

# Xintec Inc.

## 2020 Annual Report

**Taiwan Stock Exchange Market Observation Post System :**

**<http://mops.twse.com.tw>**

**Company website : <http://www.xintec.com.tw>**

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(This document is prepared in accordance with the Chinese version and is for reference only. In the event of any inconsistency between the English version and the Chinese version, the Chinese version shall prevail.)

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Name : C.A. Lin

Title : Vice President

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**Deputy Spokesman :**

Name : Simon Lin

Title : Sr. Director, Finance

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## 1. Head office :

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**III. Stock Transfer Agent :**

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Address : No.96, Jianguo N. Rd., Sec1, Taipei, Taiwan (R.O.C)

Website : <http://www.taishinbank.com.tw>

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**IV. Contact information of the Certified Public Accountants for the Latest Financial Repot :**

Name : Mei Chen Tsai 、 Cheng Chih Lin

CPA firm : Deloitte & Touche

Address : 20F, No.100, Songren Road, Taipei, Taiwan (R.O.C)

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TEL : 886-2-2725-9988

**V. Overseas trade places for listed negotiable securities : None****VI. Company Website : [http : //www.xintec.com.tw](http://www.xintec.com.tw)**

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## I. A letter to Shareholders

Dear Shareholders,

Y2020 was a year of dramatic changes in the global economic situation. Large-scale international border or urban locked down due to COVID-19. Life and work patterns are forced to adjust. Demand for sensors related to work from home, remote teaching and online entertainment have increased significantly. As a result, Xintec's overall orders have grown significantly compared to Y2020. The demand for 3D sensing component packaging in the first half of Y2020 is stable compared to previous years; orders in the second half of the year also maintain peak season level. Moreover, Xintec completed the 12-inch wafer testing production line as scheduled in June and officially put into mass production in July. With strong demand for orders, the utilization rate was much higher than expected; which made a significant contribution to the company's revenue in the second half of the year. Y2020 is able to deliver good results due to the strong demand for 3D sensing component packaging and the growth momentum added by the new testing business. It is also due to continuous improvement in operating efficiency.

### Operating Performance

Xintec's operating revenue was NT\$7,278 million in 2020 which represented an increase of 56% over NT\$4,653 million in 2019. The net income after tax of 2020 was NT\$1,727 million, which was a great increase of 850% compared to net income NT\$1,727 million in the previous year. Earnings per share was NT\$6.37 in 2020.

The major figures are as below,

(In Millions of New Taiwan Dollars, except basic EPS)

| Items   | 2019  | 2020   | Increase or (decrease) % |
|---|-------|--------|--------------------------|
| Operating Revenue                             | 4,653 | 7,278  | 56.4%                    |
| Gross income                                  | 548   | 2,215  | 304.5%                   |
| Net income                                    | 182   | 1,727  | 849.3%                   |
| Return on Total Assets (%)                    | 3.25% | 25.09% | 21.8%                    |
| Return on Total Equity (%)                    | 5.70% | 41.59% | 35.9%                    |
| Income from Operations to Paid-in Capital (%) | 8.61% | 64.97% | 56.4%                    |
| Pre-tax Income to Paid-in Capital (%)         | 6.71% | 63.66% | 57.0%                    |
| Net Margin (%)                                | 3.91% | 23.74% | 19.8%                    |
| Basic Earnings Per Share(NT\$)                | 0.67  | 6.37   | 850.7%                   |

## **Technology and Innovation**

Xintec develops wafer level package and backend process technologies continuously. In addition to original focus on various packages needs such as Image Sensor, Optical Sensor, MEMS Gyro Sensor and Communication key elements, Xintec also provides process and packaging services by applying new technologies on GaN, glass and other special material. Currently Xintec is developing next generation critical sensors for consumer, industrial and automotive application, 3D optical devices and MEMS, etc. Moreover, Xintec has targeted new sensors, communication devices, MEMS thinning technologies, heterogeneous integrations to further close collaborating with customers by providing customized technical services.

As of New Technologies, Xintec has further invested RD resources by budgeted over 10 millions US dollars in 2021 to purchase next generation tools to develop fine pitch modules and new generation Cu-TSV in RD line. So Xintec may keep technology competitiveness to provide more desired packaging solutions for customers and boost mid to long term new operation momentum.

## **Corporate governance and Social responsibility**

Sustainable development is Xintec's commitment to our shareholder and society. Xintec not only focus on technology development and business growth, but also highly valued corporate governance and Social responsibility. We had been honored top 5% ranking at "Corporate governance Evaluation" by OTC. Our board meeting had appointed the Corporate Governance Officer at 2020/8/4, which makes sure the operation of board meeting and corporate governance were under proper supervision. Xintec had published Corporate Social Responsibility (CSR) report since 2015; to specific reveal our result and plan. In 2021, we estimate to save over 10 million degree of electrical power and have 64% above on process water recycle rate. We constantly shape a safety working environment by winning the SGS Occupational Health and Safety Management Systems awards (ISO 45001) at 2020. Xintec employees devoted into public welfare in various ways: participating public welfare events, hosting charity sale at factory, raising daily commodities for underprivileged groups, express concerns by visiting Social Welfare Organization. By continue effort of all employees, trust of all stakeholders and supports of all customers, Xintec become an excellent enterprise that demonstrates fine Social responsibility.

## **Future Outlook**

Looking forward to Y2021, with the newly added 12-inch wafer testing business and the recovered demand for automotive sensor component packaging, revenue and profit are expected to grow steadily. On the other hand, the impact of the COVID-19 and the evolution of international trade conflicts on the industrial supply chain are still there to influence product consumption. Xintec needs to continue to pay attention and respond in a timely manner to reduce the possible impact on the company's operations and business.

Xintec will continue to strengthen the core technology and innovation of advanced packaging; invest in research and development of new equipment and resources year by year; and strengthen customized engineering capabilities. We will also combine customer needs to expand new applications and provide the best technology and services to help customers win in the market.

**Chairman and President, CH Chen**

## II. Company Introduction

A. Funding date : September 11, 1998

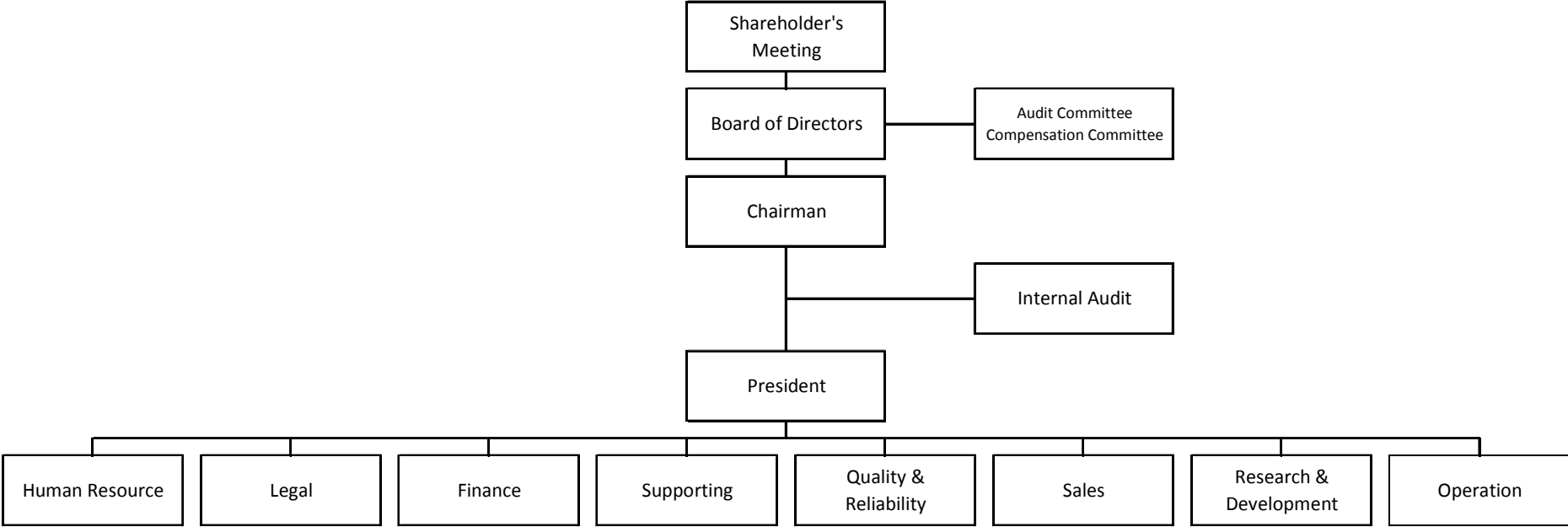
B. Formation History :

| Year      | Milestones   |
|-----------|--|
| Sep, 1998 | Xintec Inc. founded in capital NT\$280 million.  |
| May, 2000 | Signatured technology licensing agreement with Engineering and IP Advanced Technologies Ltd. (Original ShellCase Ltd.) to engages in wafer level chip scale packaging. |
| Oct, 2000 | Constructed facility in Zhongli Industrial District, Taoyuan City.   |
| Oct, 2001 | Commenced mass production.   |
| Mar, 2002 | ISO9000 certification.   |
| Feb, 2003 | QS9000 certification.  |
| Dec, 2003 | Xintec became a public company.  |
| Jul, 2004 | Became bonded factory.   |
| Sep, 2004 | Stock began trading on Emerging Stock Market.  |
| Jan, 2005 | ISO14001 EMS certification.  |
| Dec, 2005 | TL9000 QMS certification.  |
| Dec, 2005 | VisEra Holding Company (Cayman Islands) held 30% shares of Xintec and became the biggest shareholder.  |
| Dec, 2005 | 8" CSP capacity reached 10,000 chips on Line-A plant.  |
| Sep, 2006 | 8" CSP capacity reached 20,000 chips on Line-A plant.  |
| Dec, 2006 | Procured Line-B plant.   |
| Jan, 2007 | Strategic introduction of TSMC invested 43% shares of the Company to become the largest shareholder by private placement of securities.                                |
| Sep, 2007 | 8" CSP capacity reached 40,000 chips.  |
| Dec, 2007 | OHSAS18001 certification.  |
| Dec, 2007 | 12"Capacity reached 2,000 chips on Hsinchu plant.  |
| Jan, 2009 | TOSHMS certification.  |
| Nov, 2010 | Line-A of the Zhongli factory received Good Performance Certificate from Occupational Safety and Health Administration, Council of Labor Affairs, Executive Yuan.      |
| Dec, 2010 | ISO/TS16949 QMS certification.   |
| Feb, 2011 | Procured Line-C plant.   |
| Mar, 2011 | Line-B of the Zhongli factory received Good Performance Certificate from Occupational Safety and Health Administration, Council of Labor Affairs, Executive Yuan.      |
| Jul, 2011 | Canceled Hsinchu branch and moved back Hsinchu plant to Zhongli plant.   |
| Jul, 2012 | The Zhongli factory passed the Greenhouse Gas Inventory Assessment. and was assured by external auditors.  |
| Sep, 2012 | The Zhongli factory passed the Main Products Carbon Footprint Assessment and was assured by external auditors.   |
| Aug, 2013 | 8" Capacity of Biometric sensors build.  |
| Mar, 2015 | Stock began trading on OTC.  |
| Apr, 2017 | Ranked in top 5% in Corporate Governance Evaluation.   |
| Apr, 2018 | Ranked in top 5% in Corporate Governance Evaluation.   |
| Apr, 2019 | Ranked in top 5% in Corporate Governance Evaluation.   |
| Aug, 2019 | Won the "Uniform Invoice Outstanding Business Entities Award of 2019"  |
| Nov, 2019 | ISO45001/CNS45001 certification.   |
| May, 2020 | Ranked in top 5% in Corporate Governance Evaluation.   |
| Aug, 2020 | SGS ISO45001 Plus Awards   |

# III. Corporate Governance Report

## A. Company Organization

### 1. Organization Chart



2.Department functions :

| Department             | Functions   |
|------------------------|---|
| Internal Audit         | Responsible for assisting the board of directors and managers to review the internal control system and to measure the effectiveness and efficiency of operations, and provide recommendations timely to ensure implement internal control system effectively and as a proof to review the internal control system.   |
| Human Resource         | Responsible for manpower planning, recruitment & staffing, compensation & benefit, training & development, employee services and relations.   |
| Legal                  | Responsible for IP legal affairs and negotiation, contract review and negotiation, corporate legal affairs, legal disputes or litigation management.  |
| Finance                | Responsible for financial and accounting service, tax management, investment management, financial planning, capital allocation and annual performance evaluation.  |
| Supporting             | Responsible for material requirements planning, procurement management, import/export management, warehouse management, capacity and planning. Planning, developing and maintaining information infrastructure, communication systems ,logistics information systems and operational related systems · build the policy, systems for protection of information property protection. |
| Quality & Reliability  | Responsible for quality and reliability management.   |
| Sales                  | Responsible for business development, customer negotiation, pricing and business support.   |
| Research & Development | Responsible for project leading-in, new process development, technology research and mask design, demand forecasting, market information gathering, product roadmap planning.   |
| Operation              | Responsible for manufacturing, production engineering, equipment maintenance, process integration, factory affairs, ESH and risk management.  |

B. Information on the company's directors, supervisors, general manager, assistant general manager, deputy assistant general manager, and the chiefs of all the company's divisions and branches

1. Directors:

(1) Directors information:

