123,929 |

Employee benefit, depreciation and amortization expenses

| By nature                                    | 2020                              |                                   |                                       |                   |
|--|-----------------------------------|-----------------------------------|---------------------------------------|-------------------|
|  | Attributable to cost of operation | Attributable to operating expense | Attributable to non-operating expense | Total             |
| Employee benefits expense                    | \$ 9,504                          | \$ 64,674                         | \$ -                                  | \$ 74,178         |
| Salary expenses                              | 608                               | 4,940                             | -                                     | 5,548             |
| Labor and national health insurance expenses | 485                               | 2,149                             | -                                     | 2,634             |
| Pension expenses                             | -                                 | 11,170                            | -                                     | 11,170            |
| Other HR expenses                            | 1,200                             | 5,415                             | -                                     | 6,615             |
|  | <u>\$ 11,797</u>                  | <u>\$ 88,348</u>                  | <u>\$ -</u>                           | <u>\$ 100,145</u> |
| Depreciation expenses                        | <u>\$ 577</u>                     | <u>\$ 559</u>                     | <u>\$ 220</u>                         | <u>\$ 1,356</u>   |
| Amortization expenses                        | <u>\$ -</u>                       | <u>\$ 188</u>                     | <u>\$ -</u>                           | <u>\$ 188</u>     |

Note: Including salary expenses and remuneration to employees

| By nature                                    | 2019                              |                                   |                                       |                  |
|--|-----------------------------------|-----------------------------------|---------------------------------------|------------------|
|  | Attributable to cost of operation | Attributable to operating expense | Attributable to non-operating expense | Total            |
| Employee benefits expense                    | \$ 406                            | \$ 66,568                         | \$ -                                  | \$ 66,974        |
| Salary expenses                              | 287                               | 3,827                             | -                                     | 4,114            |
| Labor and national health insurance expenses | 730                               | 1,846                             | -                                     | 2,576            |
| Pension expenses                             | -                                 | 1,080                             | -                                     | 1,080            |
| Other HR expenses                            | 1,712                             | 7,731                             | -                                     | 9,443            |
|  | <u>\$ 3,135</u>                   | <u>\$ 81,052</u>                  | <u>\$ -</u>                           | <u>\$ 84,187</u> |
| Depreciation expenses                        | <u>\$ 571</u>                     | <u>\$ 559</u>                     | <u>\$ 220</u>                         | <u>\$ 1,350</u>  |
| Amortization expenses                        | <u>\$ -</u>                       | <u>\$ 221</u>                     | <u>\$ -</u>                           | <u>\$ 221</u>    |

Note: Including salary expenses and remuneration to employees

1. The Company has 44 employees and 42 employees in current period and the previous period, respectively. There are 4 Directors who do not work in the capacity as employees.
2. The average employee benefit expenses in 2020 and 2019 were NT\$2,224 and NT\$2,187, respectively. The average salary expenses of employees were NT\$1,854 and NT\$1,762, respectively. The average salary expense adjustment of employees was 5.22%.

3. The Remuneration Committee established the salary and remuneration policies for the Directors and the Managers with routine review of the performance in regards to the policy, standard, and structure of the remuneration. The evaluation of the performance of Directors and Managers, and the salary structure was made with reference to the overall performance of the operation, the future industrial operation trends, while also considering the industry level, individual contributions and achievements. The Remuneration Committee will present the result of the review to the Board for approval. The policy for salaries and remuneration to employees was made with reference to the industry level. Bonuses will be granted with reference to the overall performance of the Company, individual performance and contribution.

4. According to the Articles of Incorporation of the Company, if the company has any profit in the year (the so-called profit refers to the gains before deducting the distribution of employee remuneration and directors' remuneration), it shall appropriate at least 5% of it as remuneration to the employees, and no more than 0.5% as remunerations to the Directors. The Board shall determine the distribution and report to the Shareholders Meeting for final approval. However, if the Company still has a cumulative loss, it shall reserve the amount of compensation in advance.

5. The Company's remuneration to employees in 2020 and 2019 was estimated at NT\$40,144 and NT\$60,754, respectively. The remuneration to the Directors was estimated at \$4,014 and \$0, respectively. The aforementioned amount was presented as salary expense in the book.

The Board resolved to set the remuneration to employees and Directors in 2019 at NT\$60,754 and NT\$6,075, respectively, and payable in cash. Remunerations to the employees and Directors as recognized in the financial statements of 2019 amounted to \$60,754 and \$0, respectively, which differed from the amount determined by the Board by \$6,075, mainly due to the variation in the percentage of estimation. The difference was adjusted and recognized as income of 2020. As of December 31, 2020, the remunerations to the employees and Directors pending payment amounted to NT\$60,754 and NT\$3,045, respectively in 2019, as presented as "other payables" in the financial statements.

The above information on the remuneration of employees and directors approved by the Board of Directors of the Company can be obtained on MOPS.

Financial costs

|                               | 2020      | 2019      |
|-------------------------------|-----------|-----------|
| Interest expense - bank loans | \$ 21,966 | \$ 44,254 |

## Income tax

### Income tax expense

#### (1) Components of income tax expenses:

|  | <u>2020</u>      | <u>2019</u>       |
|--|------------------|-------------------|
| Income tax for the current period:                       |                  |                   |
| Income tax arising from current income                   | \$ 77,964        | \$ 110,483        |
| Extra tax on undistributed earnings                      | -                | 7,434             |
| Income tax (over)estimates of previous years             | ( 7,012 )        | ( 2,407 )         |
| Total income tax for the current period                  | <u>70,952</u>    | <u>120,324</u>    |
| Deferred income tax:                                     |                  |                   |
| The original value and reversal of temporary differences | ( 24,573 )       | ( 4,674 )         |
| Income tax expense                                       | <u>\$ 95,525</u> | <u>\$ 124,998</u> |

#### (2) Income tax amount related to other comprehensive incomes:

|   | 2020     | 2019   |
|---|----------|--------|
| Remeasurement of defined benefit obligation | \$ 5,233 | \$ 773 |

#### 2. Relation between income tax expense and accounting profit

|   | <u>2020</u>      | <u>2019</u>      |
|---|------------------|------------------|
| Calculation of income tax on earnings before taxation at the mandatory tax rate | \$ 151,744       | \$ 230,864       |
| Expenses to be removed under the tax law  | ( - )            | ( 21,647 )       |
| Income exempted from taxation under the tax law                                 | 27,045           | 2,989            |
| Temporary difference not recognized as deferred income tax liabilities          | ( 76,252 )       | ( 97,049 )       |
| Extra tax on undistributed earnings   | -                | 7,434            |
| Under (over) estimation of income tax in previous period                        | 7,012            | 2,047            |
| Income tax expense  | 95,525           | 124,998          |
| The original value and reversal of temporary differences                        | ( 24,573 )       | ( 4,674 )        |
| Income tax (over)estimates of previous years                                    | ( 7,012 )        | 2,047            |
| Amount of temporary payment and withheld tax                                    | 86               | 56,824           |
| Income tax expense in current period  | <u>\$ 77,878</u> | <u>\$ 61,093</u> |



3. Deferred income tax assets or liabilities under temporary difference and taxation loss are specified as follows:

|  |      | 2020          |                         |   |                  |
|--|------|---------------|-------------------------|---|------------------|
|  |      | January 1     | Recognized as<br>income | Recognized as<br>other<br>comprehensive<br>net income | December 31      |
| Temporary difference:  |      |               |                         |   |                  |
| - Deferred income tax assets:                                      |      |               |                         |   |                  |
| Provision for valuation loss on inventory                          | \$   | 10,374        | \$ 179                  | \$ -  | \$ 10,195        |
| Pension reserve pending on appropriation                           |      | 8,155         | ( 430 )                 | ( 5,233 )   | 2,492            |
| Unrealized exchange loss   |      | 5,024         | 2,433                   | -   | 7,457            |
| Valuation loss of financial assets and liabilities                 |      | 7,334         | ( 7,334 )               | -   | -                |
| Others   |      | 7,307         | ( - )                   | -   | 7,307            |
|  | \$   | <u>38,194</u> | <u>( \$ 5,510 )</u>     | <u>( \$ 5,233 )</u>                                   | <u>\$ 27,451</u> |
| - Deferred income tax liabilities:                                 |      |               |                         |   |                  |
| Return on foreign investment accounted for under the equity method | ( \$ | 128,223 )     | ( \$ 19,063 )           | \$ -  | ( \$ 147,286 )   |
|  |      | 2019          |                         |   |                  |
|  |      | January 1     | Recognized as<br>income | Recognized as<br>other<br>comprehensive<br>net income | December 31      |
| Temporary difference:  |      |               |                         |   |                  |
| - Deferred income tax assets:                                      |      |               |                         |   |                  |
| Impairment loss of investment property                             | \$   | 7,987         | \$ 2,387                | \$ -  | \$ 10,374        |
| Pension reserve pending on appropriation                           |      | 6,121         | 6,121                   | -   | -                |
| Unrealized exchange loss   |      | 7,829         | ( 447 )                 | ( 773 )   | 8,155            |
| Valuation loss of financial assets and liabilities                 |      | -             | 5,024                   | -   | 5,024            |
| Others   |      | -             | ( 7,334 )               | -   | 7,334            |
|  | \$   | <u>7,307</u>  | <u>( - )</u>            | <u>-</u>  | <u>7,307</u>     |
| - Deferred income tax liabilities:                                 |      |               |                         |   |                  |
|  |      | <u>29,244</u> | <u>( \$ 8,177 )</u>     | <u>( \$ 773 )</u>                                     | <u>\$ 38,194</u> |
| Return on foreign investment accounted for under the equity method |      |               |                         |   |                  |
| Unrealized foreign exchange gain                                   |      | 103,960       | \$ 24,263               | \$ -  | \$ 128,223       |
| Valuation gain from financial assets and liabilities               | ( \$ | 1,888         | ( 1,888 )               | -   | -                |

4. The Company evaluated the taxable temporary difference of some investee companies on December 31, 2020 and 2019, and expected no reversal in the foreseeable future, and therefore recognized as deferred income tax liabilities in full value. Temporary difference of deferred income tax liabilities amounted to NT\$5,137,550 and NT\$4,838,993, respectively.

5. The corporate income tax return of the Company has been approved by the tax collection authorities up to 2018.

The share of other comprehensive income of subsidiaries, associates, and joint ventures recognized under the equity method.

|   | 2020          | 2019         |
|---|---------------|--------------|
| Subsidiaries and associates:                  | (\$ 411,614 ) | (\$ 42,713 ) |
| - Evaluation adjustment of equity instruments | ( 73 )        | ( 509 )      |
| - Remeasurement of defined benefit plan.      | (\$ 411,687 ) | (\$ 43,222 ) |

Earnings per share (EPS)

|   | 2020             |   |                                 |
|---|------------------|---|---------------------------------|
|   | After-tax amount | Weighted average number of outstanding shares (thousand shares) | Earnings per share (EPS) (NT\$) |
| <u>Basic earnings per share</u>                                     |                  |   |                                 |
| Net income for the period   | \$ 663,190       | 518,346   | \$ 1.28                         |
| Diluted earnings per share  |                  |   |                                 |
| Net income for the period   | 663,190          |   |                                 |
| Effect of potentially dilutive common shares: Employee remuneration | -                | 2,437   |                                 |
| The effect of net income for the period inherent to common shares   | \$ 663,190       | 520,783   | \$ 1.27                         |
|   |                  | 2019  |                                 |
|   | After-tax amount | Weighted average number of outstanding shares (thousand shares) | Earnings per share (EPS) (NT\$) |
| <u>Basic earnings per share</u>                                     |                  |   |                                 |
| Net income for the period   | \$ 1,029,323     | 518,346   | \$ 1.99                         |
| Diluted earnings per share  |                  |   |                                 |
| Net income for the period   | 1,029,323        |   |                                 |
| Effect of potentially dilutive common shares: Employee remuneration | -                | 3,321   |                                 |
| The effect of net income for the period inherent to common shares   | \$ 1,029,323     | 521,667   | \$ 1.97                         |

### Changes in liabilities from financing activities

|                                | Short-term borrowings |                     |
|--------------------------------|-----------------------|---------------------|
|                                | 2020                  | 2019                |
| January 1                      | \$ 1,573,950          | \$ 1,889,280        |
| Changes in financing cash flow | ( 132,975 )           | ( 278,190 )         |
| Net exchange difference        | ( 73,935 )            | ( 37,140 )          |
| December 31                    | <u>\$ 1,367,040</u>   | <u>\$ 1,573,950</u> |

### Related Party Transactions

#### Related party's name and relationship

| Related Party Name  | Relationship with the Group                                 |
|---|---|
| Dongguan Pan-International Precision Electronics Co., Ltd.                          | Subsidiary of the Company                                   |
| Pan Global Holding Co. Ltd.   | Subsidiary of the Company                                   |
| Honghuasheng Precision Electronics (Yantai) Co., Ltd.                               | Subsidiary of the Company                                   |
| Great Support International Limited   | Subsidiary of the Company                                   |
| Hon Hai Precision Industry Co., Ltd. and subsidiaries (Hon Hai and subsidiaries)    | Other groups that impose significant influence on the Group |
| Sharp Corporation and subsidiaries (Sharp and subsidiaries)                         | Other related parties                                       |
| Foxconn Technology Co., Ltd. and subsidiaries (Foxconn Technology and subsidiaries) | Other related parties                                       |
| General Interface Solution Limited  | Other related parties                                       |
| Cyber TAN Technology, Inc and Subsidiaries  | Other related parties                                       |

#### Major transactions with related parties

##### 1. Operating income

|  | 2020                | 2019                |
|--|---------------------|---------------------|
| Product sales:                         |                     |                     |
| Significant influence over the Company |                     |                     |
| - Hon Hai and subsidiaries             | \$ 5,584,736        | \$ 8,443,534        |
| Subsidiary                             | 309,283             | 476,517             |
| Other related parties                  | 424,201             | 325,343             |
|  | <u>\$ 6,318,220</u> | <u>\$ 9,245,394</u> |

The price and credit period were determined by both sides after consultation, except where there is no similar transaction for reference. For the remainders of the Company's sale to abovementioned related parties, the price is similar to the sale price of other general customers. The Company's period of payment for the related parties ranged from 30 to 120.

## 2. Purchase

|  | <u>2020</u>         | <u>2019</u>          |
|--|---------------------|----------------------|
| Product purchases:   |                     |                      |
| Significant influence over the Company                       |                     |                      |
| - Hon Hai and subsidiaries                                   | \$ 1,069,710        | \$ 2,215,332         |
| Subsidiary   |                     |                      |
| - Honghuasheng Precision Electronics (Yantai) Co., Ltd.      | 3,366,311           | 4,021,061            |
| - Dongguan Pan-International Precision Electronics Co., Ltd. | 1,026,728           | 532,830              |
| - Others   | 4,128               | 10,475               |
| Other related parties  |                     |                      |
| - Sharp and subsidiaries                                     | 2,357,346           | 4,818,566            |
|  | <u>\$ 8,364,223</u> | <u>\$ 11,598,264</u> |

The above amount includes purchase, discount, and sale return. The purchase price and payment term were determined by both sides through consultation. The payment term offered by the Company to related parties ranged from 30 to 90 days on monthly settlement of open account

## 3. Factory overhead

|                                     | <u>2020</u> | <u>2019</u>       |
|-------------------------------------|-------------|-------------------|
| Service fees:                       |             |                   |
| GREAT SUPPORT INTERNATIONAL LIMITED | <u>\$ -</u> | <u>\$ 237,072</u> |

## 4. Receivables from related parties

|   | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|--------------------------|--------------------------|
| Accounts receivable:  |                          |                          |
| Other groups that impose significant influence on the Group |                          |                          |
| - Hon Hai and subsidiaries                                  | \$ 1,439,395             | \$ 2,487,470             |
| Subsidiary  | 41,388                   | 138,742                  |
| Other related parties - others                              | 9,738                    | 87,342                   |
|   | <u>1,490,521</u>         | <u>2,713,284</u>         |
| Less: transfer to other receivables                         | -                        | ( 244 )                  |
| Allowance for loss  | ( 605 )                  | ( 827 )                  |
|   | <u>\$ 1,489,916</u>      | <u>\$ 2,712,213</u>      |

Receivables from related parties are mainly from sales. The payment term ranged from 30 to 120 days. The receivables are not secured and not interest bearing. Part of the accounts receivable are transferred to other accounts receivable due to being overdue for more than three months, and the aging of other receivables is all less than one year.

## 5. Other receivables

|   | December 31, 2020 | December 31, 2019 |
|---|-------------------|-------------------|
| Other receivables from related parties:                     |                   |                   |
| Subsidiary  |                   |                   |
| - Pan Global Holding Co. Ltd.                               | \$ 104,796        | \$ 117,857        |
| - Others  | 30,401            | 24,652            |
| Other groups that impose significant influence on the Group |                   |                   |
| - Hon Hai and subsidiaries                                  | 3                 | 244               |
| Other related parties                                       |                   |                   |
| - Sharp and subsidiaries                                    | 1,684             | 173               |
|   | <u>\$ 136,884</u> | <u>\$ 142,926</u> |

Other receivables from related parties are mostly the receivables of advance payment for the related parties.

## 6. Accounts payable

|  | December 31, 2020   | December 31, 2019   |
|--|---------------------|---------------------|
| Accounts payable to related parties:                         |                     |                     |
| Significant influence over the Company                       |                     |                     |
| - Hon Hai and subsidiaries                                   | \$ 483,012          | \$ 698,581          |
| Subsidiary   |                     |                     |
| - Honghuasheng Precision Electronics (Yantai) Co., Ltd.      | 558,016             | 305,288             |
| - Dongguan Pan-International Precision Electronics Co., Ltd. | 255,763             | 418,786             |
| - Others   | 1,970               | 143                 |
| Other related parties  |                     |                     |
| - Sharp and subsidiaries                                     | 1,037               | 679,798             |
|  | <u>\$ 1,299,798</u> | <u>\$ 2,102,596</u> |

Accounts payable from related parties mainly comes from purchasing and purchase on behalf of others, and there is no interest attached to the accounts payable.

## 7. Loans to related parties (presented as “other receivables” in the financial statements)

|                             | December 31, 2020 | December 31, 2019 |
|-----------------------------|-------------------|-------------------|
| PAN GLOBAL HOLDING CO. LTD. | <u>\$ 284,800</u> | <u>\$ 300,759</u> |

The term of lending to subsidiaries is repayment within one year after the loan. In 2020 and 2019, the interest rate is charged at 1% and 2% per annum, respectively.

### Information on compensation for the key management

|  | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|--------------------------|--------------------------|
| Salaries and other short-term employee benefit | \$ 13,986                | \$ 13,718                |
| Post-employment benefits                       | 240                      | 240                      |
|  | <u>\$ 14,226</u>         | <u>\$ 13,958</u>         |

### Pledged Assets

None.

### Material contingent liabilities and unrecognized contractual commitments

#### Contingent matters

The Company has no contingent liabilities for material legal claims arising from daily business activities.

#### Commitments

None.

#### Major Disaster Losses

None.

#### Significant Subsequent Events

The Board passed the proposal for the distribution of earnings for 2020 on March 23, 2020. For additional information, refer to Note 6 (13).

#### Others

#### Capital management

The objective of capital management of the Company is to ensure the sustainable operation of the Company, maintaining the best capital structure to reduce the cost of capital, and to provide returns to the shareholders. In order to maintain or adjust the capital structure, the Company may adjust the number of dividends paid to shareholders, issue new shares, or sell assets to reduce liabilities. To monitor its capital, the Company uses the net debt ratio which is calculated by dividing net debt by total net worth. The net debt is calculated as total loans (including the “current and noncurrent loans” as stated in the separate balance sheet) net of cash and cash equivalents. Total net value is calculated by subtracting total intangible assets from “equity” as stated in the separate balance sheet.

The Company’s strategy for 2020 is the same as that in 2019, both of which are committed to maintaining the net debt ratio below 70%.

## Financial instrument

### 1. Types of financial instruments

The book value classified as financial assets measured at amortized cost (including cash and cash equivalents, accounts receivable, and other receivables) under IFRS 9 amounted to NT\$4,228,216 and NT\$5,046,957 on December 31, 2020 and 2019, respectively. The book value classified as financial liabilities measured at amortized cost (including short-term loans, accounts payable, and other payables) under IFRS 9 amounted to NT\$3,503,568 and NT\$4,962,129 on December 31, 2020 and 2019, respectively. For additional information on the book value classified as financial assets measured at fair value through comprehensive income, refer to Note 6 (4).

### 2. Risk management Policy

#### (1) Types of risks

The Company adopts a comprehensive financial risk management and control system for the clear identification, measurement and control of all forms of financial risks to the Company, including market risk (including exchange rate risk, interest rate risk, and price risk), credit risk, and liquidity risk.

#### (2) Management objectives

A. All the risks above can be eliminated by internal control or operation process, except that market risk is controlled by external factors. Therefore, each risk can be reduced to zero through management.

B. In terms of market risk, the objective is to optimize the overall position through rigorous analysis, proposal, implementation and process, with due consideration of the overall external trend, internal operating conditions and the actual impact of market fluctuations.

C. The overall risk management policy of the Company is focused on unanticipated events in the financial market, to seek and reduce the potential unfavorable influence on the financial position and performance.

#### (3) Management system

A. The Finance Department of the Company is charged with the task of risk management in accordance with the policies approved by the Board. It is responsible for identifying, assessing and avoiding financial risks through close cooperation with group operating units.

B. The board of directors has written principles for overall risk management, and also provides written policies for specific areas and matters, such as exchange rate risk, interest rate risk, credit risk, use of derivatives and non-derivative financial instruments, and investment of surplus working capital.

### 3. Nature and extent of significant financial risks

#### (1) Market risk

##### Exchange rate risk

A. Nature: The Company is a multinational OEM electronics manufacturer and most of the exchange rate risk from business activities comes from:

a. As the posting times of non-functional foreign currency accounts receivable and accounts payable are different, the exchange rate of the functional currency is different, thus resulting in an exchange rate risk. Because the amount of assets and liabilities after offsetting is not large, the amount of profit or loss is not large.

b. In addition to the commercial transactions (business activities) on the above-mentioned income, the assets and liabilities recognized on the balance sheet, and the net investment in foreign operations also have exchange rate risks.

#### B. Management

a. The Company has made policies to deal with this kind of risk that requires all Group companies to manage the exchange rate risk corresponding to their functional currency.

b. The exchange rate risk deriving from respective functional currencies on the functional currency used in the Separate Financial Statements will be coordinated and managed by the Group's Financial Division.

#### C. Extent

The business of the Company involves many non-functional currencies (the functional currency of the Company is NTD), therefore it is exposed to fluctuations of exchange rates. Assets and liabilities denominated in foreign currencies that are exposed to the effects of significant fluctuations of the exchange rate are as follows:

| December 31, 2020                       |         |       |              |    |                      |
|---|---------|-------|--------------|----|----------------------|
|   |         |       |              |    | Sensitivity analysis |
|   |         |       |              |    | Impact on            |
|   |         |       |              |    | profit and           |
|   |         |       |              |    | loss                 |
|   |         |       |              |    | Range of             |
|   |         |       |              |    | change               |
|   |         |       |              |    | Book value           |
|   |         |       |              |    | (NT\$)               |
|   |         |       |              |    | Exchange             |
|   |         |       |              |    | rate                 |
|   |         |       |              |    | Foreign              |
|   |         |       |              |    | currency             |
|   |         |       |              |    | (thousand)           |
| (Foreign currency: functional currency) |         |       |              |    |                      |
| Financial assets                        |         |       |              |    |                      |
| <u>Monetary item</u>                    |         |       |              |    |                      |
| USD: NTD                                |         |       |              |    |                      |
| \$                                      | 114,677 | 28.48 | \$ 3,266,001 | 1% | \$ 32,660            |
| <u>Non-monetary items</u>               |         |       |              |    |                      |
| USD: NTD                                |         |       |              |    |                      |
|   | 313,825 | 28.48 | 8,937,740    |    |                      |
| <u>Financial liabilities</u>            |         |       |              |    |                      |
| <u>Monetary item</u>                    |         |       |              |    |                      |
| USD: NTD                                |         |       |              |    |                      |
|   | 120,010 | 28.48 | 3,417,885    | 1% | 34,179               |
| December 31, 2019                       |         |       |              |    |                      |
|   |         |       |              |    | Sensitivity analysis |
|   |         |       |              |    | Impact on            |
|   |         |       |              |    | profit and           |
|   |         |       |              |    | loss                 |
|   |         |       |              |    | Range of             |
|   |         |       |              |    | change               |
|   |         |       |              |    | Book value           |
|   |         |       |              |    | (NT\$)               |
|   |         |       |              |    | Exchange             |
|   |         |       |              |    | rate                 |
|   |         |       |              |    | Foreign              |
|   |         |       |              |    | currency             |
|   |         |       |              |    | (thousand)           |
| (Foreign currency: functional currency) |         |       |              |    |                      |
| Financial assets                        |         |       |              |    |                      |
| <u>Monetary item</u>                    |         |       |              |    |                      |
| USD: NTD                                |         |       |              |    |                      |
| \$                                      | 143,973 | 29.98 | \$ 4,316,311 | 1% | \$ 43,163            |
| <u>Non-monetary items</u>               |         |       |              |    |                      |
| USD: NTD                                |         |       |              |    |                      |
|   | 301,059 | 29.98 | 9,025,735    |    |                      |
| <u>Financial liabilities</u>            |         |       |              |    |                      |
| <u>Monetary item</u>                    |         |       |              |    |                      |
| USD: NTD                                |         |       |              |    |                      |
|   | 161,246 | 29.98 | 4,834,155    | 1% | 48,342               |



#### D. Nature

The Company's currency items were under significant influence of exchange rate fluctuations in 2020 and 2019, with recognition of exchange income (including realized and unrealized items) amounting to a loss of NT\$29,240 and NT\$34,897, respectively.

#### Price risk

A. The equity instruments of the Company exposed to price risk are financial assets measured at fair value through other comprehensive incomes. The Company diversified its investment portfolio to manage the price risk of investment in equity instruments. The method of diversification was based on the limits set forth by the Company.

B. The Company mainly invested in equity instruments offered by domestic and foreign companies. The prices of these equity instruments are affected by the uncertainty of the future values of these investment objects. If there is an upward or downward adjustment of the equity instruments by 1% with all other factors remaining unchanged, the influence on other comprehensive income of gains or losses of financial assets classified as measured at fair value through other comprehensive income would increase or decrease by \$12,333, and \$8,556 in 2020 and 2019, respectively.

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

The interest rate risk to the Company mainly comes from short-term borrowings. Borrowings at fixed interest rates exposed the Company to interest rate risk at fair value. After assessment, there is no significant interest rate risk to the Company.

#### (2) Credit risk

A. The credit risk to the Company mainly comes from the failure of customers or counterparties of financial instruments to perform contractual obligations resulting in financial losses for the Company. This mainly comes from the inability of counterparties to repay the accounts receivable in accordance with the collection conditions, and the contractual cash flow classified as debt instrument investment measured at amortized cost.

B. The credit policy of the Company explicitly states that each new customer of the operating entities within the Company shall be subject to credit management and credit risk analysis before proposing the terms and conditions for payment and delivery of goods. Internal risk control is to evaluate the credit quality of customers by considering their financial status, past experience, and other factors. The limits of individual risks are determined by the Board of Directors based on internal or external ratings, and the use of credit lines is regularly monitored.

C. The basis for the Company to judge whether the credit risk of financial instruments has increased significantly since the original recognition is as follows:

(A) When the contract payment is overdue for more than 60 days according to the agreed payment terms, it is deemed that the credit risk of the financial asset has increased significantly since the original recognition.

(B) If a bond investment traded on the OTC market is rated as investment-grade by any external rating agency on the balance sheet date, the financial asset is considered to have a low credit risk.

D. If the investment object with an independent rating on credit standing fell by 2 levels, the Company judges that the credit risk of such investment object has increased significantly.

E. If the contract amount is overdue for more than 90 days under the conditions of payment, the Company shall deem it a breach of contract.

F. The Company classified notes and accounts receivable of customers according to the characteristics of the customer rating, and adopted the simple method of loss rate to estimate expected credit loss.

G. The indicators used by the Company for determining credit impairment of the debt instruments are shown below:

(A) The issuer encounters major financial difficulties, or the possibility of going into bankruptcy or other financial restructuring is greatly increased;

(B) The issuer makes the active market of the financial asset disappear due to its financial difficulties;

(C) The issuer delays or fails to pay the interest or principal;

(D) Adverse changes in national or regional economic conditions leading to issuer default.

H. Aging analysis of accounts receivable (including related parties):

|                    | December 31, 2020   | December 31, 2019   |
|--------------------|---------------------|---------------------|
|                    | Accounts receivable | Accounts receivable |
| Not Past Due       | \$ 2,408,134        | \$ 3,898,601        |
| Less than 90 days  | 19,825              | 208,267             |
| 91 ~ 180 days      | -                   | -                   |
| More than 181 days | 6,100               | 2,307               |
|                    | <u>\$ 2,434,059</u> | <u>\$ 4,109,175</u> |

The above is an aging analysis based on the number of overdue days.

I. Other receivables (including related parties)

The other receivables of the Company are mainly receivable tax rebates, receivable advance payments for a third party, loans, and overdue accounts receivable. There is no concern for material breach of contract or declined payment. Therefore, the Company recognized provision for loss on the basis of the amount of expected credit loss in a period of 12 months. As of December 31, 2020 and 2019, the Company recognized provision for loss amounting to \$0.

J. The Company classified the accounts receivable of the customers according to the characteristics of the credit rating of the customers, and considered the adjustment of rate of loss on the basis of historical information and information at present time with foresight to estimate the provision for loss from accounts receivable. The method for estimating the loss rate on December 31, 2020 and 2019 is as follows:

|                    | Group 1         | Group 2       | Group 3     | Group 4         | Total           |
|--------------------|-----------------|---------------|-------------|-----------------|-----------------|
| December 31, 2020  |                 |               |             |                 |                 |
| Expected loss rate | 0.04%           | 0.04%         | 0.09%       | 0.1%~100%       |                 |
| Total Book value   | \$ 2,094,976    | \$ 318,122    | \$ -        | \$ 20,961       | \$ 2,434,059    |
| Allowance for loss | <u>\$ 839</u>   | <u>\$ 127</u> | <u>\$ -</u> | <u>\$ 4,435</u> | <u>\$ 5,401</u> |
|                    | Group 1         | Group 2       | Group 3     | Group 4         | Total           |
| December 31, 2019  |                 |               |             |                 |                 |
| Expected loss rate | 0.03%           | 0.03%         | 0.07%       | 0.1%~100%       |                 |
| Total Book value   | \$ 3,379,146    | \$ 717,738    | \$ -        | \$ 12,253       | \$ 4,109,175    |
| Allowance for loss | <u>\$ 1,014</u> | <u>\$ 215</u> | <u>\$ -</u> | <u>\$ 2,324</u> | <u>\$ 3,553</u> |

Group 1: Rated A by Standard & Poor’s, Fitch, or Moody’s, or rated A by the credit rating standard of the Company in the absence of rating by external institutions.

Group 2: Rated BBB by Standard & Poor’s or Fitch, Baa by Moody’s, or rated B or C by the credit rating standard of the Company in the absence of rating by external institutions.

Group 3: Rated BB+ or below by Standard & Poor's or Fitch, or Ba1 or below by Moody's.

Group 4: No rating by external institutions, but customers rated non-A, B, or C by the credit rating standard of the Company.

K. The Company’s table showing the changes in the provision for loss from accounts receivable and other receivables using a simplified method is as follows:

|                                | 2020 |       |
|--------------------------------|------|-------|
| January 1                      | \$   | 3,553 |
| Recognition of impairment loss |      | 1,848 |
| December 31                    | \$   | 5,401 |
|                                | 2019 |       |
| January 1                      | \$   | 3,872 |
| Reversal of impairment loss    | (    | 319)  |
| December 31                    | \$   | 3,553 |

L. All the Company’s investments in debt instruments measured at amortized cost as were at low credit risk as of December 31, 2020 and 2019. Therefore, the book value was measured on the basis of the expected credit loss in a period of 12 months after the balance sheet day.

### (3) Liquidity risk

A. The cash flow forecast is carried out by each operating entity within the Company, and aggregated by the Company’s Finance Department. The Finance Department monitors and tracks the forecast of working capital requirements to assure adequate funding for operations, and maintains sufficient unspent loan commitments at all times so that the Company will not exceed the relevant borrowing limits or violate the terms. The forecast is based on the debt financing plan, compliance with debt terms, conformity with the targeted financial ratios of the balance sheet, and external regulatory requirements such as foreign exchange control.

B. When the remaining cash held by the Company exceeds the requirement for the management of working capital, the Finance Department will invest the remaining funds in interest-bearing demand deposits, time deposits, money market deposits and securities, and the instruments selected to have appropriate maturities or sufficient liquidity to meet the forecast above and provide sufficient liquidity, and it is expected that cash flow will be generated immediately for the management of liquidity risk.

C. The non-derivative financial liabilities of the Company will mature in the year ahead.

## Fair value information

1. The levels of evaluation techniques used to measure the fair value of financial and non-financial instruments are defined as follows:

Level 1: The quoted price (unadjusted) is available to the enterprise in an active market for the same assets or liabilities on the measurement date. An active market refers to a market in which assets or liabilities are traded in sufficient frequency and quantity to provide pricing information on an ongoing basis. The fair value of the listed and OTC stocks and certificates of beneficial interests invested by the Company belongs to this level.

Level 2: The input value of assets or liabilities are directly or indirectly observable, except those in Level 1. The fair value of the derivative instruments invested by the Company belongs to this level.

Level 3: The input value of assets or liabilities are unobservable. The equity instruments invested by the Company without an active market belong to this level.

### 2. Financial instruments not measured at fair value

The book value of the Company's financial instruments not measured at fair value (including cash and cash equivalents, financial assets measured at amortized cost, accounts receivable, other receivables, other current assets, payables, other payables, and other current liabilities) reasonably approximates the fair value.

3. The Company's financial and non-financial instruments measured at fair value will be classified according to the nature, specific features, risks, and fair value of the assets and liabilities. Relevant information is as follows:

(1) Classification according to the nature of the assets and liabilities, relevant information is as follows:

|                       |                     |                |                  |                     |
|-----------------------|---------------------|----------------|------------------|---------------------|
| December 31, 2020     | <u>Level 1</u>      | <u>Level 2</u> | <u>Level 3</u>   | <u>Total</u>        |
| Financial assets:     |                     |                |                  |                     |
| Repetitive fair value |                     |                |                  |                     |
| Financial assets at   |                     |                |                  |                     |
| FVTOCI                |                     |                |                  |                     |
| - Equity securities   | \$ <u>1,166,154</u> | \$ <u>-</u>    | \$ <u>67,112</u> | \$ <u>1,233,266</u> |
| December 31, 2019     | <u>Level 1</u>      | <u>Level 2</u> | <u>Level 3</u>   | <u>Total</u>        |
| Financial assets:     |                     |                |                  |                     |
| Repetitive fair value |                     |                |                  |                     |
| Financial assets at   |                     |                |                  |                     |
| FVTOCI                |                     |                |                  |                     |
| - Equity securities   | \$ <u>786,236</u>   | \$ <u>-</u>    | \$ <u>69,320</u> | \$ <u>855,556</u>   |

(2) The methods and assumptions adopted by the Company for measurement at fair value is as specified below:

A. The Company adopts market quotation as the input value of fair value (i.e., Level 1), and divides them as follows according to specific features:

|                  |                              |                       |
|------------------|------------------------------|-----------------------|
|                  | <u>Listed and OTC stocks</u> | <u>Open-end funds</u> |
| Market quotation | Closing price                | Net value             |

B. Except for the above-mentioned financial instruments with active markets, the fair values of other financial instruments are obtained through evaluation techniques or reference to the quotations of counterparties. Fair value obtained through evaluation techniques can be calculated by referring to the current fair value of other financial instruments with similar conditions and characteristics, or the value can be obtained through other evaluation techniques, including the use of models to calculate market information available on the separate balance sheet date.

C. In evaluating non-standardized and less complicated financial instruments, such as debt instruments and options with no active market, the Company adopts the evaluation techniques widely used by market participants. The parameters used in the evaluation model of such financial instruments are usually market observable information.

D. The evaluation of derivative financial instruments is based on evaluation models widely accepted by market users, such as the discount method and the option pricing model. Foreign exchange forward contracts are usually evaluated according to the current forward exchange rate. Structured interest rate derivative financial instruments are based on the appropriate option pricing model (such as the Black-Scholes model) or other evaluation methods, such as Monte Carlo simulation.

E. The output of the evaluation model is the estimated value, and the evaluation technique may not reflect all the factors related to the Company's holding of financial instruments and non-financial instruments. Therefore, the estimated value of the evaluation model will be adjusted according to additional parameters, such as model risk or liquidity risk. According to the Company's fair value evaluation model management policies and related control procedures, the management believes that the evaluation adjustment is appropriate and necessary to properly express the fair value of financial instruments and non-financial instruments in the separate balance sheet. The price information and parameters used in the evaluation process have been carefully evaluated and appropriately adjusted according to current market conditions.

4. There were no transfers between Level 1 and Level 2 in 2020 and 2019.

5. The following table shows the changes in Level 3 in 2020 and 2019:

|   | <u>Equity securities</u> |
|---|--------------------------|
|   | <u>2020</u>              |
| January 1   | \$ 69,320                |
| Profit(loss) recognized in other comprehensive income | ( 2,208 )                |
| December 31   | <u>\$ 67,112</u>         |
|   | <u>Equity securities</u> |
|   | <u>2019</u>              |
| January 1   | \$ 45,702                |
| Profit(loss) recognized in other comprehensive income | 23,618                   |
| December 31   | <u>\$ 69,320</u>         |

6. For the fair value of Level 3 instruments of the Company, the investment management department is responsible for the independent verification of the fair value of such financial instruments in the evaluation process. Through independent sources of information, the evaluation results approximate market conditions, and the data sources are confirmed to be independent, reliable, consistent with other resources, and to represent executable prices. The evaluation model is calibrated regularly, backtracked, and updated for the input values and information required by the evaluation model, and any other necessary fair value adjustments are made to ensure that the evaluation results are reasonable.

In addition, the investment management department formulates the fair value evaluation policies, evaluation procedures, and confirmation of financial instruments in accordance with the relevant international financial reporting standards.

7. The quantitative information about the significant unobservable input value of the evaluation model used for level 3 fair value measurement and the sensitivity analysis of the significant unobservable input value changes are as follows:

|                                       | Fair value on<br>December 31,<br>2020 | Evaluation<br>techniques | Significant<br>unobservable<br>input value | Interval<br>(weighted<br>average) | Relationship between<br>input value and fair<br>value                     |
|---------------------------------------|---------------------------------------|--------------------------|--|-----------------------------------|---|
| Non-derivative<br>equity instruments: |                                       |                          |  |                                   |   |
| Non-listed and non-<br>OTC stocks     | 67,112                                | Market<br>method         | Price-to-book<br>ratio                     | 1.27                              | The higher the<br>multiplier, the higher<br>the fair value.               |
|                                       |                                       |                          | Lack of<br>market<br>liquidity<br>discount | 20%                               | The higher the market<br>liquidity discount, the<br>lower the fair value. |
|                                       | Fair value on<br>December 31,<br>2019 | Evaluation<br>techniques | Significant<br>unobservable<br>input value | Interval<br>(weighted<br>average) | Relationship between<br>input value and fair<br>value                     |
| Non-derivative<br>equity instruments: |                                       |                          |  |                                   |   |
| Non-listed and non-<br>OTC stocks     | 69,320                                | Market<br>method         | Price-to-book<br>ratio                     | 1.28                              | The higher the<br>multiplier, the higher<br>the fair value.               |
|                                       |                                       |                          | Lack of<br>market<br>liquidity<br>discount | 20%                               | The higher the market<br>liquidity discount, the<br>lower the fair value. |

8. The Company carefully selects the evaluation model and evaluation parameters; however, different evaluation models or parameters may lead to different evaluation results. For financial assets and financial liabilities classified as level 3, if the evaluation parameters change, the impact on current profit and loss or other comprehensive income is as follows:

| Financial<br>assets   | Period            | Input value                          | Change | Recognized in other<br>comprehensive income |                       |
|-----------------------|-------------------|--------------------------------------|--------|---|-----------------------|
|                       |                   |                                      |        | Favorable<br>change                         | Unfavorable<br>change |
| Equity<br>instruments | December 31, 2020 | Price-to-book ratio                  | ±1%    | \$ 527                                      | (\$ 527)              |
|                       |                   | Lack of market<br>liquidity discount | ±1%    | \$ 837                                      | (\$ 837)              |
| Financial<br>assets   | Period            | Input value                          | Change | Recognized in other<br>comprehensive income |                       |
|                       |                   |                                      |        | Favorable<br>change                         | Unfavorable<br>change |
| Equity<br>instruments | December 31, 2019 | Price-to-book ratio                  | ±1%    | \$ 540                                      | (\$ 540)              |
|                       |                   | Lack of market<br>liquidity discount | ±1%    | \$ 864                                      | (\$ 864)              |

## Notes disclosure

### Information about significant transactions

1. Loans to others: Please refer to Table 1.
2. Endorsements/guarantees provided: Please refer to Table 2.
3. Marketable securities held at the end of the period (excluding investment in subsidiaries, affiliated enterprises and jointly controlled entities): Please refer to Table 3.
4. The cumulative amount of buying or selling the same securities reaches NT\$300 million or more, or 20% of the paid-in capital: The company and the investee companies do not have this situation.
5. The cumulative amount of property purchase reaches NT\$300 million or more, or 20% of the paid-in capital: The company and the investee companies do not have this situation.
6. The cumulative amount of property disposal reaches NT\$300 million or more, or 20% of the paid-in capital: The company and the investee companies do not have this situation.
7. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please refer to Table 4.
8. Total accounts receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please refer to Table 5.
9. Engagement in derivatives trading: Please refer to Note 6 (2) of the consolidated financial statements.
10. Relationship, significant transactions and their amounts between the company and its subsidiaries: Please refer to Table 6.

### Information about investees

The name and location of the investee company and other relevant information (excluding mainland China investee companies): Please refer to Table 7.

### Information on investments in mainland China

1. Basic information: Please refer to Table 8.
2. Major transactions directly with investee companies in the mainland China or indirectly through a third regional enterprise: Please refer to Tables 4, 5 and 6.

### Information on major shareholders

Information of major shareholders: Please refer to Table 9.

### Operating Segments Information

Not applicable.



Pan-International Industrial Corp.  
Cash and cash equivalents  
December 31, 2020

Subsidiary Ledger 1

Unit: NTD thousand

| Item         | Summary |         |          |                      | Amount       |
|--------------|---------|---------|----------|----------------------|--------------|
| Petty cash   |         |         |          |                      | \$ 80        |
| Time deposit | NTD     | 667,442 | Thousand |                      | 667,442      |
|              | USD     | 15,807  | Thousand | Exchange rate 28.48  | 450,190      |
|              | RMB     | 206     | Thousand | Exchange rate 4.3546 | 897          |
|              | HKD     | 1,949   | Thousand | Exchange rate 3.6730 | 7,159        |
|              | JPY     | 893     | Thousand | Exchange rate 0.2763 | 247          |
| Time deposit | NTD     | 250,000 | Thousand |                      | 250,000      |
|              |         |         |          |                      | \$ 1,376,015 |

Pan-International Industrial Corp.  
Net accounts receivable  
December 31, 2020

Subsidiary Ledger 2

Unit: NTD thousand

| Item   | Summary | Amount              | Remarks  |
|--|---------|---------------------|--|
| <u>Non-related Parties:</u>                        |         |                     |  |
| Luxshare Precision Industry Co., Ltd.              |         | \$ 188,140          |  |
| Others   |         | 755,398             | The balance of each sporadic account falls below 5% of the total under this title. |
| Less: Allowance for impairment loss                |         | ( 4,796 )           |  |
|  |         | <u>938,742</u>      |  |
| <u>Related Parties:</u>                            |         |                     |  |
| Hongfutai Precision Electronics (Yantai) Co., Ltd. |         | \$ 785,974          |  |
| FIH (Hongkong) Mobil Limited                       |         | 226,809             |  |
| Others   |         | 477,738             | The balance of each sporadic account falls below 5% of the total under this title. |
| Less: Allowance for impairment loss                |         | ( 605 )             |  |
|  |         | <u>1,489,916</u>    |  |
| Less: transfer to other receivables                |         | -                   |  |
|  |         | <u>1,489,916</u>    |  |
|  |         | <u>\$ 2,428,658</u> |  |

Pan-International Industrial Corp.  
Inventory  
December 31, 2020

Subsidiary Ledger 3

Unit: NTD thousand

| Item  | Summary | Amount     |              | Remarks                              |
|---|---------|------------|--------------|--------------------------------------|
|   |         | Cost       | Market price |                                      |
| Raw materials                                   |         | \$ 17,785  | \$ 17,822    | Net realizable value as market price |
| Finished products                               |         | 189,465    | 191,064      | "                                    |
|   |         | 207,250    | \$ 208,886   |                                      |
| Less: provision for valuation loss of inventory |         | ( 50,976 ) |              |                                      |
|   |         | \$ 156,274 |              |                                      |

Pan-International Industrial Corp.  
Financial assets measured at fair value through other comprehensive income - noncurrent  
January 1 to December 31, 2020

Subsidiary Ledger 4

Unit: NTD thousand

| Name                             | At beginning of period  |                   | Increase in current period (Note 1)                             |                   | Decrease in current period (Note 2)                             |                       | March 31, 2020  |                     | Guarantee or<br>pledge | Remarks |
|----------------------------------|---|-------------------|---|-------------------|---|-----------------------|---|---------------------|------------------------|---------|
|                                  | Quantity of<br>shares/certificates<br>of beneficial<br>interest | Fair value        | Quantity of<br>shares/certificates<br>of beneficial<br>interest | Amount            | Quantity of<br>shares/certificates<br>of beneficial<br>interest | Amount                | Quantity of<br>shares/certificates<br>of beneficial<br>interest | Fair value          |                        |         |
| Innolux Corporation              | 94,385,987  | \$ 786,236        | -   | \$ 556,311        | ( 11,680,000 )  | ( \$ 176,393 )        | 82,705,987  | \$ 1,166,154        | None.                  |         |
| WK Technology Fund               | 84,378  | 173               | -   | -                 | -   | -                     | 84,378  | 173                 | "                      |         |
| Syntrend Creative Park Co., Ltd. | 12,831,500  | 69,147            | -   | -                 | -   | ( 2,208 )             | 12,831,500  | 66,939              | "                      |         |
|                                  |   | <u>\$ 855,556</u> |   | <u>\$ 556,311</u> |   | <u>( \$ 178,601 )</u> |   | <u>\$ 1,233,266</u> |                        |         |

Note 1: The increase in current period is the adjustment of the unrealized valuation gain/loss of financial assets measured at fair value through other comprehensive income.

Note 2: The decrease in current period is the adjustment of the unrealized gain/loss, the proceeds from disposals and refund of investment of financial assets at fair value through other comprehensive income.

Pan-International Industrial Corp.  
Changes in long-term equity investment accounted for under the equity method  
January 1 to December 31, 2020

Subsidiary Ledger 5

Unit: NTD thousand

| Investee company                           | Balance at the beginning of the period |                     | Increase in current period (Note) |                 | Decrease in current period (Note) |                       | Balance at end of period |                  |                     | Net value of equity |                     | Guarantee or pledge |
|--|--|---------------------|-----------------------------------|-----------------|-----------------------------------|-----------------------|--------------------------|------------------|---------------------|---------------------|---------------------|---------------------|
|  | Shares                                 | Amount              | Shares                            | Amount          | Shares                            | Amount                | Shares                   | Shareholding (%) | Amount              | Unit price (\$)     | Total               |                     |
| Pan Global Holding Co., Ltd.               | 12,220                                 | \$ 8,833,046        | -                                 | \$ -            | -                                 | ( \$ 91,087 )         | 12,220                   | 100              | 8,741,959           | \$ -                | \$ 8,741,959        | None.               |
| Pan International Electronics Inc.         | 28,000                                 | 192,689             | -                                 | 3,092           | -                                 | -                     | 28,000                   | 100              | 195,781             | -                   | 195,781             | ”                   |
| Yen Yung International Investment Co., Ltd | 44,316,236                             | 399,894             | -                                 | -               | -                                 | ( 83,566 )            | 44,316,236               | 100              | 316,328             | -                   | 316,328             | ”                   |
|  |  | <u>\$ 9,425,629</u> |                                   | <u>\$ 3,092</u> |                                   | <u>( \$ 174,653 )</u> |                          |                  | <u>\$ 9,254,068</u> |                     | <u>\$ 9,254,068</u> |                     |

Note: The amount increased and decreased in the current period includes the share of income from subsidiaries, associates, and joint ventures accounted for under the equity method, exchange differences from the conversion of financial statements of the foreign operation segments, actuarial income of the defined benefit plan, unrealized gain/loss of financial assets of investee companies measured at fair value through other comprehensive income, changes in net equity value of investee companies and cash dividends paid by investee companies.

Pan-International Industrial Corp.

Short-term borrowings

December 31, 2020

Unit: NTD thousand

Subsidiary Ledger 6

| <u>Lending bank</u>     | <u>Loan type</u> | <u>Ending balance</u> | <u>Contract term</u>  | <u>Interest Rate</u> | <u>Credit limit</u> | <u>Guarantee or<br/>pledge</u> | <u>Remarks</u> |
|-------------------------|------------------|-----------------------|-----------------------|----------------------|---------------------|--------------------------------|----------------|
| Cathay United Bank      | Credit lending   | \$ 398,720            | 2020/12/07~2021/03/09 | 0.63%~0.65%          | \$ 854,400          | None.                          |                |
| Taipei Fubon Bank       | Credit lending   | 797,440               | 2020/12/07~2021/01/13 | 0.74%                | 1,000,000           | "                              |                |
| Standard Chartered Bank | Credit lending   | 170,880               | 2020/12/18~2021/01/15 | 0.63%                | 854,400             | "                              |                |
|                         |                  | <u>\$ 1,367,040</u>   |                       |                      | <u>\$ 2,708,800</u> |                                |                |

Pan-International Industrial Corp.  
Accounts payable  
December 31, 2020

Subsidiary Ledger 7

Unit: NTD thousand

| Name of supplier   | Summary | Amount                  |
|--|---------|-------------------------|
| <u>Non-related Parties:</u>                                |         |                         |
| Innolux Corporation  | \$      | 215,081                 |
| TECHIGH CIRCUIT TECHNOLOGY (HUI ZHOU) CO., LTD.            |         | 83,871                  |
| ELEC & ELTEK COMPANY (MACAO COMMERCIAL OFFSHORE) LIMITED   |         | 69,391                  |
| AOSHIKANG TECHNOLOGY (HONG KONG) CO., LIMITED              |         | 68,697                  |
| TRUSTECH ELECTRONICS CO. , LTD                             |         | 51,397                  |
| Others   |         | <u>173,436</u>          |
|  |         | 661,873                 |
| <u>Related Parties:</u>                                    |         |                         |
| Honghuasheng Precision Electronics (Yantai) Co., Ltd.      | \$      | 558,016                 |
| Foxconn Interconnect Technology Limited                    |         | 483,012                 |
| Dongguan Pan-International Precision Electronics Co., Ltd. |         | 255,763                 |
| Others   |         | 3,007                   |
|  |         | <u>1,299,798</u>        |
|  | \$      | <u><u>1,961,671</u></u> |

Pan-International Industrial Corp.  
Operating revenue  
January 1 to December 31, 2020

Subsidiary Ledger 8

Unit: NTD thousand

| Item                           | Quantity | Amount        | Remarks |
|--------------------------------|----------|---------------|---------|
| Electronic Components          | Note     | \$ 9,547,209  |         |
| Computers and peripherals      | "        | 2,596,253     |         |
|                                |          | 12,143,462    |         |
| Less: sale return and discount |          | ( 10,584 )    |         |
|                                |          | \$ 12,132,878 |         |

Note: The products for sale come in a great variety and the pricing per unit also differs, as such the quantity is not specified here.



Pan-International Industrial Corp.  
Operating cost  
January 1 to December 31, 2020

Subsidiary Ledger 9

Unit: NTD thousand

| Item                             | Amount               |
|----------------------------------|----------------------|
| Inventory at beginning of period | \$ 820,615           |
| Add: purchase in current period  | 10,897,432           |
| Inventory at the end of period   | ( 207,250 )          |
| Other cost of operation          | 16,479               |
| Inventory valuation loss         | ( 893 )              |
|                                  | <u>\$ 11,526,383</u> |

Pan-International Industrial Corp.  
Operating expenses  
January 1 to December 31, 2020

Subsidiary Ledger 10

Unit: NTD thousand

| Item                            | Selling and<br>marketing<br>expenses | Administrative and<br>general affairs<br>expense | Research and<br>development<br>expenses | Expected credit<br>impairment loss | Total             | Remarks   |
|---------------------------------|--------------------------------------|--|---|------------------------------------|-------------------|---|
| Salary expense                  | \$ 22,185                            | \$ 44,298  | \$ 10,043                               | \$ -                               | \$ 76,526         |   |
| Import and export fee           | 31,513                               | -  | -                                       | -                                  | 31,513            |   |
| Commission expense              | 5,653                                | -  | -                                       | -                                  | 5,653             |   |
| Professional service charge     | 2,333                                | 7,163  | -                                       | -                                  | 9,496             |   |
| Expected credit impairment loss | -                                    | -  | -                                       | 1,848                              | 1,848             |   |
| Others                          | 9,045                                | 18,846   | 2,337                                   | -                                  | 30,228            |   |
|                                 | <u>\$ 70,729</u>                     | <u>\$ 70,307</u>                                 | <u>\$ 12,380</u>                        | <u>\$ 1,848</u>                    | <u>\$ 155,264</u> | The balance of each sporadic title falls below 5% of the total under this title |

Pan-International Industrial Corp. and Subsidiaries

Loans to others

January 1 to December 31, 2020

Table 1

Unit: NTD thousand  
(unless otherwise noted)

| Serial No.<br>(Note 1) | Loan extending company             | Borrower                       | Dealing items<br>(Note 2)           | Whether a related party | Maximum amount of the period<br>(Note 3) | Ending balance<br>(Note 8) | Transaction Amounts | Interest Rate | Loan nature<br>(Note 4) | Business Transaction Amounts<br>(Note 5) | Reason for short-term financing<br>(Note 6) | Provision for allowance for loss for bad debt | Collateral |       | Loans limits for individual entities<br>(Note 7) | Total loan limit<br>(Note 7) | Remarks |
|------------------------|------------------------------------|--------------------------------|-------------------------------------|-------------------------|--|----------------------------|---------------------|---------------|-------------------------|--|---|---|------------|-------|--|------------------------------|---------|
|                        |                                    |                                |                                     |                         |  |                            |                     |               |                         |  |   |   | Name       | Value |  |                              |         |
| 0                      | Pan-International Industrial Corp. | PAN GLOBAL HOLDING CO., LTD    | Other receivables - related parties | Yes                     | \$ 333,905                               | \$ 313,280                 | \$ 284,800          | 1.00%         | Short-term financing    | \$ -                                     | Operating turnover                          | None.   | None.      | None. | \$ 1,116,579                                     | \$ 4,466,316                 |         |
| 0                      | Pan-International Industrial Corp. | Tekcon Electronics Corporation | Other receivables - related parties | Yes                     | 200,000                                  | -                          | -                   | -             | Short-term financing    | -  | Operating turnover                          | None.   | None.      | None. | 1,116,579  | 4,466,316                    |         |

Note 1: The explanation of the number column is as follows:

(1). Fill in 0 for the issuer.

(2). Investee companies are numbered in sequence in each company type starting numerically from 1.

Note 2: Dealing items include receivables from affiliated enterprises, receivables from related parties, transactions with shareholders, prepayments, provisional payments, etc. if the nature is a loan to others.

Note 3: The maximum balance of loans to others in the current year.

Note 4: The loan shall be recognized under this item if the nature of the fund denotes a business transaction or a need for short-term financing.

Note 5: Where the nature of the loan is a business transaction, the amount of the business transaction shall be disclosed. The business transaction amount refers to the total amount of business transactions between the lending company and the borrower in the most recent year.

Note 6: If the nature of the loan denotes a necessity for short-term financing, the reason and the purpose of the loan by the borrower must be specified, such as loan repayment, purchase of equipment, business turnover, etc.

Note 7: Total loan amount: For loans lent out to companies or entities with the need for short-term financing, the total amount of loans shall not exceed 40% of the Company's net worth.

The loan limit for individual entities: For companies or firms with the need for short-term financing, the number of loans to each individual entity shall not exceed 10% of the company's net worth.

Note 8: If a public company submits its lending to the Board of Directors' meeting for resolution case by case in accordance with paragraph 1, Article 14 of the Regulations Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies, the amount of the resolution of the Board of Directors' meeting shall be included in the announced balance to disclose the risks it bears before the funds are lent out;

if the funds are repaid later, the balance after repayment shall be disclosed to reflect the adjustment of risks. If the Board of Directors' meeting of a public company authorizes the chairman of the board to extend loans in several trenches or recycle the loan balance within a certain limit in a year in accordance with paragraph 2, Article 14 of the Regulations, the loan limit approved by the Board of Directors' meeting shall still be used as the balance for the public announcement and declaration. Although the funds will be repaid later, other loans may still be extended again, so the loan limit approved by the Board of Directors' meeting shall still be used as the balance for the public announcement and declaration.

Pan-International Industrial Corp. and Subsidiaries

Endorsement/guarantee provided

January 1 to September 30, 2020

Table 2

Unit: NTD thousand  
(unless otherwise noted)

| Serial No.<br>(Note 1) | Name of company of the endorsement/guarantee | Guaranteed Party                         |                      | Endorsement/guarantee limit for a single enterprise<br>(Note 3) | Maximum endorsement/guarantee balance of the period<br>(Note 4) | Endorsement/guarantee balance of the period<br>(Note 5) | Transaction Amounts<br>(Note 6) | Amount of endorsement/guarantee backed by assets | Ratio of the cumulative endorsement/guarantee amount to the net value in the latest financial report | Endorsement/guarantee limit<br>(Note 3) | Endorsement/guarantee from the parent company to subsidiary<br>(note 7) | Endorsement/guarantee from subsidiary to parent company<br>(note 7) | Endorsement/guarantee to entities in the Mainland China<br>(Note 7) | Remarks |
|------------------------|--|--|----------------------|---|---|---|---------------------------------|--|--|---|---|---|---|---------|
|                        |  | Company name                             | Relation<br>(Note 2) |   |   |   |                                 |  |  |   |   |   |   |         |
| 0                      | Pan-International Industrial Corp.           | Pan-International Industrial Corp.       | 2                    | \$ 1,630,231  | \$ 1,175,512  | \$ 1,121,756  | \$ 261,156                      | \$ -   | 10.05  | \$ 3,260,462                            | Y   | N   | N   | Note 8  |
| 1                      | P.I.E INDUSTRIAL BERHAD                      | PANINTERNATIONAL ELECTRONICS(M) SDN.BHD. | 2                    | 1,630,231   | 90,258  | 88,667  | 3,393                           | -  | 0.79   | 3,260,462                               | Y   | N   | N   |         |

Note 1: The explanation of the number column is as follows:

(1). Fill in 0 for the issuer.

(2). Investee companies are numbered in sequence in each company type starting numerically from 1.

Note 2: There are 7 types of relations between the endorsement guarantor and the borrower as follows; simply mark the type:

(1). A company with business relations.

(2). A company with more than 50% of its voting shares is directly or indirectly held by the company.

(3). A company directly or indirectly holding more than 50% of the voting shares of the company.

(4). A company with more than 90% of its voting shares is directly or indirectly held by the company.

(5). A company with mutual guarantees in accordance with the contract which is in the same industry or a joint constructor to contract the project.

(6). A company that has been endorsed/guaranteed by all the contributing shareholders in accordance with their shareholding ratios due to a joint investment relationship.

(7). Joint and several guarantees for the performance of a contract for the sale of pre-sold houses among companies in the same industry in accordance with the provisions of the Consumer Protection Act.

Note 3: The total amount of external endorsements/guarantees shall not exceed 100% of the Company's net value, and the limit of endorsements/guarantees for a single enterprise shall not exceed 50% of the Company's net worth.

The total amount of endorsements/guarantees provided by the Company and its subsidiaries to others shall not exceed 100% of the Company's net value; the total amount of endorsements/guarantees by the Company and its subsidiaries to a single enterprise shall not exceed 50% of the Company's net worth.

The total amount of endorsements/guarantees provided by the Company to a foreign subsidiary that the Company, directly and indirectly, holds 100% of its voting shares shall not exceed 50% of the parent company's net worth, and the limit for an individual entity shall not exceed 20% of the parent company's net worth.

Note 4: The maximum balance of endorsements/guarantees for others in the current year.

Note 5: The amount approved by the Board of Directors' meeting shall be filled in. However, if the Board of Directors' meeting authorizes the chairman of the board to decide in accordance with subparagraph 8, Article 12 of the Regulations Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies, it refers to the amount decided by the chairman of the board.

Note 6: The actual amount of the Company's disbursement within the range of using the balance of the endorsements/guarantees shall be disclosed.

Note 7: Y is required only for an endorsement/guarantee of a listed parent company to a subsidiary, an endorsement/guarantee of a subsidiary to a listed parent company, and an endorsement/guarantee to entities in Mainland China.

Pan-International Industrial Corp. and Subsidiaries  
 Marketable securities held at period end (excluding investment in subsidiaries, associates, and jointly controlled entities).  
 September 30, 2020

Table 3

Unit: NTD thousand  
 (unless otherwise noted)

| Holding Company Name                       | Type of marketable securities | Name of marketable securities              | Relationship with the Holding Company   | financial report Account   | March 31, 2020                            |              |              |              | Remarks |
|--|-------------------------------|--|---|--|---|--------------|--------------|--------------|---------|
|  |                               |  |   |  | Number of shares/beneficiary certificates | Book value   | Shares Ratio | Fair value   |         |
| Pan-International Industrial Corp.         | Common share                  | Innolux Corporation                        | None.   | Financial assets measured at fair value through other comprehensive income - Non-current | 82,705,987                                | \$ 1,166,154 | 0.85         | \$ 1,166,154 |         |
| Pan-International Industrial Corp.         | Common share                  | WK Technology Fund                         | None.   | Financial assets measured at fair value through other comprehensive income - Non-current | 84,378                                    | 173          | 0.42         | 173          |         |
| Pan-International Industrial Corp.         | Common share                  | Syntrend Creative Park Co., Ltd.           | The largest shareholder of this company is the largest shareholder of Hon Hai Precision Co., Ltd. | Financial assets measured at fair value through other comprehensive income - Non-current | 12,831,500                                | 66,939       | 5.23         | 66,939       |         |
| P.I.E. INDUSTRIAL BERHAD                   | Open-end funds                | EASTSPRING INVESTMENTS ISLAMIC INCOME FUND | None.   | Financial assets at FVTPL - Current  | 22,913                                    | 84           | -            | 85           |         |
| P.I.E. INDUSTRIAL BERHAD                   | Open-end funds                | AFFIN HWANG AIIIMAN MONEY MARKET FUND I    | None.   | Financial assets at FVTPL - Current  | 1,481,979                                 | 43,454       | 0.04         | 43,454       |         |
| P.I.E. INDUSTRIAL BERHAD                   | Open-end funds                | AFFIN HWANG USD CASH FUND                  | None.   | Financial assets at FVTPL - Current  | 254,743                                   | 7,378        | 0.96         | 7,378        |         |
| Yen Yung International Investment Co., Ltd | Common share                  | Lico Technology Corporation                | None.   | Financial assets measured at fair value through income - Non-current                     | 3,400,000                                 | -            | 2.73         | -            |         |
| PAN GLOBAL HOLDING CO., LTD.               | Common share                  | UER HOLDINGS CORPORATION                   | The investment company is evaluated by the equity method; the same as the Company.                | Financial assets measured at fair value through income - Non-current                     | 1,781,979                                 | -            | 8.22         | -            |         |
| PAN GLOBAL HOLDING CO., LTD.               | Common share                  | FSK HOLDINGS LIMITED                       | The investment company is evaluated by the equity method; the same as the Company.                | Financial assets measured at fair value through other comprehensive income - Non-current | 50,400,000                                | 63,537       | 17.50        | 63,537       |         |
| PAN GLOBAL HOLDING CO., LTD.               | Common share                  | CYBERTAN TECHNOLOGY CORP.                  | The investment company is evaluated by the equity method; the same as the Company.                | Financial assets measured at fair value through other comprehensive income - Non-current | 22,519,097                                | 1,070,910    | 16.87        | 1,070,910    |         |

Pan-International Industrial Corp. and Subsidiaries  
Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital or more.  
December 31, 2020

Table 4

Unit: NTD thousand  
(unless otherwise noted)

| Buyer/Seller   | Related Party  | Relation  | Transaction Details |            |                                       |  | Differences in transaction terms from those of general transactions and reasons |                           | Note/Accounts Receivable (Payable) | Remarks |
|--|--|---|---------------------|------------|---------------------------------------|--|---|---------------------------|------------------------------------|---------|
|  |  |   | Purchase (Sale)     | Amount     | Percentage over total purchase (sale) | Credit period  | Unit Price  | Credit period             | Balance                            |         |
| Pan-International Industrial Corp.                         | PAN-INTERNATIONAL ELECTRONICS (USA) INC.                   | Subsidiary of the Company's indirect reinvestment                               | Sales               | \$ 263,853 | 2                                     | Monthly settlement 120 days T/T  | No sale to other customers with no basis for comparison                         | No significant difference | \$ 9,129                           | -       |
| Pan-International Industrial Corp.                         | Sharp (Taiwan) Electronics Corporation                     | Other related parties   | Sales               | 331,237    | 3                                     | Monthly settlement 30 days T/T   | No sale to other customers with no basis for comparison                         | No significant difference | 64                                 | -       |
| Pan-International Industrial Corp.                         | Fu Gui Kong Precision Electronic (Guizhou) Co., Ltd.       | Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd. | Sales               | 147,139    | 1                                     | Monthly settlement 90 days T/T   | No sale to other customers with no basis for comparison                         | No significant difference | 17,750                             | 1       |
| Pan-International Industrial Corp.                         | Hongfujin Precision Electronics (Chongqing) Co., Ltd.      | Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd. | Sales               | 167,054    | 1                                     | Monthly settlement 90 days T/T   | No sale to other customers with no basis for comparison                         | No significant difference | 44,910                             | 2       |
| Pan-International Industrial Corp.                         | Hongfujin Precision Electronics (Yantai) Co., Ltd.         | Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd. | Sales               | 1,264,663  | 10                                    | Monthly settlement 90 days T/T   | No sale to other customers with no basis for comparison                         | No significant difference | 21,305                             | 1       |
| Pan-International Industrial Corp.                         | Hongfujin Precision Industry (Wuhan) Co., Ltd.             | Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd. | Sales               | 350,410    | 3                                     | Monthly settlement 90 days T/T   | No sale to other customers with no basis for comparison                         | No significant difference | 100,933                            | 4       |
| Pan-International Industrial Corp.                         | Hongfutai Precision Electronics (Yantai) Co., Ltd.         | Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd. | Sales               | 1,037,591  | 9                                     | Monthly settlement 90 days T/T   | No sale to other customers with no basis for comparison                         | No significant difference | 785,974                            | 32      |
| Pan-International Industrial Corp.                         | Futaijing Precision Electronics (Yantai) Co., Ltd.         | Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd. | Sales               | 1,402,003  | 12                                    | Monthly settlement 90 days T/T   | No sale to other customers with no basis for comparison                         | No significant difference | 4,954                              | -       |
| Pan-International Industrial Corp.                         | FIH (Hongkong) Mobil Limited                               | Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd. | Sales               | 728,992    | 6                                     | Monthly settlement 90 days T/T   | No sale to other customers with no basis for comparison                         | No significant difference | 226,809                            | 9       |
| Pan-International Industrial Corp.                         | Hon Hai Precision Industry Co., Ltd.                       | A company that evaluates the Company by the equity method                       | Sales               | 201,470    | 2                                     | Monthly settlement 90 days T/T   | No sale to other customers with no basis for comparison                         | No significant difference | 79,963                             | 3       |
| Pan-International Industrial Corp.                         | Honghuasheng Precision Electronics (Yantai) Co., Ltd.      | Subsidiary of the Company's indirect reinvestment                               | Purchase            | 3,366,311  | 30                                    | Monthly settlement 90 days   | A single supplier with no basis for comparison                                  | No significant difference | ( 558,016 )                        | ( 28 )  |
| Pan-International Electronics Inc.                         | Dongguan Pan-International Precision Electronics Co., Ltd. | Subsidiary of the Company's indirect reinvestment                               | Purchase            | 1,026,728  | 9                                     | Monthly settlement 90 days   | A single supplier with no basis for comparison                                  | No significant difference | ( 255,763 )                        | ( 13 )  |
| Pan-International Electronics Inc.                         | Foxconn Interconnect Technology Limited                    | Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd. | Purchase            | 1,608,818  | 14                                    | Monthly settlement 90 days   | A single supplier with no basis for comparison                                  | No significant difference | ( 483,012 )                        | ( 25 )  |
| Pan-International Electronics Inc.                         | Sharp Corporation  | Other related parties   | Purchase            | 2,352,877  | 21                                    | 30 days after invoice day  | A single supplier with no basis for comparison                                  | No significant difference | ( - )                              | -       |
| Dongguan Pan-International Precision Electronics Co., Ltd. | Dongguan Pan-International Electronics Co., Ltd.           | Subsidiary of the Company's indirect reinvestment                               | Sales               | 125,583    | 9                                     | 90 days. However, the payment terms will be adjusted according to the working capital needs. | No sale to other customers with no basis for comparison                         | No significant difference | 2,480                              | 1       |
| New Ocean Precision Component (Jiangxi) Co., Ltd.          | Foxconn Interconnect Technology Limited                    | Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd. | Sales               | 1,663,031  | 98                                    | Monthly settlement 60 days T/T   | No sale to other customers with no basis for comparison                         | No significant difference | 433,199                            | 99      |

Pan-International Industrial Corp. and Subsidiaries  
Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital or more.  
December 31, 2020

Table 4

Unit: NTD thousand  
(unless otherwise noted)

| Buyer/Seller                            | Related Party                           | Relation  | Transaction Details |              |                                       |                             | Differences in transaction terms from those of general transactions and reasons |                           | Note/Accounts Receivable (Payable) |   | Remarks |
|---|---|---|---------------------|--------------|---------------------------------------|-----------------------------|---|---------------------------|------------------------------------|---|---------|
|   |   |   | Purchase (Sale)     | Amount       | Percentage over total purchase (sale) | Credit period               | Unit Price  | Credit period             | Balance                            | Percentage over total notes and accounts receivable (payable) |         |
| PAN-INDUSTRIAL ELECTRONICS(M) SDN. BHD. | S&O ELECTRONICS (Malaysia) SDN BHD      | Other related parties   | Sales               | \$ 1,243,417 | 26                                    | Monthly settlement 90 days  | No sale to other customers with no basis for comparison                         | No significant difference | \$ 562,074                         | 39  |         |
| PAN-INDUSTRIAL ELECTRONICS(M) SDN. BHD. | Foxconn Technology Co., Ltd             | Other related parties   | Purchase            | 1,037,321    | 23                                    | Monthly settlement 90 days  | A single supplier with no basis for comparison                                  | No significant difference | ( 241,929 )                        | ( 26 )  |         |
| PAN-INDUSTRIAL ELECTRONICS(M) SDN. BHD. | Hon Hai Precision Industry Co., Ltd.    | A company that evaluates the Company by the equity method                       | Purchase            | 273,012      | 6                                     | Monthly settlement 90 days  | A single supplier with no basis for comparison                                  | No significant difference | ( 28,830 )                         | ( 3 )   |         |
| Tekcon Electronics Corporation          | Foxconn Interconnect Technology Limited | Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd. | Purchase            | 328,018      | 70                                    | Monthly settlement 120 days | A single supplier with no basis for comparison                                  | No significant difference | ( 218,532 )                        | ( 81 )  |         |
| Tekcon Huizhou Electronics Co., Ltd.    | Huaian Fultong Trade Co., Ltd.          | Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd. | Purchase            | 291,083      | 70                                    | Monthly settlement 120 days | A single supplier with no basis for comparison                                  | No significant difference | ( 261,074 )                        | ( 86 )  |         |

Pan-International Industrial Corp. and Subsidiaries

Total accounts receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital or more.

December 31, 2020

Table 5

Unit: NTD thousand  
(unless otherwise noted)

| Company Name  | Related Party                                      | Relation  | Balance of accounts receivable<br>from related parties | Turnover Rate | Overdue |                                      | Accounts receivable from<br>related parties recovered<br>after the period | Provision for<br>bad debt |
|---|--|---|--|---------------|---------|--------------------------------------|---|---------------------------|
|   |  |   |  |               | Amount  | Actions Taken                        |   |                           |
| Pan-International Industrial Corp.                            | Hongfujin Precision Industry (Wuhan) Co., Ltd.     | Subsidiary of the indirect<br>reinvestment of Hon Hai<br>Precision Industry Co., Ltd. | 100,933  | 3.06          | -       | Payment received<br>after the period | 26,758  | 40                        |
| Pan-International Industrial Corp.                            | FIH (Hongkong) Mobil Limited                       | Subsidiary of the indirect<br>reinvestment of Hon Hai<br>Precision Industry Co., Ltd. | 226,809  | 1.62          | -       | Payment received<br>after the period | 92,330  | 91                        |
| Pan-International Industrial Corp.                            | Hongfutai Precision Electronics (Yantai) Co., Ltd. | Subsidiary of the indirect<br>reinvestment of Hon Hai<br>Precision Industry Co., Ltd. | 785,974  | 1.98          | 74      | Payment received<br>after the period | 350,985   | 314                       |
| Honghuasheng Precision Electronics (Yantai)<br>Co., Ltd.      | Pan-International Industrial Corp.                 | The Company's parent<br>company   | 558,016  | 7.80          | -       | Payment received<br>after the period | 323,852   | 223                       |
| Dongguan Pan-International Precision<br>Electronics Co., Ltd. | Pan-International Industrial Corp.                 | The Company's parent<br>company   | 255,763  | 3.04          | -       | Payment received<br>after the period | 307,025   | -                         |
| New Ocean Precision Component (Jiangxi) Co.,<br>Ltd.          | Foxconn Interconnect Technology Limited            | Subsidiary of the indirect<br>reinvestment of Hon Hai<br>Precision Industry Co., Ltd. | 433,199  | 3.82          | -       | Payment received<br>after the period | 212,853   | 173                       |
| Dongguan Pan-International Electronics Co.,<br>Ltd.           | Champ Tech Optical (Foshan) Corporation            | Other related parties   | 113,546  | 2.61          | -       | Payment received<br>after the period | 63,538  | 45                        |
| Pan-International Electronics(M) Sdn.Bhd.                     | S&O Electronics (Malaysia) Sdn Bhd                 | Other related parties   | 562,074  | 4.42          | 161,323 | Payment received<br>after the period | 191,404   | 9                         |



Pan-International Industrial Corp. and Subsidiaries  
Significant Inter-company Transactions during the Reporting Period  
December 31, 2020

Table 6

Unit: NTD thousand  
(unless otherwise noted)

| Serial No.<br>(Note 1) | Transaction Company  | Counterparty   | Relationship with the transaction parties<br>(Note 2) | Description of Transactions (note 4) |            |                   | Percentage over consolidated total revenue or total assets (note 3) |
|------------------------|--|--|---|--------------------------------------|------------|-------------------|---|
|                        |  |  |   | Account                              | Amount     | Transaction Terms |   |
| 0                      | Pan-International Industrial Corp.                         | PAN-INTERNATIONAL ELECTRONICS (USA) INC.                   | 1   | Sales                                | \$ 263,853 | Note 5            | 1   |
| 0                      | Pan-International Industrial Corp.                         | Honghuasheng Precision Electronics (Yantai) Co., Ltd.      | 1   | Purchase                             | 3,366,311  | Note 7            | 16  |
| 0                      | Pan-International Industrial Corp.                         | Dongguan Pan-International Precision Electronics Co., Ltd. | 1   | Purchase                             | 1,026,728  | Note 7            | 5   |
| 0                      | Pan-International Industrial Corp.                         | PAN GLOBAL HOLDING CO., LTD.                               | 1   | Other receivables                    | 389,596    | Not applicable    | 2   |
| 1                      | Dongguan Pan-International Precision Electronics Co., Ltd. | Dongguan Pan-International Electronics Co., Ltd.           | 3   | Sales                                | 125,583    | Note 6            | 1   |
| 1                      | Dongguan Pan-International Precision Electronics Co., Ltd. | Pan-International Electronics Inc.                         | 2   | Accounts receivable                  | 255,763    | Note 7            | 1   |
| 2                      | Honghuasheng Precision Electronics (Yantai) Co., Ltd.      | Pan-International Electronics Inc.                         | 2   | Accounts receivable                  | 558,016    | Note 7            | 3   |

Note 1: The business information between the parent company and the subsidiary shall be indicated in the number column respectively, and the number shall be filled in as follows:

(1) Fill in 0 for the parent company.

(2) 1 to 6 - subsidiaries.

Note 2: There are three types of relationship with the transaction parties; mark the type (there is no need to repeatedly disclose the same transaction between parent and subsidiary companies or between subsidiary companies. For example, if a parent company discloses a transaction with a subsidiary, the subsidiary does not have to repeat the disclosure of the transaction; if a subsidiary discloses a transaction with another subsidiary, the other subsidiary does not have to disclose the transaction again):

(1) Parent company with a subsidiary.

(2) A subsidiary with the parent company.

(3) A subsidiary with a subsidiary.

Note 3: For the calculation of the ratio of the transaction amount to the total consolidated revenue or total assets, if the item is classified as an asset or liability, the ratio is calculated with its ending balance as a percentage over the total consolidated assets; if the item is classified as an income, the ratio is calculated with the income accumulated at the end of the period as a percentage over the total consolidated revenue.

Note 4: The standard for disclosing the transaction information above between the parent company and a subsidiary is that the amount of purchase, sale, and receivables from related parties reaches NT\$100 million or 20% of the paid-in capital.

Note 5: The transaction price is similar to that of the general customer, with a collection period of 120 days monthly settlement.