March 29, 2021

| Title                | Name                   | Nationality or Place of Registration | Gender | First Elected Date | Elected Date | Term (year) | Shareholding when elected |       | Current Shareholding |       | Spouse & Minor Shareholding |   | Shareholding by Nominee Arrangement |   | Education & Selected Past Positions   | Selected Current Positions   | Managers Are Spouse or Within Second-degree Relative of Consanguinity to Each Other |      |          |
|----------------------|------------------------|--------------------------------------|--------|--------------------|--------------|-------------|---------------------------|-------|----------------------|-------|-----------------------------|---|-------------------------------------|---|---|--|---|------|----------|
|                      |                        |                                      |        |                    |              |             | Shares                    | %     | Shares               | %     | Shares                      | % | Shares                              | % |   |  | Title   | Name | Relation |
| Chairman             | CH Chen (Note 1)       | R.O.C.                               | Male   | 6/30/2017          | 5/30/2019    | 3           | 0                         | 0     | 300,000              | 0.11  | 0                           | 0 | 0                                   | 0 | Senior Director of Advanced Packaging and Testing Fab 3, TSMC<br>President of TSMC Solid state lighting<br>President of TSMC Solar<br>President of TSMC China<br>Fab 3 Director, TSMC<br>Vice president, Systems on Silicon Manufacturing Co. Pte. Ltd.<br>Director of Product Engineering<br>Fab 7 Director, TSMC<br>M.S. degree, Institute of Electro-Optical Engineering, NCTU<br>Bachelor of Electronic Physics, NCTU | President, Xintec, Inc.  | None  | None | None     |
|                      | Representative of TSMC | R.O.C.                               |        | 3/5/2007           | 5/30/2019    | 3           | 111,281,925               | 41.01 | 111,281,925          | 41.01 | 0                           | 0 | 0                                   | 0 | -   | -  | -   | -    | -        |
| Director             | Y.J. Wan               | R.O.C.                               | Male   | 11/1/2018          | 5/30/2019    | 3           | 0                         | 0     | 0                    | 0     | 0                           | 0 | 0                                   | 0 | Director, Intelligent Engineering Center, TSMC<br>Fab 3 Director, TSMC<br>Master of Materials Science and Engineering, Tsing Hua University   | Director, Intelligent Engineering Center, TSMC   | None  | None | None     |
|                      | Representative of TSMC | R.O.C.                               |        | 3/5/2007           | 5/30/2019    | 3           | 111,281,925               | 41.01 | 111,281,925          | 41.01 | 0                           | 0 | 0                                   | 0 | -   | -  | -   | -    | -        |
| Independent Director | Wen-Yeu Wang           | R.O.C.                               | Male   | 6/13/2013          | 5/30/2019    | 3           | 0                         | 0     | 0                    | 0     | 0                           | 0 | 0                                   | 0 | Independent Director, Global Unichip Corp.<br>Independent Director, KGI Bank and KGI Securities<br>Independent Director, President Chain Store Corporation<br>Professor of College of Law at National Taiwan University<br>Director, IACL Taiwan Branch<br>Ph. D., Stanford Law School  | Chairman of Compensation Committee, Xintec<br>Independent Director, KGI Securities<br>Independent Director, Global Unichip Corp.<br>Independent Director, President Chain Store Corporation<br>Professor of College of Law at National Taiwan University<br>Director, IACL Taiwan Branch | None  | None | None     |

| Title                | Name         | Nationality or Place of Registration | Gender | First Elected Date | Elected Date | Term (year) | Shareholding when elected |   | Current Shareholding |   | Spouse & Minor Shareholding |   | Shareholding by Nominee Arrangement |   | Education & Selected Past Positions   | Selected Current Positions  | Managers Are Spouse or Within Second-degree Relative of Consanguinity to Each Other |      |          |
|----------------------|--------------|--------------------------------------|--------|--------------------|--------------|-------------|---------------------------|---|----------------------|---|-----------------------------|---|-------------------------------------|---|---|---|---|------|----------|
|                      |              |                                      |        |                    |              |             | Shares                    | % | Shares               | % | Shares                      | % | Shares                              | % |   |   | Title   | Name | Relation |
| Independent Director | Robert Hsieh | R.O.C.                               | Male   | 6/13/2013          | 5/30/2019    | 3           | 0                         | 0 | 0                    | 0 | 0                           | 0 | 0                                   | 0 | Independent Director, Anpec Electronics Corporation<br>Independent Director, Pou Sheng International (Holdings) Limited<br>Finance Vice President, Vanruard International Semiconductor Co.<br>Vice President, Country Banking Head, Bank of America, NTSA<br>MBA, National Taiwan University<br>B. S. degree in Department of Nuclear Engineering, National Tsing Hua University | Chairman of the Audit Committee and a member of Compensation Committee, Xintec<br>Independent Director, Pou Sheng International (Holdings) Limited  | None  | None | None     |
| Independent Director | Stella Wen   | R.O.C.                               | Female | 6/14/2016          | 5/30/2019    | 3           | 0                         | 0 | 0                    | 0 | 0                           | 0 | 0                                   | 0 | Independent Director, ChipMOS Technologies Inc.<br>B.S., M.S. and Ph.D. degrees in Department of Electrical Engineering, National Cheng-Kung University<br>CEO, Strategic Development Office, National Chiao-Tung University; Vice Professor, Department of Electrical Engineering, National Chiao-Tung University  | A member of Compensation Committee, Xintec<br>Independent Director, ChipMOS Technologies Inc.<br>Professor, Department of Electrical Engineering, National Chiao-Tung University<br>CEO, Strategic Development Office, National Chiao-Tung University<br>Associate Vice President, Office of Research and Development, National Chiao-Tung University | None  | None | None     |

Note1 : The chairman of the company, Mr. CH Chen, is the legal representative of TSMC, and Mr. CH Chen is appointed by the board of directors as the general manager. Only one of the five directors has the status of concurrent manager, and three of them are independent directors, which meets the requirement that more than half of the directors do not have employees or managers. According to Article 4 of the " Taipei Exchange Directions for Compliance Requirements for the Appointment and Exercise of Powers of the Boards of Directors of TPEX Listed Companies " issued on January 2, 2020, the Chairman of the OTC Company is the same as the General Manager or equivalent For people, the number of independent directors should be no less than 4 before December 31, 2023. The company expects to increase the number of independent directors to at least 4 at the time of the full re-election of the directors in May 2022.

(2) Major Shareholders of the Institutional Shareholders:

As of 12/23/2020 (last record date)

| Institutional Shareholder                        | Major Shareholders of the Institutional Shareholders   | Percentage |
|--|--|------------|
| Taiwan Semiconductor Manufacturing Company, Ltd. | ADR-Taiwan Semiconductor Manufacturing Company, Ltd.   | 20.52%     |
|  | National Development Fund, Executive Yuan Representative: Ming-Hsin Kung   | 6.38%      |
|  | Citibank (Taiwan) Ltd. in custody for Government of Singapore  | 2.56%      |
|  | Citibank (Taiwan) Ltd. in custody for Norges Bank  | 1.54%      |
|  | JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds                    | 1.33%      |
|  | New Labor Pension Fund   | 1.08%      |
|  | Fubon Life Insurance Co., Ltd Chairman: Richard M. Tsai  | 0.95%      |
|  | JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds | 0.83%      |
|  | JPMorgan Chase Bank N.A., Taipei Branch in custody for Invesco Oppenheimer Developing Markets Fund   | 0.81%      |
|  | JPMorgan Chase Bank N.A., Taipei Branch in custody for New Perspective Fund  | 0.80%      |

(3) Institutional Shareholder Representatives for Major Shareholders of the Institutional Shareholders: NA.

(4) Independence Analysis of Board Members under Taiwan SFC Criteria:

| Qualification | Has over five years work experience and following professional qualifications                               |   |  | Independence Attribute (See Notes Below) |   |   |   |   |   |   |   |   |    |    |    | Current Positions at Other Companies |
|---------------|---|---|--|--|---|---|---|---|---|---|---|---|----|----|----|--------------------------------------|
|               | College Instructor or Higher Level in Business, Legal, Finance, Accounting or company business related area | Court Judge, Prosecutor, Attorney, CPA or other Certified Professional expert related to company business | Business, Legal, Finance, Accounting or company business required working Experience | 1  | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |                                      |
| Name          |   |   |  |  |   |   |   |   |   |   |   |   |    |    |    |                                      |
| CH Chen       |   |   | ✓  |  | ✓ | ✓ | ✓ | ✓ | ✓ |   | ✓ | ✓ | ✓  | ✓  |    | None                                 |
| Y.J. Wan      |   |   | ✓  | ✓  | ✓ | ✓ | ✓ |   | ✓ | ✓ | ✓ | ✓ | ✓  | ✓  |    | None                                 |
| Wen-Yeu Wang  | ✓   | ✓   | ✓  | ✓  | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓  | ✓  | ✓  | 3                                    |
| Robert Hsieh  |   |   | ✓  | ✓  | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓  | ✓  | ✓  | 1                                    |
| Stella Wen    |   |   | ✓  | ✓  | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓  | ✓  | ✓  | 1                                    |

**Notes:** The Directors and Supervisors comply with the following conditions from two years before being elected and during his tenure in office:

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of affiliated companies. Not applicable in cases where the person is an independent director of the parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.
- (5) Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company, or who holds shares ranking in the top five holdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act.
- (6) If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company.
- (7) If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution.
- (8) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a

specified company or institution which has a financial or business relationship with the Company.

- (9) Not a professional individual, who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof.
- (10) Not a spouse of or a second degree relative of any other Director of the Company.
- (11) No violations of Article 30 of the Company Act.
- (12) Not a governmental, judicial person or its representative as defined by Article 27 of the Company Act.

## 2. Executive Officers:

March 29, 2021

| Title  | Name             | Nationality | Inauguration date | Shareholding |      | Spouse & Minor Shareholding |   | Shareholding by Nominee Arrangement |   | Education & Selected Past Positions   | Selected Current Positions | Managers Are Spouse or Within Second-degree Relative of Consanguinity to Each Other |      |          |
|--|------------------|-------------|-------------------|--------------|------|-----------------------------|---|-------------------------------------|---|---|----------------------------|---|------|----------|
|  |                  |             |                   | Shares       | %    | Shares                      | % | Shares                              | % |   |                            | Title   | Name | Relation |
| President  | CH Chen (Note 1) | R.O.C.      | 7/1/2017          | 300,000      | 0.11 | 0                           | 0 | 0                                   | 0 | Senior Director of Advanced Packaging and Testing Fab 3, TSMC<br>President of TSMC Solid state lighting<br>President of TSMC Solar<br>President of TSMC China<br>Fab 3 Director, TSMC<br>Vice president, Systems on Silicon Manufacturing Co. Pte. Ltd.<br>Director of Product Engineering<br>Fab 7 Director, TSMC<br>M.S. degree, Institute of Electro-Optical Engineering, NCTU<br>Bachelor of Electronic Physics, NCTU | None                       | None  | None | None     |
| Sales Vice President                                       | CA Lin           | R.O.C.      | 1/6/2006          | 125,192      | 0.05 | 0                           | 0 | 0                                   | 0 | Sr. Director, HannStar<br>Manager, Thin Film Tech. Committee, TSMC<br>Master, Materials Science and Engineering, National Cheng Kung University   | None                       | None  | None | None     |
| Operation Vice President                                   | MY Chu           | R.O.C.      | 12/3/2018         | 0            | 0    | 0                           | 0 | 0                                   | 0 | Consultant, X'Formula<br>Sr. Director, Xintec<br>Director, VisEra<br>Manager, TSMC<br>Ph.D., Physics, National Tsing Hua University   | None                       | None  | None | None     |
| Finance Sr. Director                                       | Simon Lin        | R.O.C.      | 8/1/2001          | 69,629       | 0.03 | 0                           | 0 | 0                                   | 0 | Manager, Accounting, GVC<br>Principal, Accounting, LITEON<br>Bachelor, Accounting, Soochow University   | None                       | None  | None | None     |
| Supporting Sr. Director                                    | CM Fan           | R.O.C.      | 8/2/2019          | 16,787       | 0.01 | 0                           | 0 | 0                                   | 0 | Sr. Director, Zhongli factory / Senior Director of Supporting<br>Deputy Manager, TSMC<br>Bachelor NTUST   | None                       | None  | None | None     |
| RD Sr. Director  | TY Liu           | R.O.C.      | 8/2/2019          | 20,025       | 0.01 | 0                           | 0 | 0                                   | 0 | Senior Director of R&D<br>Deputy Manager, TSMC<br>Master, Chemistry, NTU  | None                       | None  | None | None     |
| Head of Department of Legal Affairs and Company Supervisor | CT Chou          | R.O.C.      | 8/4/2020          | 5            | 0.00 | 0                           | 0 | 0                                   | 0 | Top Team International Patent & Trademark Office/copartner<br>JC IP GROUP/patent manager<br>Soochow University School of Law  | None                       | None  | None | None     |
| Internal Audit Director                                    | LK Huang         | R.O.C.      | 3/6/2014          | 675          | 0.00 | 0                           | 0 | 0                                   | 0 | Director, PMM & IT, Xintec<br>Director, Supply Chain, Hannspree<br>Manager, Manufacturing Technology, TSMC<br>Ph.D., Industrial Engineer and Engineering, National Tsing Hua University   | None                       | None  | None | None     |

Note1: The chairman of the company, Mr. CH Chen, is the legal representative of TSMC, and Mr. CH Chen is appointed by the board of directors as the general manager. Only one of the five directors has the status of concurrent manager, and three of them are independent directors, which meets the requirement that more than half of the directors do not have employees or managers. According to Article 4 of the " Taipei Exchange Directions for Compliance Requirements for the Appointment and Exercise of Powers of the Boards of Directors of TPEx Listed Companies " issued on January 2, 2020, the Chairman of the OTC Company is the same as the General Manager or equivalent For people, the number of independent directors should be no less than 4 before December 31, 2023. The company expects to increase the number of independent directors to at least 4 at the time of the full re-election of the directors in May 2022.