Note 6: Transaction prices are negotiated and the collection period is 90 days monthly settlement. The terms of payment are adjusted according to the demand for working capital.

Note 7: Transaction prices are negotiated and the collection period is 90 days monthly settlement.

Pan-International Industrial Corp. and Subsidiaries  
The name and location of the investee company and other relevant information (excluding investee companies in Mainland China)  
January 1 to December 31, 2020

Table 7

Unit: NTD thousand  
(unless otherwise noted)

| Investor                                   | Investor Company                           | Location                   | Main Businesses and Products                                      | Original Investment Amount |                  | As of March 31, 2020 |       |              | Net income (loss) of the Investee for current period | Investment gains and losses recognized in the current period | Remarks |
|--|--|----------------------------|---|----------------------------|------------------|----------------------|-------|--------------|--|--|---------|
|  |  |                            |   | March 31, 2020             | End of last year | Shares               | Ratio | Book value   |  |  |         |
| Pan-International Industrial Corp.         | Pan Global Holding Co., Ltd.               | The British Virgin Islands | Holding company   | \$ 3,472,484               | \$ 3,472,484     | \$ 12,220            | 100   | \$ 8,741,959 | \$ 463,355   | \$ 463,355   |         |
| Pan-International Industrial Corp.         | Pan-International Electronics Inc.         | USA                        | Sale of electronic products                                       | 73,142                     | 73,142           | 28,000               | 100   | 195,781      | 13,211   | 13,211   |         |
| Pan-International Industrial Corp.         | Yen Yung International Investment Co., Ltd | Taiwan                     | Investment company  | 473,997                    | 473,997          | 44,316,236           | 100   | 316,328      | (135,224)  | (135,224)  |         |
| Yen Yung International Investment Co., Ltd | Tekcon Electronics Corporation             | Taiwan                     | Manufacturing and sale of connectors for electronic signal cables | 393,898                    | 393,898          | 21,960,504           | 83.58 | 196,339      | (161,744)  | (135,185)  |         |
| PAN GLOBAL HOLDING CO., LTD.               | P.I.E. INDUSTRIAL BERHAD (PIB)             | Malaysia                   | Holding company   | 39,730                     | 39,730           | 197,459,985          | 51.42 | 1,676,530    | 316,722  | 162,859  | Note 1  |
| PAN GLOBAL HOLDING CO., LTD.               | GREAT HAVEN HOLDINGS LTD. (GHH)            | The British Virgin Islands | Holding company   | 549,664                    | 549,664          | 19,800,000           | 100   | 76,951       | 117  | 117  | Note 2  |
| PAN GLOBAL HOLDING CO., LTD.               | BRISTECH INTERNATIONAL LTD. (BIL)          | The British Virgin Islands | Holding company   | -                          | -                | -                    | -     | -            | 5  | 5  |         |
| PAN GLOBAL HOLDING CO., LTD.               | GREAT SUPPORT INTERNATIONAL LTD. (GSI)     | The British Virgin Islands | Processing of electronic products                                 | -                          | -                | -                    | -     | -            | (1)  | (1)  |         |
| PAN GLOBAL HOLDING CO., LTD.               | BEYOND ACHIEVE ENTERPRISE LTD. (BAE)       | The British Virgin Islands | Holding company   | 273,408                    | 279,360          | 9,600,000            | 100   | 638,272      | (49,171)   | (49,171)   | Note 3  |
| PAN GLOBAL HOLDING CO., LTD.               | TEAM UNION INTERNATIONAL LTD. (TUI)        | Hong Kong                  | Holding company   | 467,072                    | 467,072          | 3,120,001            | 100   | 746,550      | 71,694   | 71,694   | Note 4  |
| PAN GLOBAL HOLDING CO., LTD.               | EAST HONEST HOLDINGS LIMITED (EHH)         | Hong Kong                  | Holding company   | 3,053,551                  | 3,053,551        | 665,799,420          | 100   | 4,297,397    | 369,840  | 369,840  | Note 5  |
| PAN GLOBAL HOLDING CO., LTD.               | Long Time Tech. Co., Ltd.                  | Taiwan                     | Electronic Components   | 646,000                    | 646,000          | 20,187,500           | 16.82 | 580,069      | (15,657)   | (24,513)   |         |
| Tekcon Electronics Corporation             | Long Time Tech. Co., Ltd.                  | Taiwan                     | Electronic Components   | 250,000                    | 250,000          | 7,812,500            | 5.44  | 224,485      | (15,657)   | (9,488)  |         |

Note 1: The Company mainly reinvests indirectly through PIB in Pan-International Electronics (Malaysia) Sdn. Bhd. and Pan-International Wire & Cable (Malaysia) Sdn. Bhd. from the production of cable-attached connectors or electronic products and sales in Malaysia.

Note 2: The Company mainly reinvests in NCIH International Holdings Limited indirectly through GHH. It was dissolved in September 2020.

Note 3: The Company mainly reinvests in New Ocean Precision Component (Jiangxi) Co., Ltd. indirectly through BAE. Please refer to Table 8 for details on the disclosure of information about the investment in Mainland China.

Note 4: The Company mainly reinvests in Dongguan Pan-International Precision Electronics Co., Ltd. indirectly through TUI. Please refer to Table 8 for details on the disclosure of information about the investment in Mainland China.

Note 5: The Company mainly reinvests in Honghuasheng Precision Electronics (Yantai) Co., Ltd. indirectly through EHH. Please refer to Table 8 for details on the disclosure of information about the investment in Mainland China.

Note 6: The relevant figures in this table are in NTD. Where foreign currencies are involved, they will be converted into NTD at the exchange rate on the date of financial reporting.

Pan-International Industrial Corp. and Subsidiaries  
Mainland China investment information - Basic information  
January 1 to December 31, 2020

Table 8

Unit: NTD thousand  
(unless otherwise noted)

| Name of the investee in mainland China                     | Main Businesses and Products   | Paid-in Capital | Method of Investments (Note 2) | Cumulative outward remittance of investment amount from Taiwan at the beginning of the period | Investment Flows of current period |        | Cumulative outward remittance of the investment amount from Taiwan in the period end | Net income (loss) of the Investee for current period | % Ownership of Direct or Indirect Investment | Investment gains and losses recognized in the current period (Note 3) | Book value of the investment at the end of the period | Investment gains repatriated as of the end of the period | Remarks |
|--|--|-----------------|--------------------------------|---|------------------------------------|--------|--|--|--|---|---|--|---------|
|  |  |                 |                                |   | Outward                            | Inward |  |  |  |   |   |  |         |
| Dongguan Pan-International Precision Electronics Co., Ltd. | Manufacturing and sale of wires, cables, connecting wires, connecting wire connectors, and wire plugs.   | \$ 467,072      | 2                              | \$ 356,000  | \$ -                               | \$ -   | \$ 356,000   | \$ 71,694  | 100  | \$ 71,694   | \$ 746,550  | \$ -   | Note 6  |
| Fuyu Property (Shanghai) Co., Ltd.                         | Engaging in the e-commerce business of industrial design, other specialized design services, car rental, retail of other commodities, sale of computer and peripheral equipment and software, retail of communication equipment, retail of audio-visual equipment, retail of spare parts and supplies for locomotives, and e-commerce of retail goods and equipment above. | 7,917,440       | 2                              | 776,080   | -                                  | -      | 776,080  | ( 117,591 )  | 16.87  | -   | 1,070,910   | -  |         |
| New Ocean Precision Component (Jiangxi) Co., Ltd.          | Manufacturing and operation of various types of plugs and sockets and telecommunications.  | 273,408         | 2                              | -   | -                                  | -      | -  | ( 49,171 )   | 100  | ( 49,171 )  | 638,272   | -  |         |
| Honghuasheng Precision Electronics (Yantai) Co., Ltd.      | Production and sale of hard single (double) side printed circuit boards, hard multi-layer printed circuit boards, flexible multi-layer printed circuit boards, and other printed circuit boards  | 2,443,584       | 2                              | 2,520,480   | -                                  | -      | 2,520,480  | 458,422  | 100  | 458,422   | 3,529,081   | -  | Note 4  |

| Company name                       | The cumulative amount of outward remittance of investment from Taiwan to mainland China at the end of the period (notes 5 and 6) | Investment amount approved by the Investment Commission, MOEA | In compliance with the investment limit stipulated by the Investment Commission, MOEA for investment in mainland China. (note 7). |
|------------------------------------|--|---|---|
| Pan-International Industrial Corp. | \$ 4,038,208   | \$ 5,765,474  | \$ -  |

Note 1: The relevant figures in this table are in NTD. Where foreign currencies are involved, they will be converted into NTD at the exchange rate on the date of financial reporting.

Note 2: There are three investment modes:

1. Direct investment in mainland China.
2. Re-investment in mainland China through Pan Global Holding Co., Ltd. of a third region.
3. Other modes.

Note 3: The field of investment gains and losses recognized in the current period is recognized under the audited financial statements.

Note 4: In the first quarter of 2012, the Company acquired 100% of the equity of East Honest Holdings Limited through the subsidiary Pan Global Holding Co., Ltd. and indirectly acquired Honghuasheng Precision Electronics (Yantai) Co., Ltd.; the investment amount approved by the Investment Commission, MOEA was USD 107,217 thousand.

Note 5: As of December 31, 2020, the Company has the following investment withdrawal cases approved by the Investment Commission of the Ministry of Economic Affairs:

| Date              | Approval letter No. | Investor Company                                   | Original investment amount remitted from |                 |
|-------------------|---------------------|--|--|-----------------|
|                   |                     |  | Taiwan                                   |                 |
| September 5, 2003 | 0920028972          | Dongguan Junwang Technology Co., Ltd.              | USD                                      | 91 thousand     |
| December 9, 2010  | 09900496780         | Saibo Digital Technology (Guangzhou) Co., Ltd.     |  | 476 thousand    |
| May 30, 2011      | 10000205680         | Yunnan Saibo Digital Technology Co., Ltd.          |  | 190 thousand    |
| May 30, 2011      | 10000205690         | Chongqing Saibotel Digital Square Co., Ltd.        |  | 454 thousand    |
| May 30, 2011      | 10000205700         | Nanchong Saibo Digital Square Co., Ltd.            |  | 58 thousand     |
| March 22, 2017    | 10600038030         | UER Battery Technology (Shenzhen) Co., Ltd.        |  | 1,100 thousand  |
| May 9, 2017       | 10630024870         | Ganchuang International Trade (Shenzhen) Co., Ltd. |  | 8,650 thousand  |
|                   |                     |  | USD                                      | 11,019 thousand |

Because these reinvestment companies suffer losses, the amount of investment originally remitted from Taiwan cannot offset the amount of investment in mainland China.

Note 6: In November 2011, the Company was granted a document, IC(II) No. 10000518690 by the Investment Commission, MOEA that approved the rescission of the unexecuted investment amount of US\$500 thousand for Dongguan Pan-International Precision Electronics Co., Ltd.

On October 30, 2014, the Company was granted a document, IC(II) No. 10300233110 by the Investment Commission, MOEA that approved the transferring of Cyberport Digital Tech (Qingdao) Co., Ltd. and 41 other companies to Le Zhiwan Ranch Holding Investment Ltd. (Samoa);

In March 2017, the Company was granted a document, IC(II) No. 10600038030 by the Investment Commission, MOEA that approved the rescission of unexecuted investment amount of US\$5.2 million for UER Battery Technology (Shenzhen) Co., Ltd..

Note 7: In December 2019, the Company was granted a document, IDB No. 10820432920 by the Industrial Development Bureau, MOEA, certifying the compliance with the operation scope of operation headquarters, and no investment limit is required from December 4, 2019 to December 3, 2022.

Pan-International Industrial Corp. and Subsidiaries  
Information on major shareholders  
December 31, 2020

Table 9

| Name of major shareholders           | Share                 |              |
|--------------------------------------|-----------------------|--------------|
|                                      | Number of shares held | Shares Ratio |
| Hon Hai Precision Industry Co., Ltd. | 107,776,254           | 20.79%       |

Note 1: The information of major shareholders in this table is based on the information from the Central Depository on the last business day at the end of each quarter, covering shareholders stake of more than 5% of the Company's common and special shares that have completed scriptless registration (including treasury shares).

The share capital reported in the financial report and the actual number of shares that have completed the scriptless registration may be different due to differences in the basis of compilation and calculation.

Note 2: If the shareholder puts the shares into a trust, the aforementioned information will be disclosed by the trustors' individual account opened by the trustee. As for shareholders' insider declaration of the ownership percentage over 10% according to the Securities and Exchange Act, including the shares on hand and those being put in a trust but with the decision power over the usage of the trust assets, please refer to the insider declaration information on MOPS.

Note 3: The preparation principle of this table is to calculate the distribution of the balance of each credit transaction based on the shareholders' register on the book-close day of the extraordinary shareholders' meeting (short-sale securities are not purchased back).

Note 4: Shareholding ratio (%) = total number of shares held by the shareholder/total number of shares that have completed scriptless registration.

Note 5: Total number of shares that have completed scriptless registration (including treasury shares) that have completed dematerialized registration and delivery is 518,346,282 shares = 518,346,282 (common shares) + 0 (preferred shares).

## **V. Consolidated Financial Statements been audited by Certified Public Accountants for the most recent year**

Auditors' Report

(2020) Cai-Shen-Bao-Zi No. 20003894

To Pan-International Industrial Corp.

### **Audit Opinions**

We have audited the consolidated balance sheet of December 31, 2020 and December 31, 2019, the consolidated comprehensive income sheet, consolidated statement of changes in equity, consolidated statement of cash flows from January 1 to December 31, 2020 and 2019, and the notes to the consolidated financial statements (including the summary of material accounting policies) of Pan-International Industrial Corp. and its subsidiaries (hereinafter "Pan-International Group").

In our opinion, on the basis of the result of our audit and the audit reports presented by other accountants (please refer to additional information section), all the material items prepared in these consolidated financial statements are in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), interpretations and interpretation announcements recognized by the Financial Supervisory Commission. Therefore, they are able to properly express the consolidated financial status of Pan-International Group as of December 31, 2020 and 2019, and the consolidated financial performance and consolidated cash flows from January 1 to December 31, 2020 and 2019.

### **Basis of our opinions**

We conducted our audits in accordance with the Rules Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the generally accepted auditing standards in the Republic of China for the statements of 2020, and the Regulations Governing the Audit and Attestation of Financial Statements by Certified Public Accountants, "Rule No. Financial-Supervisory-Securities-Auditing-1090360805 issued by the Financial Supervisory Commission on February 25, 2020", and the auditing principles generally accepted in the Republic of China for the statements of 2019. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Consolidated Financial Statements. We are independent of Pan-International Group in accordance with the CPA Code of Professional Ethics of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. On the basis of the result of our audit and the audit reports presented by other certified public accountants, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the Group in 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 of the consolidated financial statements of the year 2020 of Pan-International Group are as follows:

## **Assessment of the provision for valuation loss on inventory**

### Description

For additional information on the accounting policy of inventory valuation, refer to Note 4 (14) of the consolidated financial statements. For information on the uncertainty of accounting estimates and assumptions for inventory valuation, refer to Note 5 (2) of the consolidated financial statements. For a description of the inventory items, refer to Note 6 (4) of the consolidated financial statements. As of December 31, 2020, Pan-International Group recognized inventory loss and provision for valuation loss of inventory amounting to NT\$2,163,387 thousand and NT\$196,191 thousand, respectively.

Pan-International Group mainly produces cables for electronic signals, connectors, PCB and computer peripherals manufactured by subsidiaries. Rapid changes in the technological environment allow for only a short life cycle of the inventory. In addition, the inventory is highly vulnerable to price fluctuations in the market. The result is devaluation due to falling prices of inventory, or the risk of phase out is higher. Pan-International Group measures the normal sale of inventory using the lower of the cost or the net realizable value. The above provision for the valuation of inventory loss is mainly based on obsolete items or damaged items of inventory. The net realizable value is based on the experience of handling obsolete items of inventory in the estimation. Because the amount of inventory of Pan-International Group is significant and the inventory covers a great variety of items, it requires human judgment in sorting out the obsolete or damaged items from the inventory. This requires further judgment in the audit. We therefore listed the provision for valuation loss of inventory of Pan-International Group as key audit matter.

### The appropriate audit procedure

We have conducted the following audit procedures on the provision for valuation loss of obsolete or damaged inventory:

Assess to determine if the policies for recognizing the provision for valuation loss of inventory in the financial statement period is consistent and reasonable.

Examine if the logic of the system of the inventory aging table for the valuation of inventory used by the management is appropriate, in order to confirm that the information presented in the financial statements is congruent with the policies.

Assess to determine if the provision for valuation loss of inventory is reasonable on the basis of the discussion with the management on the valuation of the net realizable value of the obsolete and damaged items of inventory and the supporting documents obtained.

## **The appropriateness of manual daily journal entries**

### Description

The journal entries tracked the day-to-day transactions that took place, and the balance of the items for the financial statements and transaction amount are constituted through posting, aggregation, and classification. Pan-International Group classifies its daily journal entries into automatic entries and manual entries. Automatic entries refers to the operation procedure of initial transactions through the front-end subsystem (e.g., the systems of sale, purchase, production, and inventory) and the approval procedure, and the transfer of related transaction entities to the daily journal. Manual entries use a manual operation mode to directly record and approve other non-automatic transfers in the daily journal.

There are many modes for manual entries and they are complex, which involve manual operation and judgment. Inappropriate daily journal entries may result in material misstatement in the financial statements. We hold that manual entries in the daily journal are highly risky by nature, and singled out the examination of manual entries in the daily journal as key audit matter.

### The appropriate audit procedure

The audit procedure used and the general summary is specified as follows:

Understand and assess the character of manual entries in the daily journal and the entry process, the effectiveness of control, and the appropriate division of labor and authority among the staff, including inappropriate personnel, time, and account titles.

From the above understanding and assessment, for entries identified as high risk due to manual entry, we checked related supporting documents, the appropriateness of the entries, and the confirmation and approval of the authorized personnel.

## **Additional information - audits conducted by other auditors**

Some of the investee companies of Pan-International Group accounted for under the equity method were presented in the consolidated financial statements. We did not audit the financial statements of these companies. These financial statements were audited by other certified public accountants, and we have made adjustments to these financial statements to make them consistent in accounting policy and conducted necessary examination procedures. Therefore, the opinions on the aforementioned consolidated financial statements regarding the amount presented in the aforementioned financial statements of these companies before adjustment were based on the Auditors' Report of other certified public accountants. The total assets of the aforementioned companies (including the investment accounted for under the equity method) as of December 31, 2020 and 2019, amounted to NT\$5,766,000 thousand and NT\$5,059,247 thousand, respectively, accounting for 28% and 23% of the consolidated total assets, respectively. Revenue for the years ended December 31, 2020 and 2019, amounted to NT\$5,225,571 thousand and NT\$5,257,526 thousand, respectively, accounting for 25% and 21% of the consolidated net operating revenue, respectively.



## **Additional information - Issuance of Auditors' Report on Separate Financial Statements**

Pan-International Industrial Corp. has prepared the separate financial statements of 2020 and 2019. We have audited these statements and issued an unqualified opinion and additional information. Auditors' Reports issued by other accountants are on record for reference.

## **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, the IFRS, IAS, IFRIC and SIC recognized by the Financial Supervisory Commission and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including the Auditing Committee) are responsible for overseeing the financial reporting process of Pan-International Group.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 auditing principles generally accepted in the Republic of China will always detect a material misstatement in the financial statements when it exists. Misstatements can arise from fraud or error. These 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 principles generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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.

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 internal control of Pan-International Group.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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 Pan-International Group and its ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause Pan-International Group to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the consolidated financial statements (including the notes to the statements), and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Obtain sufficient appropriate audit evidence regarding the financial information of the entities 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, and we are responsible for forming an audit opinion on the Group.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of Pan-International Group in 2020 and therefore are 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.

PwC Taiwan

Man-Yu Ruan Lu

Independent Auditors

Min-Chuan Feng

Former Financial Supervisory Commission, Executive Yuan

Approval No.: Jin-Guan-Cheng-Shen-Zi No. 0990058257

Former Securities and Futures Bureau, Financial Supervisory Commission, Executive Yuan

Approval No.: Jin-Guan-Cheng-VI-Zi No. 0960038033

March 23, 2021

Pan-International Electronics and Subsidiaries  
Consolidated Balance Sheets  
December 31, 2020 and 2019

Unit: NTD thousand

| Assets                    | Note   | December 31, 2020 |                      | December 31, 2019 |                      |            |
|---------------------------|--|-------------------|----------------------|-------------------|----------------------|------------|
|                           |  | Amount            | %                    | Amount            | %                    |            |
| <b>Current assets</b>     |  |                   |                      |                   |                      |            |
| 1100                      | Cash and cash equivalents  | 6 (1)             | \$ 7,544,242         | 36                | \$ 6,200,511         | 29         |
| 1110                      | Financial assets at FVTPL - Current  | 6 (2)             | 54,250               | -                 | 81,511               | -          |
| 1150                      | Net notes receivable   | 6 (3)             | 41                   | -                 | 6,205                | -          |
| 1170                      | Net accounts receivable  | 6 (3)             | 2,564,231            | 12                | 2,598,473            | 12         |
| 1180                      | Accounts receivable - Related parties  | 7                 |                      |                   |                      |            |
|                           | net  |                   | 2,759,169            | 13                | 4,093,559            | 19         |
| 1200                      | Other receivables  | 7                 | 118,590              | 1                 | 149,302              | 1          |
| 130X                      | Inventory  | 6 (4)             | 1,967,196            | 10                | 2,493,527            | 11         |
| 1470                      | Other current assets   | 8                 | 159,825              | 1                 | 216,781              | 1          |
| 11XX                      | <b>Total current assets</b>  |                   | <u>15,167,544</u>    | <u>73</u>         | <u>15,839,869</u>    | <u>73</u>  |
| <b>Non-Current Assets</b> |  |                   |                      |                   |                      |            |
| 1517                      | Financial assets measured at fair value through other comprehensive income - Non-current | 6 (5)             | 2,367,713            | 12                | 2,607,269            | 12         |
| 1535                      | Financial assets measured at after-amortization cost - Non-current                       | 6 (6) and 8       | 1,306                | -                 | 1,291                | -          |
| 1550                      | Investment by equity method  | 6 (7)             | 804,554              | 4                 | 838,555              | 4          |
| 1600                      | Property, plant, and equipment   | 6 (8) and 8       | 1,670,684            | 8                 | 1,682,528            | 8          |
| 1755                      | Right-of-use assets  | 6 (9)             | 288,179              | 1                 | 393,822              | 2          |
| 1760                      | Net investment property  | 6 (10) and 8      | 234,558              | 1                 | 151,021              | 1          |
| 1780                      | Intangible asset   | 6 (11)            | 36,963               | -                 | 37,142               | -          |
| 1840                      | Deferred tax assets  | 6 (25)            | 90,266               | 1                 | 108,781              | -          |
| 1900                      | Other non-current assets   |                   | 17,857               | -                 | 27,504               | -          |
| 15XX                      | <b>Total non-current assets</b>  |                   | <u>5,512,080</u>     | <u>27</u>         | <u>5,847,913</u>     | <u>27</u>  |
| 1XXX                      | <b>Total assets</b>  |                   | <u>\$ 20,679,624</u> | <u>100</u>        | <u>\$ 21,687,782</u> | <u>100</u> |

(continued)

Pan-International Electronics and Subsidiaries  
Consolidated Balance Sheets  
December 31, 2020 and 2019

Unit: NTD thousand

| LIABILITIES AND EQUITY  |  | Note   | December 31, 2020    |            | December 31, 2019    |            |
|---|--|--------|----------------------|------------|----------------------|------------|
|   |  |        | Amount               | %          | Amount               | %          |
| <b>Current liability</b>  |  |        |                      |            |                      |            |
| 2100  | Short-term borrowings  | 6 (12) | \$ 1,568,333         | 8          | \$ 1,573,950         | 7          |
| 2130  | Contractual liabilities - Current                                | 6 (20) | 395,622              | 2          | 263,111              | 1          |
| 2170  | Accounts payable   |        | 2,813,815            | 14         | 3,307,826            | 15         |
| 2180  | Accounts payable - Related parties                               | 7      | 1,356,093            | 7          | 2,188,793            | 10         |
| 2200  | Other payables   | 6 (13) | 905,806              | 4          | 949,138              | 5          |
| 2230  | Current tax liabilities  |        | 309,283              | 1          | 185,498              | 1          |
| 2280  | Lease liabilities - Current                                      | 7      | 73,157               | -          | 79,387               | 1          |
| 2399  | Other current liabilities - Other                                |        | 28,282               | -          | 41,222               | -          |
| 21XX  | <b>Total current liabilities</b>                                 |        | <u>7,450,391</u>     | <u>36</u>  | <u>8,588,925</u>     | <u>40</u>  |
| <b>Non-current liabilities</b>                                  |  |        |                      |            |                      |            |
| 2570  | Deferred tax liabilities   | 6 (25) | 269,971              | 1          | 257,574              | 1          |
| 2580  | Lease liabilities - Non-current                                  | 7      | 147,802              | 1          | 215,900              | 1          |
| 2600  | Other non-current liabilities                                    | 6 (14) | 23,166               | -          | 47,449               | -          |
| 25XX  | <b>Total non-current liabilities</b>                             |        | <u>440,939</u>       | <u>2</u>   | <u>520,923</u>       | <u>2</u>   |
| 2XXX  | <b>Total liabilities</b>   |        | <u>7,891,330</u>     | <u>38</u>  | <u>9,109,848</u>     | <u>42</u>  |
| <b>Equity attributable to owners of the parent company</b>      |  |        |                      |            |                      |            |
| Share capital   |  |        |                      |            |                      |            |
| 3110  | Common share capital   | 6 (15) | 5,183,462            | 25         | 5,183,462            | 24         |
| Capital surplus   |  |        |                      |            |                      |            |
| 3200  | Capital surplus  | 6 (16) | 1,503,606            | 8          | 1,503,606            | 8          |
| Retained earnings   |  |        |                      |            |                      |            |
| 3310  | Legal reserve  | 6 (17) | 1,062,342            | 5          | 959,410              | 4          |
| 3320  | Special reserve  |        | 1,312,274            | 6          | 883,205              | 4          |
| 3350  | Unappropriated earnings  |        | 3,453,829            | 17         | 3,741,403            | 17         |
| Other equities  |  |        |                      |            |                      |            |
| 3400  | Other equities   | 6 (18) | ( 1,349,724)         | ( 7)       | ( 1,312,274)         | ( 6)       |
| 31XX  | <b>Total equity attributable to owners of the parent company</b> |        | <u>11,165,789</u>    | <u>54</u>  | <u>10,958,812</u>    | <u>51</u>  |
| 36XX  | <b>Non-controlling interests</b>                                 | 6 (19) | <u>1,622,505</u>     | <u>8</u>   | <u>1,619,122</u>     | <u>7</u>   |
| 3XXX  | <b>Total equity</b>  |        | <u>12,788,294</u>    | <u>62</u>  | <u>12,577,934</u>    | <u>58</u>  |
| Significant Contingent Liabilities and Unrecognized Commitments |  |        |                      |            |                      |            |
| 3X2X  | <b>Total liabilities and equity</b>                              |        | <u>\$ 20,679,624</u> | <u>100</u> | <u>\$ 21,687,782</u> | <u>100</u> |

The attached notes to the consolidated financial report are part of this consolidated financial report. Please refer to them, too.

Chairman : Sung-Fa Lu

Manager : Sung-Fa Lu

Accounting supervisor : Feng-An Huang

Pan-International Industrial Corp. and Subsidiaries  
Consolidated Statements of Comprehensive Income  
January 1 to December 31, 2020 and 2019

Unit: NTD thousand  
(except in NTD for earnings per share)

| Item  | Note                | 2020          |       | 2019          |       |
|---|---------------------|---------------|-------|---------------|-------|
|   |                     | Amount        | %     | Amount        | %     |
| 4000 Operating revenue  | 6 (20) and 7        | \$ 20,547,713 | 100   | \$ 25,600,708 | 100   |
| 5000 Operating cost   | 6 (4) (23)<br>And 7 | ( 18,403,018) | ( 89) | ( 23,241,509) | ( 91) |
| 5900 Operating profit margin  |                     | 2,144,695     | 11    | 2,359,199     | 9     |
| Operating expenses  | 6 (23)              |               |       |               |       |
| 6100 Selling and marketing expenses   |                     | ( 220,811)    | ( 1)  | ( 260,572)    | ( 1)  |
| 6200 General and administrative expenses  |                     | ( 716,427)    | ( 4)  | ( 642,540)    | ( 2)  |
| 6300 Research and development expenses  |                     | ( 267,362)    | ( 1)  | ( 274,282)    | ( 1)  |
| 6450 Anticipated credit impairment (loss) benefit   | 12 (2)              | ( 15,297)     | -     | 12,603        | -     |
| 6000 Total operating expenses   |                     | ( 1,219,897)  | ( 6)  | ( 1,164,791)  | ( 4)  |
| 6900 Operating profit   |                     | 924,798       | 5     | 1,194,408     | 5     |
| Non-operating income and expense  |                     |               |       |               |       |
| 7100 Interest income  |                     | 111,701       | -     | 101,647       | -     |
| 7010 Other income   | 6 (21)              | 135,412       | 1     | 89,011        | -     |
| 7020 Other gains and losses   | 6 (22)              | 90,455        | -     | 248,845       | 1     |
| 7050 Financial costs  | 6 (24)              | ( 35,099)     | -     | ( 57,688)     | -     |
| 7060 Share of profits and losses of affiliated companies and joint ventures recognized by the equity method | 6 (7)               | ( 34,001)     | -     | ( 46,113)     | -     |
| 7000 Total non-operating income and expenses  |                     | 268,468       | 1     | 335,702       | 1     |
| 7900 <b>Net income before tax</b>   |                     | 1,193,266     | 6     | 1,530,110     | 6     |
| 7950 Income tax expense   | 6 (25)              | ( 402,771)    | ( 2)  | ( 376,973)    | ( 1)  |
| 8200 <b>Net income for the period</b>   |                     | \$ 790,495    | 4     | \$ 1,153,137  | 5     |

(To be Continued)

Pan-International Industrial Corp. and Subsidiaries  
Consolidated Statements of Comprehensive Income  
January 1 to December 31, 2020 and 2019

Unit: NTD thousand  
(except in NTD for earnings per share)

| Item  | Note  | 2020        |                   | 2019        |                     |             |
|---|---|-------------|-------------------|-------------|---------------------|-------------|
|   |   | Amount      | %                 | Amount      | %                   |             |
| <b>Items that will not be reclassified subsequently to profit or loss</b> |   |             |                   |             |                     |             |
| 8311  | Remeasured value of defined benefit plan  | 6 (14)      | \$ 26,079         | -           | (\$ 4,475)          | -           |
| 8316  | Unrealized evaluation profit and loss of equity instrument investment measured at fair value through other comprehensive income | 6 (18)      | 142,489           | 1           | ( 150,291)          | ( 1)        |
| 8349  | Income tax related to items not reclassified  | 6 (25)      | ( 5,233)          | -           | 773                 | -           |
| 8310  | Total of items not reclassified to profit or loss   |             | <u>163,335</u>    | <u>1</u>    | <u>( 153,993)</u>   | <u>( 1)</u> |
| <b>Items that may be reclassified subsequently to profit or loss:</b>     |   |             |                   |             |                     |             |
| 8361  | Currency translation difference   | 6 (18 (19)) | ( 161,568)        | ( 1)        | ( 298,328)          | ( 1)        |
| 8360  | Total of items that may be reclassified subsequently to profit or loss:   |             | <u>( 161,568)</u> | <u>( 1)</u> | <u>( 298,328)</u>   | <u>( 1)</u> |
| 8300  | <b>Other comprehensive income (net)</b>   |             | <u>\$ 1,767</u>   | <u>-</u>    | <u>(\$ 452,321)</u> | <u>( 2)</u> |
| 8500  | <b>Total comprehensive income in the current period</b>   |             | <u>\$ 792,262</u> | <u>4</u>    | <u>\$ 700,816</u>   | <u>3</u>    |
| NET PROFIT ATTRIBUTABLE TO:   |   |             |                   |             |                     |             |
| 8610  | Owners of the parent company  |             | \$ 663,190        | 3           | \$ 1,029,323        | 4           |
| 8620  | Non-controlling interests   |             | 127,305           | 1           | 123,814             | 1           |
|   |   |             | <u>\$ 790,495</u> | <u>4</u>    | <u>\$ 1,153,137</u> | <u>5</u>    |
| Total comprehensive income attributable to:                               |   |             |                   |             |                     |             |
| 8710  | Owners of the parent company  |             | \$ 725,323        | 4           | \$ 596,651          | 3           |
| 8720  | Non-controlling interests   |             | 66,939            | -           | 104,165             | -           |
|   |   |             | <u>\$ 792,262</u> | <u>4</u>    | <u>\$ 700,816</u>   | <u>3</u>    |
| Earnings per share (EPS)  |   |             |                   |             |                     |             |
| 9750  | Basic earnings per share  | 6 (26)      | <u>\$ 1.28</u>    |             | <u>\$ 1.99</u>      |             |
| 9850  | Diluted earnings per share  |             | <u>\$ 1.27</u>    |             | <u>\$ 1.97</u>      |             |

The attached notes to the consolidated financial report are part of this consolidated financial report. Please refer to them, too.

Chairman : Sung-Fa Lu

Manager : Sung-Fa Lu

Accounting supervisor : Feng-An Huang

Pan-International Industrial Corp. and Subsidiaries  
Consolidated Statements of Changes Equity  
January 1 to December 31, 2020 and 2019

Unit: NTD thousand

|  | Note   | Equity attributable to owners of the parent company |                                    |  |                   |                 |                         |                                 |   |               |                           |               |
|--|--------|---|------------------------------------|--|-------------------|-----------------|-------------------------|---------------------------------|---|---------------|---------------------------|---------------|
|  |        | Capital surplus                                     |                                    |  | Retained earnings |                 |                         | Other equities                  |   |               |                           |               |
|  |        | Common share capital                                | Capital reserve - Issuance premium | Capital reserve - Treasury share transaction | Legal reserve     | Special reserve | Unappropriated earnings | Currency translation difference | Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income | Total         | Non-controlling interests | Total Equity  |
| <u>2019</u>  |        |   |                                    |  |                   |                 |                         |                                 |   |               |                           |               |
| Balance on January 1   |        | \$ 5,183,462  | \$ 1,402,318                       | \$ 101,288                                   | \$ 840,872        | \$ 496,898      | \$ 3,790,709            | (\$ 783,138 )                   | (\$ 100,067 )   | \$ 10,932,342 | \$ 1,580,757              | \$ 12,513,099 |
| Net income for the period  |        | -   | -                                  | -  | -                 | -               | 1,029,323               | -                               | -   | 1,029,323     | 123,814                   | 1,153,137     |
| Other comprehensive income recognized for the period                         | 6 (18) | -   | -                                  | -  | -                 | -               | ( 3,603 )               | ( 278,778 )                     | ( 150,291 )   | ( 432,672 )   | ( 19,649 )                | ( 452,321 )   |
| Total comprehensive income in the current period                             |        | -   | -                                  | -  | -                 | -               | 1,025,720               | ( 278,778 )                     | ( 150,291 )   | 596,651       | 104,165                   | 700,816       |
| Earnings distribution and appropriation for 2018:                            | 6 (17) |   |                                    |  |                   |                 |                         |                                 |   |               |                           |               |
| Provision of legal reserve   |        | -   | -                                  | -  | 118,538           | -               | ( 118,538 )             | -                               | -   | -             | -                         | -             |
| Provision of special reserve   |        | -   | -                                  | -  | -                 | 386,307         | ( 386,307 )             | -                               | -   | -             | -                         | -             |
| Cash dividends   |        | -   | -                                  | -  | -                 | -               | ( 570,181 )             | -                               | -   | ( 570,181 )   | -                         | ( 570,181 )   |
| Decrease in non-controlling interests  | 6 (19) | -   | -                                  | -  | -                 | -               | -                       | -                               | -   | -             | ( 65,800 )                | ( 65,800 )    |
| Balance on December 31   |        | \$ 5,183,462  | \$ 1,402,318                       | \$ 101,288                                   | \$ 959,410        | \$ 883,205      | \$ 3,741,403            | (\$ 1,061,916 )                 | (\$ 250,358 )   | \$ 10,958,812 | \$ 1,619,122              | \$ 12,577,934 |
| <u>2020</u>  |        |   |                                    |  |                   |                 |                         |                                 |   |               |                           |               |
| Balance on January 1   |        | \$ 5,183,462  | \$ 1,402,318                       | \$ 101,288                                   | \$ 959,410        | \$ 883,205      | \$ 3,741,403            | (\$ 1,061,916 )                 | (\$ 250,358 )   | \$ 10,958,812 | \$ 1,619,122              | \$ 12,577,934 |
| Net income for the period  |        | -   | -                                  | -  | -                 | -               | 663,190                 | -                               | -   | 663,190       | 127,305                   | 790,495       |
| Other comprehensive income recognized for the period                         | 6 (18) | -   | -                                  | -  | -                 | -               | 20,860                  | ( 101,216 )                     | 142,489   | 62,133        | ( 60,366 )                | 1,767         |
| Total comprehensive income in the current period                             |        | -   | -                                  | -  | -                 | -               | 684,050                 | ( 101,216 )                     | 142,489   | 725,323       | 66,939                    | 792,262       |
| Earnings distribution and provisions for 2019:                               | 6 (17) |   |                                    |  |                   |                 |                         |                                 |   |               |                           |               |
| Provision of legal reserve   |        | -   | -                                  | -  | 102,932           | -               | ( 102,932 )             | -                               | -   | -             | -                         | -             |
| Provision of special reserve   |        | -   | -                                  | -  | -                 | 429,069         | ( 429,069 )             | -                               | -   | -             | -                         | -             |
| Cash dividends   |        | -   | -                                  | -  | -                 | -               | ( 518,346 )             | -                               | -   | ( 518,346 )   | -                         | ( 518,346 )   |
| Equity instruments measured at fair value through other comprehensive income | 6 (18) | -   | -                                  | -  | -                 | -               | 78,723                  | -                               | ( 78,723 )  | -             | -                         | -             |
| Decrease in non-controlling interests  | 6 (19) | -   | -                                  | -  | -                 | -               | -                       | -                               | -   | -             | ( 63,556 )                | ( 63,556 )    |
| Balance on December 31   |        | \$ 5,183,462  | \$ 1,402,318                       | \$ 101,288                                   | \$ 1,062,342      | \$ 1,312,274    | \$ 3,453,829            | (\$ 1,163,132 )                 | (\$ 186,592 )   | \$ 11,165,789 | \$ 1,622,505              | \$ 12,788,294 |

The attached notes to the consolidated financial report are part of this consolidated financial report. Please refer to them, too.

Chairman: Sung-Fa Lu

Manager: Sung-Fa Lu

Accounting supervisor: Feng-An Huang



Pan-International Industrial Corp. and Subsidiaries  
Consolidated Statements of Cash Flows  
January 1 to December 31, 2020 and 2019

Unit: NTD thousand

|  | Note   | January 1 to December<br>31, 2020 | January 1 to December<br>31, 2019 |
|--|--------|-----------------------------------|-----------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |        |                                   |                                   |
| Income before income tax   |        | \$ 1,193,266                      | \$ 1,530,110                      |
| Adjustments  |        |                                   |                                   |
| income and expenses items  |        |                                   |                                   |
| Depreciation expenses and amortizations  | 6 (23) | 398,648                           | 424,400                           |
| Provision for anticipated credit impairment loss (reversal gain)   | 12 (2) | 15,297                            | ( 12,603 )                        |
| Net benefits of financial assets and liabilities measured at fair value through the income                 | 6 (22) |                                   |                                   |
| Interest expense   | 6 (24) | ( 48,804 )                        | ( 19,013 )                        |
| Interest income  |        | 35,099                            | 57,688                            |
| Dividend income  | 6 (21) | ( 111,701 )                       | ( 101,647 )                       |
| Income from rental reduction   |        | ( 1,547 )                         | ( 7,442 )                         |
| Share of profits and losses of affiliated companies recognized by the equity method                        | 6 (7)  | ( 4,308 )                         | -                                 |
| Unrealized foreign exchange gain   |        | 34,001                            | 46,113                            |
| Net loss from the disposal of property, plant and equipment  | 6 (22) | ( 73,935 )                        | ( 37,140 )                        |
| Net profit from the disposal of non-current assets pending for sale  | 6 (22) | 9,986                             | 24,726                            |
| Changes in assets/liabilities related to business activities   |        | -                                 | ( 145,112 )                       |
| Net change in assets related to business activities  |        |                                   |                                   |
| Financial assets and liabilities measured at fair value through the income                                 |        | 73,172                            | 6,060                             |
| Net notes receivable   |        | 6,163                             | ( 6,021 )                         |
| Net accounts receivable  |        | ( 28,825 )                        | 196,354                           |
| Accounts receivable - Related parties net  |        | 1,345,988                         | 1,666,794                         |
| Other receivables  |        | ( 19,447 )                        | 41,175                            |
| Inventory  |        | 504,125                           | 221,616                           |
| Other current assets   |        | 39,449                            | ( 56,505 )                        |
| Net change in liabilities related to business activities   |        |                                   |                                   |
| Accounts payable   |        | ( 491,909 )                       | ( 896,362 )                       |
| Accounts payable - Related parties   |        | ( 837,050 )                       | ( 62,802 )                        |
| Other payables   |        | ( 132,455 )                       | 58,680                            |
| Other current liabilities  |        | ( 13,969 )                        | 28,449                            |
| Contractual liabilities  |        | 132,511                           | ( 136,501 )                       |
| Other non-current liabilities  |        | ( 24,365 )                        | 6,664                             |
| Cash inflow from operations  |        | 1,999,390                         | 2,827,681                         |
| Income tax paid  |        | ( 266,843 )                       | ( 363,056 )                       |
| Net cash inflow from business activities   |        | 1,732,547                         | 2,464,625                         |
| <b>Cash flows from investing activities</b>  |        |                                   |                                   |
| Proceeds from disposal of financial assets measured at fair value through other comprehensive income       |        | 285,612                           | -                                 |
| Refund of capital investment in financial assets measured at fair value through other comprehensive income |        | 10,271                            | -                                 |
| Acquisition of financial assets measured at after-amortization cost  |        | -                                 | ( 2,738,012 )                     |
| Disposal of financial assets measured at after-amortization cost   |        | -                                 | 3,442,005                         |
| Proceeds from disposal of non-current assets pending for sale  |        | -                                 | 246,191                           |
| Purchase property, plant and equipment assets  | 6 (27) | ( 339,936 )                       | ( 321,598 )                       |
| Proceeds from disposal of property, plant and equipment  |        | 41,610                            | 52,231                            |
| Increase in refundable deposits  |        | ( 691 )                           | -                                 |
| Decrease in refundable deposits  |        | 616                               | 268                               |
| Increase in other non-current assets   |        | ( 6,711 )                         | ( 2,554 )                         |
| Interest received  |        | 111,965                           | 101,684                           |
| Dividend received  |        | 1,547                             | 7,442                             |
| Net cash inflow from investment activities   |        | 104,283                           | 787,657                           |
| <b>Cash flows from financing activities</b>  |        |                                   |                                   |
| Increase (decrease) in short-term borrowings   | 6 (28) | 67,382                            | ( 548,162 )                       |
| Lease principal repayment  |        | ( 65,934 )                        | ( 66,904 )                        |
| Cash dividend payment  | 6 (17) | ( 518,346 )                       | ( 570,181 )                       |
| Interest paid  |        | ( 34,549 )                        | ( 56,034 )                        |
| Number of cash dividends paid to non-controlling interests   | 6 (19) | ( 63,556 )                        | ( 65,800 )                        |
| Net cash outflow from financing activities   |        | ( 615,003 )                       | ( 1,307,081 )                     |
| Impact of changes in the exchange rate on cash and cash equivalents  |        | 121,904                           | ( 188,058 )                       |
| Increase in cash and cash equivalents in the current period  |        | 1,343,731                         | 1,757,143                         |
| Cash and cash equivalents at the beginning of the period   |        | 6,200,511                         | 4,443,368                         |
| Cash and cash equivalents at the end of the period   |        | \$ 7,544,242                      | \$ 6,200,511                      |

The attached notes to the consolidated financial report are part of this consolidated financial report. Please refer to them, too.

Chairman : Sung-Fa Lu

Manager : Sung-Fa Lu

Accounting supervisor : Feng-An Huang

Pan-International Industrial Corp. and Subsidiaries  
Notes to consolidated financial reports  
2020 and 2019

Unit: NTD thousand  
(unless otherwise noted)

Organization and operations

Pan-International Electronics Inc. (hereinafter referred to as "the company") was established in the Republic of China. The main business activities of the company and its subsidiaries (hereinafter referred to as "the group") are the development, manufacturing and sales of computer peripheral products and components such as electronic signal cables, connectors, electronic signal cables with connectors, precision molds, and printed circuit boards.

The Authorization of Financial Reports

This Consolidated Financial Statement has been passed by the Board for announcement on March 23, 2021.

Application of Newly Released and Revised Standards and Interpretations

The impact of the adoption of the new and revised International Financial Reporting Standards (IFRS) approved by the Financial Supervisory Commission (FSC)

The following table sets forth the standards and interpretations for the new issues, amendments, and revisions of International Financial Reporting Standards (IFRS) recognized by the FSC for application in 2020:

| New issued/amended/revised standards and interpretations                          | Effective date of the<br>release of the<br>International<br>Accounting Standards<br>Board |
|---|---|
| Amendments to IAS 1 and IAS 8 "Disclosure initiative - Definition of materiality" | January 1, 2020   |
| Amendment to IFRS 3 "Definition of business"                                      | January 1, 2020   |
| Amendments to IFRS 9, IAS 39, and IFRS 7 "Interest Rate Benchmark Reform"         | January 1, 2020   |
| Amendment to IFRS 16 "Rent reduction related to new coronavirus pneumonia"        | June 1, 2020 (Note)   |
| Note: FSC has authorized early application from January 1, 2020 onward.           |   |

In addition to the following, the Group has assessed that the standards and interpretations above have no significant impact on the financial position and financial performance of the Group.

Amendment to IFRS 16 "Rent reduction related to new coronavirus pneumonia"

This amendment provides a practical relief, whereby the lessee, after satisfying the following conditions in regard to COVID-19 related rent reduction, may opt not to evaluate whether to account for lease modification. The change in lease payment due to the rent reduction during the relief period is processed according to floating lease payment:

- (1) The consideration brought about by the changes in rental payment is nearly the same or less than the consideration before the changes;
- (2) Any decrease in rental payment affected only the rental payment on or before June 30, 2021; and
- (3) There is no substantive change in other terms and conditions of the lease.

The Group has adopted this practical relief and increased other income by NT\$4,308 in 2020.

Impact of not adopting the new and revised International Financial Reporting Standards approved by the FSC

The following table sets forth the standards and interpretations for the new issues, amendments, and revisions of International Financial Reporting Standards (IFRS) recognized by the FSC for application in 2021:

| New issued/amended/revised standards and interpretations  | Effective date of the release of the International Accounting Standards Board |
|---|---|
| Amendment to IFRS 4 "Extension of temporary exemption from the application of IFRS 9"                       | January 1, 2021   |
| Amendments to the IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 second stage "Interest rate benchmark reform" | January 1, 2021   |

The Group has assessed that the standards and interpretations above have no significant impact on the financial position and financial performance of the Group.

Impact of International Financial Reporting Standards issued by the International Accounting Standards Board not yet approved by the FSC

The following table summarizes the newly issued, amended, and revised standards and interpretations of International Financial Reporting Standards issued by the IASB but not yet recognized by the FSC:

| New issued/amended/revised standards and interpretations   | Effective date of the release of the International Accounting Standards Board |
|--|---|
| Amendment to IFRS 3 "Index to conceptual framework"  | January 1, 2022   |
| Amendments to IFRS 10 and IAS 28 "Asset sales or investments between investors and their associated enterprises or joint ventures" | To be decided by IASB   |
| IFRS 17 "Insurance contracts"  | January 1, 2023   |
| Amendment to IFRS 17 "Insurance contracts"   | January 1, 2023   |
| Amendment to IAS 1 "Classification of current or non-current liabilities"  | January 1, 2023   |
| Amendment to IAS 1 "Disclosure of Accounting Policies"   | January 1, 2023   |
| Amendment to IAS 8 "Definition of Accounting Estimates"  | January 1, 2023   |
| Amendment to IAS 16 "Property, plant and equipment: price before reaching intended use"  | January 1, 2022   |
| Amendment to IAS 37 "Loss contracts - Cost of performing contracts"  | January 1, 2022   |
| Annual improvement from 2018 to 2020   | January 1, 2022   |

The group has assessed that the standards and interpretations above have no significant impact on the financial position and financial performance of the group.

#### Summary of Significant Accounting Policies

The major accounting policies adopted in the preparation of this consolidated financial report are as follows. Unless otherwise stated, these policies apply consistently throughout the reporting period.

#### Statement of compliance

The consolidated financial statements are compiled in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the IFRS, IAS, SIC and IFRIC (hereinafter collectively referred to as IFRSs) recognized by Financial Supervisory Commission.

#### Basis of preparation

1. Except for the following important items, this consolidated financial report is prepared at historical cost:

- (1) Financial assets and liabilities (including derivatives) are measured at fair value through income.
- (2) Financial assets measured at fair value through other comprehensive income.
- (3) Defined benefit liabilities are recognized according to the net amount of retirement fund assets minus the present value of defined benefit obligations.

2. The preparation of financial reports in accordance with IFRSs requires the use of some important accounting estimates. In the application of the Group's accounting policies, the management also needs to use its judgment, involving items with high judgment or complexity, or major assumptions and estimates involving consolidated financial reports. Please refer to note 5 for details.

#### Basis of consolidation

1. Principles for preparation of consolidated financial reports

(1) All subsidiaries of the group are included in the individual entities of the consolidated financial reports. Subsidiaries refer to individual entities (including structured individual entities) controlled by the group. When the group is exposed to or entitled to variable remuneration from participation in an individual entity, and can influence such remuneration through the power over the individual entity, the group controls such an individual entity. Subsidiaries are included in the consolidated financial reports from the date when the group obtains their control, and the merger is terminated from the date of loss of control.

(2) Intra-group transactions, balances and unrealized gains and losses have been eliminated. Necessary adjustments have been made to the accounting policies of the subsidiaries which are consistent with the policies adopted by the group.

(3) The components of profit and loss and other comprehensive income belong to the owners and non-controlling interests of the parent company; the total amount of comprehensive income also belongs to the owners and non-controlling interests of the parent company, even if it results in a loss of the balance of non-controlling interests.

(4) If the change in the shareholding of a subsidiary does not result in a loss of control (transactions with a non-controlling interest), it is treated as an equity transaction, that is, a transaction with the owner. The difference between the adjustment amount of a non-controlling interest and the fair value of the consideration paid or received is directly recognized under equity.

(5) When the group loses control over a subsidiary, the remaining investment in this subsidiary is re-measured at fair value and is regarded as the fair value of the originally recognized financial assets or the cost of the investment in the originally recognized affiliated enterprise or joint venture, and the difference between the fair value and the book value is recognized as the current profit and loss. All amounts previously recognized in other comprehensive income related to the subsidiary are reclassified as profit and loss.

## 2. Subsidiaries listed in the consolidated financial reports:

| Name                               | Name                                       | Main Business  | % of Ownership    |                   | Explanation       |
|------------------------------------|--|--|-------------------|-------------------|-------------------|
|                                    |  |  | December 31, 2020 | December 31, 2019 |                   |
| Pan-International Industrial Corp. | PAN-INTERNATIONAL ELECTRONICS INC.(PIU)    | Engaged in the import and sales of various electronic products.  | 100               | 100               | (3)               |
| Pan-International Industrial Corp. | PAN GLOBAL HOLDING CO., LTD. (PGH)         | Engaged in reinvestment in the Asia Pacific and mainland China businesses, and production and manufacturing of electronic signal cables, connectors, and computer peripheral products. | 100               | 100               | (1)<br>(2)<br>(3) |
| Pan-International Industrial Corp. | Yen Yung International Investment Co., Ltd | Engaged in the domestic investment business.   | 100               | 100               | (2)<br>(3)        |

(1) PGH's subsidiaries, Bristech International Ltd. and Great Support International Ltd., and sub-subsidiary, NCIH International Holdings Ltd., were dissolved in September 2020.

(2) The disclosure of the indirect reinvestment of the above subsidiaries in companies in Mainland China is shown in Table 8.

(3) The financial information of individual subsidiaries included in the consolidated financial statements of the Group in 2020 and 2019 has been audited.

3. Subsidiaries not included in the consolidated financial reports: No such situation.

4. Different adjustment and treatment methods of subsidiary accounting period: No such situation.

5. Major limitation: No such situation.

6. Subsidiaries with significant non-controlling interests in the group

The total uncontrolled equity of the Group as of December 31, 2020 and 2019 amounted to NT\$1,622,505 and NT\$1,619,122, respectively. The following is the information about the significant non-controlling interests of the Group and its subsidiaries

| Investee                 | Main business location | Non-controlling interests |                         |                   |                         |
|--------------------------|------------------------|---------------------------|-------------------------|-------------------|-------------------------|
|                          |                        | December 31, 2020         |                         | December 31, 2019 |                         |
|                          |                        | Amount                    | Shareholding percentage | Amount            | Shareholding percentage |
| P.I.E. INDUSTRIAL BERHAD | Malaysia               | \$ 1,583,933              | 49                      | \$ 1,554,282      | 49                      |

Summary financial information of subsidiaries:

Balance sheet

|                         | December 31, 2020 | December 31, 2019 |
|-------------------------|-------------------|-------------------|
| Current assets          | \$ 3,683,194      | \$ 3,041,706      |
| Non-Current Assets      | 864,567           | 825,779           |
| Current liability       | ( 1,256,703 )     | ( 616,392 )       |
| Non-current liabilities | ( 30,596 )        | ( 39,604 )        |
| Net total assets        | \$ 3,260,462      | \$ 3,211,489      |

Comprehensive Income Statement

Comprehensive Income Statement

|   | 2020         | 2019         |
|---|--------------|--------------|
| Income  | \$ 4,838,283 | \$ 4,920,545 |
| Net income before tax   | 377,001      | 338,835      |
| Income tax expense  | ( 60,279 )   | ( 77,728 )   |
| Net income for the period   | 316,722      | 261,107      |
| Other comprehensive income (after tax)  | 124,230      | ( 32,643 )   |
| Total comprehensive income in the current period                              | \$ 192,492   | \$ 228,464   |
| Total comprehensive profit and loss attributable to non-controlling interests | \$ 93,513    | \$ 110,988   |

Cash Flow Statement

Cash Flow Statement

|  | 2020          | 2019         |
|--|---------------|--------------|
| Net Cash inflow (outflow) from business activities                           | ( \$ 65,800 ) | \$ 865,267   |
| Net cash outflow from investment activities                                  | ( 164,577 )   | ( 98,953 )   |
| Net Cash inflow (outflow) from financing activities                          | 63,021        | ( 414,647 )  |
| Effects of exchange rate changes on the balance of cash and cash equivalents | ( 47,815 )    | 21,740       |
| Increase (decrease) in cash and cash equivalents in the current period       | ( 215,171 )   | 329,927      |
| Cash and cash equivalents at the beginning of the period                     | 1,227,197     | 897,270      |
| Cash and cash equivalents at the end of the period                           | \$ 1,012,026  | \$ 1,227,197 |

### Foreign exchange conversion

1. This consolidated financial report is presented in NTD, the functional currency of the company, as the presentation currency.

#### 2. Foreign currency transactions and balances

(1) Foreign currency transactions are converted into the functional currency at the spot exchange rate on the transaction date or measurement date, and the conversion difference arising from the conversion of such transactions is recognized as current profit and loss.

(2) The balance of foreign currency monetary assets and liabilities shall be evaluated and adjusted at the spot exchange rate on the balance sheet date, and the conversion difference arising from the adjustment shall be recognized as the current profit and loss.

(3) The balance of foreign currency non-monetary assets and liabilities measured at fair value through income shall be evaluated and adjusted according to the spot exchange rate on the balance sheet date, and the exchange difference arising from the adjustment shall be recognized as the current profit and loss; if the balance is measured at fair value through other comprehensive income, it shall be evaluated and adjusted according to the spot exchange rate on the balance sheet date, and the exchange difference arising from the adjustment shall be recognized in others comprehensive income; if it is not measured by fair value, it is measured according to the historical exchange rate on the initial trading day.

(4) All exchange gains and losses are reported in "other gains and losses" in the income statement.

#### 3. Conversion of foreign operations

(1) For all group individuals and affiliated enterprises whose functional currency is different from the presentation currency, their operating results and financial status shall be converted into the presentation currency in the following ways:

A. The assets and liabilities expressed in each balance sheet are converted at the spot exchange rate on the balance sheet date;

B. The income and expense losses expressed in each consolidated income statement are converted at the current average exchange rate; and

C. All exchange differences arising from the conversion are recognized in other comprehensive income.

D. When the foreign operation which is partially disposed of or sold is a subsidiary, the accumulated exchange difference recognized in other comprehensive income is returned to the non-controlling interest of the foreign operation on a pro-rata basis. However, if the group still retains part of its interest in the aforementioned subsidiary, but has lost control of the subsidiary of the foreign operation, it shall be treated as a disposal of all the rights and interests of the foreign operation.

(2) Goodwill and fair value adjustments arising from the acquisition of a foreign individual entity are treated as assets and liabilities of the foreign individual entity and are converted at the exchange rate at the end of the period.

### Classification criteria for current and non-current assets and liabilities

1. Assets that meet one of the following conditions are classified as current assets:

(1) The asset is expected to be realized in the normal business cycle or intended to be sold or consumed.

(2) Held mainly for trading purposes.

(3) Expected to be realized within 12 months after the balance sheet date.

(4) Cash or cash equivalents, except for those to be exchanged or used to settle liabilities in at least 12

months after the balance sheet date.

The Group classifies all assets that do not meet the conditions above as non-current.

2. Liabilities that meet one of the following conditions are classified as current liabilities:

(1) Those that are expected to be settled in the normal business cycle.

(2) Held mainly for trading purposes.

(3) Expected to be settled within 12 months after the balance sheet date.

(4) The repayment period cannot be unconditionally deferred to at least 12 months after the balance sheet date. The terms of the liabilities may be based on the choice of the counterparty; the fact that the liabilities are settled due to the issuance of equity instruments does not affect its classification.

The group classifies all liabilities that do not meet the above conditions as non-current.

### Cash equivalents

Cash equivalents refer to short-term and highly liquid investments that can be converted into a fixed amount of cash at any time with little risk of change in value. Time deposits that meet the definition above and are held to meet short-term cash commitments in operation are classified as cash equivalents.

### Financial assets at FVTPL

1. Financial assets measured at fair value through income refer to financial assets held for trading. Financial assets are classified as held for trading if they are mainly to be sold in a short period at the time of acquisition. Derivatives are classified as financial assets held for trading, except those designated as hedging items according to hedge accounting.

2. The group adopts transaction day accounting for financial assets measured at fair value through income in compliance with trading practices.

3. The group measures their fair value at the time of original recognition, while relevant transaction costs are recognized as current profit and loss. Subsequently, they are measured at fair value and changes in profit or loss are recognized in profit or loss.

4. When the right to receive dividends is established, the economic benefits related to dividends are likely to flow in and the number of dividends can be measured reliably, and the group recognizes the dividend income in profit or loss.

### Financial assets at FVTOCI

1. Refers to an irrevocable choice at the time of initial recognition to report changes in the fair value of equity instrument investments that are not held for trading in other comprehensive income; or debt instrument investments that meet the following conditions at the same time:

(1) The financial asset is held under the business model to collect contractual cash flow and for sale.

(2) The cash flow generated on a specific date from the contractual terms of the financial assets is entirely the interest in the payment of the principal and the outstanding principal amount.

2. The group adopts transaction day accounting for financial assets measured at fair value through other comprehensive income in accordance with trading practices.

3. The group measures their fair value plus transaction costs at the time of original recognition, and is subsequently measured at fair value:

(1) Changes in the fair value of equity instruments are recognized in other comprehensive income. At the



time of derecognition, the accumulated profits or losses previously recognized in other comprehensive income shall not be reclassified to profit or loss but transferred to retained earnings. When the right to receive dividends is established, the economic benefits related to dividends are likely to flow in and the number of dividends can be reliably measured, the group recognizes dividend income in profit or loss.

(2) Changes in the fair value of debt instruments are recognized in other comprehensive income, and the impairment loss, interest income, and foreign currency exchange gain or loss before derecognition are recognized in profit or loss. At the time of derecognition, the accumulated gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

#### Financial assets measured at after-amortization cost

1. Refers to those who meet the following conditions at the same time:

(1) Holding the financial asset under the business model to collect the contractual cash flow.

(2) The cash flow generated on a specific date from the contractual terms of the financial assets is entirely the interest in the payment of the principal and the outstanding principal amount.

2. The group adopts transaction day accounting for financial assets measured at after-amortization cost in accordance with trading practices.

3. The group measures their fair value plus transaction cost at the time of original recognition. Subsequently, the effective interest method is adopted to recognize interest income and impairment loss in the current period according to the amortization procedure, and the profit or loss is recognized in profit and loss at the time of derecognition.

4. Due to the short holding period, the fixed deposits held by the group that does not conform to cash equivalents have an insignificant discount effect and are therefore measured by the investment amount.

#### Accounts and notes receivable

1. Refer to accounts and notes which, according to the contract, have the unconditional right to receive the amount of consideration obtained from the transfer of goods or services.

2. For short-term accounts and notes receivable with unpaid interest, as they have little effect on discount, the group measures them based on the original invoice amount.

#### Impairment of financial assets

On each balance sheet date, the group takes into account all reasonable and verifiable information (including forward-looking) in respect of debt instrument investment measured at fair value through other comprehensive income, financial assets measured at after-amortization cost, and accounts receivable with significant financial components. If the credit risk does not increase significantly since the original recognition, the loss allowance is measured as 12 months expected credit loss; if the credit risk has increased significantly since the original recognition, the loss allowance is measured according to the expected credit loss amount during the duration; for accounts receivable that do not contain significant financial components, the loss allowance is measured according to the expected credit loss amount during the duration.

#### Derecognition of financial assets

When the group's contractual right to receive cash flows from financial assets lapses, the financial assets will be derecognised.

### Lessor's lease transaction - Operating lease

Lease income from operating leases, after deducting any incentives given to the lessee, is amortized and recognized as current income on a straight-line method during the lease period.

### Inventory

Inventories are measured by the lower of cost and net realizable value, and the cost is determined by the weighted average method. The cost of finished products and work-in-progress includes raw materials, direct labor, other direct costs, and production-related manufacturing expenses (allocated according to normal production capacity), but does not include borrowing costs. When comparing whether the cost or the net realizable value is lower, the item-by-item comparison method is adopted. The net realizable value refers to the balance of the estimated selling price in the normal business process after subtracting the estimated cost that must be invested before completion and related variable sales expenses.

### Non-current assets to be sold (or the disposal group)

When the book value of a non-current asset (or the disposal group) is mainly recovered through a sale transaction rather than continued use, and it is highly likely to be sold, then it is classified as an asset for sale and is measured at the lower of its book value or fair value less the cost of sale.

### Investment by the equity method - Affiliated enterprises

1. Affiliated enterprises refer to all individual entities in which the group has a significant influence on them but has no control over them. Generally, the group directly or indirectly holds more than 20% of their voting rights. The group's investment in affiliated enterprises is treated with the equity method and recognized at cost when acquired.

2. The group recognizes the share of profit or loss of the affiliated enterprise as the current income and recognizes the share of other comprehensive income after the acquisition as other comprehensive income. If the group's share of loss in any affiliated enterprise is equal to or exceeds its interest in the associated enterprise (including any other unsecured receivables), the group does not recognize any further loss, unless the group has a legal or constructive obligation to the associated enterprise or has made payments on its behalf.

3. When the equity change of non-profit and loss and other comprehensive income occurs in the affiliated enterprise but does not affect the shareholding ratio in the affiliated enterprise, the group will recognize the change of equity under the share of the affiliated enterprise as the group as "capital reserve" according to the shareholding ratio.

4. The unrealized gains and losses arising from the transactions between the group and its affiliated enterprises have been written off in proportion to the equity in the affiliated enterprises; unless there is evidence showing that the assets transferred by the transaction have been impaired, the unrealized losses will also be eliminated. Necessary adjustments have been made to the accounting policies of affiliated enterprises which are consistent with the policies adopted by the Group.

5. When the Group disposes of an associate, if there is a loss of significant influence over the associate, the accounting treatment of all amounts previously recognized in other comprehensive income related to the associate is the same as if the Group directly disposes of the relevant assets or liabilities, that is, if the interests or losses previously recognized as other comprehensive income will be reclassified as profit and loss when disposing of related assets or liabilities, then if there is a loss of significant influence over the associate, the profit or loss will be reclassified as profit or loss from equity. If the Group still has a significant influence on the affiliated enterprise, the amount previously recognized in other comprehensive income shall be transferred out in the above manner only in proportion.

## Property, plant, and equipment

1. Property, plant and equipment are recorded based on the acquisition cost, and the relevant interest during the acquisition and construction period is capitalized.
2. Subsequent costs are included in the book value of assets or recognized as a separate asset only when the future economic benefits related to the project are likely to flow into the group and the cost of the project can be measured reliably. The book value of the reset part should be derecognised. All other maintenance costs are recognized in current profit or loss when incurred.
3. For property, plant and equipment, the cost model is adopted for the subsequent measurement. Except that land is not depreciated, the depreciation is calculated by the straight-line method according to the estimated service life. If the components of property, plant and equipment are significant, they are separately depreciated.
4. The group reviews the residual value, service life, and depreciation method of each asset at the end of each fiscal year. If the expected value of the residual value or service life is different from the previous estimate, or the expected consumption pattern of the future economic benefits contained in the asset has changed significantly, then from the date of the change, it shall be handled in accordance with the provisions of the International Accounting Standard No. 8 "Accounting Policies, Changes and Errors in Accounting Estimates." The service life of each asset is as follows:

|           |               |
|-----------|---------------|
| Buildings | 20 ~ 40 years |
| Equipment | 2 ~ 10 years  |
| Others    | 2 ~ 10 years  |

## Lessee's lease transaction - Right-of-use assets/lease liabilities

1. Lease assets are recognized as right-of-use assets and lease liabilities on the date they are available for use by the group. When the lease contract is a short-term lease or lease of a low-value target asset, the lease payment shall be recognized as an expense during the lease period by the straight-line method.
2. Lease liabilities are recognized at the present value of the lease payments that have not been paid at the beginning of the lease, at the discounted current value of the group's incremental borrowing rate.  
Subsequently, the interest method is adopted and measured by the after-amortization cost, and interest expenses are provided during the lease period. When the lease period or lease payment changes but not due to contract modification, the lease liabilities will be reassessed and the right-of-use assets will be re-measured.
3. The right-of-use assets are recognized at cost on the lease start date, and the cost is measured based on the original amount of the lease liability.

The subsequent measurement is based on the cost model, and the depreciation expense is calculated when the service life of the right-of-use assets expire or the lease term expires, whichever is earlier. When the lease liabilities are reassessed, any re-measurement of the lease liabilities will be adjusted in the right-of-use assets.

## Investment property

Investment property is recognized at the acquisition cost, and the cost model is adopted for the subsequent measurement. Except for land, depreciation is made on a straight-line method based on the estimated service life, and the service life is 10 ~ 40 years.

### Intangible asset

Goodwill is generated by corporate acquisition based on the purchase method.

### Impairment of non-financial assets

1. The group estimates the recoverable amount of assets with signs of impairment on the balance sheet date. When the recoverable amount is lower than its book value, the impairment loss is recognized. The recoverable amount refers to the fair value of an asset minus disposal cost or its right-of-use value, whichever is higher. Except for goodwill, when there is no impairment or reduction in the assets recognized in the previous year, the impairment loss will be reversed, but the book value of the assets increased by the reversal of the impairment loss shall not exceed the book value of the assets if the impairment loss is not recognized after deduction of the depreciation or amortization.
2. The recoverable amount of goodwill is regularly estimated. When the recoverable amount is lower than its book value, the impairment loss is recognized. The impairment loss of goodwill impairment will not be reversed in subsequent years.
3. Goodwill is allocated to cash-generating units for impairment testing. This allocation is based on the identification of the operating departments, and goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the corporate merger that generates goodwill.

### Borrowings

Refers to short-term borrowings from a bank. The group measures their fair value minus transaction costs at the time of initial recognition, and subsequently, for any difference between the price after deducting transaction costs and the redemption value, the effective interest method is used to recognize interest expenses in profit and loss during the outstanding period according to the amortization procedure.

### Note payable and accounts payable

1. Refers to debts arising from the purchase of raw materials, commodities, or labor services on credit and notes payable due to business and non-business reasons.
2. For short-term accounts and notes payable that belong to unpaid interest, as the discounting effect is insignificant, the group uses the original invoice amount to measure the value.

### Financial liabilities measured at fair value through the income

1. Financial liabilities are designated to be measured at fair value through income at the time of initial recognition. When financial liabilities meet any of the following conditions, the group designates them as measured at fair value through income at the time of initial recognition:
  - (1) They belong to a mixed (combined) contract; or
  - (2) Inconsistent measurement or recognition can be eliminated or significantly reduced; or
  - (3) They are a tool to manage and evaluate the performance on a fair value basis in accordance with a written risk management policy.
2. The group measures their fair value at the time of initial recognition, and the relevant transaction costs are recognized in profit or loss; subsequently, they are measured at fair value, and the profit or loss is recognized in profit or loss.

### The offset of financial assets and liabilities

When there is a legally enforceable right to offset the recognized amount of financial assets and liabilities, and the intention is to settle on a net basis or to realize assets and settle liabilities at the same time, the financial assets and financial liabilities can offset each other and be expressed in the net amount on the balance sheet.

### Non-hedging derivatives and embedded derivatives

Non-hedging derivatives at the time of original recognition are measured at the fair value on the contract signing date, and recognized as financial assets or liabilities measured at fair value through income; subsequently, they are measured at fair value, and the profit or loss is recognized in profit or loss.

### Employee welfare

#### 1. Short-term employee benefits

Short-term employee benefits are measured by the non-discounted amount expected to be paid and recognized as expenses when the related services are provided.

#### 2. Pension

##### (1) Defined allocation plan

For a defined allocation plan, the amount of pension funds to be allocated is recognized as the current pension cost on an accrual basis. Advance allocations are recognized as assets to the extent that cash is refundable or future payments are reduced.

##### (2) Defined benefit plan

A. The net obligation under a defined benefit plan is calculated by discounting the future benefit amount earned by the employee in the current or past service, and the fair value of the plan asset is deducted from the present value of the defined benefit obligation on the balance sheet date. The net obligation of defined benefits is calculated annually by an actuary using the projected unit benefit method. The discount rate is determined by reference to the market yield of high-quality corporate bonds that are consistent with the currency and period of the defined benefit plan on the balance sheet date; in countries where there is no deep market for high-quality corporate bonds, the market yield of government bonds (on the balance sheet date) is used.

B. The rereasured amount arising from a defined benefit plan is recognized in other comprehensive income in the period in which it occurs and is expressed in retained earnings.

#### 3. Employee remuneration and director's remuneration

Employee remuneration and director's remuneration are recognized as expenses and liabilities when they have legal or constructive obligations and the amount can be reasonably estimated. If there is any difference between the actual distribution amount and the estimated amount, it shall be treated as the change of accounting estimate.

## Income tax

1. Income tax expense includes current and deferred income tax. Income tax is recognized in profit or loss, except for income tax related to items included respectively in other comprehensive income or directly included in equity.
2. The group calculates the current income tax based on the tax rate enacted or substantively enacted on the balance sheet date by the country where the group operates and the taxable income is generated. The management assesses the status of income tax returns regularly with respect to the applicable income tax laws and regulations, and, where applicable, assesses income tax liabilities based on the amount of tax expected to be paid to the tax authorities. Undistributed earnings are subject to income tax in accordance with the income tax law, and the income tax expense of undistributed earnings shall be recognized in accordance with the actual distribution of earnings in the year following the year in which the earnings are generated, after the earnings distribution proposal is passed by the shareholders' meeting.
3. Deferred income tax is recognized according to the temporary difference between the tax base of assets and liabilities and their book value in the consolidated balance sheet by using the balance sheet method. Deferred income tax liabilities arising from originally recognized goodwill are not recognized. If the deferred income tax comes from the originally recognized assets or liabilities in a transaction (excluding business merger), and the accounting profit or tax income (tax loss) is not affected at the time of the transaction, then it is not recognized. If there is a temporary difference arising from the investment in subsidiaries and affiliated enterprises, the group can control the reversal time point of the temporary difference, and the temporary difference is likely to not be reversed in the foreseeable future, then it will not be recognized. Deferred income tax is subject to the tax rate (and tax law) that has been enacted or substantively enacted on the balance sheet date and is expected to apply when the relevant deferred income tax assets are realized or the deferred income tax liabilities are settled.
4. Deferred income tax assets are recognized to the extent that the temporary differences are likely to be used to offset future taxable income, and the unrecognized and recognized deferred income tax assets are reassessed on each balance sheet date.
5. The current income tax assets and current income tax liabilities can be offset when there is a legal enforcement right to offset the recognized current income tax assets and liabilities and there is an intention to pay off on a net basis or to realize assets and liabilities at the same time. When there is a legal enforcement right to offset the current income tax assets and current income tax liabilities, and the deferred income tax assets and liabilities are generated by the same taxpayer, or different taxpayers of the same tax authority and each entity intends to pay off the assets and liabilities on a net basis or realize the assets and settle the liabilities at the same time, then the deferred income tax assets and liabilities can be offset against each other.
6. The portion of unused income tax deduction for deferred use generated from the procurement of equipment or technology, R&D spending and investment in equity shall be recognized as deferred income tax assets within the scope of using unused income tax deduction for taxation with a high probability in the future.

## Dividend distribution

Dividends distributed to the company's shareholders are recognized in the financial reports when the company's shareholders' meeting decides to distribute such dividends. Cash dividends are recognized as liabilities, and stock dividends are recognized as stock dividends to be distributed and transferred to common shares on the base date of issuing new shares.

### Revenue recognition

1. The group manufactures and sells 3C related products. Revenue from sales is recognized when the control of the product is transferred to the customer, that is, when the product is delivered to the buyer, the buyer has discretion over the price of the product, and the group has no outstanding performance obligation that may affect the customer's acceptance of the product. When the product is delivered to the designated place, the risk of obsolescence and loss has been transferred to the customer, and the customer accepts the product according to the sales contract, or if there is objective evidence to prove that all acceptance criteria have been met. Accounts receivable are recognized when the goods are delivered to the customer. Since then, the Group has unconditional rights to the contract price, and the consideration can be collected from the customer after a certain period of time.

2. The terms of payment for sale transactions are usually due 30 to 120 days after the date of shipment. Since the time interval between the transfer of the promised goods or services to the customer and the customer's payment does not exceed one year, the Group has not adjusted the transaction price to reflect the time value of the currency.

### Government subsidy

Government subsidy is recognized at fair value when it is reasonably certain that the enterprise will comply with the conditions attached to the government subsidy and will receive the subsidy. If the nature of the government subsidy is to compensate for the expenses incurred by the group, the government subsidy shall be recognized as the current income on a systematic basis during the period of the relevant expenses.

### Operation departments

The information of the Group's operating segments is reported consistently with the internal management reports provided to major operational decision-makers. Major operational decision-makers are responsible for allocating resources to operations and assessing their performance.

### Major Sources of Uncertainty in Significant Accounting Judgments, Estimates, and Assumptions

When the Group prepares the consolidated financial reports, the management has used its judgment to determine the adopted accounting policies and has made accounting estimates and assumptions based on the reasonable expectations of future events based on the situation on the balance sheet date. Significant accounting estimates and assumptions made may differ from the actual results. Historical experience and other factors will be considered for continuous evaluation and adjustment. These estimates and assumptions contain risk that may result in significant adjustments to the book values of assets and liabilities in the next fiscal year. Please provide a detailed description of the uncertainties of significant accounting judgments, estimates, and assumptions as follows:

### Important judgment for accounting policy adoption

#### Recognition of gross or net income

According to the type of transaction and its economic essence, the Group determines whether the nature of its commitment to customers is the performance obligation of providing specific goods or services by itself (i.e. the Group is the principal), or is the performance obligation of another party providing such goods or services (i.e. the Group is the agent). When the Group controls a particular product or service before transferring it to a customer, the Group acts as the principal and recognizes the total amount of consideration that it is expected to be entitled to receive for the transfer of the particular product or service as income. If the Group does not control the specific product or service before transferring it to customers, the Group acts as an agent to arrange for another party to provide the particular product or service to customers, and any fee or commission that the Group is entitled to receive via this arrangement is recognized as income.

The group determines whether it controls a particular product or service before it is transferred to a customer based on the following indicators:

1. Being responsible for fulfilling the promise of providing a particular product or service.
2. Bearing the inventory risk before transferring the particular product or service to the customer, or bearing the inventory risk after transferring the control.
3. Having the discretion to fix the price of a particular product or service.

### Important accounting estimates and assumptions

The accounting estimates made by the Group are based on the reasonable expectation of future events based on the situation as of the balance sheet date. However, the actual results may be different from the estimates. For the risk of significant adjustment to book values of assets and liabilities in the next fiscal year, please refer to the following details:

#### Inventory evaluation

Since inventory must be priced at the lower of the cost and net realizable value, the Group must use judgment and estimation to determine the net realizable value of inventory on the balance sheet date. Due to rapid changes in technology, the Group assesses the amount of inventory on the balance sheet due to normal wear and tear, obsolescence, or lack of market sales value, and reduces the inventory cost to the net realizable value. This inventory evaluation is mainly based on the estimated product demand in a specific period in the future, so significant changes may occur.

### Summary of Significant Accounting Items

#### Cash and cash equivalents

|                                      | December 31, 2020   | December 31, 2019   |
|--------------------------------------|---------------------|---------------------|
| Cash on hand and working capital     | \$ 5,619            | \$ 3,299            |
| Checking and demand deposit accounts | 6,241,449           | 4,457,424           |
| Time deposit                         | 1,297,174           | 1,739,788           |
|                                      | <u>\$ 7,544,242</u> | <u>\$ 6,200,511</u> |

1. The credit quality of the financial institutions with which the Group interacts is good, and the Group interacts with several financial institutions to diversify credit risks. The probability of default is expected to be very low.