### 3. Remuneration to Directors, Supervisors and Management Team

#### (1) Remuneration to Directors:

December 31, 2020, Unit: NT\$Thousand; Thousand shares

| Title                | Name                               | Remuneration to Directors |                     |                   |                     |                              |                     |                    |                     | A+B+C+D as % of Net Income |                     | Compensation Earned by a Director Who is an employee of Xintec |                     |                    |       |                           |   |        |                     | A+B+C+D+E+F+G as % of Net Income |       | Other Remuneration |
|----------------------|------------------------------------|---------------------------|---------------------|-------------------|---------------------|------------------------------|---------------------|--------------------|---------------------|----------------------------|---------------------|--|---------------------|--------------------|-------|---------------------------|---|--------|---------------------|----------------------------------|-------|--------------------|
|                      |                                    | Remuneration (A)          |                     | Retirement pay(B) |                     | Compensation to Directors(C) |                     | Transportation (D) |                     |                            |                     | Salary and Bonus (E)   |                     | Retirement Pay (F) |       | Employee Compensation (G) |   |        |                     |                                  |       |                    |
|                      |                                    | Xintec                    | Xintec & Affiliates | Xintec            | Xintec & Affiliates | Xintec                       | Xintec & Affiliates | Xintec             | Xintec & Affiliates | Xintec                     | Xintec & Affiliates | Xintec   | Xintec & Affiliates | Xintec             |       | Xintec & Affiliates       |   | Xintec | Xintec & Affiliates |                                  |       |                    |
|                      |                                    |                           |                     |                   |                     |                              |                     |                    |                     |                            |                     | Cash   | Stock               | Cash               | Stock |                           |   |        |                     |                                  |       |                    |
| Chairman             | CH Chen<br>Representative of TSMC  | 0                         | 0                   | 0                 | 0                   | 637                          | 637                 | 120                | 120                 | 0.04%                      | 0.04%               | 4,438  | 4,438               | 0                  | 0     | 6,432                     | 0 | 6,432  | 0                   | 0.67%                            | 0.67% | None               |
| Director             | Y.J. Wan<br>Representative of TSMC | 0                         | 0                   | 0                 | 0                   | 637                          | 637                 | 120                | 120                 | 0.04%                      | 0.04%               | 0  | 0                   | 9                  | 9     | 0                         | 0 | 0      | 0                   | 0.04%                            | 0.04% | None               |
| Independent Director | Wen-Yeu Wang                       | 637                       | 637                 | 0                 | 0                   | 0                            | 0                   | 120                | 120                 | 0.04%                      | 0.04%               | 0  | 0                   | 0                  | 0     | 0                         | 0 | 0      | 0                   | 0.04%                            | 0.04% | None               |
| Independent Director | Robert Hsieh                       | 637                       | 637                 | 0                 | 0                   | 0                            | 0                   | 120                | 120                 | 0.04%                      | 0.04%               | 0  | 0                   | 0                  | 0     | 0                         | 0 | 0      | 0                   | 0.04%                            | 0.04% | None               |
| Independent Director | Stella Wen                         | 637                       | 637                 | 0                 | 0                   | 0                            | 0                   | 120                | 120                 | 0.04%                      | 0.04%               | 0  | 0                   | 0                  | 0     | 0                         | 0 | 0      | 0                   | 0.04%                            | 0.04% | None               |

Note1: The remuneration of independent directors of the company is handled in accordance with the company's articles of association and the company's "Directors' Compensation, Remuneration and Carriage Payment Methods". It was set up depend on the directors' degree of involvement to the company's operation, contribution value, industry standard. The company pays the monthly remuneration and carriage fee for each independent director.

### Range of Remunerations

| Range of Remunerations to Directors (NT\$)    | Name of directors   |   |  |  |
|---|---|---|--|--|
|   | Summation of the first 4 items (A+B+C+D)  |   | Summation of the first 7 items (A+B+C+D+E+F+G)                                     |  |
|   | Xintec  | Xintec & Affiliates   | Xintec   | Xintec & Affiliates  |
| Less than 1,000,000                           | CH Chen: Representative of TSMC, Y.J. Wan: Representative of TSMC, Wen-Yeu Wang, C.S. Hsu, Robert Hsieh, Stella Wen | CH Chen: Representative of TSMC, Y.J. Wan: Representative of TSMC, Wen-Yeu Wang, C.S. Hsu, Robert Hsieh, Stella Wen | Y.J. Wan: Representative of TSMC, Wen-Yeu Wang, C.S. Hsu, Robert Hsieh, Stella Wen | Y.J. Wan: Representative of TSMC, Wen-Yeu Wang, C.S. Hsu, Robert Hsieh, Stella Wen |
| 1,000,000 (included) ~ 2,000,000 (excluded)   | -   | -   | -  | -  |
| 2,000,000 (included) ~ 3,500,000 (excluded)   | -   | -   | -  | -  |
| 3,500,000 (included) ~ 5,000,000 (excluded)   | -   | -   | -  | -  |
| 5,000,000 (included) ~ 10,000,000 (excluded)  | -   | -   | -  | -  |
| 10,000,000 (included) ~ 15,000,000 (excluded) | -   | -   | CH Chen: Representative of TSMC  | CH Chen: Representative of TSMC -  |
| 15,000,000 (included) ~ 30,000,000 (excluded) | -   | -   | -  | -  |
| 30,000,000 (included) ~ 50,000,000 (excluded) | -   | -   | -  | -  |
| 50,000,000 (included) ~ 100,000,000(excluded) | -   | -   | -  | -  |
| Over than 100,000,000                         | -   | -   | -  | -  |
| Total   | 5   | 5   | 5  | 5  |

(2) Remuneration to Supervisors: None

(3) Remuneration to President and Vice Presidents:

December 31, 2020, Unit: NT\$thousand

| Title  | Name                | Salary (A) |                        | Retirement pay (B)<br>(Note 1) |                        | Bonus (C)<br>(Note 2) |                        | Employee Compensation (D) |       |                        |       | A+B+C+D as %<br>of Net Income |                        | Other<br>Remuneration |
|--|---------------------|------------|------------------------|--------------------------------|------------------------|-----------------------|------------------------|---------------------------|-------|------------------------|-------|-------------------------------|------------------------|-----------------------|
|  |                     | Xintec     | Xintec &<br>Affiliates | Xintec                         | Xintec &<br>Affiliates | Xintec                | Xintec &<br>Affiliates | Xintec                    |       | Xintec &<br>Affiliates |       | Xintec                        | Xintec &<br>Affiliates |                       |
|  |                     |            |                        |                                |                        |                       |                        | Cash                      | Stock | Cash                   | Stock |                               |                        |                       |
| President  | CH Chen             | 21,617     | 21,617                 | 584                            | 584                    | 1,587                 | 1,587                  | 21,391                    | 0     | 21,391                 | 0     | 2.6%                          | 2.6%                   | None                  |
| Vice President   | CA Lin              |            |                        |                                |                        |                       |                        |                           |       |                        |       |                               |                        |                       |
| Vice President   | MY Chu              |            |                        |                                |                        |                       |                        |                           |       |                        |       |                               |                        |                       |
| Sr. Director   | Simon Lin           |            |                        |                                |                        |                       |                        |                           |       |                        |       |                               |                        |                       |
| Sr. Director   | CM Fan              |            |                        |                                |                        |                       |                        |                           |       |                        |       |                               |                        |                       |
| Sr. Director   | TY Liu              |            |                        |                                |                        |                       |                        |                           |       |                        |       |                               |                        |                       |
| Head of Department of Legal Affairs and Company Supervisor | CT Chou<br>(Note 3) |            |                        |                                |                        |                       |                        |                           |       |                        |       |                               |                        |                       |

Note1: The amount was the Company makes contributions to employees' pension account.

Note2: The Company recognized total expenses of NT\$129 thousand in respect of the SARs for the years ended December 31, 2020.

Note3: The head of a department CT Chou was promoted as manager since August 4<sup>th</sup>, 2020 (remuneration started being counted since that day).

### Range of Remunerations

| Range of Remunerations to President and Vice Presidents (NT\$) | Name of President and Vice Presidents     |   |
|--|---|---|
|  | Xintec                                    | Xintec                                    |
| Less than 1,000,000  | -   | -   |
| 1,000,000 (included) ~ 2,000,000 (excluded)                    | -   | -   |
| 2,000,000 (included) ~ 3,500,000 (excluded)                    | CT Chou                                   | CT Chou                                   |
| 3,500,000 (included) ~ 5,000,000 (excluded)                    | -   | -   |
| 5,000,000 (included) ~ 10,000,000 (excluded)                   | CA Lin, MY Chu, Simon Lin, CM Fan, TY Liu | CA Lin, MY Chu, Simon Lin, CM Fan, TY Liu |
| 10,000,000 (included) ~ 15,000,000 (excluded)                  | CH Chen                                   | CH Chen                                   |
| 15,000,000 (included) ~ 30,000,000 (excluded)                  | -   | -   |
| 30,000,000 (included) ~ 50,000,000 (excluded)                  | -   | -   |
| 50,000,000 (included) ~ 100,000,000(excluded)                  | -   | -   |
| Over than 100,000,000  | -   | -   |
| Total  | 7   | 7   |

#### (4) Employee compensation granted to the management team

Unit: NT\$Thousand

|                 | Title  | Name      | Stock | Cash   | Total  | Remunerations as of Net Income |
|-----------------|--|-----------|-------|--------|--------|--------------------------------|
| Management team | President  | CH Chen   | 0     | 21,391 | 21,391 | 1.2%                           |
|                 | Vice President   | CA Lin    |       |        |        |                                |
|                 | Vice President   | MY Chu    |       |        |        |                                |
|                 | Sr. Director   | CM Fan    |       |        |        |                                |
|                 | Sr. Director   | TY Liu    |       |        |        |                                |
|                 | Sr. Director   | Simon Lin |       |        |        |                                |
|                 | Head of Department of Legal Affairs and Company Supervisor | CT Chou   |       |        |        |                                |

4. Analysis of the proportion of the total remuneration of directors, supervisors, general managers and deputy general managers of the Company paid by the Company and all companies in the consolidated financial statement to net profit after tax in individual financial statements of the recent two years.

(1) Analysis of remuneration to net Income Ratio in the last two years for Company Directors, supervisors and Executive Officers:

The remuneration paid to directors were NT\$3,600 thousand and NT\$3,783 thousand in 2019 and 2020, the proportion of remuneration to net income were 2.0% and 0.2%. The remuneration paid to general managers and deputy general manager were NT\$27,344 thousand and NT\$45,179 thousand in 2019 and 2020, the proportion of remuneration to net income were 15.0% and 2.6%.

(2) Company Remuneration Policy, Pattern, Procedure and Ties to the Operational Result:

a. The remuneration of boards is paid according to "Regulation of paying board's remuneration, salary, and transportation allowance". If company makes a profit, remuneration of board would be contributed less than 2% from the profit according to the regulation. Besides, Board's remuneration policy would be stipulated based on its contribution and value towards management of the company and standard of the industry domestically and internationally. The relevant result of board's performance and evaluation would be taken into consideration. After Remuneration Committee discussing and passing through the board of director, report it to board of shareholders.

b. According to the regulation, if the Company has annual profits, the Company shall allocate a profit sharing bonus for employees at rates of not less than 1% of annual profits. The remuneration of the manager would be stipulated based on individual's contribution and value towards management of the company, personal performance, condition of goal achievement, position, and job grade. Items for evaluation are below: ratio of goal achievement, profit rate, operational efficiency, and contribution. After go through consideration, consult with principle from other company in the same industry, and pass Remuneration Committee and the board of director then would it be conducted.

To sum up, remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure are relative with each others.

(3) Regularly review policies, systems, standars, and structure of performance evaluation, salary and remuneration for directors and managers.

Company would periodically reviews performance assessment of the boards and manager. Remuneration Committee reports and discusses performance assessment method of the board in the fourth quarter of each year. At the end of the year, the Committee would conduct the assessment. Explain the result at the first quarter meeting next year and report to the board of directors.

Performance assessment of manager would become the goal and assessment form for the next year by general manager at the fourth quarter meeting. After having the agreement from Remuneration Committee and the board of directors, the verification would be held at the end of next year. The result would be reported and inspected at the first quarter of each year.

Remuneration Committee would deliberate regularly performance assessment and remuneration of the board and manager annually. Please refer to the information of Remuneration Committee meeting.

## C. Implementation of Corporate Governance

### 1. Information on implementation of Board of Directors:

A total of four (A) meetings of the Board of Directors were held in 2020. The attendance of director and supervisor were as follows:

| Title                   | Name                                | Attendance<br>In person(B) | By<br>Proxy | Attendance rate<br>(%) (B/A) | Remarks |
|-------------------------|-------------------------------------|----------------------------|-------------|------------------------------|---------|
| Chairman                | CH Chen:<br>Representative of TSMC  | 4                          | 0           | 100%                         |         |
| Director                | Y.J. Wan:<br>Representative of TSMC | 4                          | 0           | 100%                         |         |
| Independent<br>Director | Wen-Yeu Wang                        | 4                          | 0           | 100%                         |         |
| Independent<br>Director | Robert Hsieh                        | 4                          | 0           | 100%                         |         |
| Independent<br>Director | Stella Wen                          | 4                          | 0           | 100%                         |         |

#### Other mentionable items:

1. In the event that the Board of Directors encounters any of the following conditions during the course of its operations, a description of the date, term, and content of the proposed motion of the Board of Directors along with the opinion of the Independent directors and the Company's handling of the Independent directors' opinion shall be provided.

(1) Conditions stipulated in Article 14-3 of the *Securities and Exchange Act*.

| Board of Directors                  | Proposed Motions   | Independent<br>Directors'<br>opinion | Action taken<br>by the<br>Company |
|-------------------------------------|--|--------------------------------------|-----------------------------------|
| 4th Meeting (9th Term)<br>2020/2/11 | <ol style="list-style-type: none"> <li>1. Approve amendments to the company's Procedures for Lending Funds to Other Parties.</li> <li>2. Approve amendments to the company's Procedures for Endorsement &amp; Guarantee.</li> <li>3. Approve amendments to the company's Rules of Procedures for Board Meetings.</li> <li>4. Approve amendments to the company's Audit Committee Charter.</li> <li>5. Approve amendments to the company's Compensation Committee Charter.</li> <li>6. Approve to sign the Equipment Consign Agreement with TSMC.</li> <li>7. Approved the company's manager with the identity of director for 2019 of special incentive bonus.</li> <li>8. Approved remuneration and compensation for directors of 2019, directors' remuneration and compensation policy of 2020, approved the company's managers with the identity of director and managers performance evaluation of 2019 and salary adjustment of 2020, approved the company's managers with the identity of director and manager salary compensation of 2019 and salary policy of 2020.</li> </ol> | None                                 | None                              |
| 6th Meeting (9th Term)<br>2020/8/4  | <ol style="list-style-type: none"> <li>1. Approved amendments to "the Corporate Governance Best-Practice Principles".</li> <li>2. Approved amendments to "the Corporate Social Responsibility Best-Practice Principles".</li> <li>3. Approved the company's manager with the identity of director for 2020 of special incentive bonus.</li> </ol>  | None                                 | None                              |

|                                     |  |      |      |
|-------------------------------------|--|------|------|
| 7th Meeting (9th Term)<br>2020/11/6 | 1. Approve to sign the Factory Lease Agreement with VisEra.<br>2. Approve amendments to the company's Directors' Compensation, Remuneration, and the Payment Method of transportation Fee.<br>3. Approved the appointment of Deloitte & Touche accounting firm and audit fee. After the assessment, Mei Chen Tsai and Cheng Chih Lin accounted for the requirements of the independence and suitability. | None | None |
|-------------------------------------|--|------|------|

(2) Other board meeting decisions that are opposed or reserved by independent directors and have record or written statements: None.

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

- (1) Approve to sign the Equipment Consign Agreement with TSMC on February 11, 2020. Directors of CH Chen and Y.J. Wan, Representative of TSMC, avoided voting causes for avoidance of motions in conflict of interest.
- (2) Approved special incentive bonus for manager with the identity of director and manager on February 11, 2020. Directors of CH Chen avoided voting causes for avoidance of motions in conflict of interest.
- (3) Approved remuneration and compensation paid to directors of 2019 and director remuneration and compensation policy of 2020 on February 11, 2020. Directors avoided voting causes for avoidance of motions in conflict of interest.
- (4) Approved manager with the identity of director and manager performance evaluation of 2019 and salary adjustment of 2020 on February 11, 2020. CH Chen, Chairman and President avoided voting causes for avoidance of motions in conflict of interest.
- (5) Approved manager with the identity of director and manager compensation of 2019 and on February 11, 2020. CH Chen, Chairman and President avoided voting causes for avoidance of motions in conflict of interest.
- (6) Approved manager with the identity of director and manager salary remuneration of 2019 and salary policy of 2020 on February 11, 2020. CH Chen, Chairman and President avoided voting causes for avoidance of motions in conflict of interest.
- (7) Approved special incentive bonus for manager with the identity of director and manager on August 4, 2020. Directors of CH Chen avoided voting causes for avoidance of motions in conflict of interest.
- (8) Approve to sign the Factory Lease Agreement with VisEra on November 6, 2020. Directors of CH Chen and Y.J. Wan, Representative of TSMC, avoided voting causes for avoidance of motions in conflict of interest.
- (9) Approved the revision of the company's "Directors' Compensation, Remuneration, and the Payment Method of transportation Fee" on November 6, 2020. Independent Directors of Wen-Yeu Wang, Robert Hsieh and Stella Wen avoided voting causes for avoidance of motions in conflict of interest.

3. Board of Directors self (or peer) evaluation:

| Cycle       | Period                           | Scope              | Method   | Content   |
|-------------|----------------------------------|--------------------|--|---|
| Once a year | From Jan.1, 2020 to Dec.31, 2020 | Board of Directors | Board of Directors internal evaluation, director self-evaluation | (1)The Board of Directors overall performance assessment including: Participation in company operations, improvement of board decision-making quality, board composition and structure, selection and continuous education of directors, internal control.<br>(2)The performance evaluation of directors includes: mastery of the company's goals and tasks, cognition of directors 'duties, participation in company operations, internal relationship management and communication, directors' professional and continuous education, and internal control. |

4.Measures taken to strengthen the functionality of the board:

- (1) The Company set up Compensation Committee on November 11, 2011, which assisted the Board in executing and evaluating the Company's compensation and benefit policies, and the directors' and executives' compensation.
- (2) The Company set up Audit committee in 2013, made up by three independent directors to strengthen the functionality of the board.

2. Information on implementation of Audit Committee:

The Audit Committee assists the Board in fulfilling its oversight of the quality and integrity of the accounting, auditing, reporting, and financial control practices of the Company.

The Audit Committee is responsible to review the following major matters :

- Financial reports;
- Auditing and accounting policies and procedures;
- Internal control systems and including related policies and procedures;
- Material asset or derivatives transactions;
- Material lending funds, endorsements or guarantees;
- Offering or issuance of any equity-type securities;
- Derivatives and cash investments;
- Legal compliance;
- Related-party transactions and potential conflicts of interests involving executive offices and directors;
- Ombudsman reports;
- Fraud prevention and investigation reports;
- IT security;
- Corporate risk management;
- Performance, independence, qualification of independent auditors;
- Hiring or dismissal of an attesting CPA, or the compensation given thereto;
- Appointment or discharge of financial, accounting, or internal auditing officers;
- Assessment of Committee Charter and fulfillment of Audit Committee duties.

The Company had established an Audit Committee on Jun 13, 2013. The third term is from May 30, 2019 to May 29, 2022. Robert Hsieh, Chairman of the Audit Committee, convened four regular meetings(A) and one special meeting in 2020. The attendance status of independent directors is shown in the following:

| Title                | Name         | Attendance<br>In person(B) | By Proxy | Attendance<br>rate (%) (B/A) | Remarks |
|----------------------|--------------|----------------------------|----------|------------------------------|---------|
| Independent director | Wen-Yeu Wang | 4                          | 0        | 100%                         |         |
| Independent director | Robert Hsieh | 4                          | 0        | 100%                         |         |
| Independent director | Stella Wen   | 3                          | 1        | 75%                          |         |

Other mentionable items:

1. In the event that the Audit Committee encounters any of the following conditions during the course of its operations, a description of the date, term, and content of the proposed motion of the Board of Directors along with the result of the Audit Committee's resolution and the Company's handling of the Audit Committee's opinion shall be provided.

(1) Conditions stipulated in Article 14-5 of the *Securities and Exchange Act*.

| Board of Directors                  | Proposed Motions   | Audit Committee's opinion | Action taken by the Company |
|-------------------------------------|--|---------------------------|-----------------------------|
| 4th Meeting (3rd Term)<br>2020/2/11 | 1. Approve the 2019 Business Report and Financial Statements.<br>2. Approve the 2019 Surplus Earnings Distribution.<br>3. Approve amendments to Xintec's | None                      | None                        |

|                                     |  |      |      |
|-------------------------------------|--|------|------|
|                                     | <p>Procedures for Endorsement &amp; Guarantee.</p> <p>4. Approve amendments to Xintec's Procedures for Lending Funds to Other Parties.</p> <p>5. Approve amendments to Xintec's Audit Committee Charter.</p> <p>6. Approve the Independent Director Wen-Yeu Wang to sign the Equipment Consign Agreement with TSMC.</p> <p>7. Approve Statement of internal control of 2019.</p> |      |      |
| 6th Meeting (3rd Term)<br>2020/8/4  | <p>1. Approve the 2020 Second Quarter Financial Statements.</p> <p>2. Approval amendments to Xintec's Corporate Governance Best Practice Principles.</p> <p>3. Approve amendments to Xintec's Corporate Social Responsibility Best Practice Principles.</p>  | None | None |
| 7th Meeting (3rd Term)<br>2020/11/6 | <p>1. Approve Deloitte &amp; Touche CPA Firm's accounting services fee for fiscal year 2021. Upon evaluation, CPA Mei Chen Tsai and Cheng Chih Lin meet the independence and suitability auditor requirement.</p> <p>2. Approve the Independent Director Wen-Yeu Wang to sign the Factory Lease Agreement with VisEra.</p>   | None | None |

(2) Other resolutions not approved by the Audit Committee but passed by more than a two-thirds majority of all Board members: None.

2. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None

3. Communications between the independent directors, the Company's chief internal auditor and CPAs:

(1)The Company's chief internal auditor has communicated the result of the audit reports to the members of the Audit Committee periodically, and has presented the findings of all audit reports.

(2)The CPAs are required to communicate to the Audit Committee the findings for the financial reports, as well as those matters communication of which is required by law.

### 3. Attendance of Supervisors at Board Meetings:

The Board had been reelected on Jun 13, 2013, and set up Audit Committee make up by three independent directors, and abolished Supervisors.

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

| Evaluation Item   | Implementation Status |    |   | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|---|-----------------------|----|---|--|
|   | Yes                   | No | Abstract Illustration   |  |
| 1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?   | V                     |    | The Company has established the Corporate Governance Best-Practice Principles and disclosed on the Company’s website and Taiwan Stock Exchange Market Observation Post System.  | No difference  |
| 2. Shareholding structure & shareholders’ rights<br>(1) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?<br>(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares? | V<br><br>V            |    | (1)The Company has created the spokesman and deputy spokesman system to deal with shareholders’ suggestions, doubts and disputes.<br><br>(2)The Company acquired the statement of shareholding changes from directors and shareholders holding more than ten percent of the total shares of the company to process the list of major shareholders of the actual control of the company. | No difference  |

| Evaluation Item   | Implementation Status |    |   | Deviations from<br>“the Corporate<br>Governance<br>Best-Practice<br>Principles for<br>TWSE/TPEX Listed<br>Companies” and<br>Reasons |
|---|-----------------------|----|---|---|
|   | Yes                   | No | Abstract Illustration   |   |
| (3) Does the company establish and execute the risk management and firewall system within its conglomerate structure? | V                     |    | (3)The Company set up and implemented the internal control system and relevant rules. Internal auditors supervised the status of implement periodically.  |   |
| (4) Does the company establish internal rules against insiders trading with undisclosed information?                  | V                     |    | (4)The Company established the procedure for processing internal significant information against insiders trading with undisclosed information and advocacy regularly of no trading of the Company’s securities with undisclosed information. |   |

| Evaluation Item   | Implementation Status |    |   | Deviations from<br>“the Corporate<br>Governance<br>Best-Practice<br>Principles for<br>TWSE/TPEX Listed<br>Companies” and<br>Reasons |
|---|-----------------------|----|---|---|
|   | Yes                   | No | Abstract Illustration   |   |
| <p>3. Composition and Responsibilities of the Board of Directors</p> <p>(1) Does the Board develop and implement a diversified policy for the composition of its members?</p> | V                     |    | <p>(1) The selection of directors of the company should consider the overall configuration of the board of directors. Board members should generally possess the knowledge, skills, and literacy needed to perform their duties, such as operational judgment, accounting and financial analysis, business management, crisis management, industry knowledge, international market outlook, leadership, and decision-making capabilities.</p> <p>The qualifications and selection of independent directors of the company shall comply with the provisions of the "Measures for the Establishment of Independent Directors of Public Offering Companies and the Matters to Be Followed" and shall be handled in accordance with the provisions of Article 24 of the "Code of Practice for the Administration of Listed OTC Companies". The selection of directors of the company shall be conducted in accordance with the procedures for the nomination of candidates as stipulated in Article 192 of the Company Law.</p> <p>The composition of the board of directors should be considered for diversity. Except for the director who is also the manager of the company should not exceed one-third of the number of directors, and formulate an appropriate diversity policy for its own operation, operation type and development needs. The two major standards:</p> | No difference   |