2. The bank deposits pledged by the Group as of December 31, 2020 and 2019, were classified as “other current assets”. For additional information, refer to Note 8.



## Financial assets measured at fair value through income - Current

| Item   | September 30, 2020 | December 31, 2019 |
|--|--------------------|-------------------|
| Current items:   |                    |                   |
| Mandatory financial assets measured at fair value through income |                    |                   |
| Open-end funds   | \$ 50,916          | \$ 77,272         |
| Foreign exchange forward contracts                               | 3,334              | 4,239             |
|  | \$ 54,250          | \$ 81,511         |

1. The financial products held by the Group in 2020 and 2019 were recognized as net gains amounting to NT\$48,804 and NT\$19,013, respectively.

2. The transaction and contract information of non-hedging derivative financial assets are explained as follows:

| Derivative financial liabilities   | December 31, 2020   |                            |
|------------------------------------|---|----------------------------|
|                                    | Contract amount<br>(Nominal principal) (NT\$<br>thousand) | Contract period            |
| Current items:                     |   |                            |
| Foreign exchange forward contracts |   | December 2020~January 2021 |
|                                    | RMB (BUY) 72,783  |                            |
|                                    | USD (SELL) 11,000   |                            |
|                                    | December 31, 2019   |                            |
| Derivative financial assets        | Contract amount<br>(Nominal principal) (NT\$<br>thousand) | Contract period            |
| Current items:                     |   |                            |
| Foreign exchange forward contracts |   | November 2019 - March 2020 |
|                                    | RMB (BUY) 471,462   |                            |
|                                    | USD (SELL) 67,000   |                            |

### (1) Currency and interest rate swap contracts

The foreign exchange forward transactions entered into by the Group are US dollar forward transactions (selling USD to buy RMB) to avoid the exchange rate risk of working capital, but hedge accounting is not applicable.

3. The group has not pledged financial assets measured at fair value through income.

## Notes and accounts receivable

|                                     | December 31,<br>2020 | December 31, 2019   |
|-------------------------------------|----------------------|---------------------|
| Note receivable                     | \$ 41                | \$ 6,205            |
| Accounts receivable                 | 2,570,432            | 2,602,387           |
| Less: Allowance for impairment loss | ( 6,201 )            | ( 3,914 )           |
|                                     | <u>\$ 2,564,272</u>  | <u>\$ 2,604,678</u> |

1. The group does not hold any collateral.
2. The balance of accounts receivable and notes receivable as of December 31, 2020 and 2019 were generated from customer contracts. The balance of accounts and notes receivable from customer contracts on January 1, 2019, amounted to NT\$2,817,588.
3. Without considering the collateral or other credit enhancements held, the maximum amount of exposure that best represents the credit risk of notes and accounts receivable of the Group as of December 31, 2020 and 2019, is the book value of each type of notes and accounts receivable.
4. Please refer to note 12(2) for details of relevant credit risk information.

## Inventory

|                   | December 31, 2020   |                                   |                     |
|-------------------|---------------------|-----------------------------------|---------------------|
|                   | Cost                | Allowance for<br>valuation losses | Book value          |
| Raw materials     | \$ 980,033          | ( \$ 92,289 )                     | \$ 887,744          |
| Work in process   | 511,455             | ( 10,825 )                        | 500,630             |
| Finished products | 671,899             | ( 93,077 )                        | 578,822             |
|                   | <u>\$ 2,163,387</u> | <u>( \$ 196,191 )</u>             | <u>\$ 1,967,196</u> |
|                   | December 31, 2019   |                                   |                     |
|                   | Cost                | Allowance for<br>valuation losses | Book value          |
| Raw materials     | \$ 1,717,829        | ( \$ 49,034 )                     | \$ 1,668,795        |
| Work in process   | 373,349             | ( 13,822 )                        | 359,527             |
| Finished products | 554,923             | ( 89,718 )                        | 465,205             |
|                   | <u>\$ 2,646,101</u> | <u>( \$ 152,574 )</u>             | <u>\$ 2,493,527</u> |

The cost of inventory recognized as expense losses by the Group in the current period:

|                                      | 2020                 | 2019                 |
|--------------------------------------|----------------------|----------------------|
| Cost of inventory sold               | \$ 18,396,193        | \$ 23,260,376        |
| Inventory valuation loss             | 43,617               | 29,551               |
| Income from sales of scrap materials | ( 36,792 )           | ( 48,418 )           |
|                                      | <u>\$ 18,403,018</u> | <u>\$ 23,241,509</u> |

Financial assets measured at fair value through other comprehensive income - Non-current

| Item                                | December 31, 2020 | December 31, 2019 |
|-------------------------------------|-------------------|-------------------|
| Non-current items:                  |                   |                   |
| Equity instruments                  |                   |                   |
| Listed and OTC stocks               | \$ 1,166,154      | \$ 855,546        |
| Non-listed, OTC, or emerging stocks | 1,201,559         | 1,751,723         |
| Total                               | \$ 2,367,713      | \$ 2,607,269      |

1. For information on changes in fair value recognized in other comprehensive income of the Group in 2020 and 2019, refer to Note 6 (18), other equities.

2. The Group did not pledge any of the financial assets measured at fair value through other comprehensive income on December 31, 2020 and 2019.

Financial assets measured at after-amortization cost - Non-current

| Item                                    | December 31,<br>2020 | December 31,<br>2019 |
|---|----------------------|----------------------|
| Non-current items:                      |                      |                      |
| Fixed deposit of more than three months | \$ 1,306             | \$ 1,291             |

1. For information on the Group's pledge of financial assets measured at amortized cost as of December 31, 2020 and 2019, refer to Note 8.

2. Related information on credit risk is shown in Note 12 (2).

Investment by equity method

|                           | December 31,<br>2020 | December 31, 2019 |
|---------------------------|----------------------|-------------------|
| Long Time Tech. Co., Ltd. | \$ 804,554           | \$ 838,555        |

1. The investment of the Group accounted for under the equity method in 2020 and 2019 was based on the evaluation of the audited financial statements of these associates covering the same period.

2. The share of operating results of the group's individual non-significant affiliated companies is summarized as follows:

|  | 2020        | 2019        |
|--|-------------|-------------|
| Current net loss of continuing business units    | (\$ 34,001) | (\$ 46,113) |
| Total comprehensive income in the current period | (\$ 34,001) | (\$ 46,113) |

3. The group's subsidiaries Pan Global Holding Co., Ltd. and Tekcon Electronics Corporation hold 22.26% of the equity of Long Time Tech. Co., Ltd.. But they do not include Long Time Tech as consolidated entity because they don't acquire the control of the company.

## Property, plant, and equipment

|                         | Land             | Buildings         | Equipment           | Others            | Unfinished construction and equipment to be accepted | Total               |
|-------------------------|------------------|-------------------|---------------------|-------------------|--|---------------------|
| January 1, 2020         |                  |                   |                     |                   |  |                     |
| Cost                    | \$ 24,394        | \$ 642,881        | \$ 4,457,094        | \$ 671,793        | \$ 104,729   | \$ 5,900,891        |
| Cumulative depreciation | -                | ( 341,713 )       | ( 3,344,344 )       | ( 532,306 )       | -  | ( 4,218,363 )       |
|                         | <u>\$ 24,394</u> | <u>\$ 301,168</u> | <u>\$ 1,112,750</u> | <u>\$ 139,487</u> | <u>\$ 104,729</u>                                    | <u>\$ 1,682,528</u> |
| <u>2020</u>             |                  |                   |                     |                   |  |                     |
| January 1               | \$ 24,394        | \$ 301,168        | \$ 1,112,750        | \$ 139,487        | \$ 104,729   | \$ 1,682,528        |
| Addition                | -                | 19,005            | 314,440             | 28,227            | 51,014   | 412,686             |
| Disposal                | -                | -                 | ( 41,942 )          | ( 2,117 )         | ( 7,537 )  | ( 51,596 )          |
| Transfer                | -                | ( 67,445 )        | 109,437             | 6,847             | ( 116,653 )  | ( 67,814 )          |
| Depreciation expenses   | -                | ( 15,440 )        | ( 247,427 )         | ( 33,213 )        | -  | ( 296,080 )         |
| Net exchange difference | ( 384 )          | ( 8,839 )         | ( 1,307 )           | ( 1,663 )         | ( 2,787 )  | ( 9,040 )           |
| December 31             | <u>\$ 24,010</u> | <u>\$ 228,449</u> | <u>\$ 1,248,565</u> | <u>\$ 140,894</u> | <u>\$ 28,766</u>                                     | <u>\$ 1,670,684</u> |
| December 31, 2020       |                  |                   |                     |                   |  |                     |
| Cost                    | \$ 24,010        | \$ 577,238        | \$ 4,673,728        | \$ 687,857        | \$ 28,766  | \$ 5,991,599        |
| Cumulative depreciation | -                | ( 348,789 )       | ( 3,425,163 )       | ( 546,963 )       | -  | ( 4,320,915 )       |
|                         | <u>\$ 24,010</u> | <u>\$ 228,449</u> | <u>\$ 1,248,565</u> | <u>\$ 140,894</u> | <u>\$ 28,766</u>                                     | <u>\$ 1,670,684</u> |
|                         |                  |                   |                     |                   |  |                     |
|                         | Land             | Buildings         | Equipment           | Others            | Unfinished construction and equipment to be accepted | Total               |
| January 1, 2019         |                  |                   |                     |                   |  |                     |
| Cost                    | \$ 23,985        | \$ 652,981        | \$ 4,577,981        | \$ 708,948        | \$ 92,062  | \$ 6,055,957        |
| Cumulative depreciation | -                | ( 327,751 )       | ( 3,308,648 )       | ( 567,212 )       | -  | ( 4,203,611 )       |
|                         | <u>\$ 23,985</u> | <u>\$ 325,230</u> | <u>\$ 1,269,333</u> | <u>\$ 141,736</u> | <u>\$ 92,062</u>                                     | <u>\$ 1,852,346</u> |
| 2019                    |                  |                   |                     |                   |  |                     |
| 2019                    | \$ 23,985        | \$ 325,230        | \$ 1,269,333        | \$ 141,736        | \$ 92,062  | \$ 1,852,346        |
| Addition                | -                | 3,211             | 142,609             | 48,107            | 98,545   | 292,472             |
| Disposal                | -                | -                 | ( 69,282 )          | ( 6,467 )         | ( 1,208 )  | ( 76,957 )          |
| Transfer                | -                | -                 | 71,975              | ( 4,166 )         | ( 84,529 )   | ( 16,720 )          |
| Depreciation expenses   | -                | ( 23,248 )        | ( 266,774 )         | ( 34,794 )        | -  | ( 324,816 )         |
| Net exchange difference | 490              | ( 4,025 )         | ( 35,111 )          | ( 4,929 )         | ( 141 )  | ( 43,797 )          |
| December 31             | <u>\$ 24,394</u> | <u>\$ 301,168</u> | <u>\$ 1,112,750</u> | <u>\$ 139,487</u> | <u>\$ 104,729</u>                                    | <u>\$ 1,682,528</u> |
| December 31, 2019       |                  |                   |                     |                   |  |                     |
| Cost                    | \$ 24,394        | \$ 642,881        | \$ 4,457,094        | \$ 671,793        | \$ 104,729   | \$ 5,900,891        |
| Cumulative depreciation | -                | ( 341,713 )       | ( 3,344,344 )       | ( 532,306 )       | -  | ( 4,218,363 )       |
|                         | <u>\$ 24,394</u> | <u>\$ 301,168</u> | <u>\$ 1,112,750</u> | <u>\$ 139,487</u> | <u>\$ 104,729</u>                                    | <u>\$ 1,682,528</u> |

Please refer to note 8 for details of the group's pledged property, plant and equipment.

Lease transaction - Lessee

1. The underlying assets of the group include land, plants and buildings, and the terms of the lease contracts usually range from 1 to 5 years. The lease contracts are negotiated individually and contain various terms and conditions. There are no other restrictions except that the leased assets may not be used as a loan guarantee.

2. The book value and recognized depreciation expense information of the right-of-use assets are as follows:

|        | December 31,<br>2020 | December 31,<br>2019 |
|--------|----------------------|----------------------|
|        | Book value           | Book value           |
| Land   | \$ 73,017            | \$ 102,399           |
| Houses | 215,162              | 291,423              |
|        | <u>\$ 288,179</u>    | <u>\$ 393,822</u>    |

|        | 2020                     | 2019                     |
|--------|--------------------------|--------------------------|
|        | Depreciation<br>expenses | Depreciation<br>expenses |
| Land   | \$ 2,500                 | \$ 3,469                 |
| Houses | 81,309                   | 79,114                   |
|        | <u>\$ 83,809</u>         | <u>\$ 82,583</u>         |

3. The increase in the group's right-of-use assets in 2020 and 2019 amounted to NT\$0 and NT\$73,650 respectively.

4. The information on profit and loss items related to lease contracts is as follows:

| <u>Items affecting current profit and loss</u> | <u>2020</u> | <u>2019</u> |
|--|-------------|-------------|
| Interest expenses on lease liabilities         | \$ 7,138    | \$ 9,161    |
| Expenses of short-term lease contracts         | 15,184      | 40,157      |

5. The total cash outflow of the Group's leases in 2020 and 2019 amounted to NT\$87,161 and NT\$114,120, respectively.

Investment property

|  | <u>Land</u>       | <u>Buildings</u>  | <u>Total</u>      |
|--|-------------------|-------------------|-------------------|
| January 1, 2020                        |                   |                   |                   |
| Cost                                   | \$ 92,496         | \$ 153,299        | \$ 245,795        |
| Cumulative depreciation and impairment | -                 | ( 94,774 )        | ( 94,774 )        |
|  | <u>\$ 92,496</u>  | <u>\$ 58,525</u>  | <u>\$ 151,021</u> |
| 2020                                   |                   |                   |                   |
| January 1                              | \$ 92,496         | \$ 58,525         | \$ 151,021        |
| Transfer                               | 23,745            | 69,735            | 93,480            |
| Depreciation expenses                  | -                 | ( 6,157 )         | ( 6,157 )         |
| Net exchange difference                | ( 3,645 )         | ( 141 )           | ( 3,786 )         |
| December 31                            | <u>\$ 112,596</u> | <u>\$ 121,962</u> | <u>\$ 234,558</u> |
| December 31, 2020                      |                   |                   |                   |
| Cost                                   | \$ 112,596        | \$ 221,048        | \$ 333,644        |
| Cumulative depreciation and impairment | -                 | ( 99,086 )        | ( 99,086 )        |
|  | <u>\$ 112,596</u> | <u>\$ 121,962</u> | <u>\$ 234,558</u> |

|  | <u>Land</u>      | <u>Buildings</u> | <u>Total</u>      |
|--|------------------|------------------|-------------------|
| January 1, 2019                        |                  |                  |                   |
| Cost                                   | \$ 61,954        | \$ 194,789       | \$ 256,743        |
| Cumulative depreciation and impairment | -                | ( 133,821 )      | ( 133,821 )       |
|  | <u>\$ 61,954</u> | <u>\$ 60,968</u> | <u>\$ 122,922</u> |
| 2019                                   |                  |                  |                   |
| January 1                              | \$ 61,954        | \$ 60,968        | \$ 122,922        |
| Transfer                               | 31,277           | -                | 31,277            |
| Depreciation expenses                  | -                | ( 2,699 )        | ( 2,699 )         |
| Net exchange difference                | ( 735 )          | 256              | ( 479 )           |
| December 31                            | <u>\$ 92,496</u> | <u>\$ 58,525</u> | <u>\$ 151,021</u> |
| December 31, 2019                      |                  |                  |                   |
| Cost                                   | \$ 92,496        | \$ 153,299       | \$ 245,795        |
| Cumulative depreciation and impairment | -                | ( 94,774 )       | ( 94,774 )        |
|  | <u>\$ 92,496</u> | <u>\$ 58,525</u> | <u>\$ 151,021</u> |

1. Rental income and direct operating expenses of investment property:

|  | <u>2020</u>      | <u>2019</u>      |
|--|------------------|------------------|
| Rental income of investment property   | <u>\$ 33,622</u> | <u>\$ 39,225</u> |
| Direct operating expenses of investment property that generate rental income in the current period | <u>\$ 6,157</u>  | <u>\$ 2,699</u>  |

2. The fair value of the investment property held by the Group on December 31, 2020 and 2019, amounted to NT\$522,431 and NT\$402,984, respectively, which was obtained from the evaluation from public information announced by the government. The result indicated Level 3 fair value.

3. Please refer to note 8 for details of the group's pledged investment property.

4. The Group signed a letter of intent on a property transaction in October 2018, intending to dispose of the land and plant of the Yangmei factory. Therefore, a book value of NT\$101,079 was converted into non-current assets to be sold. The assets were sold in March 2019, and a disposal gain of NT\$145,112 was recognized.

## Intangible assets - Goodwill

|  | December 31,<br>2020 | December 31,<br>2019 |
|--|----------------------|----------------------|
| Balance at the beginning of the period | \$ 37,142            | \$ 38,255            |
| Net exchange difference                | ( 179 )              | ( 1,113 )            |
| Ending balance                         | <u>\$ 36,963</u>     | <u>\$ 37,142</u>     |

The above-mentioned intangible assets - goodwill was mainly generated by the group's merger with East Honest Holdings Limited by the acquisition method in 2012, and the indirect acquisition of its reinvested mainland China subsidiary Honghuasheng Precision Electronics (Yantai) Co., Ltd.

## Short-term borrowings

| Nature of the borrowings  | December 31,<br>2020 | Interest rate bracket | Collateral |
|---------------------------|----------------------|-----------------------|------------|
| Bank loans - Credit loans | <u>\$ 1,568,333</u>  | 0.62%~0.74%           | None.      |

| Nature of the borrowings  | December 31,<br>2019 | Interest rate bracket | Collateral |
|---------------------------|----------------------|-----------------------|------------|
| Bank loans - Credit loans | <u>\$ 1,573,950</u>  | 2.22%~2.7%            | None.      |

As of December 31, 2020, the Group had an undrawn limit of NT\$4,641,760.

## Other payables

|  | December 31,<br>2020 | December 31, 2019 |
|--|----------------------|-------------------|
| Salary, bonus, and employee remuneration payable | \$ 433,318           | \$ 453,383        |
| Repair expenses payable                          | 96,293               | 130,735           |
| Utility fees payable                             | 42,439               | 24,768            |
| Consumables payable                              | 55,533               | 58,380            |
| Equipment payment payable                        | 105,069              | 30,733            |
| Processing fee payable                           | 20,073               | 17,317            |
| Rent payable                                     | 32,258               | 43,573            |
| Others   | 120,823              | 190,249           |
|  | <u>\$ 905,806</u>    | <u>\$ 949,138</u> |



## Pension

### 1. Measures for defined retirement benefits

(1) The company and Tekcon Electronics Corporation (hereinafter referred to as Tekcon) have in place measures for defined benefit retirement in accordance with the provisions of the Labor Standards Act, which applies to the service years of all regular employees before the implementation of the “Labor Pension Act” on July 1, 2005, and the subsequent service years of employees who choose to continue to apply the Labor Standards Act after the implementation of the “Labor Pension Act.” If an employee is eligible for retirement, the pension payment shall be based on the service years and the average monthly salary of the six months before retirement. Two base numbers shall be given for each full year of service within 15 years (inclusive), and one base number shall be given for each full year of service over 15 years, but the cumulative maximum is 45 base numbers. The Company and Tekcon respectively allocate 6% and 2% of the total salary to the retirement fund every month which is deposited with the trust department of the Bank of Taiwan in the name of the Labor Pension Fund Supervisory Committee. In addition, before the end of each year, the Company estimates the balance of the labor retirement reserve account mentioned in the If the balance is insufficient to pay the pension amount of the workers who meet the retirement conditions estimated in the next year according to the above calculation, the Company will provide funding to make up of the shortage before the end of March in the following year. paragraph. If the balance is insufficient to pay the pension amount of the workers who meet the retirement conditions estimated in the next year according to the above calculation, the Company will provide funding to make up of the shortage before the end of March in the following year.

(2) The amount recognized at the balance sheet is specified below:

|  | December 31,<br>2020 | December 31,<br>2019 |
|--|----------------------|----------------------|
| Present value of defined benefit obligation  | \$ 87,952            | \$ 118,951           |
| Fair value of plan assets  | ( 75,243 )           | ( 77,722 )           |
| Net defined benefit liabilities (presented as other noncurrent liabilities in the statement) | <u>\$ 12,709</u>     | <u>\$ 41,229</u>     |

(3) Changes in the net defined benefit liabilities are shown below:

|  | Present value of defined<br>benefit obligation    | Fair value of plan<br>assets | Net defined benefit<br>liabilities |
|--|---|------------------------------|------------------------------------|
| 2020   |   |                              |                                    |
| Balance on January 1                         | \$ 118,951  | ( \$ 77,722 )                | \$ 41,229                          |
| Cost of service in current period            | 975   | -                            | 975                                |
| Interest expense (income)                    | 833   | ( 544 )                      | 289                                |
|  | <u>120,759</u>                                    | <u>( 78,266 )</u>            | <u>42,493</u>                      |
| Remeasurement:                               |   |                              |                                    |
| Return on plan assets (Note)                 | -   | ( 3,016 )                    | ( 3,016 )                          |
| Effect of the change in financial assumption | ( 4,765 )   | -                            | ( 4,765 )                          |
| Experience adjustment                        | ( 18,298 )  | -                            | ( 18,298 )                         |
|  | <u>( 23,063 )</u>                                 | <u>( 3,016 )</u>             | <u>( 26,079 )</u>                  |
| Appropriation of pension reserve             | -   | ( 3,705 )                    | ( 3,705 )                          |
| Payment of pension                           | ( 9,744 )   | 9,744                        | -                                  |
| Balance on December 31                       | <u>\$ 87,952</u>                                  | <u>( \$ 75,243 )</u>         | <u>\$ 12,709</u>                   |
|  | Present value of<br>defined benefit<br>obligation | Fair value of plan<br>assets | Net defined benefit<br>liabilities |
| 2019   |   |                              |                                    |
| Balance on January 1                         | \$ 110,009  | ( \$ 70,729 )                | \$ 39,280                          |
| Cost of service in current period            | 963   | -                            | 963                                |
| Interest expense (income)                    | 1,001   | ( 648 )                      | 353                                |
|  | <u>111,973</u>                                    | <u>( 71,377 )</u>            | <u>40,596</u>                      |
| Remeasurement:                               |   |                              |                                    |
| Return on plan assets (Note)                 | -   | ( 2,503 )                    | ( 2,503 )                          |
| Effect of the change in financial assumption | 1,954   | -                            | 1,954                              |
| Experience adjustment                        | 5,024   | -                            | 5,024                              |
|  | <u>6,978</u>                                      | <u>( 2,503 )</u>             | <u>4,475</u>                       |
| Appropriation of pension reserve             | -   | ( 3,842 )                    | ( 3,842 )                          |
| Payment of pension                           | -   | -                            | -                                  |
| Balance on December 31                       | <u>\$ 118,951</u>                                 | <u>( \$ 77,722 )</u>         | <u>\$ 41,229</u>                   |

(Note) This does not include the amount contained in interest income or expense

(4) The defined benefit pension plan assets of the Company and Tekcon Electronics Corporation fall within the ratio and scope of items entrusted to the Bank of Taiwan in using the plan for investment in the year under appointment pursuant to Article 6 of the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund (deposits in domestic and foreign financial institutions, investments in domestic and foreign listed or OTC equity securities or through private placement, and investments in domestic and foreign products through securitization of real estate). The Labor Pension Fund Supervisory Committee is responsible for the supervision of the use of the fund. In using the fund, the minimum return from annual account settlement shall not fall below the return from interest paid by local banks on 2-year time deposits. If there are insufficiencies, the national treasury shall make up the difference after approval by the competent authority. The Company and Tekcon Electronics Corporation have no right to participate in the operation and management of the fund, they cannot disclose the categories of the plan assets at fair value under IAS 19 and IAS 142. The fair value forming the total assets of the fund as of December 31, 2020 and 2019, is stated in the labor pension fund utilization report announced by the government for the respective years.

(5) The actuarial assumption of pension fund is specified below:

|                                       | <u>2020</u> | <u>2019</u> |
|---------------------------------------|-------------|-------------|
| <u>The Company</u>                    |             |             |
| Discount rate                         | <u>0.3%</u> | <u>0.7%</u> |
| Salary increase rate in the future    | <u>2.0%</u> | <u>3.5%</u> |
| <u>Tekcon Electronics Corporation</u> |             |             |
| Discount rate                         | <u>0.3%</u> | <u>0.7%</u> |
| Salary increase rate in the future    | <u>2.0%</u> | <u>1.5%</u> |

The assumption of the mortality rate in the future is based on the statistics released by relevant countries and estimation by experience.

The analysis of the change in the principal actuarial assumption and the influence on the present value of defined benefit obligation is shown below:

|  | Discount rate        |                      | Salary increase rate in the future |                      |
|--|----------------------|----------------------|------------------------------------|----------------------|
|  | Increase by<br>0.25% | Decrease<br>by 0.25% | Increase by<br>0.25%               | Decrease by<br>0.25% |
| December 31, 2020  |                      |                      |                                    |                      |
| Effect on the present value of defined benefit obligations | <u>(\$ 1,624)</u>    | <u>\$ 1,676</u>      | <u>\$ 1,644</u>                    | <u>(\$ 1,601)</u>    |
| December 31, 2019  |                      |                      |                                    |                      |
| Effect on the present value of defined benefit obligations | <u>(\$ 2,290)</u>    | <u>\$ 2,370</u>      | <u>\$ 2,042</u>                    | <u>(\$ 1,988)</u>    |

The aforementioned sensitivity analysis is under the assumption that all other assumptions remain unchanged, in order to analyze the effect of a change in a single assumption. In practice, changes in several assumption could be linked. The sensitivity analysis is consistent with the method adopted for the net pension liabilities presented in the balance sheet.

The method and assumption adopted for the sensitivity analysis in current period is identical with the previous period.

(6) The Group expected to appropriate \$1,747 for payment to the pension plan in 2021.

(7) As of December 31, 2020, the weighted average duration of the pension plans of the Company and Tekcon Electronics Corporation were 6 years and 10 years, respectively.

## 2. Measures for defined retirement allocation

(1) Since July 1, 2005, the company and Tekcon have formulated measures for defined retirement allocation in accordance with the "Labor Pension Act" which applies to employees of Taiwan nationality. For employees of the company and Tekcon who choose to apply the labor retirement pension system of the "Labor Pension Act", 6% of their monthly salary is allocated as labor pension to the employee's personal account at the Labor Insurance Bureau. The payment of labor pension shall be based on the balance of the employee's individual pension account and the number of accumulated benefits and shall be paid in the form of monthly pension or lump sum pension payment.

(2) The subsidiaries listed in the consolidated statements do not have their own retirement measures. Pan-International Electronics Inc., P.I.E. Industrial Berhad and its subsidiaries in mainland China shall allocate a certain percentage of their total salary to the mandatory provident fund in accordance with the local government's mandatory regulations, and be deposited in the independent account of each employee, and the pension of each employee is managed and arranged by the government. The companies mentioned above have no further obligations except for the monthly allocation.

(3) In 2020 and 2019, the Group recognized pension cost amounting to NT\$151,556 and NT\$154,190, respectively, in accordance with the above regulations governing the recognition of pension fund.

## Share capital

As of December 31, 2020, the stated quantity of shares issued by the Company are 600,000,000 shares (including 30,000,000 shares under subscription warrants or subscription rights of convertible bonds), with 518,346,282 shares outstanding with a par value of NT\$10 per share.

### Capital surplus

In accordance with the Company Act, the premium from the issuance of shares above par value and the capital reserve from the receipt of gifts may be used to make up for the losses. When the Company has no accumulated loss, new shares or cash shall be issued or paid in proportion to the original shares of the shareholders. In addition, according to the relevant provisions of the Securities and Exchange Act, when the capital reserve above is appropriated to capital, its total amount each year shall not exceed 10% of the paid-in capital. The company shall not use the capital reserve to make up for the capital loss unless the earnings reserve is still insufficient to make up for the capital loss.

### Retained earnings

1. According to the articles of association of the company, if there is any surplus in the annual final accounts, in addition to paying all taxes according to law, the company shall first make up for the losses of previous years, and then set aside 10% as the legal reserve. If there is still a surplus, it shall be retained or distributed according to the resolution of the shareholders' meeting.
2. The company is in a growth stage at present, and the dividend distribution policy shall be based on the company's current and future investment environment, capital demand, domestic and foreign competition status, capital budget and other factors, while taking into account the shareholders' interests and the company's long-term financial planning. The shareholders' dividend shall be allocated from the cumulative distributable earnings and shall not be less than 15% of the distributable earnings of the current year, and the cash dividend ratio shall not be less than 10% of the total dividend.
3. The legal reserve shall not be used except to make up for the company's losses and issuing new shares or paying cash in proportion to the original number of shares held by the shareholders. However, if new shares or cash are issued, the amount of such reserve shall exceed 25% of the paid-in capital.
4. When the company distributes earnings, it is required by laws and regulations to set aside a special reserve for the debit balance of other equity items on the balance sheet date of the current year before distribution. When the debit balance of other equity items is subsequently reversed, the amount of reversal can be included in the earnings available for distribution.

5. The company's shareholders' meeting respectively passed the resolution on earnings distribution of 2019 and 2018 on June 12, 2020 and June 14, 2019 as follows:

|                 | 2019                |                           | 2018                |                           |
|-----------------|---------------------|---------------------------|---------------------|---------------------------|
|                 | Amount              | Dividend per share (NT\$) | Amount              | Dividend per share (NT\$) |
| Legal reserve   | \$ 102,932          |                           | \$ 118,538          |                           |
| Special reserve | 429,069             |                           | 386,307             |                           |
| Cash dividends  | 518,346             | \$ 1.00                   | 570,181             | \$ 1.10                   |
|                 | <u>\$ 1,050,347</u> |                           | <u>\$ 1,075,026</u> |                           |

6. The Board of the Company passed the proposal for the distribution of earnings in 2020 on March 23, 2021, specified as follows:

|                 | 2020              |                           |
|-----------------|-------------------|---------------------------|
|                 | Amount            | Dividend per share (NT\$) |
| Legal reserve   | \$ 76,277         |                           |
| Special reserve | 37,450            |                           |
| Cash dividends  | 336,925           | \$ 0.65                   |
|                 | <u>\$ 450,652</u> |                           |

#### Other items of equity

|  | Financial assets at FVTOCI | Adjustment for currency conversion | Total                   |
|--|----------------------------|------------------------------------|-------------------------|
| January 1, 2020  | ( \$ 250,358 )             | ( \$ 1,061,916 )                   | ( \$ 1,312,274 )        |
| Unrealized profit or loss of financial products - Group      | 142,489                    | -                                  | 142,489                 |
| Transfer of valuation adjustment to retained earnings -Group | ( 78,723 )                 | -                                  | ( 78,723 )              |
| Currency conversion difference - Group                       | -                          | ( 101,216 )                        | ( 101,216 )             |
| December 31, 2020  | <u>( \$ 186,592 )</u>      | <u>( \$ 1,163,132 )</u>            | <u>( \$ 1,349,724 )</u> |

|   | Financial assets at FVTOCI | Adjustment for currency conversion | Total                   |
|---|----------------------------|------------------------------------|-------------------------|
| January 1, 2019   | ( \$ 100,067 )             | ( \$ 783,138 )                     | ( \$ 883,205 )          |
| Unrealized profit or loss of financial products - Group | ( 150,291 )                | -                                  | ( 150,291 )             |
| Currency conversion difference - Group                  | -                          | ( 278,778 )                        | ( 278,778 )             |
| December 31, 2019                                       | <u>( \$ 250,358 )</u>      | <u>( \$ 1,061,916 )</u>            | <u>( \$ 1,312,274 )</u> |

## Non-controlling interests

|  | <u>2020</u>         | <u>2019</u>         |
|--|---------------------|---------------------|
| January 1  | \$ 1,619,122        | \$ 1,580,757        |
| Share of non-controlling equity:                   |                     |                     |
| Net income for the period                          | 127,305             | 123,814             |
| Remeasured value of defined benefit plan           | ( 14 )              | ( 99 )              |
| Conversion difference from the Exchange difference | ( 60,352 )          | ( 19,550 )          |
| Cash dividend payment                              | ( 63,556 )          | ( 65,800 )          |
| December 31  | <u>\$ 1,622,505</u> | <u>\$ 1,619,122</u> |

## Operating revenue

|                                 | <u>2020</u>   | <u>2019</u>   |
|---------------------------------|---------------|---------------|
| Revenue from customer contracts | \$ 20,547,713 | \$ 25,600,708 |

The revenue of the Group is derived from goods and services transferred at a certain time point. Please refer to note 14 for details of revenue.

## Contractual liabilities

The contractual liabilities related to the contractual income recognized by the Group are as follows:

|                         | <u>December 31, 2020</u> | <u>December 31, 2019</u> | <u>January 1, 2019</u> |
|-------------------------|--------------------------|--------------------------|------------------------|
| Contractual liabilities | \$ 395,622               | \$ 263,111               | \$ 399,612             |

Recognized income of contract liabilities at the beginning of the period:

|  | <u>2020</u> | <u>2019</u> |
|--|-------------|-------------|
| Opening balance of contract liabilities recognized as income in the current period | \$ 239,981  | \$ 399,612  |

Other income

|                      | 2020              | 2019             |
|----------------------|-------------------|------------------|
| Rental income        | 45,587            | 50,582           |
| Dividend income      | 1,547             | 7,442            |
| Subsidy income       | 36,019            | 15,398           |
| Other income - Other | 52,259            | 15,589           |
|                      | <u>\$ 135,412</u> | <u>\$ 89,011</u> |

Other gains and losses

|   | 2020             | 2019              |
|---|------------------|-------------------|
| Gains from the disposal of non-current assets to be sold                                | \$ -             | \$ 145,112        |
| Net foreign currency conversion gain  | 57,445           | 109,093           |
| Net gains of financial assets and liabilities measured at fair value through the income | 48,804           | 19,013            |
| Losses from the disposal of property, plant and equipment                               | ( 9,986 )        | ( 24,726 )        |
| Others  | ( 5,808 )        | 353               |
|   | <u>\$ 90,455</u> | <u>\$ 248,845</u> |



## Employee benefit, depreciation and amortization expenses

| By nature                                    | 2020                | 2019                |
|--|---------------------|---------------------|
| Employee benefits expense                    |                     |                     |
| Salary expenses                              | \$ 2,103,224        | \$ 2,188,048        |
| Labor and national health insurance expenses | 57,040              | 73,955              |
| Pension expenses                             | 152,820             | 155,506             |
| Other HR expenses                            | 174,785             | 169,944             |
|  | <u>\$ 2,487,869</u> | <u>\$ 2,587,453</u> |
| Depreciation expenses                        | <u>\$ 386,046</u>   | <u>\$ 410,098</u>   |
| Amortization expenses                        | <u>\$ 12,602</u>    | <u>\$ 14,302</u>    |

1. According to the articles of association of the company, if the company has any profit in the year (the so-called profit refers to the gains before deducting the distribution of employee remuneration and directors' remuneration), it shall allocate no less than 5% of it as employee remuneration and no more than 0.5% as directors' remuneration, which shall be distributed after the special resolution of the board of directors, and shall be reported to the shareholders' meeting. However, if the Company still has a cumulative loss, it shall reserve the amount of compensation in advance.

2. The Company's remuneration to employees in 2020 and 2019 was estimated at NT\$40,144 and NT\$60,754, respectively. The remuneration to the Directors was estimated at \$4,014 and \$0, respectively. The aforementioned amount was presented as salary expense in the book.

According to the resolution of the Board of Directors, the amount of employee remuneration and director's remuneration in 2019 were NT\$60,754 and NT\$6,075 respectively, which will be paid in cash. The amount of employee remuneration and director's remuneration recognized in the financial report of 2019 were NT\$60,754 and NT\$0, respectively. The difference from the amount determined by the Board of Directors was NT\$6,075, mainly due to the difference in the proportion estimated, and has been adjusted to the profit and loss in 2020. As of December 31, 2020, the remunerations to the employees and Directors pending payment amounted to NT\$60,754 and NT\$3,045, respectively in 2019, as presented as "other payables" in the financial statements.

The above information on the remuneration of employees and directors approved by the Board of Directors of the Company can be obtained on MOPS.