| Evaluation Item | Implementation Status |                     |  | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |                      |                     |                     |                    |                      |       |         |      |   |   |   |  |  |          |      |   |   |   |  |  |              |      |   |   |  |  |   |              |      |   |   |  |   |  |            |        |   |   |   |  |  |  |
|-----------------|-----------------------|---------------------|--|--|----------------------|---------------------|---------------------|--------------------|----------------------|-------|---------|------|---|---|---|--|--|----------|------|---|---|---|--|--|--------------|------|---|---|--|--|---|--------------|------|---|---|--|---|--|------------|--------|---|---|---|--|--|--|
|                 | Yes                   | No                  | Abstract Illustration  |  |                      |                     |                     |                    |                      |       |         |      |   |   |   |  |  |          |      |   |   |   |  |  |              |      |   |   |  |  |   |              |      |   |   |  |   |  |            |        |   |   |   |  |  |  |
|                 |                       |                     | <p>a. Basic conditions and values: gender, age, nationality and culture.</p> <p>b. Professional knowledge and skills: professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industrial experience, etc.</p> <p>Diversification of Board of Directors:</p> <table border="1"> <thead> <tr> <th></th> <th>Gender</th> <th>business management</th> <th>Leadership decision</th> <th>industry knowledge</th> <th>Financial Accounting</th> <th>Legal</th> </tr> </thead> <tbody> <tr> <td>CH Chen</td> <td>Male</td> <td>✓</td> <td>✓</td> <td>✓</td> <td></td> <td></td> </tr> <tr> <td>Y.J. Wan</td> <td>Male</td> <td>✓</td> <td>✓</td> <td>✓</td> <td></td> <td></td> </tr> <tr> <td>Wen-Yeu Wang</td> <td>Male</td> <td>✓</td> <td>✓</td> <td></td> <td></td> <td>✓</td> </tr> <tr> <td>Robert Hsieh</td> <td>Male</td> <td>✓</td> <td>✓</td> <td></td> <td>✓</td> <td></td> </tr> <tr> <td>Stella Wen</td> <td>Female</td> <td>✓</td> <td>✓</td> <td>✓</td> <td></td> <td></td> </tr> </tbody> </table> <p>Board Diversity Management Goals and Current Achievement<br/> Board members have now reached diversification requirements; in the future, when directors are re-elected and nominated, they will continue to consider the company’s long-term development goals and the complementarity of directors’ professions, etc., to strengthen the board’s diversity goals.</p> |  | Gender               | business management | Leadership decision | industry knowledge | Financial Accounting | Legal | CH Chen | Male | ✓ | ✓ | ✓ |  |  | Y.J. Wan | Male | ✓ | ✓ | ✓ |  |  | Wen-Yeu Wang | Male | ✓ | ✓ |  |  | ✓ | Robert Hsieh | Male | ✓ | ✓ |  | ✓ |  | Stella Wen | Female | ✓ | ✓ | ✓ |  |  |  |
|                 | Gender                | business management | Leadership decision  | industry knowledge   | Financial Accounting | Legal               |                     |                    |                      |       |         |      |   |   |   |  |  |          |      |   |   |   |  |  |              |      |   |   |  |  |   |              |      |   |   |  |   |  |            |        |   |   |   |  |  |  |
| CH Chen         | Male                  | ✓                   | ✓  | ✓  |                      |                     |                     |                    |                      |       |         |      |   |   |   |  |  |          |      |   |   |   |  |  |              |      |   |   |  |  |   |              |      |   |   |  |   |  |            |        |   |   |   |  |  |  |
| Y.J. Wan        | Male                  | ✓                   | ✓  | ✓  |                      |                     |                     |                    |                      |       |         |      |   |   |   |  |  |          |      |   |   |   |  |  |              |      |   |   |  |  |   |              |      |   |   |  |   |  |            |        |   |   |   |  |  |  |
| Wen-Yeu Wang    | Male                  | ✓                   | ✓  |  |                      | ✓                   |                     |                    |                      |       |         |      |   |   |   |  |  |          |      |   |   |   |  |  |              |      |   |   |  |  |   |              |      |   |   |  |   |  |            |        |   |   |   |  |  |  |
| Robert Hsieh    | Male                  | ✓                   | ✓  |  | ✓                    |                     |                     |                    |                      |       |         |      |   |   |   |  |  |          |      |   |   |   |  |  |              |      |   |   |  |  |   |              |      |   |   |  |   |  |            |        |   |   |   |  |  |  |
| Stella Wen      | Female                | ✓                   | ✓  | ✓  |                      |                     |                     |                    |                      |       |         |      |   |   |   |  |  |          |      |   |   |   |  |  |              |      |   |   |  |  |   |              |      |   |   |  |   |  |            |        |   |   |   |  |  |  |

| Evaluation Item   | Implementation Status |    |   | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|---|-----------------------|----|---|--|
|   | Yes                   | No | Abstract Illustration   |  |
| <p>(2) Does the company voluntarily establish other functional committees in addition to the Compensation Committee and the Audit Committee?</p> <p>(3) Does the company establish a standard to measure the performance of the Board, and implement it annually and report the results of the performance evaluation to the board of directors and apply them to individual directors' remuneration and nomination renewal ?</p> |                       | V  | <p>(2)The Company doesn't establish other functional committees, but it can supervise operation of the company by Board of directors and audit committees.</p> <p>(3) The company has a board performance appraisal mechanism. The board of directors approved the directors performance evaluation method in February 2020. To enhance the Company's board functions, and to improve the operation efficiency of the board of directors. The performance evaluation of the board of directors include the following five aspects:<br/> A. Participation in the operation of the company;<br/> B. Improvement of the quality of the board of directors' decision making;<br/> C. Composition and structure of the board of directors;<br/> D. Election and continuing education of the directors;<br/> E. Internal control.<br/> The criteria for evaluating the performance of the board members include the following six aspects:<br/> A. Familiarity with the goals and missions of the company;<br/> B. Awareness of the duties of a director;</p> |  |

| Evaluation Item   | Implementation Status |    |  | Deviations from<br>“the Corporate<br>Governance<br>Best-Practice<br>Principles for<br>TWSE/TPEX Listed<br>Companies” and<br>Reasons |
|---|-----------------------|----|--|---|
|   | Yes                   | No | Abstract Illustration  |   |
|   |                       |    | <p>C. Participation in the operation of the company;<br/> D. Management of internal relationship and communication;<br/> E. The director's professionalism and continuing education;<br/> F. Internal control.</p> <p>The appraisal is conducted at the beginning of each year, and the appraisal results are reviewed in the first season of directors. Report to the board of directors and use it as a reference for individual directors' remuneration and renewal.</p> <p>The performance evaluation results of the board of directors in 2020 are “good”. Self evaluation result of directors is “good”.</p> |   |
| (4) Does the company regularly evaluate the independence of CPAs? | V                     |    | (4)The Company evaluates independence and suitability of CPAs periodically. The Company acquired statement of independence of CPAs and filled the evaluation form of independent and suitable to check it. There is no other financial interest and business relationship between the accountant and the Company except for the audit fees and non-audit fees of the Company. The accountant's family members do not violate the requirements of independence. So CPAs meet the requirements of independence and suitability and approved by the audit committees and Board of directors.                          |   |

| Evaluation Item  | Implementation Status |    |  | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|--|-----------------------|----|--|--|
|  | Yes                   | No | Abstract Illustration  |  |
| 4. Does the Company established with qualified and appropriate number of corporate governance personnel, and designated corporate governance supervisors, responsible for corporate governance related matters (including but not limited to furnish information required for business execution by directors, assist directors and supervisors to follow laws, handle matters relating to board meetings and shareholders’ meetings according to laws, handle corporate registration and amendment registration, produce (or record?) minutes of board meetings and shareholders meetings, etc. | V                     |    | <p>The Board adopted a resolution to appoint Mr. C.T Chou as the Corporate Governance Officer on Aug. 4 2020. The main duties of Corporate Governance Officer are to assist Directors in complying with laws and regulations and to ensure well communication between the Board and management team.</p> <p>The Corporate Governance Officer has served as a supervisor in charge of legal affairs at public companies for more than 3 years. Xintec’s Chairman appointed the Sr. Director of Finance Organization to be the Board secretary. The Board secretary is responsible for assisting in related affairs, including furnishing information required for business decisions by Directors and corporate governance affairs.</p> <p>The corporate governance affairs as mentioned are:</p> <ol style="list-style-type: none"> <li>1. Handling matters relating to board meetings and shareholders meetings according to laws.</li> <li>2. Producing minutes of board meetings and shareholders meetings.</li> <li>3. Assisting in onboarding and continuous development of directors and independent directors.</li> </ol> | No difference  |

| Evaluation Item | Implementation Status   |  |  | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |   |  |  |  |      |   |          |  |                                     |  |
|-----------------|---|--|--|--|---|--|--|--|------|---|----------|--|-------------------------------------|--|
|                 | Yes   | No   | Abstract Illustration  |  |   |  |  |  |      |   |          |  |                                     |  |
|                 |   |  | <p>4. Furnishing information required for business execution by directors and independent directors.</p> <p>5. Assisting directors and independent directors with legal compliance.</p> <p>6. Other matters set out in the articles or corporation or contracts.</p> <p>The implementation of corporate governance business in 2020 is as follows:</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Handle matters related to meetings of the board of directors and shareholders' meeting according to law</th> <th>Assist directors to take office and complete continuous training hours</th> <th>Assist directors to follow laws and perform duties</th> <th>Company registration and change registration</th> </tr> </thead> <tbody> <tr> <td>2020</td> <td>4 Board meetings and 1 annual Shareholders meetings</td> <td>30 hours</td> <td>           Check our internal procedures for compliance with regulatory requirements quarterly.<br/>           Amended:<br/>           1. Procedures for Lending Funds to Other Parties<br/>           2. Procedures for Endorsement &amp; Guarantee<br/>           3. Rules and Procedures of Board of Directors Meetings<br/>           4. Audit Committee Charter<br/>           5. Compensation Committee Charter<br/>           6. Corporate Governance Best Practice Principles<br/>           7. Corporate Social Responsibility Best Practice Principles<br/>           Set up:<br/>           1. The procedure of Risk Management Policy         </td> <td>1 amendment registration completed.</td> </tr> </tbody> </table> <p>Ranked in top 5% in Corporate Governance Evaluation in 2016~2019.</p> | Year   | Handle matters related to meetings of the board of directors and shareholders' meeting according to law | Assist directors to take office and complete continuous training hours | Assist directors to follow laws and perform duties | Company registration and change registration | 2020 | 4 Board meetings and 1 annual Shareholders meetings | 30 hours | Check our internal procedures for compliance with regulatory requirements quarterly.<br>Amended:<br>1. Procedures for Lending Funds to Other Parties<br>2. Procedures for Endorsement & Guarantee<br>3. Rules and Procedures of Board of Directors Meetings<br>4. Audit Committee Charter<br>5. Compensation Committee Charter<br>6. Corporate Governance Best Practice Principles<br>7. Corporate Social Responsibility Best Practice Principles<br>Set up:<br>1. The procedure of Risk Management Policy | 1 amendment registration completed. |  |
| Year            | Handle matters related to meetings of the board of directors and shareholders' meeting according to law | Assist directors to take office and complete continuous training hours | Assist directors to follow laws and perform duties   | Company registration and change registration   |   |  |  |  |      |   |          |  |                                     |  |
| 2020            | 4 Board meetings and 1 annual Shareholders meetings   | 30 hours   | Check our internal procedures for compliance with regulatory requirements quarterly.<br>Amended:<br>1. Procedures for Lending Funds to Other Parties<br>2. Procedures for Endorsement & Guarantee<br>3. Rules and Procedures of Board of Directors Meetings<br>4. Audit Committee Charter<br>5. Compensation Committee Charter<br>6. Corporate Governance Best Practice Principles<br>7. Corporate Social Responsibility Best Practice Principles<br>Set up:<br>1. The procedure of Risk Management Policy   | 1 amendment registration completed.  |   |  |  |  |      |   |          |  |                                     |  |

| Evaluation Item   | Implementation Status |    |  | Deviations from<br>“the Corporate<br>Governance<br>Best-Practice<br>Principles for<br>TWSE/TPEX Listed<br>Companies” and<br>Reasons |
|---|-----------------------|----|--|---|
|   | Yes                   | No | Abstract Illustration  |   |
| 5. Does the company establish a communication channel and build a designated section on its website for stakeholders, as well as handle all the issues they care for in terms of corporate social responsibilities?                             | V                     |    | The Company has served as the spokesman and deputy spokesman of external communication channels. On the company website set up reporting system of violation of ethical behavior, providing customers, vendors or other interested parties to report the Company’s misconduct.                               | No difference   |
| 6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?   | V                     |    | The Company has appointed Taishin International Commercial Bank Co., Ltd. Stock Transfer Agency Department to handle shareholders.   | No difference   |
| 7. Information Disclosure   |                       |    |  |   |
| (1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?  | V                     |    | (1)The company has set up the company website, and instructed relevant departments to maintain and disclose information about the company's financial and operation.   | No difference   |
| (2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences?) | V                     |    | (2)The Company has appointed designated people to file financial or operational information periodically and important information in MOPS. The Company has created the spokesman and deputy spokesman system. The presentation materials, video files of investor conference be put on the Company website. |   |
| (3) Does the company announces and  | V                     |    | (3) The company's annual financial report is announced and   |   |

| Evaluation Item   | Implementation Status |    |  | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|---|-----------------------|----|--|--|
|   | Yes                   | No | Abstract Illustration  |  |
| declares the annual financial report within two months after the end of the fiscal year, and announces and declares the first, second, and third quarter financial reports and the monthly operating conditions as early as the prescribed period?  |                       |    | declared within two months after the end of the fiscal year. The first, second, and third quarter financial reports and monthly operating conditions are announced early on the premise of the prescribed period.  |  |
| 8. Is there any other important information to facilitate a better understanding of the company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)? | V                     |    | (1)Regarding environmental protection, the Company is in compliance with regulations and requirements related to environmental protection, safety, green products, and other aspects of sustainable development. The Company constantly follows the latest trends of international environmental protection to reinforce a sense of eco-responsibility. To fulfill the duties of a member of the global community, the Company takes the initiatives to develop and implement various carbon footprint reduction programs, cutting electric energy consumption and reducing greenhouse-gas (GHG) emissions. These efforts help relieve the greenhouse effect.<br>(2)Regarding labor rights and interests, the Company constantly works on improving its work environment and occupational safety and health management system to provide equal employment opportunity and to prevent injury accidents and occupational diseases. | No difference  |

| Evaluation Item | Implementation Status |    |   | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|-----------------|-----------------------|----|---|--|
|                 | Yes                   | No | Abstract Illustration   |  |
|                 |                       |    | <p>(3) Regarding employee rights aspect, forming of the Employee Welfare committee, implementing employee retirement pension plan, having employee organization insurance and holding periodic medical examination as well as providing various kinds of channels of employee training classes etc. for continuous education.</p> <p>(4) In terms of supplier management, the company has established a supplier assessment system to ensure that suppliers meet the quality and environmental requirements of the corporate policies. Besides, a supplier appraisal system is also established to ensure the conduct of supplier assessment and the effective communication with suppliers, so as to create a good upstream-downstream relationship and achieve the sustainable development of the industrial chain.</p> <p>(5) In terms of information confidentiality, we respect and do our best to protect the security of technical documents and materials of customers. With both the customers and the suppliers, the company will sign a confidentiality agreement with legally binding terms on the specific rights and obligations of different parties. Inside the company, a committee for protection of confidential information is specifically established, and we require our staff to comply with relevant confidentiality regulations and to implement security management policies, so</p> |  |

| Evaluation Item | Implementation Status |    |  | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|-----------------|-----------------------|----|--|--|
|                 | Yes                   | No | Abstract Illustration  |  |
|                 |                       |    | <p>that we can ensure confidentiality of the corporate information and of our customers’ information.</p> <p>(6)The Company filed relevant information in accordance with the provisions of the Act to protect the rights of investors and other interested parties.</p> <p>(7) The company holds annual training courses for directors and has not mandated directors to study professional course but encourage them to participate according to individual needs.</p> <p>(8)The Company purchased liability insurance for the directors for the implementation of corporate governance.</p> |  |

9. Detail the improvement based on the corporate governance assessment result announced by the TWSE Corporate Governance Center in the latest half a year; propose the urgent matters and actions for the items not improved:

Xintec participated in the Corporate Governance Assessment (CGA) since year 2016, and carried off Top 5% prizes every year.

The following listed for 2 deficient items without score in year 2020.

| Assessment indicator  | Improvement action implementation  |
|---|--|
| If the company pay Directors and Supervisors' remuneration only, but no allocation of dividends?  | To plan to allocate dividends and Directors' remuneration in 2021.   |
| If the company build up the management system of intellectual property which align with corporate business objective, and expose the intellectual property implementation status on company website, and reported to BOD by year? | Legal division has planned to report intellectual property management system to BOD in fourth quarter of 2021. |

## 5. Composition, Responsibilities and Operations of the Compensation Committee:

(1) Composition: The Compensation Committee was established on Nov 11, 2011 and re-elected on May 30, 2019. It comprised of three independent directors by Wen-Yeu Wang (convener) 、 Robert Hsieh and Stella Wen.

| Title                | Criteria<br><br>Name | Has over five years work experience and following professional qualifications                               |   |  | Independence Attribute(Note1) |   |   |   |   |   |   |   |   |    | Number of Other Public Companies in Which the Individual is Concurrently Serving as an Compensation Committee Member | Remark<br>(註2) |
|----------------------|----------------------|---|---|--|-------------------------------|---|---|---|---|---|---|---|---|----|--|----------------|
|                      |                      | College Instructor or Higher Level in Business, Legal, Finance, Accounting or company business related area | Court Judge, Prosecutor, Attorney, CPA or other Certified Professional expert related to company business | Business, Legal, Finance, Accounting or company business required working Experience | 1                             | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |  |                |
| Independent director | Wen-Yeu Wang         | ✓   | ✓   | ✓  | ✓                             | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓  | 3  | Yes            |
| Independent director | Robert Hsieh         |   |   | ✓  | ✓                             | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 1  | Yes  |                |
| Independent director | Stella Wen           | ✓   |   |  | ✓                             | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0  | Yes  |                |

Note1: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of affiliated companies. Not applicable in cases where the person is an independent director of the parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company, or who holds shares ranking in the top five holdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act.
6. If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company.
7. If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution.
8. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution which has a financial or business relationship with the Company.

9. Not a professional individual, who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof.
10. Not a person of any conditions defined in Article 30 of the Company Law.

Note2: Does meet Item 5 of Article 6 of "Regulations Governing the Appointment and Exercise of Powers by The Compensation Committee of a Company Whose Stock is listed on the Stock Exchange or Traded over the Counter".

(2) Responsibilities:

- a. Set and regularly review the company's "Compensation Committee's Procedures" and proposed the suggestion to revise.
- b. Periodically assess and determine the overall remuneration policy.
- c. Periodically assess and determine the remuneration of the directors and managers.
- d. Set and regularly review the policies, regulations, standards and structures for evaluating the directors' and managers' performance and remuneration.

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

- a. Performance assessments and compensation levels of directors and managerial officers shall take into account the general pay levels in the industry, personal performance, and the Company's operational performance and future risk exposure.
- b. There shall be no incentive for the directors or managerial officers to pursue compensation by engaging in activities that exceed the tolerable risk level of the Company.
- c. For directors and senior managerial officers, the percentage of bonus to be distributed based on their short-term performance and the time for payment of any variable compensation shall be decided with regard to the characteristics of the industry and the nature of the Company's business.

(3) Operations of the Compensation Committee:

- a. Compensation Committee of the Company's has three members. The Compensation committee shall convene at least twice a year.
- b. Tenure period: May 30, 2019 to May 29, 2022. A total of 3 (A) Compensation Committee meetings were held in 2020. The attendance record of the Compensation Committee members was as follows:

| Title               | Name         | Attendance<br>In person(B) | By<br>Proxy | Attendance<br>rate (%) (B/A) | Remarks |
|---------------------|--------------|----------------------------|-------------|------------------------------|---------|
| Convener            | Wen-Yeu Wang | 3                          | 0           | 100%                         |         |
| Committee<br>Member | Robert Hsieh | 3                          | 0           | 100%                         |         |
| Committee<br>Member | Stella Wen   | 2                          | 1           | 67%                          |         |

Other mentionable items:

1. If the board of directors declines to adopt or modifies a recommendation of the compensation committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the compensation committee's opinion (eg., the compensation passed by the Board of Directors exceeds the recommendation of the compensation committee, the circumstances and cause for the difference shall be specified): None.
2. Resolutions of the compensation committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.

- (4) The discussion of the compensation and compensation committee and the outcome of the resolution, and the Company's handling of the members' opinions:

| Date of Meeting                   | No.   | Proposed Motions   |
|-----------------------------------|---|--|
| 4st Meeting (4th Term), 2020/2/11 | 1   | Revise company's "Regulation for organizing Remunertaion Committee".   |
|                                   | 2   | Review the manager Mrs MY Chu promotion plan at Feburary 11 <sup>th</sup> , 2020.  |
|                                   | 3   | Review the special bonus of 2019 for manager with the identity of director and mangers.  |
|                                   | 4   | Review employees' copmensation the total amout in 2019 and request the board for decision.   |
|                                   | 5   | Review remuneration and compensation for directors of 2019 and 2020.   |
|                                   | 6   | Review the 2019 performance assessment, salary adjustment case of managers and director manager in 2020, and submit the resolution to the board of directors   |
|                                   | 7   | Review the board with manager indentity and manager of employee's compensation in 2019.  |
|                                   | 8   | Review the remuneration in 2019 and remuneration policy case of managers and director manager in 2020, and submit the resolution to the board of directors   |
|                                   |   | Decision of the remuneration committee: Apart from the number 5 case that each member has their own interest so has been avoiding, all other cases pass with all members' consents.  |
|                                   |   | Remuneration Committee members opinion handling: Except for the 3rd, the 6th, 7th and the 8th cases, due to Chairman CH Chen own matters of interest, he avoided the discussion and voting. All members of the 5th case have avoided their own matters of interest. The entire proposal was passed unanimously by the directors present at the proposal of the Remuneration Committee. |
| 5st Meeting (4th Term), 2020/8/4  | 1   | Review and appoint CT Chou's the director of Legal, to concurrently serve as company's Head of Corporate Governance and his compensation plan. Be effective since August 4 <sup>th</sup> , 2020.   |
|                                   | 2   | Review the special bonus of 2020 for manager with the identity of director and mangers.  |
|                                   | Decision of the remuneration committee: unanimously approved by all members present in the meeting. |  |
|                                   |   | Remuneration Committee members opinion handling: Except for the 2nd case due to Chairman CH Chen own matters of interest, he avoided the discussion and voting. The entire proposal was passed unanimously by the directors present at the proposal of the Remuneration Committee.   |

|                                   |   |  |
|-----------------------------------|---|--|
| 6nd Meeting (4th Term), 2020/11/6 | 1   | Review the company's 2021 salary budget.   |
|                                   | 2   | Revise the "Directors' reward, compensation, and the payment method of carriage fees" and submit the resolution to the Board of Directors. |
|                                   | Decision of the remuneration committee: Apart from the number 2 case that each member has their own interest so has been avoiding, all other cases pass with all members' consents.   |  |
|                                   | Remuneration Committee members opinion handling: All members of the 2nd case have avoided their own matters of interest. The entire proposal was passed unanimously by the directors present at the proposal of the Remuneration Committee. |  |

6. Performance of Social Responsibilities

| Evaluation Item   | Implementation Status |    |   | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|---|-----------------------|----|---|---|
|   | Yes                   | No | Abstract Explanation  |   |
| 1. Whether the company, in accordance with the principle of materiality, establishing risk management policies and strategies related to the company’s operating environment, risk assessment of social and corporate governance? | V                     |    | 1. The Company has established corporate social responsibility policy and corporate social responsibility committee, as well as established risk management committee in 2020 that shall have one meeting every quarter. Please refer to the attached table on page 46 for relevant risk management strategies.   | No difference   |
| 2. Does the Company set up exclusively (or concurrently) dedicated units to promote corporate social responsibility, and authorize high level managers to handle and report to the Board of Directors?                            | V                     |    | 2. The Human Resource Department and the Environmental Safety Department, will together be responsible and create a good communication query channel, strengthening the copartnership between the employees, suppliers, contractors, clients, government institution and community organization communication, fulfilling to the best its corporate society responsibility. | No difference   |
| 3. Environmental issues   |                       |    |   |   |
| (1) Does the company establish proper environmental management systems based on the characteristics of their industries?  | V                     |    | (1) The Company has built sound environmental management procedures and systems and has obtained ISO 14001 Environmental Management System Certification as of January 2005.  | No difference   |
| (2) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?   | V                     |    | (2)The Company is devoted to improving the efficiency and recycling of resources and has formulated related resource management procedures and built an water management and recovery system.   |   |

| Evaluation Item  | Implementation Status |    |  | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|--|-----------------------|----|--|---|
|  | Yes                   | No | Abstract Explanation   |   |
| (3) Does the company assess the potential risks and opportunities of climate change for the company now and in the future, and take measures to respond to climate-related issues? | √                     |    | <p>(3) Strictly abide by laws and regulations, regularly implement environmental protection laws and regulations, check the latest regulations, implement environmental testing and pollution prevention measures in accordance with the law, while adopting the ISO 14001 environmental management system strategy, evaluate environmental considerations and formulate preventive measures. Audits and third-party reviews check whether they are consistent with the purpose of continuous improvement and enhance employees' awareness of environmental protection.</p> <p>Establish, implement, and maintain a greenhouse gas inventory management system by citing the international standard ISO / CNS 14064-1, in order to grasp the more accurate status of greenhouse gas emissions, effectively implement greenhouse gas reduction measures, and hope to implement environmental justice and fulfill the responsibility of global citizens To ensure sustainable development of the environment.</p> <p>In order to optimize the process and replace the energy-saving equipment year by year, the company has established various energy-saving specifications for the plant area and the office, forming a staff awareness of energy conservation and carbon reduction, and expects to reduce the total amount of greenhouse gas emissions.</p> |   |