Financial costs

|  | 2020             |    | 2019          |
|--|------------------|----|---------------|
| Interest expenses on bank loans        | \$ 27,961        | \$ | 48,527        |
| Interest expenses on lease liabilities | 7,138            |    | 9,161         |
|  | <u>\$ 35,099</u> | \$ | <u>57,688</u> |

Income tax

Income tax expense

(1) Components of income tax expenses:

|  | 2020              |    | 2019           |
|--|-------------------|----|----------------|
| Income tax for the current period:                       |                   |    |                |
| Income tax arising from current income                   | \$ 393,059        | \$ | 358,962        |
| Extra tax on undistributed earnings                      | -                 |    | 7,434          |
| Income tax (over)estimates of previous years             | ( 14,513 )        |    | 4,186          |
| Total income tax for the current period                  | <u>378,546</u>    |    | <u>370,582</u> |
| Deferred income tax:                                     |                   |    |                |
| The original value and reversal of temporary differences | 24,225            |    | 6,391          |
| Income tax expense                                       | <u>\$ 402,771</u> | \$ | <u>376,973</u> |

(2) Other comprehensive income related income tax amount:

|   | 2020     |    | 2019 |
|---|----------|----|------|
| Remeasurement of defined benefit obligation | \$ 5,233 | \$ | 773  |

## 2. Relation between income tax expense and accounting profit

|   | 2020              | 2019              |
|---|-------------------|-------------------|
| Calculation of income tax on earnings before taxation at the mandatory tax rate | \$ 496,077        | \$ 474,409        |
| Effect of items that cannot be recognized under laws and regulations            | ( 9,712 )         | ( 12,593 )        |
| Temporary difference not recognized as deferred income tax liabilities          | ( 77,019 )        | ( 96,342 )        |
| Extra tax on undistributed earnings   | -                 | 7,434             |
| Change in realizable estimation of deferred income tax assets                   | 7,984             | 1,714             |
| Effect of investment deduction on income tax                                    | ( 46 )            | ( 1,835 )         |
| Income tax (over)estimates of previous years                                    | ( 14,513 )        | 4,186             |
| Income tax expense  | <u>\$ 402,771</u> | <u>\$ 376,973</u> |

## 3. Deferred income tax assets or liabilities under temporary difference and taxation loss are specified as follows:

|  | 2020                  |                      |  |   |                       |
|--|-----------------------|----------------------|--|---|-----------------------|
|  | January 1             | Recognized as income | Recognized as other comprehensive net income | Effect on foreign currency exchange differences | December 31           |
| Deferred income tax assets:  |                       |                      |  |   |                       |
| - Temporary difference:  |                       |                      |  |   |                       |
| Provision for valuation loss on inventory                          | \$ 38,255             | \$ 168               | \$ -   | ( \$ 821 )                                      | \$ 37,602             |
| Pension reserve pending on appropriation                           | 8,155                 | ( 430 )              | ( 5,233 )                                    | -   | 2,492                 |
| Accrued salaries at end of period                                  | 26,211                | ( 2,011 )            | -  | ( 918 )   | 23,282                |
| Others   | 36,160                | ( 9,315 )            | -  | 45  | 26,890                |
|  | <u>\$ 108,781</u>     | <u>( \$ 11,588 )</u> | <u>( \$ 5,233 )</u>                          | <u>( \$ 1,694 )</u>                             | <u>\$ 90,266</u>      |
| - Deferred income tax liabilities:                                 |                       |                      |  |   |                       |
| Return on foreign investment accounted for under the equity method | ( \$ 173,927 )        | ( \$ 22,781 )        | \$ -   | \$ -  | ( \$ 196,708 )        |
| Taxation difference in depreciations                               | ( 82,704 )            | 10,325               | -  | 254   | ( 72,125 )            |
| Others   | ( 943 )               | ( 181 )              | -  | ( 14 )  | ( 1,138 )             |
|  | <u>( \$ 257,574 )</u> | <u>( \$ 12,637 )</u> | <u>\$ -</u>                                  | <u>\$ 240</u>                                   | <u>( \$ 269,971 )</u> |

|  | 2019                |                      |  |   |                     |
|--|---------------------|----------------------|--|---|---------------------|
|  | January 1           | Recognized as income | Recognized as other comprehensive net income | Effect on foreign currency exchange differences | December 31         |
| Deferred income tax assets:  |                     |                      |  |   |                     |
| - Temporary difference:  |                     |                      |  |   |                     |
| Provision for valuation loss on inventory                          | \$ 35,581           | \$ 3,127             | \$ -   | (\$ 453)  | \$ .38,255          |
| Impairment loss of investment property                             | 6,121               | ( 6,121 )            | -  | -   | -                   |
| Pension reserve pending on appropriation                           | 7,829               | ( 447 )              | 773  | -   | 8,155               |
| Accrued salaries at end of period                                  | 26,644              | ( 70 )               | -  | ( 363 )   | 26,211              |
| Others   | 21,086              | 15,693               | -  | ( 619 )   | 36,160              |
|  | <u>\$ 97,261</u>    | <u>\$ 12,182</u>     | <u>\$ 773</u>                                | <u>(\$ 1,435)</u>                               | <u>\$ 108,781</u>   |
| - Deferred income tax liabilities:                                 |                     |                      |  |   |                     |
| Return on foreign investment accounted for under the equity method | (\$ 135,752)        | (\$ 38,175)          | \$ -   | \$ -  | (\$ 173,927)        |
| Taxation difference in depreciations                               | ( 92,835 )          | 9,122                | -  | 1,009   | ( 82,704 )          |
| Others   | ( 11,459 )          | 10,480               | -  | 36  | ( 943 )             |
|  | <u>(\$ 240,046)</u> | <u>(\$ 18,573)</u>   | <u>\$ -</u>                                  | <u>\$ 1,045</u>                                 | <u>(\$ 257,574)</u> |

4. As of December 31, 2020 and 2019, the Company assessed that the temporary difference of tax payable on some of the subsidiaries will not be reversed in the foreseeable future, and recognized all these differences as deferred income tax liabilities. The unrecognized temporary difference of deferred income tax liabilities amounted to NT\$5,137,550 and NT\$4,838,993, respectively.

5. The corporate income tax return of the Company has been approved by the tax collection authorities up to 2018.

## Earnings per share (EPS)

|  | 2020                |  |  |
|--|---------------------|--|--|
|  | After-tax<br>amount | Weighted average<br>number of<br>outstanding shares<br>(thousand shares) | Earnings<br>per share<br>(EPS)<br>(NT\$) |
| <u>Basic earnings per share</u>  |                     |  |  |
| Net profit of the current period attributable to the common shareholders of the parent company                                     | \$ 663,190          | 518,346  | \$ 1.28                                  |
| <u>Diluted earnings per share</u>  |                     |  |  |
| Net income for the period attributable to the common shareholders of the parent company  | 663,190             | 518,346  |  |
| Effect of potentially dilutive common shares:<br>Employee remuneration   | -                   | 2,437  |  |
| Net income for the period attributable to the common shareholders of the parent company plus the effect of potential common shares | \$ 663,190          | 520,783  | \$ 1.27                                  |
|  |                     |  |  |
|  |                     |  |  |
|  | 2019                |  |  |
|  | After-tax<br>amount | Weighted average<br>number of<br>outstanding shares<br>(thousand shares) | Earnings<br>per share<br>(EPS)<br>(NT\$) |
| <u>Basic earnings per share</u>  |                     |  |  |
| Net profit of the current period attributable to the common shareholders of the parent company                                     | \$ 1,029,323        | 518,346  | \$ 1.99                                  |
| <u>Diluted earnings per share</u>  |                     |  |  |
| Net income for the period attributable to the common shareholders of the parent company  | 1,029,323           | 518,346  |  |
| Effect of potentially dilutive common shares:<br>Employee remuneration   | -                   | 3,321  |  |
| Net income for the period attributable to the common shareholders of the parent company plus the effect of potential common shares | \$ 1,029,323        | 521,667  | \$ 1.97                                  |

## Supplementary information on cash flow

### Investment activities with partial cash payment:

|   | 2020              | 2019              |
|---|-------------------|-------------------|
| Purchase of property, plant and equipment             | \$ 412,686        | \$ 292,472        |
| Add: equipment payable at the beginning of the period | 30,733            | 61,037            |
| Less: equipment payable at the end of the period      | ( 105,069 )       | ( 30,733 )        |
| Net exchange difference                               | ( 1,586 )         | ( 1,178 )         |
| Cash paid during the period                           | <u>\$ 339,936</u> | <u>\$ 321,598</u> |

### Changes in liabilities from financing activities

|  | 2020                  |                   |   |
|--|-----------------------|-------------------|---|
|  | Short-term borrowings | Lease liabilities | Total liabilities from financing activities |
| January 1                                | \$ 1,573,950          | \$ 295,287        | \$ 1,869,237                                |
| Changes in financing cash flow           | ( 67,382 )            | ( 72,522 )        | ( 5,140 )                                   |
| Net exchange difference                  | ( 72,999 )            | ( 2,076 )         | ( 70,923 )                                  |
| Other non-cash changes                   | -                     | ( 3,882 )         | ( 3,882 )                                   |
| December 31                              | <u>\$ 1,568,333</u>   | <u>\$ 220,959</u> | <u>\$ 1,789,292</u>                         |
|  | 2019                  |                   |   |
|  | Short-term borrowings | Lease liabilities | Total liabilities from financing activities |
| January 1                                | \$ 2,158,910          | \$ -              | \$ 2,158,910                                |
| Effect of initial application of IFRS 16 | -                     | 311,719           | 311,719                                     |
| Changes in financing cash flow           | ( 548,162 )           | ( 74,411 )        | ( 622,573 )                                 |
| Net exchange difference                  | 36,798                | ( 11,418 )        | 48,216                                      |
| Other non-cash changes                   | -                     | 69,397            | 69,397                                      |
| December 31                              | <u>\$ 1,573,950</u>   | <u>\$ 295,287</u> | <u>\$ 1,869,237</u>                         |

## Related Party Transactions

### Related party's name and relationship

| <u>Name of related party</u>  | <u>Relationship with the Group</u>                          |
|---|---|
| Hon Hai Precision Industry Co., Ltd. and subsidiaries (Hon Hai and subsidiaries)    | Other groups that impose significant influence on the Group |
| Sharp Corporation and subsidiaries (Sharp and subsidiaries)                         | Other related parties                                       |
| Foxconn Technology Co., Ltd. and subsidiaries (Foxconn Technology and subsidiaries) | Other related parties                                       |
| General Interface Solution Limited  | Other related parties                                       |
| Cyber TAN Technology, Inc and Subsidiaries  | Other related parties                                       |
| Long Time Tech. Co., Ltd.   |   |

### Major transactions with related parties

#### 1. Operating income

|   | <u>2020</u>         | <u>2019</u>          |
|---|---------------------|----------------------|
| Other groups that impose significant influence on the Group |                     |                      |
| - Hon Hai and subsidiaries                                  | \$ 7,772,303        | \$ 11,088,751        |
| Other related parties                                       |                     |                      |
| - Sharp and subsidiaries                                    | 1,653,023           | 155,942              |
| - Others  | 97,126              | 212,595              |
|   | <u>\$ 9,522,452</u> | <u>\$ 11,457,288</u> |

The price and loan period were determined by both sides after consultation, except where there is no similar transaction for reference. For the remainders of the Group's sale to abovementioned related parties, the price is similar to the sale price of other general customers. The Group's period of payment for the related parties ranged from 30 to 120.

#### 2. Purchase

|   | <u>2020</u>         | <u>2019</u>         |
|---|---------------------|---------------------|
| Other groups that impose significant influence on the Group |                     |                     |
| - Hon Hai and subsidiaries                                  | \$ 2,647,263        | \$ 3,108,506        |
| Other related parties                                       |                     |                     |
| - Sharp and subsidiaries                                    | 2,357,346           | 4,824,167           |
| - Others  | 1,037,358           | 318                 |
|   | <u>\$ 6,041,967</u> | <u>\$ 7,932,991</u> |

The above amount includes purchase, discount, and sale return. The purchase price and payment term were determined by both sides through consultation. The payment term offered by the Group to related parties ranged from 30 to 120 days on monthly settlement of open account.

### 3. Receivables from related parties

|   | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|--------------------------|--------------------------|
| Accounts receivable:  |                          |                          |
| Other groups that impose significant influence on the Group |                          |                          |
| - Hon Hai and subsidiaries                                  | \$ 2,067,171             | \$ 3,527,505             |
| Other related parties                                       |                          |                          |
| - Sharp and subsidiaries                                    | 567,382                  | 62,650                   |
| - Others  | 125,497                  | 504,454                  |
|   | 2,760,050                | 4,094,609                |
| Less: transfer to other receivables                         | -                        | ( 244 )                  |
| Allowance for loss  | ( 881 )                  | ( 806 )                  |
|   | <u>\$ 2,759,169</u>      | <u>\$ 4,093,559</u>      |

The receivables from related parties were mainly from sales and purchases on behalf of the related parties. The payment term for sales to related parties ranged from 30 to 120 days. The receivables are not secured and not interest bearing. Part of the accounts receivable are transferred to other accounts receivable due to being overdue for more than three months, and the aging of other receivables is all less than one year.

### 4. Other receivables

|   | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|--------------------------|--------------------------|
| Other receivables from related parties:                     |                          |                          |
| Other groups that impose significant influence on the Group |                          |                          |
| - Hon Hai and subsidiaries                                  | \$ 1,332                 | \$ 8,680                 |
| Other related parties                                       |                          |                          |
| - Sharp and subsidiaries                                    | 1,684                    | 173                      |
|   | <u>\$ 3,016</u>          | <u>\$ 8,853</u>          |

Other receivables from related parties were mainly receivables of advance payments for related parties and receivable discounts.

### 5. Accounts payables from related parties

|   | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|--------------------------|--------------------------|
| Accounts payable:   |                          |                          |
| Other groups that impose significant influence on the Group |                          |                          |
| - Hon Hai and subsidiaries                                  | \$ 1,113,108             | \$ 1,508,993             |
| Other related parties                                       |                          |                          |
| - Sharp and subsidiaries                                    | 1,037                    | 679,798                  |
| - Foxconn Technology and subsidiaries                       | 241,948                  | 2                        |
|   | <u>\$ 1,356,093</u>      | <u>\$ 2,188,793</u>      |

Accounts payable from related parties mainly comes from purchasing and purchase on behalf of others, and there is no interest attached to the accounts payable.

### 6. Lease transaction - Lessee

(1) The group leases the plant from the group which has a significant impact on the group. The lease term is 5 years. The rent is paid at the end of each month.

(2) Acquisition of right-of-use assets:

Due to the application of IFRS 16, the group increased the right-of-use assets by NT\$188,789 on January 1, 2019.



### (3) Lease liabilities:

#### A. Ending balance

|   | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|--------------------------|--------------------------|
| Other groups that impose significant influence on the Group | \$ 113,332               | \$ 147,387               |

#### B. Interest expense

|   | <u>2020</u> | <u>2019</u> |
|---|-------------|-------------|
| With significant influence on the Group | \$ 3,590    | \$ 4,748    |

### Compensation of key management personnel

|                              | <u>2020</u> | <u>2019</u> |
|------------------------------|-------------|-------------|
| Short-term employee benefits | \$ 13,986   | \$ 13,718   |
| Post-employment benefits     | 240         | 240         |
| Total                        | \$ 14,226   | \$ 13,958   |

### Pledged Assets

The details of the guarantees provided with the Group's assets are as follows:

| Asset item   | Book value               |                          | Guarantee purpose                                 |
|--|--------------------------|--------------------------|---|
|  | <u>December 31, 2020</u> | <u>December 31, 2019</u> |   |
| Other current assets - pledged deposit   | \$ 720                   | \$ 763                   | Issuing of letter of credit and customs deposit   |
| Financial assets measured at an after-amortization cost - pledged time deposit | 1,306                    | 1,291                    | Customs deposit                                   |
| Property, plant, and equipment   | 10,411                   | 10,472                   | Guarantee mortgage for bank line overdraft (note) |
| Investment property  | 10,813                   | 11,487                   | Guarantee mortgage for a bank line                |
|  | <u>\$ 23,250</u>         | <u>\$ 24,013</u>         |   |

Note: As of December 31, 2020, the land, buildings and structures above have been pledged as collateral for the overdraft facilities of financial institutions since 2005. The overdraft had been paid off, but the pledge has not been canceled.

### Significant Contingent Liabilities and Unrecognized Commitments

#### Contingent matters

The group has no contingent liabilities for material legal claims arising from daily business activities.

#### Commitments

None.

#### Major Disaster Losses

None.

#### Significant Subsequent Events

The Board of the Company passed the proposal for the distribution of earnings in 2020 on March 23, 2021. Additional information is specified in Note 6 (17).

## Others

The COVID-19 outbreak occurred at the beginning of 2020. Since the end of the first quarter this year, Mainland China and Malaysia have implemented lockdowns and ordered all private enterprises to stop their operations to prevent the spread of the pandemic. However, the restriction on local operations was gradually relaxed as the situation improved, and all the operations resumed in the second quarter. Due to the pandemic, some subsidiaries have been granted various fee reductions or subsidies from the local government, so the overall operation of the Group has not been significantly affected.

## Capital management

The Group's capital management objectives are to ensure the Group's sustained operation, maintain the optimal capital structure, reduce the cost of capital, and provide returns to shareholders. In order to maintain or adjust the capital structure, the group may adjust the number of dividends paid to shareholders, issue new shares, or sell assets to reduce liabilities. To monitor its capital, the group uses the net debt ratio which is calculated by dividing net debt by total net worth. Net debt is calculated as total borrowings (including the "current and non-current borrowings" reported in the consolidated balance sheet) less cash and cash equivalents. The total net value is calculated as "equity" as shown in the consolidated balance sheet less total intangible assets.

The group's strategy for 2020 is the same as that in 2019, both of which are committed to maintaining the net debt ratio below 70%.

## Financial instrument

### 1. Types of financial instruments

As of December 31, 2020 and 2019, the book value of the Group's financial assets measured at amortized cost (including cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables, and financial assets measured at amortized cost) under IFRS 9 amounted to NT\$12,987,579 and NT\$13,049,341, respectively. The book value of financial liabilities measured at amortized cost (including short-term loans, accounts payable (including related parties), other payables) amounted to NT\$6,644,047 and NT\$8,019,707, respectively. The book value of lease liabilities as of December 31, 2020 and 2019, amounted to NT\$220,959 and NT\$295,287, respectively. Please refer to notes 6(2) and (5) for the book values of financial assets measured at fair value through the income and financial assets measured at fair value through other comprehensive income.

### 2. Risk management Policy

#### (1) Types of risks

The group adopts a comprehensive financial risk management and control system to clearly identify, measure and control various financial risks of the group, including market risk (including exchange rate risk, interest rate risk and price risk), credit risk, and liquidity risk.

#### (2) Management objectives

A. All the risks above can be eliminated by internal control or operation process, except that market risk is controlled by external factors. Therefore, each risk can be reduced to zero through management.

B. In terms of market risk, the objective is to optimize the overall position through rigorous analysis, proposal, implementation and process, with due consideration of the overall external trend, internal operating conditions and the actual impact of market fluctuations.

C. The group's overall risk management policy focuses on the unpredictability of the financial market and seeks to reduce potential adverse effects on the group's financial position and financial performance.

#### (3) Management system

A. Risk management shall be carried out by the Finance Department of the group in accordance with the policies approved by the board of directors. It is responsible for identifying, assessing and avoiding financial risks through close cooperation with group operating units.

B. The board of directors has written principles for overall risk management, and also provides written policies for specific areas and matters, such as exchange rate risk, interest rate risk, credit risk, use of derivatives and non-derivative financial instruments, and investment of surplus working capital.

### 3. Nature and extent of significant financial risks

#### (1) Market risk

##### Exchange rate risk

A. Nature: The group is a multinational electronic OEM company, and most of the exchange rate risks in its business activities come from:

a. As the posting times of non-functional foreign currency accounts receivable and accounts payable are different, the exchange rate of the functional currency is different, thus resulting in an exchange rate risk. Because the amount of assets and liabilities after offsetting is not large, the amount of profit or loss is not large. (Note: The group has offices in many countries around the world, so there is an exchange rate risk in a variety of different currencies, but the main ones are the US dollar, RMB, and Malaysian ringgit. )

b. In addition to the commercial transactions (business activities) on the above-mentioned income, the assets and liabilities recognized on the balance sheet, and the net investment in foreign operations also have exchange rate risks.

##### B. Management

a. For such risks, the group has established a policy that requires companies within the group to manage the exchange rate risk relative to their functional currencies.

b. The exchange rate risk of each functional currency against the reporting currency of the consolidated statements is managed by the group's finance office.

##### C. Extent

The group's business involves a number of non-functional currencies (New Taiwan dollar is the functional currency of the company and some subsidiaries, and RMB and Malaysian ringgit are the functional currencies of some subsidiaries). Therefore, the group is affected by exchange rate fluctuations. The information on foreign currency assets and liabilities with significant exchange rate fluctuations is as follows:

| December 31, 2020                          |                                   |                  |                      |                             |                                 |  |
|--|-----------------------------------|------------------|----------------------|-----------------------------|---------------------------------|--|
|  |                                   |                  |                      | <u>Sensitivity analysis</u> |                                 |  |
|  |                                   |                  |                      | Range of                    | Impact on                       |  |
|  |                                   |                  |                      | change                      | profit and                      |  |
|  |                                   |                  |                      | loss                        |                                 |  |
| (Foreign currency:<br>functional currency) | Foreign<br>currency<br>(thousand) | Exchange<br>rate | Book value<br>(NT\$) | Range of<br>change          | Impact on<br>profit and<br>loss |  |
| <u>Financial assets</u>                    |                                   |                  |                      |                             |                                 |  |
| <u>Monetary item</u>                       |                                   |                  |                      |                             |                                 |  |
| USD: NTD                                   | \$ 125,768                        | 28.48            | \$ 3,581,873         | 1%                          | \$ 35,819                       |  |
| USD: RMB                                   | 52,794                            | 6.5249           | 1,500,053            | 1%                          | 15,001                          |  |
| USD: MYR                                   | 50,365                            | 4.0290           | 1,434,395            | 1%                          | 14,344                          |  |
| <u>Foreign operations</u>                  |                                   |                  |                      |                             |                                 |  |
| USD: NTD                                   | 313,825                           | 28.48            | 8,937,740            |                             |                                 |  |
| <u>Financial liabilities</u>               |                                   |                  |                      |                             |                                 |  |
| <u>Monetary item</u>                       |                                   |                  |                      |                             |                                 |  |
| USD: NTD                                   | 134,057                           | 28.48            | 3,817,943            | 1%                          | 38,179                          |  |
| USD: MYR                                   | 30,972                            | 4.0290           | 882,083              | 1%                          | 8,821                           |  |
| USD: RMB                                   | 39,476                            | 6.5249           | 1,121,645            | 1%                          | 11,216                          |  |

| December 31, 2019                          |                                   |                  |                      |                             |                                 |
|--|-----------------------------------|------------------|----------------------|-----------------------------|---------------------------------|
| (Foreign currency:<br>functional currency) | Foreign<br>currency<br>(thousand) | Exchange<br>rate | Book value<br>(NT\$) | <u>Sensitivity analysis</u> |                                 |
|  |                                   |                  |                      | Range of<br>change          | Impact on<br>profit and<br>loss |
| <u>Financial assets</u>                    |                                   |                  |                      |                             |                                 |
| <u>Monetary item</u>                       |                                   |                  |                      |                             |                                 |
| USD: NTD                                   | \$ 153,855                        | 29.98            | \$ 4,612,573         | 1%                          | \$ 46,126                       |
| USD: RMB                                   | 110,500                           | 7.0729           | 3,364,674            | 1%                          | 33,647                          |
| USD: MYR                                   | 49,907                            | 4.0866           | 1,496,212            | 1%                          | 14,962                          |
| NTD: RMB                                   | 8,035                             | 0.2323           | 8,035                | 1%                          | 80                              |
| <u>Foreign operations</u>                  |                                   |                  |                      |                             |                                 |
| USD: NTD                                   | 301,059                           | 29.98            | 9,025,735            |                             |                                 |
| <u>Financial liabilities</u>               |                                   |                  |                      |                             |                                 |
| <u>Monetary item</u>                       |                                   |                  |                      |                             |                                 |
| USD: NTD                                   | 177,341                           | 29.98            | 5,316,683            | 1%                          | 53,167                          |
| USD: MYR                                   | 11,771                            | 4.0866           | 352,895              | 1%                          | 3,529                           |
| USD: RMB                                   | 15,193                            | 7.0729           | 462,620              | 1%                          | 4,626                           |

#### D. Nature

The Group's currency items were under significant influence of exchange rate fluctuations in 2020 and 2019, with recognition of exchange income (including realized and unrealized items) amounting to a gain of NT\$57,445 and NT\$109,093, respectively.

#### Price risk

A. The group's equity instruments exposed to price risk are financial assets measured at fair value through other comprehensive income and equity investments available for sale. In order to manage the price risk of equity instrument investment, the group diversifies its portfolio in accordance with the limits set by the group.

B. The group mainly invests in equity instruments issued by domestic and foreign companies. The prices of these equity instruments will be affected by the uncertainty of the future values of the investment objects. If there is an upward or downward adjustment of the equity instruments by 1% with all other factors remaining unchanged, the effect on other comprehensive income of gains or losses of equity investment classified as measured at fair value through other comprehensive income would increase or decrease by NT\$23,677 and NT\$26,073 in 2020 and 2019, respectively.

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

The interest rate risk of the group comes from short-term borrowings. Borrowings at fixed interest rates expose the group to an interest rate risk at fair value, but after assessment, the group has no significant interest rate risk.

## (2) Credit risk

A. The credit risk of the group is the risk of financial loss due to the failure of customers or counterparties of financial instrument transactions to fulfill their contractual obligations, which mainly comes from the inability of the counterparties to repay the accounts receivable in accordance with the collection conditions, and the contractual cash flow classified as debt instrument investment measured at after-amortization cost.

B. In accordance with the internal credit policy, management and credit risk analysis shall be carried out on each operating entity within the group and each new customer before proposing terms and conditions for payment and delivery. Internal risk control is to evaluate the credit quality of customers by considering their financial status, past experience, and other factors. The limits of individual risks are determined by the board of directors based on internal or external ratings, and the use of credit lines is regularly monitored.

C. The basis for the group to judge whether the credit risk of financial instruments has increased significantly since the original recognition is as follows:

(A) When the contract payment is overdue for more than 60 days according to the agreed payment terms, it is deemed that the credit risk of the financial asset has increased significantly since the original recognition.

(B) If a bond investment traded on the OTC market is rated as investment-grade by any external rating agency on the balance sheet date, the financial asset is considered to have a low credit risk.

D. When the investment target with an independent credit rating is adjusted downward by two levels, the group judges that the credit risk of the investment subject has increased significantly.

E. If the contract amount is overdue for more than 90 days under the conditions of payment, the Group shall deem it a breach of contract.

F. The group classifies notes receivable and accounts receivable of customers according to the characteristics of customer rating, and estimates the expected credit loss based on the loss rate method.

G. The indicators used by the group to determine the credit impairment of debt instrument investment are as follows:

(A) The issuer encounters major financial difficulties, or the possibility of going into bankruptcy or other financial restructuring is greatly increased;

(B) The issuer makes the active market of the financial asset disappear due to its financial difficulties;

(C) The issuer delays or fails to pay the interest or principal;

(D) Adverse changes in national or regional economic conditions leading to issuer default.

H. The aging analysis of notes receivable and accounts receivable (including those of related parties) is as follows:

|                    | December 31,<br>2020 | December 31, 2019   |
|--------------------|----------------------|---------------------|
| Not Past Due       | \$ 5,303,552         | \$ 6,551,220        |
| Less than 90 days  | 20,552               | 145,506             |
| 91 ~ 180 days      | 257                  | 263                 |
| More than 181 days | 6,162                | 5,968               |
|                    | <u>\$ 5,330,523</u>  | <u>\$ 6,702,957</u> |

The above is an aging analysis based on the number of overdue days.

1. Other receivables (including those of related parties)

The other receivables of the Group are mainly income tax refund receivable, receivable advance payments for a third party, and overdue accounts receivable. There is no concern for material breach of contract or declined payment. Therefore, the Company recognized provision for loss on the basis of the amount of expected credit loss in a period of 12 months. As of December 31, 2020 and 2019, the Group recognized provision for loss amounting to NT\$0.

J. The Group classified the accounts receivable of the customers according to the characteristics of the credit rating of the customers, and considered the adjustment of rate of loss on the basis of historical information and information at present time with foresight to estimate the provision for loss on notes and accounts receivable. The method for estimating the loss rate on December 31, 2020 and 2019 is as follows:

|                          | Group 1        | Group 2        | Group 3        | Group 4        | Total        |
|--------------------------|----------------|----------------|----------------|----------------|--------------|
| <u>December 31, 2020</u> |                |                |                |                |              |
| Expected loss rate       | 0.04%          | 0.04%          | 0.09%          | 0.1%~100%      |              |
| Total Book value         | \$ 4,882,814   | \$ 425,661     | \$ -           | \$ 22,048      | \$ 5,330,523 |
| Allowance for loss       | \$ 1,953       | \$ 170         | \$ -           | \$ 4,959       | \$ 7,082     |
|                          | <u>Group 1</u> | <u>Group 2</u> | <u>Group 3</u> | <u>Group 4</u> | <u>Total</u> |
| <u>December 31, 2019</u> |                |                |                |                |              |
| Expected loss rate       | 0.03%          | 0.03%          | 0.07%          | 0.1%~100%      |              |
| Total Book value         | \$ 5,897,743   | \$ 769,776     | \$ 51          | \$ 35,387      | \$ 6,702,957 |
| Allowance for loss       | \$ 1,769       | \$ 231         | \$ -           | \$ 2,720       | \$ 4,720     |

Group 1: Rated A by Standard & Poor's, Fitch or Moody's, or no external agency rating, and rated A according to the group's credit standards.

Group 2: Rated BBB by Standard & Poor's or Fitch, or Baa by Moody's, or no external agency rating, and rated B or C according to the group's credit standards.

Group 3: Rated BB+ or below by Standard & Poor's or Fitch, or Ba1 or below by Moody's.

Group 4: No external agency rating, and non-A, B, or C rated customers according to the group's credit standards.

K. The simplified statement of changes in the allowance for loss of accounts receivable and other receivables (including those of related parties) of the group is as follows:

|                                  | 2020            |
|----------------------------------|-----------------|
| January 1                        | \$ 4,720        |
| Recognition of impairment loss   | 15,297          |
| Irrecoverable amount written off | ( 12,644 )      |
| Net exchange difference          | ( 291 )         |
| December 31                      | <u>\$ 7,082</u> |
|                                  | 2019            |
| January 1                        | \$ 17,272       |
| Reversal of impairment loss      | ( 12,603 )      |
| Net exchange difference          | 51              |
| December 31                      | <u>\$ 4,720</u> |

L. All the Group's investments in debt instruments measured at amortized cost as were at low credit risk as of December 31, 2020 and 2019. Therefore, the book value was measured on the basis of the expected credit loss in a period of 12 months after the balance sheet day.

### (3) Liquidity risk

A. the cash flow forecast is carried out by each operating entity within the group and summarized by the group's finance department. The group's finance department monitors the forecast of the group's liquidity funds demand to ensure that it has sufficient funds to meet operational needs, and maintains sufficient unspent loan commitments at all times so that the group will not exceed the relevant borrowing limits or violate the terms. These forecasts take into account the group's debt financing plan, compliance with debt terms, and compliance with the financial ratios in the internal balance sheet and external regulatory requirements, such as foreign exchange control.

B. When the remaining cash held by the group exceeds the requirement for the management of working capital, the finance department will invest the remaining funds in interest-bearing demand deposits, time deposits, money market deposits and securities, and the instruments selected to have appropriate maturities or sufficient liquidity to meet the forecast above and provide sufficient liquidity, and it is expected that cash flow will be generated immediately for the management of liquidity risk.



C. The following table shows the grouping of the group's non-derivative financial liabilities according to their maturity dates. The non-derivative financial liabilities are analyzed according to the remaining period from the balance sheet date to the contract maturity date. The amount of contractual cash flow disclosed in the table below is the undiscounted amount.

| December 31, 2020                            | Less than 1<br>year | 1 ~ 2 years | 2 ~ 5 years | Total      |
|--|---------------------|-------------|-------------|------------|
| <u>Non-derivative financial liabilities:</u> |                     |             |             |            |
| Lease liabilities                            | \$ 78,281           | \$ 74,930   | \$ 77,214   | \$ 230,425 |
| <br>   |                     |             |             |            |
| December 31, 2019                            | Less than 1<br>year | 1 ~ 2 years | 2 ~ 5 years | Total      |
| <u>Non-derivative financial liabilities:</u> |                     |             |             |            |
| Lease liabilities                            | \$ 86,512           | \$ 76,571   | \$ 148,568  | \$ 311,651 |

In addition to the above, the group's non-derivative financial liabilities are all due within the next year.

#### Fair value information

1. The levels of evaluation techniques used to measure the fair value of financial and non-financial instruments are defined as follows:

Level 1: The quoted price (unadjusted) is available to the enterprise in an active market for the same assets or liabilities on the measurement date. An active market refers to a market in which assets or liabilities are traded in sufficient frequency and quantity to provide pricing information on an ongoing basis. The fair value of the listed and OTC stocks and beneficiary certificates invested by the group belongs to this level.

Level 2: The input value of assets or liabilities are directly or indirectly observable, except those in Level 1. The fair value of the derivative instruments invested by the group belongs to this level.

Level 3: The input value of assets or liabilities are unobservable. The equity instruments invested by the group without an active market belong to this level.

#### 2. Financial instruments not measured at fair value

The book values of the group's financial instruments not measured at fair value (including cash and cash equivalents, financial assets measured at after-amortization cost, notes receivable, accounts receivable, other receivables, other current assets, notes payable, accounts payable, other receivables, lease liabilities and other current liabilities) are reasonable approximations of their fair values.

3. For the group's financial and non-financial instruments measured at fair value, the group classifies them according to the nature, characteristics, risk, and fair value level of the assets and liabilities. The relevant information is as follows:

The information about the group's classification of its assets and liabilities by their nature is as follows:

| December 31, 2020  | Level 1             | Level 2         | Level 3             | Total               |
|--|---------------------|-----------------|---------------------|---------------------|
| Financial assets:  |                     |                 |                     |                     |
| <u>Repetitive fair value</u>   |                     |                 |                     |                     |
| Financial assets at FVTPL  |                     |                 |                     |                     |
| -Open-end funds  | \$ 50,916           | \$ -            | \$ -                | \$ 50,916           |
| -Foreign exchange forward contracts  | -                   | 3,334           | -                   | 3,334               |
|  | <u>\$ 50,916</u>    | <u>\$ 3,334</u> | <u>\$ -</u>         | <u>\$ 54,250</u>    |
| Financial assets measured at fair value through other comprehensive income |                     |                 |                     |                     |
| - Equity securities  | \$ 1,166,154        | \$ -            | \$ 1,201,559        | \$ 2,367,713        |
|  | <u>\$ 1,166,154</u> | <u>\$ -</u>     | <u>\$ 1,201,559</u> | <u>\$ 2,367,713</u> |
| December 31, 2019  | Level 1             | Level 2         | Level 3             | Total               |
| Financial assets:  |                     |                 |                     |                     |
| <u>Repetitive fair value</u>   |                     |                 |                     |                     |
| Financial assets at FVTPL  |                     |                 |                     |                     |
| -Open-end funds  | \$ 77,272           | \$ -            | \$ -                | \$ 77,272           |
| -Foreign exchange forward contracts  | -                   | 4,239           | -                   | 4,239               |
|  | <u>\$ 77,272</u>    | <u>\$ 4,239</u> | <u>\$ -</u>         | <u>\$ 81,511</u>    |
| Financial assets at FVTOCI   |                     |                 |                     |                     |
| - Equity securities  | \$ 855,546          | \$ -            | \$ 1,751,723        | \$ 2,607,269        |
|  | <u>\$ 855,546</u>   | <u>\$ -</u>     | <u>\$ 1,751,723</u> | <u>\$ 2,607,269</u> |

The methods and assumptions used by the group to measure fair value are as follows:

A. If the group adopts a market quotation as the input value of fair value (i.e. level 1), the characteristics of the instruments are as follows:

| Market quotation | Listed and OTC stocks<br>Closing price | Open-end funds<br>Net value |
|------------------|--|-----------------------------|
|------------------|--|-----------------------------|

B. Except for the above-mentioned financial instruments with active markets, the fair values of other financial instruments are obtained through evaluation techniques or reference to the quotations of counterparties. The fair value obtained through the evaluation techniques can be calculated by referring to the current fair value of other financial instruments with similar conditions and characteristics, or the value can be obtained through other evaluation techniques, including using models to calculate market information available on the consolidated balance sheet date.

C. When evaluating non-standardized and less complex financial instruments, such as debt instruments and options without an active market, the group adopts the evaluation techniques widely used by market participants. The parameters used in the evaluation model of such financial instruments are usually market observable information.

D. The evaluation of derivative financial instruments is based on evaluation models widely accepted by market users, such as the discount method and the option pricing model. Foreign exchange forward contracts are usually evaluated according to the current forward exchange rate. Structured interest rate derivative financial instruments are based on the appropriate option pricing model (such as the Black-Scholes model) or other evaluation methods, such as Monte Carlo simulation.

E. The output of the evaluation model is the estimated value, and the evaluation technique may not reflect all the factors related to the group's holding of financial instruments and non-financial instruments. Therefore, the estimated value of the evaluation model will be adjusted according to additional parameters, such as model risk or liquidity risk. According to the Group's fair value evaluation model management policies and related control procedures, the management believes that the evaluation adjustment is appropriate and necessary to properly express the fair value of financial instruments and non-financial instruments in the consolidated balance sheet. The price information and parameters used in the evaluation process have been carefully evaluated and appropriately adjusted according to current market conditions.

4. There were no transfers between Level 1 and Level 2 in 2020 and 2019.

5. The following table shows the changes in Level 3 in 2020 and 2019:

|   | Equity securities   |                     |
|---|---------------------|---------------------|
|   | 2020                | 2019                |
| January 1   | \$ 1,751,723        | \$ 1,801,761        |
| Profit(loss) recognized in other comprehensive income | 483,413             | ( 8,710 )           |
| Net exchange difference                               | ( 66,751 )          | 41,328              |
| December 31   | <u>\$ 1,201,559</u> | <u>\$ 1,751,723</u> |

6. For the fair value of level 3 instruments of the group, the investment management department is responsible for the independent verification of the fair value of such financial instruments in the evaluation process. The evaluation results are close to the market status through independent sources of information, and the data sources are independent, reliable, consistent with other resources, and represent executable prices. The evaluation model is calibrated regularly, backtracked, and updated for the input values and information required by the evaluation model, and any other necessary fair value adjustments are made to ensure that the evaluation results are reasonable.

In addition, the investment management department formulates the fair value evaluation policies, evaluation procedures, and confirmation of financial instruments in accordance with the relevant international financial reporting standards.

7. The quantitative information about the significant unobservable input value of the evaluation model used for level 3 fair value measurement and the sensitivity analysis of the significant unobservable input value changes are as follows:

|                                       | Fair value on<br>December 31,<br>2020 | Evaluation<br>techniques  | Significant<br>unobservable<br>input value | Range<br>(weighted<br>average) | Relationship between<br>input value and fair<br>value                     |
|---------------------------------------|---------------------------------------|---------------------------|--|--------------------------------|---|
| Non-derivative<br>equity instruments: |                                       |                           |  |                                |   |
| Non-listed and non-<br>OTC stocks     | \$ 1,134,447                          | Net asset value<br>method | Lack of<br>market<br>liquidity<br>discount | 24%                            | The higher the market<br>liquidity discount, the<br>lower the fair value. |
| Non-listed and non-<br>OTC stocks     | 67,112                                | Market<br>method          | Price-to-book<br>ratio                     | 1.27                           | The higher the<br>multiplier, the higher<br>the fair value.               |
|                                       |                                       |                           | Lack of<br>market<br>liquidity<br>discount | 20%                            | The higher the market<br>liquidity discount, the<br>lower the fair value. |
|                                       | Fair value on<br>December 31,<br>2019 | Evaluation<br>techniques  | Significant<br>unobservable<br>input value | Range<br>(weighted<br>average) | Relationship between<br>input value and fair<br>value                     |
| Non-derivative<br>equity instruments: |                                       |                           |  |                                |   |
| Non-listed and non-<br>OTC stocks     | \$ 1,682,403                          | Net asset value<br>method | Lack of<br>market<br>liquidity<br>discount | 29%                            | The higher the market<br>liquidity discount, the<br>lower the fair value. |
| Non-listed and non-<br>OTC stocks     | 69,320                                | Market<br>method          | Price-to-book<br>ratio                     | 1.28                           | The higher the<br>multiplier, the higher<br>the fair value.               |
|                                       |                                       |                           | Lack of<br>market<br>liquidity<br>discount | 20%                            | The higher the market<br>liquidity discount, the<br>lower the fair value. |

8. The group carefully selects the evaluation model and evaluation parameters; however, different evaluation models or parameters may lead to different evaluation results. For financial assets and financial liabilities classified as level 3, if the evaluation parameters change, the impact on current profit and loss or other comprehensive income is as follows:

| Financial assets   | Period            | Input value                       | Change | Recognized in other comprehensive income |                    |
|--------------------|-------------------|-----------------------------------|--------|--|--------------------|
|                    |                   |                                   |        | Favorable change                         | Unfavorable change |
| Equity instruments | December 31, 2020 | Lack of market liquidity discount | ±1%    | \$ 3,668                                 | (\$ 3,668)         |
| Equity instruments | December 31, 2020 | Price-to-book ratio               | ±1%    | \$ 527                                   | (\$ 527)           |

| Financial assets   | Period            | Input value                       | Change | Recognized in other comprehensive income |                    |
|--------------------|-------------------|-----------------------------------|--------|--|--------------------|
|                    |                   |                                   |        | Favorable change                         | Unfavorable change |
| Equity instruments | December 31, 2019 | Lack of market liquidity discount | ±1%    | \$ 5,443                                 | (\$ 5,443)         |
| Equity instruments | December 31, 2019 | Price-to-book ratio               | ±1%    | \$ 540                                   | (\$ 540)           |

### Additional Disclosures

#### Information about significant transactions

1. Loans to others: Please refer to Table 1.
2. Endorsements/guarantees provided: Please refer to Table 2.
3. Marketable securities held at the end of the period (excluding investment in subsidiaries, affiliated enterprises and jointly controlled entities): Please refer to Table 3.
4. The cumulative amount of buying or selling the same securities reaches NT\$300 million or more, or 20% of the paid-in capital: The company and the investee companies do not have this situation.
5. The cumulative amount of property purchase reaches NT\$300 million or more, or 20% of the paid-in capital: The company and the investee companies do not have this situation.
6. The cumulative amount of property disposal reaches NT\$300 million or more, or 20% of the paid-in capital: The company and the investee companies do not have this situation.
7. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please refer to Table 4.
8. Total accounts receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please refer to Table 5.
9. Engagement in derivatives trading: Please refer to note 6(2).
10. Relationship, significant transactions and their amounts between the company and its subsidiaries: Please refer to Table 6.

## Information about investees

The name and location of the investee company and other relevant information (excluding mainland China investee companies): Please refer to Table 7.

## Information on investments in mainland China

1. Basic information: Please refer to Table 8.
2. Major transactions directly with investee companies in the mainland China or indirectly through a third regional enterprise: Please refer to Tables 4, 5 and 6.

## Information on major shareholders

Information of major shareholders: Please refer to Table 9.

## Operation Department Information

### General information

The main businesses of the Group are the development, manufacturing and sales of electronic components such as electronic signal cables, connectors, electronic signal cables with connectors, printed circuit boards and precision molds, and computer peripheral products. The operation decision-makers also operate various businesses from the perspective of product categories and develop businesses according to different market attributes and demands. At present, the Group is mainly divided into the "Electronic Components Segment" and "Consumer Electronics and Computer Peripherals Segment," which are also the segments to be reported.

The information of each operating segments is compiled in accordance with the accounting policies of the Group. The main operational decision-makers of the group mainly use the income and pre-tax profit and loss of each operating department as indicators for performance evaluation and resource allocation.

### Segments Information

Information on the reportable departments as provided to major operational decision-makers is as follows:

|                 | Electronic<br>Components | Consumer Electronics and<br>Computer Peripherals | Total         |
|-----------------|--------------------------|--|---------------|
| 2020            |                          |  |               |
| Segment Revenue | \$ 12,891,364            | \$ 7,656,349                                     | \$ 20,547,713 |
| Segment Profit  | \$ 806,377               | \$ 463,652                                       | \$ 1,270,029  |
| 2019            |                          |  |               |
| Segment Revenue | \$ 17,248,636            | \$ 7,656,349                                     | \$ 20,547,713 |
| Segment Profit  | \$ 1,068,887             | \$ 463,652                                       | \$ 1,270,029  |

Note: Since the measured amount of the assets of the operating department is not provided to the operation decision-maker, the measured amount of the assets should be disclosed as zero.

### Information on the adjustment to the income and profit and loss of the segments to be reported

Since the income of the segments to be reported is the income of the enterprise, there is no need to adjust it. In addition, the adjustments to the profit and loss of the segments to be reported and to the pre-tax profit and loss of continuing operating segments are as follows:

| Income   | 2020         | 2019         |
|--|--------------|--------------|
| Profit and loss of the segments to be reported           | \$ 1,270,029 | \$ 1,411,265 |
| Other profit and loss                                    | ( 76,763 )   | ( 118,845 )  |
| Pre-tax profit and loss of continuing operating segments | \$ 1,193,266 | \$ 1,530,110 |

#### Information on product type and service type

The revenue of external customers is mainly from the sale of the aforementioned segments for reporting. Segments for reporting are differentiated by product. Therefore, income by product type should be the income of the segments in the report.

#### Information on the regions

Information of the Group by region in 2020 and 2019 is shown below:

|                | 2020          |                    | 2019          |                    |
|----------------|---------------|--------------------|---------------|--------------------|
|                | Income        | Non-Current Assets | Income        | Non-Current Assets |
| Mainland China | \$ 9,461,754  | \$ 1,335,055       | \$ 12,709,057 | \$ 1,417,167       |
| Hong Kong      | 2,788,589     | –                  | 4,012,303     | –                  |
| Malaysia       | 2,846,724     | 859,882            | 1,908,557     | 819,983            |
| USA            | 1,563,317     | 523                | 2,017,861     | 497                |
| Taiwan         | 2,283,819     | 1,287,351          | 2,393,265     | 980,516            |
| Others         | 1,603,510     | 1,134,449          | 2,559,665     | 1,682,414          |
|                | \$ 20,547,713 | \$ 4,617,260       | \$ 25,600,708 | \$ 4,900,577       |

#### Information on key customers

Customers accounting for more than 10% of the sales revenue as stated in the Group's Consolidated Income Statement of 2020 and 2019:

|                  | 2020         | 2019          |
|------------------|--------------|---------------|
| Customer Group A | \$ 7,772,303 | \$ 11,088,751 |

Pan-International Industrial Corp. and Subsidiaries

Loans to others

January 1 to December 31, 2020

Table 1

Unit: NTD thousand  
(unless otherwise noted)

| Serial No.<br>(Note 1) | Loan extending company             | Borrower                       | Dealing items<br>(Note 2)           | Whether a related party | Maximum amount of the period<br>(Note 3) | Ending balance<br>(Note 8) | Transaction Amounts | Interest Rate | Loan nature<br>(Note 4) | Business Transaction Amounts<br>(Note 5) | Reason for short-term financing<br>(Note 6) | Provision for allowance for loss for bad debt | Collateral |       | Loans limits for individual entities<br>(Note 7) | Total loan limit<br>(Note 7) | Remarks |
|------------------------|------------------------------------|--------------------------------|-------------------------------------|-------------------------|--|----------------------------|---------------------|---------------|-------------------------|--|---|---|------------|-------|--|------------------------------|---------|
|                        |                                    |                                |                                     |                         |  |                            |                     |               |                         |  |   |   | Name       | Value |  |                              |         |
| 0                      | Pan-International Industrial Corp. | PAN GLOBAL HOLDING CO., LTD    | Other receivables - related parties | Yes                     | \$ 333,905                               | \$ 313,280                 | \$ 284,800          | 1.00%         | Short-term financing    | \$ -                                     | Operating turnover                          | None.   | None.      | None. | \$ 1,116,579                                     | \$ 4,466,316                 |         |
| 0                      | Pan-International Industrial Corp. | Tekcon Electronics Corporation | Other receivables - related parties | Yes                     | 200,000                                  | -                          | -                   | -             | Short-term financing    | -  | Operating turnover                          | None.   | None.      | None. | 1,116,579  | 4,466,316                    |         |

Note 1: The explanation of the number column is as follows:

(1). Fill in 0 for the issuer.

(2). Investee companies are numbered in sequence in each company type starting numerically from 1.

Note 2: Dealing items include receivables from affiliated enterprises, receivables from related parties, transactions with shareholders, prepayments, provisional payments, etc. if the nature is a loan to others.

Note 3: The maximum balance of loans to others in the current year.

Note 4: The loan shall be recognized under this item if the nature of the fund denotes a business transaction or a need for short-term financing.

Note 5: Where the nature of the loan is a business transaction, the amount of the business transaction shall be disclosed. The business transaction amount refers to the total amount of business transactions between the lending company and the borrower in the most recent year.

Note 6: If the nature of the loan denotes a necessity for short-term financing, the reason and the purpose of the loan by the borrower must be specified, such as loan repayment, purchase of equipment, business turnover, etc.

Note 7: Total loan amount: For loans lent out to companies or entities with the need for short-term financing, the total amount of loans shall not exceed 40% of the Company's net worth.

The loan limit for individual entities: For companies or firms with the need for short-term financing, the number of loans to each individual entity shall not exceed 10% of the company's net worth.

Note 8: If a public company submits its lending to the Board of Directors' meeting for resolution case by case in accordance with paragraph 1, Article 14 of the Regulations Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies, the amount of the resolution of the Board of Directors' meeting shall be included in the announced balance to disclose the risks it bears before the funds are lent out;

if the funds are repaid later, the balance after repayment shall be disclosed to reflect the adjustment of risks. If the Board of Directors' meeting of a public company authorizes the chairman of the board to extend loans in several trenches or recycle the loan balance within a certain limit in a year in accordance with paragraph 2, Article 14 of the Regulations, the loan limit approved by the Board of Directors' meeting shall still be used as the balance for the public announcement and declaration. Although the funds will be repaid later, other loans may still be extended again, so the loan limit approved by the Board of Directors' meeting shall still be used as the balance for the public announcement and declaration.



Pan-International Industrial Corp. and Subsidiaries

Endorsement/guarantee provided

January 1 to December 31, 2020

Table 2

Unit: NTD thousand  
(unless otherwise noted)

| Serial No.<br>(Not endorsement/guarantee 1) | Name of company of the endorsement/guarantee | Guaranteed Party                         |                   | Endorsement/guarantee limit for a single enterprise<br>(Note 3) | Maximum endorsement/guarantee balance of the period<br>(Note 4) | Endorsement/guarantee balance of the period<br>(Note 5) | Transaction Amounts<br>(Note 6) | Amount of endorsement/guarantee backed by assets | Ratio of the cumulative endorsement/guarantee amount to the net value in the latest financial report | Endorsement/guarantee limit<br>(Note 3) | Endorsement/guarantee from the parent company to subsidiary (note 7) | Endorsement/guarantee from subsidiary to parent company (note 7) | Endorsement/guarantee to entities in the Mainland China<br>(Note 7) | Remarks |
|---|--|--|-------------------|---|---|---|---------------------------------|--|--|---|--|--|---|---------|
|   |  | Company name                             | Relation (Note 2) |   |   |   |                                 |  |  |   |  |  |   |         |
| 1   | P.I.E INDUSTRIAL BERHAD                      | PANINTERNATIONAL ELECTRONICS(M) SDN.BHD. | 2                 | 1,630,231   | 1,175,512   | 1,121,756   | 261,156                         | -  | 10.05  | 3,260,462                               | Y  | N  | N   |         |
| 1   | P.I.E INDUSTRIAL BERHAD                      | PANINTERNATIONAL WIRE&CABLE(M) SDN.BHD.  | 2                 | 1,630,231   | 90,258  | 88,667  | 3,393                           | -  | 0.79   | 3,260,462                               | Y  | N  | N   |         |

Note 1: The explanation of the number column is as follows:

(1). Fill in 0 for the issuer.

(2). Investee companies are numbered in sequence in each company type starting numerically from 1.

Note 2: There are 7 types of relations between the endorsement guarantor and the borrower as follows; simply mark the type:

(1). A company with business relations.

(2). A company with more than 50% of its voting shares is directly or indirectly held by the company.

(3). A company directly or indirectly holding more than 50% of the voting shares of the company.

(4). A company with more than 90% of its voting shares is directly or indirectly held by the company.

(5). A company with mutual guarantees in accordance with the contract which is in the same industry or a joint constructor to contract the project.

(6). A company that has been endorsed/guaranteed by all the contributing shareholders in accordance with their shareholding ratios due to a joint investment relationship.

(7). Joint and several guarantees for the performance of a contract for the sale of pre-sold houses among companies in the same industry in accordance with the provisions of the Consumer Protection Act.

Note 3: The total amount of external endorsements/guarantees shall not exceed 100% of the Company's net value, and the limit of endorsements/guarantees for a single enterprise shall not exceed 50% of the Company's net worth.

The total amount of endorsements/guarantees provided by the Company and its subsidiaries to others shall not exceed 100% of the Company's net value; the total amount of endorsements/guarantees by the Company and its subsidiaries to a single enterprise shall not exceed 50% of the Company's net worth.

The total amount of endorsements/guarantees provided by the Company to a foreign subsidiary that the Company, directly and indirectly, holds 100% of its voting shares shall not exceed 50% of the parent company's net worth, and the limit for an individual entity shall not exceed 20% of the parent company's net worth.

Note 4: The maximum balance of endorsements/guarantees for others in the current year.

Note 5: The amount approved by the Board of Directors' meeting shall be filled in. However, if the Board of Directors' meeting authorizes the chairman of the board to decide in accordance with subparagraph 8, Article 12 of the Regulations Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies, it refers to the amount decided by the chairman of the board.

Note 6: The actual amount of the Company's disbursement within the range of using the balance of the endorsements/guarantees shall be disclosed.

Note 7: Y is required only for an endorsement/guarantee of a listed parent company to a subsidiary, an endorsement/guarantee of a subsidiary to a listed parent company, and an endorsement/guarantee to entities in Mainland China.

Pan-International Industrial Corp. and Subsidiaries  
 Marketable securities held at period end (excluding investment in subsidiaries, associates, and jointly controlled entities).  
 December 31, 2020

Table 3

Unit: NTD thousand  
 (unless otherwise noted)

| Holding Company Name                       | Type of marketable securities | Name of marketable securities              | Relationship with the Holding Company   | financial report Account   | March 31, 2020                            |              |              |              | Remarks |
|--|-------------------------------|--|---|--|---|--------------|--------------|--------------|---------|
|  |                               |  |   |  | Number of shares/beneficiary certificates | Book value   | Shares Ratio | Fair value   |         |
| Pan-International Industrial Corp.         | Common share                  | Innolux Corporation                        | None.   | Financial assets measured at fair value through other comprehensive income - Non-current | 82,705,987                                | \$ 1,166,154 | 0.85         | \$ 1,166,154 |         |
| Pan-International Industrial Corp.         | Common share                  | WK Technology Fund                         | None.   | Financial assets measured at fair value through other comprehensive income - Non-current | 84,378                                    | 173          | 0.42         | 173          |         |
| Pan-International Industrial Corp.         | Common share                  | Syntrend Creative Park Co., Ltd.           | The largest shareholder of this company is the largest shareholder of Hon Hai Precision Co., Ltd. | Financial assets measured at fair value through other comprehensive income - Non-current | 12,831,500                                | 66,939       | 5.23         | 66,939       |         |
| P.I.E. INDUSTRIAL BERHAD                   | Open-end funds                | EASTSPRING INVESTMENTS ISLAMIC INCOME FUND | None.   | Financial assets at FVTPL - Current  | 22,913                                    | 84           | -            | 84           |         |
| P.I.E. INDUSTRIAL BERHAD                   | Open-end funds                | AFFIN HWANG AIIAMAN MONEY MARKET FUND I    | None.   | Financial assets at FVTPL - Current  | 11,481,979                                | 43,454       | 0.04         | 43,454       |         |
| P.I.E. INDUSTRIAL BERHAD                   | Open-end funds                | AFFIN HWANG USD CASH FUND                  | None.   | Financial assets at FVTPL - Current  | 254,743                                   | 7,378        | 0.96         | 7,378        |         |
| Yen Yung International Investment Co., Ltd | Common share                  | Lico Technology Corporation                | None.   | Financial assets measured at fair value through other comprehensive income - Non-current | 3,400,000                                 | -            | 2.73         | -            |         |
| PAN GLOBAL HOLDING CO., LTD.               | Common share                  | UER HOLDINGS CORPORATION                   | The investment company is evaluated by the equity method; the same as the Company.                | Financial assets measured at fair value through income - Non-current                     | 1,781,979                                 | -            | 8.22         | -            |         |
| PAN GLOBAL HOLDING CO., LTD.               | Common share                  | FSK HOLDINGS LIMITED                       | The investment company is evaluated by the equity method; the same as the Company.                | Financial assets measured at fair value through other comprehensive income - Non-current | 50,400,000                                | 63,537       | 17.50        | 63,537       |         |
| PAN GLOBAL HOLDING CO., LTD.               | Common share                  | CYBERTAN TECHNOLOGY CORP.                  | The investment company is evaluated by the equity method; the same as the Company.                | Financial assets measured at fair value through other comprehensive income - Non-current | 22,519,097                                | 1,070,910    | 16.87        | 1,070,910    |         |

Pan-International Industrial Corp. and Subsidiaries  
Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital or more.  
December 31, 2020

Table 4

|  |  | Transaction Details   |                 |            |                                       |  | Differences in transaction terms from those of general transactions and reasons |                           | Note/Accounts Receivable (Payable) |   | Remarks |
|--|--|---|-----------------|------------|---------------------------------------|--|---|---------------------------|------------------------------------|---|---------|
| Buyer/Seller   | Related Party  | Relation  | Purchase (Sale) | Amount     | Percentage over total purchase (sale) | Credit period  | Unit Price  | Credit period             | Balance                            | Percentage over total notes and accounts receivable (payable) |         |
| Pan-International Industrial Corp.                         | PAN-INTERNATIONAL ELECTRONICS (USA) INC.                   | Subsidiary of the Company's indirect reinvestment                               | Sales           | \$ 263,853 | 2                                     | Monthly settlement 120 days T/T  | No sale to other customers with no basis for comparison                         | No significant difference | \$ 9,129                           | -   |         |
| Pan-International Industrial Corp.                         | Sharp (Taiwan) Electronics Corporation                     | Other related parties   | Sales           | 331,237    | 3                                     | Monthly settlement 30 days T/T   | No sale to other customers with no basis for comparison                         | No significant difference | 64                                 | -   |         |
| Pan-International Industrial Corp.                         | Fu Gui Kong Precision Electronic (Guizhou) Co., Ltd.       | Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd. | Sales           | 147,139    | 1                                     | Monthly settlement 90 days T/T   | No sale to other customers with no basis for comparison                         | No significant difference | 17,750                             | 1   |         |
| Pan-International Industrial Corp.                         | Hongfujin Precision Electronics (Chongqing) Co., Ltd.      | Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd. | Sales           | 167,054    | 1                                     | Monthly settlement 90 days T/T   | No sale to other customers with no basis for comparison                         | No significant difference | 44,910                             | 2   |         |
| Pan-International Industrial Corp.                         | Hongfujin Precision Electronics (Yantai) Co., Ltd.         | Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd. | Sales           | 1,264,663  | 10                                    | Monthly settlement 90 days T/T   | No sale to other customers with no basis for comparison                         | No significant difference | 21,305                             | 1   |         |
| Pan-International Industrial Corp.                         | Hongfujin Precision Industry (Wuhan) Co., Ltd.             | Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd. | Sales           | 350,410    | 3                                     | Monthly settlement 90 days T/T   | No sale to other customers with no basis for comparison                         | No significant difference | 100,933                            | 4   |         |
| Pan-International Industrial Corp.                         | Hongfutai Precision Electronics (Yantai) Co., Ltd.         | Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd. | Sales           | 1,037,591  | 9                                     | Monthly settlement 90 days T/T   | No sale to other customers with no basis for comparison                         | No significant difference | 785,974                            | 32  |         |
| Pan-International Industrial Corp.                         | Futaijing Precision Electronics (Yantai) Co., Ltd.         | Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd. | Sales           | 1,402,003  | 12                                    | Monthly settlement 90 days T/T   | No sale to other customers with no basis for comparison                         | No significant difference | 4,954                              | -   |         |
| Pan-International Industrial Corp.                         | FIH (Hongkong) Mobil Limited                               | Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd. | Sales           | 728,992    | 6                                     | Monthly settlement 90 days T/T   | No sale to other customers with no basis for comparison                         | No significant difference | 226,809                            | 9   |         |
| Pan-International Industrial Corp.                         | Hon Hai Precision Industry Co., Ltd.                       | A company that evaluates the Company by the equity method                       | Sales           | 201,470    | 2                                     | Monthly settlement 90 days T/T   | No sale to other customers with no basis for comparison                         | No significant difference | 79,963                             | 3   |         |
| Pan-International Industrial Corp.                         | Honghuasheng Precision Electronics (Yantai) Co., Ltd.      | Subsidiary of the Company's indirect reinvestment                               | Purchase        | 3,366,311  | 30                                    | Monthly settlement 90 days   | A single supplier with no basis for comparison                                  | No significant difference | ( 558,016 )                        | ( 28 )  |         |
| Pan-International Industrial Corp.                         | Dongguan Pan-International Precision Electronics Co., Ltd. | Subsidiary of the Company's indirect reinvestment                               | Purchase        | 1,026,728  | 9                                     | Monthly settlement 90 days   | A single supplier with no basis for comparison                                  | No significant difference | ( 255,763 )                        | ( 13 )  |         |
| Pan-International Industrial Corp.                         | Foxconn Interconnect Technology Limited                    | Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd. | Purchase        | 1,608,818  | 14                                    | Monthly settlement 90 days   | A single supplier with no basis for comparison                                  | No significant difference | ( 483,012 )                        | ( 25 )  |         |
| Pan-International Industrial Corp.                         | Sharp Corporation  | Other related parties   | Purchase        | 2,352,877  | 21                                    | 30 days after invoice day  | A single supplier with no basis for comparison                                  | No significant difference | ( - )                              | -   |         |
| Dongguan Pan-International Precision Electronics Co., Ltd. | Dongguan Pan-International Electronics Co., Ltd.           | Subsidiary of the Company's indirect reinvestment                               | Sales           | 125,583    | 9                                     | 90 days. However, the payment terms will be adjusted according to the working capital needs. | No sale to other customers with no basis for comparison                         | No significant difference | 2,480                              | 1   |         |
| New Ocean Precision Component (Jiangxi) Co., Ltd.          | Foxconn Interconnect Technology Limited                    | Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd. | Sales           | 1,663,031  | 98                                    | Monthly settlement 60 days T/T   | No sale to other customers with no basis for comparison                         | No significant difference | 433,199                            | 99  |         |

Pan-International Industrial Corp. and Subsidiaries  
 Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital or more.  
 December 31, 2020

Table 4

|   |   | Transaction Details   |                 |              |                                       |                               | Differences in transaction terms from those of general transactions and reasons |                           | Note/Accounts Receivable (Payable) |   | Remarks |
|---|---|---|-----------------|--------------|---------------------------------------|-------------------------------|---|---------------------------|------------------------------------|---|---------|
| Buyer/Seller                            | Related Party                           | Relation  | Purchase (Sale) | Amount       | Percentage over total purchase (sale) | Credit period                 | Unit Price  | Credit period             | Balance                            | Percentage over total notes and accounts receivable (payable) |         |
| PAN-INDUSTRIAL ELECTRONICS(M) SDN. BHD. | S&O ELECTRONICS (Malaysia) SDN BHD      | Other related parties   | Sales           | \$ 1,243,417 | 26                                    | Monthly settlement of 30 days | No sale to other customers with no basis for comparison                         | No significant difference | \$ 562,074                         | 39  |         |
| PAN-INDUSTRIAL ELECTRONICS(M) SDN. BHD. | Foxconn Technology Co., Ltd             | Other related parties   | Purchase        | 1,037,321    | 23                                    | Monthly settlement 90 days    | A single supplier with no basis for comparison                                  | No significant difference | ( 241,929 )                        | ( 26 )  |         |
| PAN-INDUSTRIAL ELECTRONICS(M) SDN. BHD. | Hon Hai Precision Industry Co., Ltd.    | A company that evaluates the Company by the equity method                       | Purchase        | 273,012      | 6                                     | Monthly settlement 90 days    | A single supplier with no basis for comparison                                  | No significant difference | ( 28,830 )                         | ( 3 )   |         |
| Tekcon Electronics Corporation          | Foxconn Interconnect Technology Limited | Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd. | Purchase        | 328,018      | 70                                    | Monthly settlement 120 days   | A single supplier with no basis for comparison                                  | No significant difference | ( 218,532 )                        | ( 81 )  |         |
| Tekcon Huizhou Electronics Co., Ltd.    | Huaian Fultong Trade Co., Ltd.          | Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd. | Purchase        | 291,083      | 70                                    | Monthly settlement 120 days   | A single supplier with no basis for comparison                                  | No significant difference | ( 261,074 )                        | ( 86 )  |         |

Pan-International Industrial Corp. and Subsidiaries

Total accounts receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital or more.

December 31, 2020

Table 5

|  |  |   |  |                                |               | Overdue |                                   | Accounts receivable from  | Provision for |
|--|--|---|--|--------------------------------|---------------|---------|-----------------------------------|---------------------------|---------------|
|  |  |   |  | Balance of accounts receivable | Turnover Rate | Amount  | Actions Taken                     | related parties recovered | bad debt      |
| Company Name   | Related Party                                      | Relation  |  | from related parties           |               |         |                                   | after the period          |               |
| Pan-International Industrial Corp.                         | Hongfujin Precision Industry (Wuhan) Co., Ltd.     | Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd. |  | 100,933                        | 3.06          | -       | Payment received after the period | 26,758                    | 40            |
| Pan-International Industrial Corp.                         | FIH (Hongkong) Mobil Limited                       | Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd. |  | 226,809                        | 1.62          | -       | Payment received after the period | 92,330                    | 91            |
| Pan-International Industrial Corp.                         | Hongfutai Precision Electronics (Yantai) Co., Ltd. | Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd. |  | 785,974                        | 1.98          | 74      | Payment received after the period | 350,985                   | 314           |
| Honghuasheng Precision Electronics (Yantai) Co., Ltd.      | Pan-International Industrial Corp.                 | The Company's parent company  |  | 558,016                        | 7.80          | -       | Payment received after the period | 323,852                   | 223           |
| Dongguan Pan-International Precision Electronics Co., Ltd. | Pan-International Industrial Corp.                 | The Company's parent company  |  | 255,763                        | 3.04          | -       | Payment received after the period | 307,025                   | -             |
| New Ocean Precision Component (Jiangxi) Co., Ltd.          | Foxconn Interconnect Technology Limited            | Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd. |  | 433,199                        | 3.82          | -       | Payment received after the period | 212,853                   | 173           |
| Dongguan Pan-International Electronics Co., Ltd.           | Champ Tech Optical (Foshan) Corporation            | Other related parties   |  | 113,546                        | 2.61          | -       | Payment received after the period | 63,538                    | 45            |
| Pan-International Electronics(M) Sdn.Bhd.                  | S&O Electronics (Malaysia) Sdn Bhd                 | Other related parties   |  | 562,074                        | 4.42          | 161,323 | Payment received after the period | 191,404                   | 9             |

Unit: NTD thousand  
(unless otherwise noted)

Pan-International Industrial Corp. and Subsidiaries  
Significant Inter-company Transactions during the Reporting Period  
December 31, 2020

Table 6

Unit: NTD thousand  
(unless otherwise noted)

| Serial No.<br>(Note 1) | Transaction Company  | Counterparty   | Relationship with the transaction parties<br>(Note 2) | Description of Transactions (note 4) |            |                   | Percentage over consolidated total revenue or total assets (note 3) |
|------------------------|--|--|---|--------------------------------------|------------|-------------------|---|
|                        |  |  |   | Account                              | Amount     | Transaction Terms |   |
| 0                      | Pan-International Industrial Corp.                         | PAN-INTERNATIONAL ELECTRONICS (USA) INC.                   | 1   | Sales                                | \$ 263,853 | Note 5            | 1   |
| 0                      | Pan-International Industrial Corp.                         | Honghuasheng Precision Electronics (Yantai) Co., Ltd.      | 1   | Purchase                             | 3,366,311  | Note 7            | 16  |
| 0                      | Pan-International Industrial Corp.                         | Dongguan Pan-International Precision Electronics Co., Ltd. | 1   | Purchase                             | 1,026,728  | Note 7            | 5   |
| 0                      | Pan-International Industrial Corp.                         | PAN GLOBAL HOLDING CO., LTD.                               | 1   | Other receivables                    | 389,596    | Not applicable    | 2   |
| 1                      | Dongguan Pan-International Precision Electronics Co., Ltd. | Dongguan Pan-International Electronics Co., Ltd.           | 3   | Sales                                | 125,583    | Note 6            | 1   |
| 1                      | Dongguan Pan-International Precision Electronics Co., Ltd. | Pan-International Electronics Inc.                         | 2   | Accounts receivable                  | 255,763    | Note 7            | 1   |
| 2                      | Honghuasheng Precision Electronics (Yantai) Co., Ltd.      | Pan-International Electronics Inc.                         | 2   | Accounts receivable                  | 558,016    | Note 7            | 3   |

Note 1: The business information between the parent company and the subsidiary shall be indicated in the number column respectively, and the number shall be filled in as follows:

(1) Fill in 0 for the parent company.

(2) 1 to 6 - subsidiaries.

Note 2: There are three types of relationship with the transaction parties; mark the type (there is no need to repeatedly disclose the same transaction between parent and subsidiary companies or between subsidiary companies. For example, if the parent company has disclosed its transactions with subsidiaries, it is not necessary for the subsidiaries to repeat the disclosure. If one subsidiary has transactions with another subsidiary and one of the subsidiaries has made a disclosure, the other is not required to repeat the disclosure.

(1) Parent company with a subsidiary.

(2) A subsidiary with the parent company.

(3) A subsidiary with a subsidiary.

Note 3: For the calculation of the ratio of the transaction amount to the total consolidated revenue or total assets, if the item is classified as an asset or liability, the ratio is calculated with its ending balance as a percentage over the total consolidated assets; if the item is classified as an income, the ratio is calculated with the income accumulated at the end of the period as a percentage over the total consolidated revenue.

Note 4: The standard for disclosing the transaction information above between the parent company and a subsidiary is that the amount of purchase, sale, and receivables from related parties reaches NT\$100 million or 20% of the paid-in capital.

Note 5: The transaction price is similar to that of the general customer, with a collection period of 120 days monthly settlement.

Note 6: Transaction prices are negotiated and the collection period is 90 days monthly settlement. The terms of payment are adjusted according to the demand for working capital.

Note 7: Transaction prices are negotiated and the collection period is 90 days monthly settlement.

Pan-International Industrial Corp. and Subsidiaries  
The name and location of the investee company and other relevant information (excluding investee companies in Mainland China)  
January 1 to December 31, 2020

Table 7

|  |  | Unit: NTD thousand<br>(unless otherwise noted) |   |                            |                  |                      |       |              |  |  |         |
|--|--|--|---|----------------------------|------------------|----------------------|-------|--------------|--|--|---------|
| Investor                                   | Investor Company                           | Location                                       | Main Businesses and Products                                      | Original Investment Amount |                  | As of March 31, 2020 |       |              | Net income (loss) of the Investee for current period | Investment gains and losses recognized in the current period | Remarks |
|  |  |  |   | March 31, 2020             | End of last year | Shares               | Ratio | Book value   |  |  |         |
| Pan-International Industrial Corp.         | Pan Global Holding Co., Ltd.               | The British Virgin Islands                     | Holding company   | \$ 3,472,484               | \$ 3,472,484     | \$ 12,220            | 100   | \$ 8,741,959 | \$ 463,355   | \$ 463,355   |         |
| Pan-International Industrial Corp.         | Pan-International Electronics Inc.         | USA  | Sale of electronic products                                       | 73,142                     | 73,142           | 28,000               | 100   | 195,781      | 13,211   | 13,211   |         |
| Pan-International Industrial Corp.         | Yen Yung International Investment Co., Ltd | Taiwan   | Investment company  | 473,997                    | 473,997          | 44,316,236           | 100   | 316,328      | (135,224)  | (135,224)  |         |
| Yen Yung International Investment Co., Ltd | Tekcon Electronics Corporation             | Taiwan   | Manufacturing and sale of connectors for electronic signal cables | 393,898                    | 393,898          | 21,960,504           | 83.58 | 196,339      | (161,744)  | (135,185)  |         |
| PAN GLOBAL HOLDING CO., LTD.               | P.I.E. INDUSTRIAL BERHAD (PIB)             | Malaysia                                       | Holding company   | 39,730                     | 39,730           | 197,459,985          | 51.42 | 1,676,530    | 316,722  | 162,859  | Note 1  |
| PAN GLOBAL HOLDING CO., LTD.               | GREAT HAVEN HOLDINGS LTD. (GHH)            | The British Virgin Islands                     | Holding company   | 549,664                    | 549,664          | 19,800,000           | 100   | 76,951       | 117  | 117  | Note 2  |
| PAN GLOBAL HOLDING CO., LTD.               | BRISTECH INTERNATIONAL LTD. (BIL)          | The British Virgin Islands                     | Holding company   | -                          | -                | -                    | -     | -            | 5  | 5  |         |
| PAN GLOBAL HOLDING CO., LTD.               | GREAT SUPPORT INTERNATIONAL LTD. (GSI)     | The British Virgin Islands                     | Processing of electronic products                                 | -                          | -                | -                    | -     | -            | (1)  | (1)  |         |
| PAN GLOBAL HOLDING CO., LTD.               | BEYOND ACHIEVE ENTERPRISE LTD. (BAE)       | The British Virgin Islands                     | Holding company   | 273,408                    | 279,408          | 9,600,000            | 100   | 638,272      | (49,171)   | (49,171)   | Note 3  |
| PAN GLOBAL HOLDING CO., LTD.               | TEAM UNION INTERNATIONAL LTD. (TUI)        | Hong Kong                                      | Holding company   | 467,072                    | 467,072          | 3,120,001            | 100   | 746,550      | 71,694   | 71,694   | Note 4  |
| PAN GLOBAL HOLDING CO., LTD.               | EAST HONEST HOLDINGS LIMITED (EHH)         | Hong Kong                                      | Holding company   | 3,053,551                  | 3,053,551        | 665,799,420          | 100   | 4,297,397    | 369,840  | 369,840  | Note 5  |
| PAN GLOBAL HOLDING CO., LTD.               | Long Time Tech. Co., Ltd.                  | Taiwan   | Electronic Components   | 646,000                    | 646,000          | 20,187,500           | 16.82 | 580,069      | (15,657)   | (24,513)   |         |
| Tekcon Electronics Corporation             | Long Time Tech. Co., Ltd.                  | Taiwan   | Electronic Components   | 250,000                    | 250,000          | 7,812,500            | 5.44  | 224,485      | (15,657)   | (9,488)  |         |

Note 1: The Company mainly reinvests indirectly through PIB in Pan-International Electronics (Malaysia) Sdn. Bhd. and Pan-International Wire & Cable (Malaysia) Sdn. Bhd. from the production of cable-attached connectors or electronic products and sales in Malaysia.

Note 2: The Company mainly reinvests in NCIH International Holdings Limited indirectly through GHH. It was dissolved in September 2020.

Note 3: The Company mainly reinvests in New Ocean Precision Component (Jiangxi) Co., Ltd. indirectly through BAE. Please refer to Table 8 for details on the disclosure of information about the investment in Mainland China.

Note 4: The Company mainly reinvests in Dongguan Pan-International Precision Electronics Co., Ltd. indirectly through TUI. Please refer to Table 8 for details on the disclosure of information about the investment in Mainland China.

Note 5: The Company mainly reinvests in Honghuasheng Precision Electronics (Yantai) Co., Ltd. indirectly through EHH. Please refer to Table 8 for details on the disclosure of information about the investment in Mainland China.

Note 6: The relevant figures in this table are in NTD. Where foreign currencies are involved, they will be converted into NTD at the exchange rate on the date of financial reporting.

Pan-International Industrial Corp. and Subsidiaries  
Mainland China investment information - Basic information  
January 1 to December 31, 2020

Table 8

Unit: NTD thousand  
(unless otherwise noted)

| Name of the investee in mainland China                     | Main Businesses and Products   | Paid-in Capital | Method of Investments (Note 2) | Cumulative outward remittance of investment amount from Taiwan at the beginning of the period | Investment Flows of current period |        | Cumulative outward remittance of the investment amount from Taiwan in the period end | Net income (loss) of the Investee for current period | % Ownership of Direct or Indirect Investment | Investment gains and losses recognized in the current period (Note 3) | Book value of the investment at the end of the period | Investment gains repatriated as of the end of the period | Remarks |
|--|--|-----------------|--------------------------------|---|------------------------------------|--------|--|--|--|---|---|--|---------|
|  |  |                 |                                |   | Outward                            | Inward |  |  |  |   |   |  |         |
| Dongguan Pan-International Precision Electronics Co., Ltd. | Manufacturing and sale of wires, cables, connecting wires, connecting wire connectors, and wire plugs.   | \$ 467,072      | 2                              | \$ 356,000  | \$ -                               | \$ -   | \$ 356,000   | \$ 71,694  | 100  | \$ 71,694   | \$ 746,550  | \$ -   | Note 6  |
| Fuyu Property (Shanghai) Co., Ltd.                         | Engaging in the e-commerce business of industrial design, other specialized design services, car rental, retail of other commodities, sale of computer and peripheral equipment and software, retail of communication equipment, retail of audio-visual equipment, retail of spare parts and supplies for locomotives, and e-commerce of retail goods and equipment above. | 7,917,440       | 2                              | 776,080   | -                                  | -      | 776,080  | ( 117,591 )  | 16.87  | -   | 1,070,910   | -  |         |
| New Ocean Precision Component (Jiangxi) Co., Ltd.          | Manufacturing and operation of various types of plugs and sockets and telecommunications.  | 273,408         | 2                              | -   | -                                  | -      | -  | ( 49,171 )   | 100  | ( 49,171 )  | 638,272   | -  |         |
| Honghuasheng Precision Electronics (Yantai) Co., Ltd.      | Production and sale of hard single (double) side printed circuit boards, hard multi-layer printed circuit boards, flexible multi-layer printed circuit boards, and other printed circuit boards  | 2,443,584       | 2                              | 2,520,480   | -                                  | -      | 2,520,480  | 458,422  | 100  | 458,422   | 3,529,081   | -  | Note 4  |



| Company name                       | The cumulative amount of outward remittance of investment from Taiwan to mainland China at the end of the period (notes 5 and 6) | Investment amount approved by the Investment Commission, MOEA | In compliance with the investment limit stipulated by the Investment Commission, MOEA for investment in mainland China. (note 7). |
|------------------------------------|--|---|---|
| Pan-International Industrial Corp. | \$ 4,038,208   | \$ 5,765,474  | \$ -  |

Note 1: The relevant figures in this table are in NTD. Where foreign currencies are involved, they will be converted into NTD at the exchange rate on the date of financial reporting.

Note 2: There are three investment modes:

1. Direct investment in mainland China.
2. Re-investment in mainland China through Pan Global Holding Co., Ltd. of a third region.
3. Other modes.

Note 3: The field of investment gains and losses recognized in the current period is recognized under the audited financial statements.

Note 4: In the first quarter of 2012, the Company acquired 100% of the equity of East Honest Holdings Limited through the subsidiary Pan Global Holding Co., Ltd. and indirectly acquired Honghuasheng Precision Electronics (Yantai) Co., Ltd.; the investment amount approved by the Investment Commission, MOEA was USD 107,217 thousand.

Note 5: As of December 31, 2020, the Company has the following investment withdrawal cases approved by the Investment Commission of the Ministry of Economic Affairs:

| Date              | Approval letter No. | Investor Company                                   | Original investment amount remitted from Taiwan |                 |
|-------------------|---------------------|--|---|-----------------|
| September 5, 2003 | 0920028972          | Dongguan Junwang Technology Co., Ltd.              | USD   | 91 thousand     |
| December 9, 2010  | 09900496780         | Saibo Digital Technology (Guangzhou) Co., Ltd.     |   | 476 thousand    |
| May 30, 2011      | 10000205680         | Yunnan Saibo Digital Technology Co., Ltd.          |   | 190 thousand    |
| May 30, 2011      | 10000205690         | Chongqing Saibotel Digital Square Co., Ltd.        |   | 454 thousand    |
| May 30, 2011      | 10000205700         | Nanchong Saibo Digital Square Co., Ltd.            |   | 58 thousand     |
| March 22, 2017    | 10600038030         | UER Battery Technology (Shenzhen) Co., Ltd.        |   | 1,100 thousand  |
| May 9, 2017       | 10630024870         | Ganchuang International Trade (Shenzhen) Co., Ltd. |   | 8,650 thousand  |
|                   |                     |  | USD   | 11,019 thousand |

Because these reinvestment companies suffer losses, the amount of investment originally remitted from Taiwan cannot offset the amount of investment in mainland China.