| Evaluation Item   | Implementation Status |    |   | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|---|-----------------------|----|---|---|
|   | Yes                   | No | Abstract Explanation  |   |
| (4) Does the company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish company strategies for energy conservation and carbon reduction? | √                     |    | (4) In 2012, the company completed the GHG greenhouse gas emissions inventory, the carbon footprint of important products, and the verification of external certification agencies, Based on 2015 as the base year.<br>The company continuously conducts inventory and verification of greenhouse gas emissions every year, and through continuous improvement of resource recycling, it reduces greenhouse gas emissions, waste generation, wastewater emissions, and use of chemicals to improve the ecological efficiency of the process. We are based on the ISO 14001 environmental management system and have adopted the "P-D-C-A" management model to promote our continuous progress in pollution prevention. Quantitative management goals of 1% carbon reduction, 2% waste reduction, and 3% water consumption reduction are achieved every year until a reasonable and feasible water level. The planned improvement measures are (1) improvement of air compressor energy and air-conditioning and ice machine energy saving improvement (2) improvement of waste water recovery system (3) evaluation of high-concentration waste solvent recovery. |   |

| Evaluation Item  | Implementation Status |    |  | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|--|-----------------------|----|--|---|
|  | Yes                   | No | Abstract Explanation   |   |
| <p>4. Social issues</p> <p>(1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</p> | V                     |    | <p>(1) Xintec will establish a system, a wholesome organization, guarantee the employee’s lawful rights, specially in abiding the labor standard law and government related orders, Formulate human rights protection measures in accordance with the " Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies " and implement the "Responsible Business Alliance and its Code of Conduct“. Formulate recruitment and employment policies as a basis for management and compliance of all colleagues. Recruitment, interview, employment, assessment, promotion, etc. of employees are not differentiated based on gender (except the work is only suitable for specific genders). The company shall not employ child labor; recruit employees without discrimination, select according to actual business needs, and strive for equal opportunity by means of open audition. New colleagues must first pass the interview or review, and then be formally hired after being approved by the company's new hire requirements. The company prohibits forced, mortgage, indentured or involuntary labor, all work must be voluntary, and employees have the right to leave freely based on due notice. The company is committed to creating a work environment that eliminates harassment and abuse. They must not threaten or subject their staff to harsh or inhuman treatment.</p> | No difference   |

| Evaluation Item  | Implementation Status |    |  | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|--|-----------------------|----|--|---|
|  | Yes                   | No | Abstract Explanation   |   |
| (2) Does the company formulated and implemented reasonable employee welfare measures (including compensation, vacation and other benefits), and appropriately reflected the operating performance or results in employee compensation? | V                     |    | <p>(2) The company has formulated and implemented reasonable employee welfares and appropriately reflected operating performance or results in employee compensation. According to the company's articles of association, if the company makes a profit in the year, it should allocate no less than 1% as employee compensation, but if the company has accumulated losses, it should retain the compensation amount in advance, and then provide employee compensation according to the prescribed proportion.</p> <p>Remuneration of employee in company is based on personal working performance, contribution, position, and job grade. Those who are positively related to the business performance results are mainly including base salary, allowances, bonuses, employee remuneration and welfare. The based salary is set according to the position in other companies in same industry and company policy. Allowance is set according to working related matters. Bonuses and remuneration are set according to employee’s performance, goal achievement of department, and company managing performance. Welfare is set under the premise of agreeing with the law, and at the same time taking employee’s needs into consideration.</p> |   |

| Evaluation Item   | Implementation Status |    |  | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|---|-----------------------|----|--|---|
|   | Yes                   | No | Abstract Explanation   |   |
| (3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?  | V                     |    | (3) Xintec holds the employee health inspection activities yearly and provides the doctors and nurses in accordance with related law. We also implement health enhance activities and attend ESH monthly meeting to ensure personnel safety and reduce the impact of accidents.  |   |
| (4) Does the company provide its employees with career development and training sessions?   | V                     |    | (4) Xintec not only assesses and provides feedback on employees’ skills and interests, but also offers training and development activities that match their career development objectives and job needs.   |   |
| (5) With regard to customer health and safety, customer privacy, marketing and labeling of products and services, does the company followed relevant regulations and international standards, and formulated relevant consumer protection policies and appeal procedures? | V                     |    | (5) The company had established defect prevention mechanism and customer complaint response system, and detection checking mechanism from the entire supply chain upstream and downstream checked for customers and responded quickly. The company upholds the concept of integrity to treat customers, customers oriented, provides customers with the necessary technical, good quality and service. |   |
| (6) Does the company formulate supplier management policies that require suppliers to follow relevant regulations on environmental protection, occupational safety and health or labor human rights, and their implementation   | V                     |    | (6) The company has relevant regulations in the supplier’s corporate social responsibility code of conduct. Contracts with suppliers should disclose the suppliers should be transparent, open, pay attention to shareholders’ equity and strive to achieve social responsibility.   |   |

| Evaluation Item  | Implementation Status |    |  | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|--|-----------------------|----|--|---|
|  | Yes                   | No | Abstract Explanation   |   |
| 5. Whether the company has prepared the corporate social responsibility (CSR) report based on the internationally accepted reporting standards or guidelines and disclosed non-financial information? Whether the CSR report has obtained verification or assurance from a third-party inspection company?   | V                     |    | The company’s CSR report is prepared in according with the Global Reporting Initiative (GRI) standards core option, and has obtained a third-party British Standards Institution (BSI) assurance to pass Type 1 of AA 1000 Assurance Standard. | No difference   |
| 6. If the Company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the Principles and their implementation:<br>The Company has established the corporate social responsibility principles in 2016.   |                       |    |  |   |
| 7. Other important information to facilitate better understanding of the company’s corporate social responsibility practices : <ul style="list-style-type: none"> <li>· To go green, use of disposable chopsticks has been substituted with reusable chopsticks, along with other eco-friendly policies including waste sorting and reduction, emission reduction, greening, recycling, water and electricity conservation.</li> <li>· Implement “1+1” disabled hiring program which is sponsored by government, and obtain award.</li> <li>· Hire disabled employees from Jhungli Special Education Training Center continuously and donate furniture, and obtain appreciation.</li> <li>· Donate over NT\$2,000,000 to landscape in Jhungli Standard Factory and sponsor a gardener every month since 2007.</li> <li>· Landscape around the Company and dormitory. Participate in landscape activity in 2009 which is held by Industrial Development Bureau, and obtain first in North Area and fourth in Taiwan.</li> <li>· Donate prizes to 2010 International Disabled Day which is held by Hsinchu County.</li> <li>· Be selected as a Chairman of Jhungli Standard Factory Management Committee in 2011.</li> <li>· Create job opportunities and conduct cooperative education with 6 senior high schools.</li> <li>· Participation in public activities irregularly.</li> <li>· Donate about NT\$1,000,000 for Typhoon Morakot in 2009.</li> </ul> |                       |    |  |   |

| Evaluation Item | Implementation Status |    |   | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|-----------------|-----------------------|----|---|---|
|                 | Yes                   | No | Abstract Explanation  |   |
|                 |                       |    | <ul style="list-style-type: none"> <li>• Provide a safe working environment and strengthen employees’ awareness on environmental and safety.</li> <li>• Donate used clothing to Wan Hai Charity Foundation in 2012.</li> <li>• Donate about NT\$30,000 for Typhoon Haiyan in 2013.</li> <li>• Complies strictly with the Industrial Waste Disposal Plan and submits waste flow records online accordingly. Waste disposal and recycling practices are in compliance with applicable regulations.</li> <li>• The functions of the Volatile Organic Compound (VOC) emission treatment facilities at the Chungli factory are enhanced, resulting in a reduction efficiency of 90% and up in August, 2013 and achieving the goal of reducing carbon footprint and air pollutant emissions.</li> <li>• Donate about NT\$600,000 for Gas explosions in Kaohsiung in 2014.</li> <li>• Donate about NT\$1,000,000 for colored powder fire disaster in New Taipei in 2015.</li> <li>• Donate NT\$200,000 to KuanHsi Junior High School for popularizing baseball in 2016.</li> <li>• The Volunteer Association held a charity auction of NT\$71,623 to help disadvantaged groups in 2017.</li> <li>• We invited 18 charitable organizations such as the Eden Foundation to hold 3 charity sales and donated the total raised fund NT\$212,800 in 2018.</li> <li>• We invited Ruth society, Kind Garden, Autism Association, The Garden of Hope and Genesis Social Welfare foundation to participate in charity event and Arbor Day event. We have donated the total raised fund NT\$144,596 in 2019.</li> <li>• We collect goods that welfare organizations actual need in Taoyuan, initiate material collection and donation activities, and donate the goods to Lohas preschool, Mu Hsiang Sweet Home in 2019</li> <li>• Hiring of visually impaired masseurs for 7years.</li> <li>• Provide the Badge of Accredited Healthy Workplace for 9 years.</li> <li>• We’ve organized a blood donation activity for 5 years in a row, encouraging colleagues to donate blood to save people and participate in charity.</li> <li>• In 2020, we initiated the fundraising to help the actual material needs of social welfare organizations, regularly donated materials to the neighboring Lohas Nursery School and Muhsiang Nursery School, participated in charity sales volunteer activities, subscribed for materials from public welfare organizations, and donated all the funds raised.</li> </ul> |   |

## Risk management strategy

| Item               | Risk Item                           | Description  | Strategies  |
|--------------------|-------------------------------------|--|---|
| Company management | Social economy and legal compliance | Through establishing management group and internal control system, make sure all personnel operates with following the law.  | Company assigns CT Chou from Department of Legal Affairs to be the management manager. HR is responsible for drafting, supervising, and conducting the Procedures for Ethical Management and Guidelines for Conduct, and report to the board of directors annually. Company offers “Corporate Governance Best Practice Principles” , “Corporate Social Responsibility Practice Principle”, and “Ethical Management Principle” for employees to follow. Regulated clearly in “Code of Work”, all employees should understand and obey the code of work ethics and individual integrity. Be honest, strict, and dedicated. Company would regularly or irregularly hold training related to employee integrity, set channel for internal appeal and external complaint, and encrypt the person who appeals or complains and the information. |
| Financial Risk     | Foreign Exchange Volatility         | The Company’s revenues were mainly denominated in US dollars, and some of the manufacturing costs were denominated in currencies other than NT dollars. Therefore, any significant fluctuation to its disadvantage in such exchange rates would have an adverse effect on the Company’s profit and loss. | The company mainly offsets accounts payable (foreign currency liabilities) generated by purchases and accounts receivable (foreign currency assets) generated by revenue to exert the effect of natural hedging to reduce the risk of exchange rate changes. At the same time, pay close attention to exchange rate trends, regularly review the changes in the positions of assets and liabilities denominated in non-functional currencies, use forward foreign exchange contracts and other derivative financial instruments or buy and sell spot foreign exchange to manage exchange rate risk, to reduce the impact of exchange rate fluctuations on profit or loss.   |
|                    | Interest Rate Fluctuation           | The impact of changes in interest rates on the company's profit and loss can be divided into two parts, the non-operating income component, the interest income of cash equivalents increases with interest rates increase, and interest expenses will increase due to interest rates increase.          | In order to avoid higher interest rates in the future and increase the uncertainty of financing costs, the company continues to pay attention to interest rate trends. In the future, it will decide whether to sign interest rate exchange transactions with banks according to market conditions and mid-to-long-term liability positions, in order to partially avoid the risk of interest rate fluctuation, Reduce the adverse effects of interest rate hikes.  |
| Operation Risk     | Technology development              | The rapid development of technology in the semiconductor industry, rapid changes in customer demand, fierce competition among peers, and the increasing demand for advanced processes.   | In accordance with the market and the new product technology requirements of customers' sensors, we continue to develop new wafer-level process technologies and acquire related equipment for various biometric sensors, image sensors, ambient light sensor, and micro-electromechanical (MEMS) , Power field effect transistors and other products, providing technical services including wafer-level packaging and mid-end wafer-level manufacturing processes.  |
|                    | Supplier Management                 | There is a single supplier of raw material suppliers and production equipment, which may cause the risk of material loss or instability in operating production.   | Through the development of new suppliers and the audit of the production and quality systems of existing suppliers, the proportion of single suppliers is reduced, and at the same time, the risk of shortage of materials and unstable quality of existing suppliers is reduced.   |
|                    | Business risk                       | Customers are too concentrated.  | Actively develop diversified products and customer groups to diversify business concentration risks.  |

|                  |                      |   |  |
|------------------|----------------------|---|--|
|                  | legal risk           | Follow all applicable regulations and amendments to laws and regulations.   | Each department must monitor the applicable laws and regulations within its business scope. The legal department will also download the latest laws and regulations of the applicable laws and regulations from the relevant website from time to time, and forward them to the relevant units for risk identification, assessment, set up strategy and make proper actions.   |
| Environment Risk | Climate change       | The impact of climate change cannot be underestimated. With the increasing greenhouse gas emissions in the world, the greenhouse effect has significantly increased leading to global warming, which has caused significant increases in global average surface temperature, ocean acidification, ice melting, and sea level rise. Environmental changes, affecting the ocean and land, and extreme climates caused by global warming have become more frequent in recent years. The first to bear the brunt is environmental and ecological damage, which may even affect social and economic activities and human security. | <ol style="list-style-type: none"> <li>1. Strictly abide by the laws and regulations, regularly implement the environmental protection laws and regulations, check the latest laws and regulations, implement environmental detection and pollution prevention countermeasures according to the law, and adopt the ISO 14001 environmental management system strategy to evaluate and develop preventive measures against environmental considerations Audit and third-party review to see if it meets the goal of continuous improvement and enhance employees' awareness of environmental protection.</li> <li>2. Use the international standard ISO / CNS 14064-1 to establish, implement and maintain a greenhouse gas inventory management system to grasp the current status of more accurate greenhouse gas emissions, effectively implement greenhouse gas reduction measures, and to implement environmental justice and fulfill the responsibilities of global citizens To ensure sustainable development of the environment.</li> </ol> |
|                  | Water resources      | Extreme climate causes water scarcity.  | <ol style="list-style-type: none"> <li>1. Through the establishment and improvement of recycling equipment, increase the number of water recycling and reduce the amount of tap water.</li> <li>2. Improve process water consumption and reduce water usage during production.</li> </ol>  |
| Social Risk      | Employee recruitment | The growth and development of the company depends on the efforts and contributions of all colleagues. The immediate recruitment of appropriate and sufficient talents is an important part of operational development. In the fierce competition in the labor market, there is a risk that the demand for labor cannot be met immediately.  | In accordance with manpower planning and the business needs of each unit, regularly review the manpower supply and demand situation. If there is a talent demand, in addition to external recruitment, you can also conduct internal job rotation or education and training, followed by regular salary surveys to ensure the company operation is not affected by manpower shortage and is competitive to attract talent.   |
|                  | Labor safety         | The company attaches great importance to labor safety, and believes that good safety and health management is the proper action to take care of employees and their families, and it is also a direct feedback to the community and social commitment.  | <ol style="list-style-type: none"> <li>1. All the company's factories have obtained the dual system certification of occupational safety and health management system (OHSAS 18001: 2007) and "Taiwan occupational safety and health management system (TOSHMS)", and will be updated to ISO 45001 in 2019</li> <li>2. Through continuous improvement of the safety and health management system, based on the spirit of risk management, continuous improvement is made to eliminate foreseeable danger and loss control, and to achieve the goals of preventing accidents, promoting employee safety, health and protecting company assets.</li> </ol>   |