Note 6: In November 2011, the Company was granted a document, IC(II) No. 10000518690 by the Investment Commission, MOEA that approved the rescission of the unexecuted investment amount of US\$500 thousand for Dongguan Pan-International Precision Electronics Co., Ltd.

On October 30, 2014, the Company was granted a document, IC(II) No. 10300233110 by the Investment Commission, MOEA that approved the transferring of Cyberport Digital Tech (Qingdao) Co., Ltd. and 41 other companies to Le Zhiwan Ranch Holding Investment Ltd. (Samoa);

In March 2017, the Company was granted a document, IC(II) No. 10600038030 by the Investment Commission, MOEA that approved the rescission of unexecuted investment amount of US\$5.2 million for UER Battery Technology (Shenzhen) Co., Ltd..

Note 7: In December 2019, the Company was granted a document, IDB No. 10820432920 by the Industrial Development Bureau, MOEA, certifying the compliance with the operation scope of operation headquarters, and no investment limit is required from December 4, 2019 to December 3, 2022.

Pan-International Industrial Corp. and Subsidiaries  
Information on major shareholders  
December 31, 2020

Table 9

| Name of major shareholders           | Share                 |              |
|--------------------------------------|-----------------------|--------------|
|                                      | Number of shares held | Shares Ratio |
| Hon Hai Precision Industry Co., Ltd. | 107,776,254           | 20.79%       |

Note 1: The information of major shareholders in this table is based on the information from the Central Depository on the last business day at the end of each quarter, covering shareholders stake of more than 5% of the Company's common and special shares that have completed scriptless registration (including treasury shares).

The share capital reported in the financial report and the actual number of shares that have completed the scriptless registration may be different due to differences in the basis of compilation and calculation.

Note 2: If the shareholder puts the shares into a trust, the aforementioned information will be disclosed by the trustors' individual account opened by the trustee. As for shareholders' insider declaration of the ownership percentage over 10% according to the Securities and Exchange Act, including the shares on hand and those being put in a trust but with the decision power over the usage of the trust assets, please refer to the insider declaration information on MOPS.

Note 3: The preparation principle of this table is to calculate the distribution of the balance of each credit transaction based on the shareholders' register on the book-close day of the extraordinary shareholders' meeting (short-sale securities are not purchased back).

Note 4: Shareholding ratio (%) = total number of shares held by the shareholder/total number of shares that have completed scriptless registration.

Note 5: Total number of shares that have completed scriptless registration (including treasury shares) that have completed dematerialized registration and delivery is 518,346,282 shares = 518,346,282 (common shares) + 0 (preferred shares).

**VI. Financial difficulties for the Company and its affiliated companies in the most recent year and as of the date of publication for the annual report please indicate its impact on the Company's financial status: None.**

## **Seven. Financial Status and Financial Performance Review Analysis & Risk Matters**

### **I. Financial status:**

Unit: NTD thousand

| Item \ Year  | 2019        | 2020        | Variation                  |                |
|--|-------------|-------------|----------------------------|----------------|
|  |             |             | Increase (decrease) amount | Percentage (%) |
| Current assets   | 15,839,869  | 15,167,544  | (672,325)                  | -4%            |
| Property, plant, and equipment   | 1,682,528   | 1,670,684   | (11,844)                   | -1%            |
| Intangible asset   | 37,142      | 36,963      | (179)                      | 0%             |
| Other assets   | 136,285     | 108,123     | (28,162)                   | -21%           |
| Total assets   | 21,687,782  | 20,679,624  | (1,008,158)                | -5%            |
| Current liability  | 8,588,925   | 7,450,391   | (1,138,534)                | -13%           |
| Non-current liabilities  | 520,923     | 440,939     | (79,984)                   | -15%           |
| Total liabilities  | 9,109,848   | 7,891,330   | (1,218,518)                | -13%           |
| Share capital  | 5,183,462   | 5,183,462   | 0                          | 0%             |
| Capital surplus  | 1,503,606   | 1,503,606   | 0                          | 0%             |
| Retained earnings  | 5,584,018   | 5,828,445   | 244,427                    | 4%             |
| Other equities   | (1,312,274) | (1,349,724) | (37,450)                   | 3%             |
| Equity attributable to the parent company  | 10,958,812  | 11,165,789  | 206,977                    | 2%             |
| Non-controlling interests  | 1,619,122   | 1,622,505   | 3,383                      | 0%             |
| Total equity   | 12,577,934  | 12,788,294  | 210,360                    | 2%             |
| <p>Note: Description of major changes in the project (please analyze and explain if the amount increase [decrease] ratio is over 20% and the amount exceeds 20 million NT dollars).</p> <p>1. Other assets: Caused by difference in deferred income tax recognition.</p> <p>The Company's financial status in the past 2 years has been good, and profits have generally remained stable. In the future, the Company continue to monitor changes in various ratios and strictly control financial risks.</p> |             |             |                            |                |

## II. Financial Performance:

Unit: NTD Thousand

| Item \ Year                                      | 2019       | 2020       | Variation                  |                |
|--|------------|------------|----------------------------|----------------|
|  |            |            | Increase (decrease) amount | Percentage (%) |
| Operating revenue                                | 25,600,708 | 20,547,713 | (5,052,995)                | -20%           |
| Operating cost                                   | 23,241,509 | 18,403,018 | (4,838,491)                | -21%           |
| Operating profit margin                          | 2,359,199  | 2,144,695  | (214,504)                  | -9%            |
| Operating expenses                               | 1,164,791  | 1,219,897  | 55,106                     | 5%             |
| Operating profit                                 | 1,194,408  | 924,798    | (269,610)                  | -23%           |
| Non-operating income and expenses                | 335,702    | 268,468    | (67,234)                   | -20%           |
| Net income before tax                            | 1,530,110  | 1,193,266  | (336,844)                  | -22%           |
| Income tax expense                               | 376,973    | 402,771    | 25,798                     | 7%             |
| Net income for the period                        | 1,153,137  | 790,495    | (362,642)                  | -31%           |
| Other comprehensive income (net)                 | (452,321)  | 1,767      | 454,088                    | 100%           |
| Total comprehensive income in the current period | 700,816    | 792,262    | 91,446                     | 13%            |

Note: Description of major changes in the project (please analyze and explain if the amount increase [decrease] ratio is over 20% and the amount exceeds 20 million NT dollars).

1. Operating revenue: There is a recession caused by COVID-19 and the fading out of agency sales.
2. Operating costs: Operating costs have decreased simultaneously due to the decline in operating revenue.
3. Operating profit: Operating profit has declined simultaneously due to the decline in operating revenue.
4. Non-operating income and expenses: There is a decline in non-operating income due to the decrease of exchange gains.
5. Pre-tax net profit: There is a decline in pre-tax net profit due to the decline in overall profitability.
6. Net income for the period: Declined in strength due to the increase in income tax expenses.
7. Other comprehensive gains and losses (net amount): This net amount has increased significantly due to the substantial increase in the reinvestment market price and the exchange difference from foreign operating institutions.

Due to the impact of COVID-19 year, both revenue and profit have declined compared to those of the previous year. The overall economic environment will gradually return to normal after the impact of COVID-19 is gradually controlled in the future. The Company will continue to endeavor to improve the product portfolio in order to increase profitability.

### III. Cash flow:

#### 1. Analysis of cash flow change for the this year:

Unit: NTD thousand

| Item \ Year  | 2019        | 2020      | Variation                  |                |
|--|-------------|-----------|----------------------------|----------------|
|  |             |           | Increase (decrease) amount | Percentage (%) |
| Operating activities   | 2,464,625   | 1,732,547 | (732,078)                  | -30%           |
| Investment activities  | 787,657     | 104,283   | (683,374)                  | -87%           |
| Fundraising activities   | (1,307,081) | (615,003) | 692,078                    | -53%           |
| Change analysis:<br>1. Business activities: The amount decreased due to the decrease in net income and accounts receivable for the period.<br>2. Investment activities: The amount decreased due to the reduced financial asset investment processing.<br>3. Fundraising activities: The cash outflow decreased due to the increase in short-term loans. |             |           |                            |                |

2. Improvement plan for insufficient liquidity: There is currently no cash shortage.

3. Cash liquidity analysis for the coming year: N/A.

### IV. The impacts that major capital expenditures have on financial operations in the most recent year:

The Company has no major capital expenditures in the most recent year.

### V. Reinvestment policy in the most recent the main reasons for its profit or loss, improvement plan, and investment plan for the coming year:

#### (I) Reinvestment policy for the most recent year:

The Company's main reinvestment policy is to expand core business revenue and production capacity supplemented by cross-industry alliances and product breadth increase. In the near future, the Company will prioritize electric vehicle and medical-related industries in order to increase the proportion of high-margin products and enhance profitability.

(II) Main reasons for the profit or loss of reinvestment in the most recent year:

The Company has subscribed 28 million ordinary shares from Long Time Technology Co., Ltd. via private equity investment with the total investment amount of NT\$896 million, which accounted for 22.26% of the total equity. Long Time Technology Co., Ltd. is currently incurring losses because its production capacity has not yet reached the economy scale. Therefore, the Company has recognized the losses based on the proportion and premium apportionment. After Long Time Technology's production capacity expansion has completed and the operations went on track, it can share the operating results. In addition, this cross-industry alliance can also enhance the Company's business opportunities in the electric vehicle market.

(III) Improvement Plan:

The Company has reviewed the reinvestment cases regularly to review whether the investment results have reached the original set goals, and modified the investment strategy and investment case evaluation model accordingly to ensure that future reinvestment cases can achieve the policy goals.

(IV) Investment plan for the next year:

Investment plans will be implemented according to the customer needs and capacity planning, the internal investment procedures, and the approval authority.

## VI. Risk Item Appraisal

### Risk Management Analysis

(I) The effects that interest rate, exchange rate fluctuations, and inflation have on the profits and losses of the Company as well as the future countermeasures.

1. The impact of interest rate changes:

Under the global impact of COVID-19, central banks of nations worldwide have lowered interest rates and maintained a loosened funding environment in order to save their regional economies. Therefore, interest rates in various regions will continue to be maintained at a low level. In light of such general environment, the Company's financial strategy will focus on using new loans to repay old loans as the main interest expense reduction policy, and invest short-term idle funds in stable income financial products in order to increase interest income. At present, nations have begun to administer COVID-19 vaccines, and the impact of COVID-19 will gradually wane. However, central banks of various countries are expected to maintain a low interest rate policy for the time being in order to stimulate economic development. In response to this trend, the Company will also pay close attention to interest rate changes in various regions, manage expenses, adjust the financial structure, and reduce the risks of interest rate changes on the Company's profit.

2. The impact of exchange rate changes:

In 2020, the sharp appreciation of currencies in emerging markets has caused export-oriented electronics manufacturers to bear great pressure on foreign exchange losses. The Company's main transaction currency is the USD, so it must also face the impact of foreign exchange losses. Fortunately, the Company has implemented proper financial hedging to minimize the impact of foreign exchange losses on profits. After U.S. President Biden took office, he has launched new policies to expand infrastructure and domestic demand, which would have a new impact on the future trend for US dollar index. The Company will closely observe exchange rate fluctuations, refer to the professional financial institution recommendations, and adopt the corresponding hedging. Financial products will be operated to avoid any risks that exchange rate fluctuations have on the Company's profits.

3. The impact of inflation:

As central banks have maintained low interest rates in a loosened funding environment, expanded infrastructure, and increased fiscal stimulus; demands for raw materials increased, prices continued to rise, and inflation will be a major issue that companies must face in the near future. To prevent inflation from eroding profits, the Company will continue to pay close attention to the raw material market fluctuations caused by political and economic changes in various regions worldwide, maintain good relationships with customers, and adjust cost structure and sales strategies in a timely manner in order to reduce any impacts that inflation may have on the Company's profits.

(II) Policies for engaging in high-risk and high-leverage investments, fund loans to others, endorsements, and derivative products; main reason for profit or loss; and future countermeasures.

This Company has never engaged in high-risk or highly-leveraged investments. Financial loans to others, endorsement guarantees, and derivative commodity transactions will be handled in accordance with the relevant regulations established by the Company. At present, the Company and its affiliated companies have engaged in derivative commodity transactions only for exchange rate hedging operations related to foreign currency claims. The relevant operations are executed in accordance with the transaction processing procedures established by the Company, the results are regularly reviewed, and hedging strategies are regularly adjusted.

(III) Future R&D plans and anticipated investments in R&D expenses:

The Company's R&D plans for major products such as cables, wiring harnesses, connectors, and PCBs have progressed according to the scheduled progress. For the future market with high compound growth potentials such as electric vehicles (EV) and 5G infrastructure, the R&D efforts will be focused on EV electronics, medical testing, 5G base stations, WiFi 6, and other related cable and wiring harness applications, game consoles, and smart Customized PCB products such as speakers and laptops. The Company will continue to increase the R&D efforts, improve production capacity via process optimization and equipment automation, and introduce green and environmentally friendly manufacturing processes. The R&D expenses are expected to reach 1% to 2% of full-year revenue (approximately NT\$200 to NT\$300 million), and will gradually increase depending on the market and customer needs.

(IV) The effects that the key domestic and international policy and law changes have on the financial operations of the Company as well as the countermeasures.

The Company pays close attention to the political and economic changes, important policies, and legal updates in the operating region at all times; and has timely cooperated with the relevant business policy adjustments and revisions in order to meet the business environment requirements for the various regions, maintain a sound financial and information disclosure status, and enhance the Company's transparency in order to reduce any impacts that external environment changes may have on the Company's daily operations. As of the publication date of this annual report, the Company has not experienced any significant impact on its financial businesses due to changes in important domestic and foreign policies and laws.

(V) The effects that technological changes and industry changes have on the financial operations of the Company as well as the countermeasures.

Due to the advancement of technology and the emphasis on environmental protection, electric vehicles (EV) have become the industry with the highest growth potential in the future. To enter the EV industry, increase the Company's revenue growth and profitability, and achieve strategic transformation and upgrading; the Company has actively invested R&D resources to master the EV wiring harness product related technologies related technologies while transforming the product production lines, optimizing the manufacturing process to meet customer requirements, and adopting new automation technology and equipment to reduce the Company's internal manufacturing costs. In addition, the Company has also upgraded the peripheral operating system for accounting in order to implement paperless operation management, improve operation efficiency, and reduce paper consumption, and improve environmental protection performance.



(VI) The effects that corporate image have on corporate crisis management and the countermeasures.

The Company adheres to the business philosophy of honesty and integrity, maintains a good corporate image, cares for the community environment, and fulfills corporate social responsibilities. That is why our clients, suppliers, and outsiders have praised our operation and development efforts, and entered into synergistic and win-win partnerships with the Company. In response to any possible sudden natural disasters or accidents, the Company's management team has established an emergency response mechanism whereby the chairman of the board will lead the responsible supervisors to run the crisis management team. The goal is to make quick responses, assign responsible units to implement actions, and enable colleagues in various departments to work together and actively respond to any challenges and overcome difficulties. In the future, the Company will continue to maintain the tradition, uphold the "conscientious innovation" development strategy, and communicate honestly with all walks of life to maintain the good corporate image.

(VII) Expected benefits, possible risks, and countermeasures for mergers and acquisitions.

The Company currently does not have plans for corporate mergers and acquisitions, but will review investment opportunities based on customer needs and market changes. If there are such plans in the future, a dedicated unit will make appropriate assessments and avoidance plans to determine the expected benefits and possible risks.

(VIII) Expected benefits and possible risks of plant expansions as well as the countermeasures.

The Company currently has no plans for any major plant expansions. However, the Company will closely observe changes in the global economy, fully communicate with customers, and review production capacity settings dynamically. If there is any demand for plant expansion, a dedicated unit and related technical team will be assigned to conduct a professional feasibility assessment.

(IX) The risks of concentrated procurement or sales as well as the countermeasures.

Except for its affiliates, the Company has no excessive procurement or sales concentration problem compared to that of its peers. However, the Company will continue to make more efforts to diversify customers and suppliers to prevent future risks.

(X) The effects and risks that large-number transfers or replacements of directors, supervisors, or major shareholders holding over 10% of the Company's shares have to the Company as well as the countermeasures.

The Company has no such situation.

(XI) The effects and risks that operating rights changes have to the Company as well as the countermeasures.

The Company has no operating rights change related situation.

(XII) Litigation or non-litigation events.

1. The Company and its affiliated companies have not experienced any major litigation, non-litigation, or administrative disputes in the last two years and as of the publication date of this annual report.
2. The directors, president, and substantive persons in charge of the Company have never been convicted or involved in a major litigation, non-litigation, or administrative dispute.
3. The 2020 Financial Report of Hon Hai Precision Inc. Co., Ltd. (the Company's major shareholder holding over 10% of its shares) have been audited by CPAs. Hon Hai has been undergoing product patent and other lawsuits. However, after the assessment, Hon Hai believes that such lawsuits have no significant impact on its business and financial status. Therefore, Hon Hai's impending lawsuits are assessed to have no significant impact on this Company's financial status.

(XIII) Information security risks and corresponding measures.

The Company's Admin. Dept. has coordinated the Information Department to formulate the Information Security Management Policy in order to protect the confidential information of the Company, employees, customers, and suppliers; and prevent leakage or improper use of confidential information from damaging the rights and interests of relevant stakeholders. In addition to regularly reviewing the system and updating firewall settings so as to detect system vulnerabilities early and prevent external intrusions, the Company has also established a remote backup system to prevent any operation difficulties caused by system interruptions. Meanwhile, the Company has also strengthened information security training for employees, and reminded employees to watch out for information security gaps on an irregular basis. As of the publication date of this annual report, the Company has not yet experienced any significant problem due to information security issues.

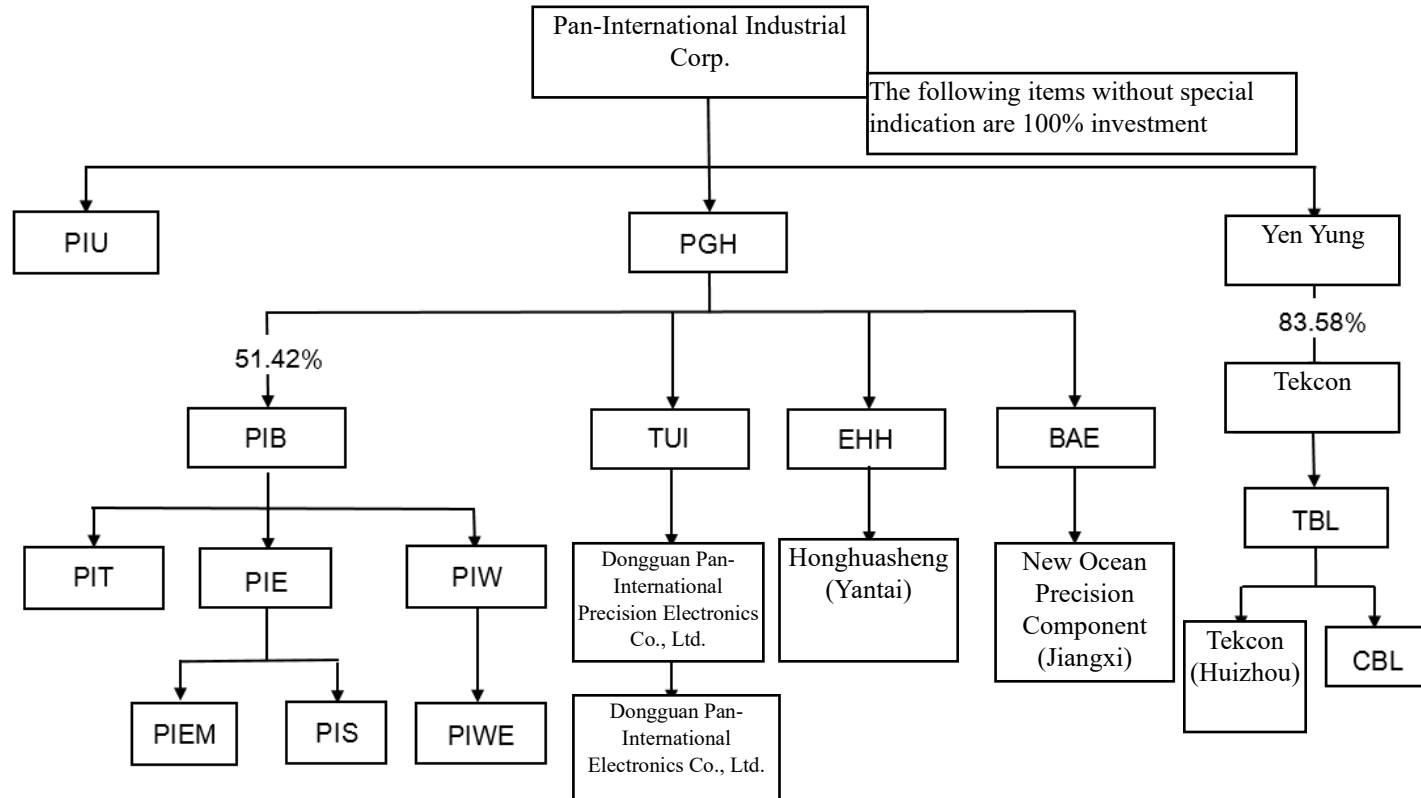
(XIV) Other important risks: None.

## **VII. Other material issues: None.**

## Eight. Special Record Items

### I. Affiliated Enterprises Related Information

#### 1. Company and affiliates structure



## 2. Basic information of each affiliates

Unit: Thousand

| Enterprise name  | Date of establishment | Address   | Paid-in Capital | 2020.12.31 exchange rate | Main business or production items  |
|--|-----------------------|---|-----------------|--------------------------|--|
| PAN-INTERNATIONAL ELECTRONICS (USA) INC. (PIU)                   | December 12, 1989     | 48008 Fremont Blvd., Fremont, CA 94538.   | USD 2,800       | 28.48                    | Sales of connection cables and electronic products   |
| PAN GLOBAL HOLDING CO., LIMITED. (PGH)                           | July 19, 1995         | Vistra Corporate Services Centre, Wickhams CayII, Road Town, Tortola, VG1110, British Virgin Islands.   | USD121,594      | 28.48                    | Holding Investment Company   |
| P.I.E. INDUSTRIAL BERHAD (PIB)                                   | March 21, 1997        | Plot 6, Jalan Jelawat Satu, Seberang Jaya Industrial Estate, Seberang Jaya 13700 Prai, Panang, Malaysia | MYR 76,808      | 7.0687                   | Holding Investment Company   |
| PAN-INTERNATIONAL WIRE & CABLE (MALAYSIA) SDN. BHD. (PIW)        | January 26, 1989      | Plot 6, Jalan Jelawat Satu, Seberang Jaya Industrial Estate, Seberang Jaya 13700 Prai, Panang, Malaysia | MYR 10,000      | 7.0687                   | Production and sales of electric cables  |
| PAN-INTERNATIONAL ELECTRONICS (MALAYSIA) SDN. BHD. (PIE)         | January 26, 1989      | Plot 4, Jalan Jelawat Satu, Seberang Jaya Industrial Estate, Seberang Jaya 13700 Prai, Panang, Malaysia | MYR 7,500       | 7.0687                   | Production and sales of connection cables and electronic products                                  |
| PAN-INTERNATIONAL ELECTRONICS (THAILAND) CO., LIMITED. (PIT)     | August 21, 1990       | 12/1 Moo 9 Suwannasorn Road, Tambom Dong-Khi-Lek Amphur Muang Prachinburi Province 2500 Thailand        | THB 50,000      | 0.9506                   | Production and sales of connection cables  |
| PIW ENTERPRISE (MALAYSIA) SDN.BHD.(PIWE)                         | May 7, 2002           | Plot 6, Jalan Jelawat Satu, Seberang Jaya Industrial Estate, Seberang Jaya 13700 Prai, Panang, Malaysia | MYR 100         | 7.0687                   | Sales of electric cables   |
| PIE ENTERPRISE (M) SDN.BHD. (PIEM)                               | August 24, 1996       | Plot 4, Jalan Jelawat Satu, Seberang Jaya Industrial Estate, Seberang Jaya 13700 Prai, Panang, Malaysia | MYR 100         | 7.0687                   | Sales of connection cables and electronic products   |
| PAN-INTERNATIONAL CORPORATION (S) PTE. LIMITED. (PIS)            | January 11, 1995      | 14, Woodlands Road, Singapore 677908  | SGD 100         | 21.56                    | Sales of connection wires and connectors   |
| TEAM UNION INTERNATIONAL LIMITED (TUI)                           | March 19, 2008        | Office 1222, 12 F., Leighton Center, 77 Leighton Rd., Causeway Bay, Hong Kong                           | HKD3,120        | 3.673                    | Holding Investment Company   |
| Dongguan Pan-International Precision Electronics Co., Ltd. (PDG) | December 20, 1995     | Xinlian Fenghuang Shan High-tech Industrial Zone, Humen Town, Dongguan City                             | USD 16,400      | 28.48                    | Production and sales of electric cables  |
| Dongguan Pan-International Electronics Co., Ltd.                 | August 7, 2012        | Old Plant 1 F., Gaoke 2nd Rd. & Gaoke 3rd Rd. intersection, Xinlian District, Humen Town, Dongguan City | RMB 3,000       | 4.3546                   | Production and sales of electrical cables, computer accessories, wireless Bluetooth, Turnkey, etc. |

| Enterprise name  | Date of establishment | Address   | Paid-in Capital | Exchange rate in December 31, 2020 | Main business or production items   |
|--|-----------------------|---|-----------------|------------------------------------|---|
| BEYOND ACHIEVE ENTERPRISES LIMITED (BAE)                         | October 21, 2002      | Vistra Corporate Services Centre, Wickhams CayII, Road Town, Tortola, VG1110, British Virgin Islands. | USD 9,600       | 28.48                              | Holding Investment Company  |
| New Ocean Precision Component (Jiangxi) Co., Ltd.                | September 19, 2010    | Jian Nan Rd., Yichun Fengcheng City, Jiang Xi Province  | USD9,600        | 28.48                              | Production and operation of various plugs, sockets, telecommunication systems, etc. |
| EAST HONEST HOLDINGS LTD. (EHH)                                  | November 22, 2007     | Room 1701, 111 leighton road, causeway bay, hong kong.  | USD85,800       | 28.48                              | Holding Investment Company  |
| Honghuasheng Precision Electronics (Yantai) Co., Ltd.            | December 16, 2005     | Yantai Economic and Technological Development Zone, No. 18 Chang Sha Avenue.                          | USD85,800       | 28.48                              | PCB production and assembly, etc.   |
| Yen Yung International Investment Co., Ltd (Yen Yung Investment) | May 4, 2000           | 7F., No. 101, Section 5, Roosevelt Rd., Wenshan District, Taipei City                                 | TWD443,162      | 1.00                               | Holding Investment Company  |
| Tekcon Electronics Corporation (Tekcon Electronics)              | November 20, 1984     | 2F., No. 4, Lane 95, Anxing Road, Xindian District, New Taipei City                                   | TWD262,729      | 1.00                               | Production and sales of connection wires and connectors                             |

3. Information on the same shareholders who are presumed to have control and affiliation relations:  
None.

4. Industries covered by the overall affiliate enterprise businesses:

The business operated by the Company and its affiliates includes the development, manufacturing, and sales of computers, electronics, communication systems, and optoelectronic products as well as their components such as terminals, various types of connectors, and connection wires with connectors.

5. Information on directors, supervisors, and president of affiliates

| Enterprise name   | Title                | Name or representative | Unit: Share; %        |                       |
|---|----------------------|------------------------|-----------------------|-----------------------|
|   |                      |                        | Number of shares held |                       |
|   |                      |                        | Shares                | Ratio of shareholding |
| PAN-INTERNATIONAL ELECTRONIC (USA) INC. (PIU)               | Director             | Sung-Fa Lu             | 0                     | 0%                    |
|   | Director             | Huang Feng-An          | 0                     | 0%                    |
| PAN GLOBAL HOLDING CO., LIMITED. (PGH)                      | Director             | Huang Feng-An          | 0                     | 0%                    |
|   | Director             | Shih-Hua Kuo           | 0                     | 0%                    |
|   | Director             | Liu Yu-Chun            | 0                     | 0%                    |
| P.I.E. INDUSTRIAL BERHAD (PIB)                              | Director             | Khoo Lay Tatt          | 0                     | 0%                    |
|   | Director             | Chung-Ming Mei         | 0                     | 0%                    |
|   | Director             | Chih-Wen Chen          | 0                     | 0%                    |
|   | Director             | Lee Cheow Kooi         | 0                     | 0%                    |
|   | Independent director | Loo Hooi Beng          | 0                     | 0%                    |
|   | Independent director | Koay San San           | 0                     | 0%                    |
| PAN-INTERNATIONAL WIRE & CABLE(MALAYSIA) SDN. BHD. (PIW)    | Director             | Kuo-Yi Lan             | 0                     | 0%                    |
|   | Director             | Chen Ming-Lung         | 0                     | 0%                    |
|   | Director             | Yu-Zhen Liao           | 0                     | 0%                    |
|   | Director             | Huang Feng-An          | 0                     | 0%                    |
|   | Director             | Tsai Ming-Feng         | 0                     | 0%                    |
| PAN-INTERNATIONAL ELECTRONIC (MALAYSIA) SDN. BHD. (PIE)     | Director             | Wen-Ling Yu            | 0                     | 0%                    |
|   | Director             | Huang Feng-An          | 0                     | 0%                    |
|   | Director             | Tsai Ming-Feng         | 0                     | 0%                    |
|   | Director             | Wen-Ling Yu            | 0                     | 0%                    |
| PAN-INTERNATIONAL ELECTRONIC (THAILAND) CO., LIMITED. (PIT) | Director             | Law Tong Han           | 0                     | 0%                    |
|   | Director             | Huang Feng-An          | 0                     | 0%                    |
|   | Director             | Tsai Ming-Feng         | 0                     | 0%                    |
|   | Director             | Wong Way Tjong         | 0                     | 0%                    |

| Enterprise name  | Title      | Name or representative | Shares | Ratio of shareholding |
|--|------------|------------------------|--------|-----------------------|
| PIW ENTERPRISE (MALAYSIA) SDN.BHD. (PIWE)                        | Director   | Chen Ming-Lung         | 0      | 0%                    |
|  | Director   | Yu-Zhen Liao           | 0      | 0%                    |
|  | Director   | Huang Feng-An          | 0      | 0%                    |
|  | Director   | Tsai Ming-Feng         | 0      | 0%                    |
|  | Director   | Wen-Ling Yu            | 0      | 0%                    |
| PIE ENTERPRISE (M) SDN.BHD. (PIEM)                               | Director   | Chung-Ming Mei         | 0      | 0%                    |
|  | Director   | Cheah Heng Lye         | 0      | 0%                    |
|  | Director   | Huang Feng-An          | 0      | 0%                    |
|  | Director   | Tsai Ming-Feng         | 0      | 0%                    |
|  | Director   | Wen-Ling Yu            | 0      | 0%                    |
| PAN-INTERNATIONAL CORPORATION (S) PTE. LIMITED. (PIS)            | Director   | Chung-Ming Mei         | 0      | 0%                    |
|  | Director   | Tay Siew Moi           | 0      | 0%                    |
|  | Director   | Huang Feng-An          | 0      | 0%                    |
|  | Director   | Tsai Ming-Feng         | 0      | 0%                    |
|  | Director   | Wen-Ling Yu            | 0      | 0%                    |
| TEAM UNION INTERNATIONAL LIMITED (TUI)                           | Director   | Huang Feng-An          | 0      | 0%                    |
| Dongguan Pan-International Precision Electronics Co., Ltd. (PDG) | Director   | Kuang-Tou Sung         | 0      | 0%                    |
|  | Director   | Lin Tseng-Hsiang       | 0      | 0%                    |
|  | Director   | Shao-Hui Wu            | 0      | 0%                    |
|  | Supervisor | Hung-Yuan Chen         | 0      | 0%                    |
| Dongguan Pan-International Electronics Co., Ltd.                 | Director   | Huang-Hui Lee          | 0      | 0%                    |
|  | Director   | Di-Huang Wan           | 0      | 0%                    |
|  | Supervisor | Hung-Yuan Chen         | 0      | 0%                    |
| BEYOND ACHIEVE ENTERPRISES LIMITED (BAE)                         | Director   | Huang Feng-An          | 0      | 0%                    |
| New Ocean Precision Component (Jiangxi) Co., Ltd.                | Director   | Yen-Chao Tsai          | 0      | 0%                    |
|  | Director   | Hsiang-Pei Chang       | 0      | 0%                    |
|  | Director   | Yi-Feng Lo             | 0      | 0%                    |
|  | Supervisor | Ching-Chuan Chien      | 0      | 0%                    |
| EAST HONEST HOLDINGS LIMITED(EHH)                                | Director   | Yu-Ching Sun           | 0      | 0%                    |

| Enterprise name                                       | Title      | Name or representative | Shares | Ratio of shareholding |
|---|------------|------------------------|--------|-----------------------|
| Honghuasheng Precision Electronics (Yantai) Co., Ltd. | Director   | Chen Yu-Yuan           | 0      | 0%                    |
|   | Director   | Keng-Jung Hsu          | 0      | 0%                    |
|   | Director   | Chu-Tsai Chen          | 0      | 0%                    |
|   | Supervisor | Hsiao-Kuang Chen       | 0      | 0%                    |
| Yen Yung International Investment Co., Ltd            | Chairman   | Shih-Hua Kuo           | 0      | 0%                    |
| Tekcon Electronics Corporation                        | Chairman   | Na-Hung Lin            | 0      | 0%                    |
|   | Director   | Shih-Yuan Cheng        | 0      | 0%                    |
|   | Director   | Hung-Yuan Chen         | 0      | 0%                    |
|   | Supervisor | Huang Feng-An          | 0      | 0%                    |
|   | Supervisor | Wen-Ling Yu            | 0      | 0%                    |



## 6. Affiliate operation status overview:

Unit: NTD Thousand

| Enterprise name  | Capital   | Total assets | Total liabilities | Net value | Operating revenue | Operating profit | Current profit and loss (after tax) | Earnings per share/ NT\$ |
|--|-----------|--------------|-------------------|-----------|-------------------|------------------|-------------------------------------|--------------------------|
| PAN-INTERNATIONAL ELECTRONICS (USA) INC.                   | 79,744    | 213,231      | 17,450            | 195,781   | 387,257           | 16,065           | 13,211                              | Not applicable           |
| PAN GLOBAL HOLDING CO., LTD.                               | 3,462,984 | 9,152,887    | 410,928           | 8,741,959 | 0                 | (61,482)         | 463,355                             | Not applicable           |
| P.I.E. INDUSTRIAL BERHAD                                   | 588,136   | 4,547,739    | 1,287,292         | 3,260,447 | 4,838,314         | 184,452          | 316,722                             | Not applicable           |
| PAN-INTERNATIONAL WIRE & CABLE SDN. BHD.                   | 70,687    | 693,199      | 110,159           | 583,040   | 755,569           | 48,130           | 67,515                              | Not applicable           |
| PAN-INTERNATIONAL ELECTRONICS(M) SDN.BHD.                  | 53,015    | 3,661,822    | 1,230,057         | 2,431,765 | 4,052,209         | 98,144           | 233,979                             | Not applicable           |
| PAN-INTERNATIONAL ELECTRONICS (TH) CO., LTD.               | 47,530    | 250,703      | 28,056            | 222,647   | 162,623           | (5,095)          | 4,771                               | Not applicable           |
| PIE ENTERPRISE (M) SDN. BHD.                               | 707       | 24,611       | 288               | 24,323    | 0                 | (613)            | (349)                               | Not applicable           |
| PAN-INTERNATIONAL CORPORATION (SG)                         | 2,191     | 12,090       | 533               | 11,557    | 7,657             | (223)            | (183)                               | Not applicable           |
| TEAM UNION INTERNATIONAL LIMITED                           | 11,392    | 746,552      | 3                 | 746,549   | 0                 | 0                | 71,694                              | Not applicable           |
| Dongguan Pan-International Precision Electronics Co., Ltd. | 573,707   | 1,172,794    | 426,241           | 746,553   | 1,474,302         | 86,199           | 71,694                              | Not applicable           |
| Dongguan Pan-International Electronics Co., Ltd.           | 13,064    | 420,505      | 232,551           | 187,954   | 326,980           | 7,379            | 12,298                              | Not applicable           |
| BEYOND ACHIEVE ENTERPRISES LIMITED                         | 273,408   | 638,272      | 0                 | 638,272   | 0                 | 0                | (49,171)                            | Not applicable           |
| New Ocean Precision Component (Jiangxi) Co., Ltd.          | 269,828   | 1,229,642    | 591,370           | 638,272   | 1,693,871         | (48,001)         | (49,171)                            | Not applicable           |
| EAST HONEST HOLDINGS LTD                                   | 2,443,584 | 4,297,397    | 0                 | 4,297,397 | 0                 | (8)              | 369,840                             | Not applicable           |
| Honghuasheng Precision Electronics (Yantai) Co., Ltd.      | 2,916,886 | 5,732,094    | 2,203,006         | 3,529,088 | 3,759,994         | 472,497          | 458,422                             | Not applicable           |
| Yen Yung International Investment Co., Ltd                 | 443,162   | 316,328      | 0                 | 316,328   | 0                 | (38)             | (135,224)                           | Not applicable           |
| Tekcon Electronics Corporation                             | 262,729   | 916,501      | 681,589           | 234,912   | 484,587           | (8,830)          | (161,744)                           | Not applicable           |

(II) Consolidated Financial Statement of Affiliates

Pan-International Industrial Corp. and Subsidiaries

Declaration of Consolidated Financial Statement of Affiliates

In 2020 (from January 1, 2020 to December 31, 2020), the related entities that are required to be included in the preparation of the consolidated financial statements of the Company, under the “Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those defined in International Financial Reporting Standards (IFRS) No. 10 "Consolidated Financial Statements." In addition, the information which shall be disclosed in the combined financial statements of affiliated companies is included in the consolidated financial statements of the parent company. Consequently, there will be no separate preparation of combined financial statements of affiliated companies.

Your attention is requested

Pan-International Industrial Corp.

Responsible person: Sung-Fa Lu

March 23, 2021

(III) Affiliated Enterprise Report: None

**II. Private securities placement status in the most recent year and as of the printing date of this annual report: None.**

**III. Company stock holding or disposition status by a subsidiary in the most recent year and as of the publication date of this annual report: None.**

**IV. Other matters requiring supplementary information: None.**

**Nine. Other matters that have a significant impact on the shareholders equity or the securities prices:**

There are no other matters that pose a significant impact on the shareholders equity or the securities prices in the most recent year and as of the publication date of this annual report.

**Pan-International Industrial Corp.**

**Responsible person: Sung-Fa Lu**