7. Ethical Corporate Management and Deviations from “the Ethical Corporate Management Principles for TWSE/TPEX Listed Companies” :

| Evaluation Item   | Implementation Status |    |   | Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|---|-----------------------|----|---|--|
|   | Yes                   | No | Abstract Illustration   |  |
| <p>1. Establishment of ethical corporate management policies and programs</p> <p>(1) Does the company declare its ethical corporate management policies approve by the board of directors and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?</p> <p>(2) Whether the company has established an assessment mechanism for the risk of dishonesty, regularly analyzes and evaluates business activities with a high risk of dishonesty in the business scope, and accordingly formulates a plan to prevent dishonesty, and at least covers the " Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies?</p> <p>(3) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies, and regularly review and revise the pre-disclosure plan?</p> | V                     |    | <p>(1) Xintec established 「 Integrity Operation Code 」 demanding that all employees must understand clearly and abide by the business code of ethics and individual integrity, and insisting on honesty, seriousness and having professional spirit in carrying out one’s job.</p> <p>(2) The company’s 「 Working Rule 」 regulates one cannot request, accept or give any kinds of donation and to be loyal to one’s job, or professionally judge gifts, entertainments or any forms of bribe.</p> <p>(3) Integrity is directly related to the company’s corporate culture and is the most important core value. It will be in the newcomer educational training and employee on-the-job training advocacy, and creation of a complete basis for rule violation punishment and complaint.</p> | No difference  |

|   |   |  |  |               |
|---|---|--|--|---------------|
| 2. Fulfill operations integrity policy  |   |  |  |               |
| (1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?  | V |  | (1)The company evaluated business partners' ethical records before sign the contracts and include ethics-related clauses in business contracts.  | No difference |
| (2) Does the company set up a full-time unit affiliated with the board of directors to promote enterprise integrity management, and regularly (at least once a year) report to the board of directors on its integrity management policies and plans to prevent dishonesty, and to monitor its implementation ? | V |  | (2) To achieve sound ethical corporate management, Human Resource Div. is responsible for establishing and supervising the implementation of the ethical corporate management policies. Reports would be submitted to the Board regularly.   |               |
| (3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?  | V |  | (3)The company has already establish in 「Working Rules」 clearly indicating that one must avoid any possible conflicts between individual interest and company's interest. The board committee's various suggested projects, when there is a conflict of interest, must in accordance to the principle of avoidance, not participate in the discussion, and be absent and not participate in the decision making. |               |
| (4) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?   | V |  | (4)The company operates in accordance with the accounting system and internal control. Internal auditors regularly audit the status of compliance and no employees or managers violate ethical corporate management policies to be found.  |               |
| (5) Does the company regularly hold internal and external educational trainings on operational integrity?   | V |  | (5)The company will periodically hold Integrity Operation educational training to realize the value of integrity. And make a publicity DM for the key publicity matters, which should be paid attention to when the publicity is carried out by colleagues.  |               |

|  |   |  |  |               |
|--|---|--|--|---------------|
| <p>3. Operation of the integrity channel</p> <p>(1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?</p> <p>(2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?</p> <p>(3) Does the company provide proper whistleblower protection?</p>   | V |  | <p>The company in its 「Working Rules」 have clearly indicate its punishment basis, and in the company's website has specify that if any people discover the company's employees or any people that may affect the company's interest who performs any suspicious or possible violation of the company's code of ethics behavior , please inform the company; this reporting action, will be submitted to the chairman of the board or other designated the executive who will directly carry out management, the person who report will be kept confidential, so that he will not encounter inappropriate handling.</p> | No difference |
| <p>4. Strengthening information disclosure</p> <p>(1) Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?</p>   | V |  | <p>(1) The business philosophy of integrity, innovation, customer orientation has been disclosed on the company's website. The results of implementation of ethical corporate management disclose on the annual report.</p>  | No difference |
| <p>5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation.</p> <p>The company has established the ethical corporate management policies and no differences between the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies.</p> |   |  |  |               |
| <p>6. Other important information to facilitate a better understanding of the company's ethical corporate management policies (e.g., review and amend its policies): None.</p>   |   |  |  |               |

8. Other Company-established corporate governance rules and regulations: Please refer to the Taiwan Stock Exchange Market Observation Post System or visit our website.

9. Other Important Corporate Governance Information: None.

## 10. Status of Implementation of Internal Control System

### (1) Statement of internal control system:

#### **Xintec Inc.**

#### Statement of Internal Controls

Date: 2/23/2021

According to the examination on internal control system done by the Company itself in 2020, we hereby states as follows:

- (1) The Company's board of directors and management team understand their responsibilities of developing, implementing and maintaining the Company's internal control system, and such a system has been established. The purpose of establishing the internal control system is to reasonably assure the following objectives: (a) The effectiveness and efficiency of business operation (including earnings, operation performance and the safeguard of company assets); (b) The reliability, timeliness and transparency of the financial and related reports; and (c) The compliance of the relevant laws/regulations and company policies;
- (2) Due to the innate limitation in designing a faultless internal control system, this system can only assure the reasonableness of the above three objectives have been fairly achieved. In addition, the effectiveness of internal control system could alter over time due to the change of business environment or situation. Since the Company's internal control system has included self-examination capability, the Company will make immediate corrections when errors are detected.
- (3) The evaluation of effectiveness of the internal control system design and implementation is made in accordance with the "Guidelines for the Establishment of Internal Control Systems by Public Companies" (the Guidelines). The Guidelines are made to examine the following five factors during the management and control process: (a) control environment, (b) risk assessment, (c) control activities, (d) information and communication, and (e) supervision. Each factor also includes several items. Details of each factor can be found in the Guidelines.
- (4) The Company has examined the effectiveness of each respected area in the internal control system based on the Guidelines.
- (5) The examination result indicated that the Company's internal control system (including subsidiary governance) dated December 31, 2020 has effectively assured that the following objectives have been reasonably achieved during the assessing period: (a) The degree that effectiveness and efficiency of business operation; (b) The reliability, timeliness and transparency of the financial and related reports; (c) The compliance of the relevant laws/regulations and company policies
- (6) This Statement is a significant part of the Company's annual report and prospectus available to the general public. If it contains false information or omits any material content, the Company is in violation of Article 20, Article 32, Article 171 and Article 174 set forth in the Taiwan's Security and Exchange Act. 53.
- (7) The Company hereby declares that this statement had been approved by the Board of Directors on 2/23/2021. Among the 5 attending Directors, no one raised any objection to the contents of this statement.

Xintec Inc.

Chairman and President: CH Chen

- (2) The Company hire an accountant to audit the Company's internal control system and disclose the audit report made by accountants: None.
11. Lawful punishment inflicted on the Company, and/or disciplinary action taken by the Company against its employees for violating internal regulations in the latest year and up to the printing date of this Annual Report); important errors committed; and correction and improvement procedures: None.
12. Major Resolutions of Shareholders' Meeting and Board Meetings:  
During the 2020 year and up to the date of this Annual Report, the Company held one annual stockholders' meeting and approved the resolutions and Implementation status as following:
- (1) Approved the proposal of 2019 Surplus Earnings Distribution.  
The company's net income for the year of 2019 was NT\$181,978 thousand. After deducting the re-measurement of the determined benefit plan of NT\$772,000, the distributable surplus in the year was NT\$181,206 thousand. After appropriating the legal reserve of NT\$18,121 thousand, the undistributed surplus at the end of the period will be NT\$163,086 thousand. The amount of undistributed surplus is still low, the mid-term operating plan and financial situation, all undistributed surplus will be retained at the end of the period, so no dividends will be distributed to shareholders.
  - (2) Approved the revision of Articles of Incorporation: None.
  - (3) Approved the 2019 Business Report and Financial Statements.
  - (4) Re-elect directors: None.
  - (5) Approved the revision of "Procedures for Lending Funds to Other Parties" and "Procedures for Endorsement & Guarantee".

During the 2020 year and as of the date of this Annual Report, the Company held five Board Meetings and approved the following resolutions:

Approved the 2019 Business Report and Financial Statements; approved of 2019 employees cash compensation and directors compensation and remuneration; approved of 2019 earnings distribution plan; approved to revise "Procedures for Lending Funds to Other Parties " ; approved to revise "Procedures for Endorsement & Guarantee" ; approved reconvene a Shareholders' meeting of 2020; approved capital expenditure budget; approved of the signing of the Equipment Consign Agreement between the company and TSMC; approved the annual plan of 2020; approved to amend the "Rules of Procedure for Board Meetings"; approved to amend the "Organizational Rules of Audit Committee"; approved to amend the " Organizational Regulations of the Remuneration Committee"; approved the appointment of MY Chu as Vice President; approved special incentive bonus to manager with the identity of director of 2019 ; approved remuneration and compensation for directors of 2019; approved remuneration and compensation policy for directors of 2020; approved performance evaluation of 2019 and salary adjustment of 2020 for manager with the identity of director and mangers; approved compensation of 2019 to manager with the identity of director and mangers and salary policy of 2020; approved Statement of Internal Controls of 2019; approved for the free recovery and cancellation of the employee 's restricted stock; approved acquire bank credit lines; approved amendments to "the Corporate Governance Best-Practice Principles"; approved amendments to "the Corporate Social

Responsibility Best-Practice Principles”.; approved the appointment of Mr. CT Chou as the head of department governance; approved special incentive bonus to manager with the identity of director of 2020 ; approve to sign the Factory Lease Agreement with VisEra; approved amendments to the "Directors' compensation, remuneration and the payment method for transportation expenses; approved of the Accountants' Fees of 2021; approval of the formulation of "risk management policies and procedures; approved of 2021 annual audit plan; approved the 2020 Business Report and Financial Statements; approved of 2020 employees cash compensation and directors compensation and remuneration; approved of 2020 earnings distribution plan; approved reconvene a Shareholders' meeting of 2021; approved annual plan for 2021; approved special incentive bonus to manager with the identity of director of 2020 ; approved remuneration and compensation for directors of 2020; approved remuneration and compensation policy for directors of 2021; approved performance evaluation of 2020 and salary adjustment of 2021 for manager with the identity of director and mangers; approved employee compensation of 2020 for manager with the identity of director and manager; approved compensation of 2020 to manager with the identity of director and mangers and salary policy of 2021; approved Statement of Internal Controls of 2020.

13. Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors: None
14. Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit , Head of Corporate Governance and R&D: None

D. Information on Accountants' Fees

1. The non-audit fee paid to certified CPA, certified Office of CPA and affiliated company accounts for over 1/4 to audit fee:

| Accounting firm   | Name of CPA   |                | Audit period        | Remarks |
|-------------------|---------------|----------------|---------------------|---------|
| Deloitte & Touche | Mei Chen Tsai | Cheng Chih Lin | 2020.1.1~2020.12.31 |         |

Unit: NT\$thousand

| Range |                                | Item | Audit fee | Non-audit fee | Total |
|-------|--------------------------------|------|-----------|---------------|-------|
| 1     | Under 2 million                |      |           | ✓             |       |
| 2     | 2 million(included)~4 million  |      | ✓         |               | ✓     |
| 3     | 4 million(included)~6 million  |      |           |               |       |
| 4     | 6 million(included)~8 million  |      |           |               |       |
| 5     | 8 million(included)~10 million |      |           |               |       |
| 6     | Over 10 million (included)     |      |           |               |       |

Note: Non-audit fee for 2020 was NT\$20,000 for Issue a full-time employee of non-supervisors salary information checklist.

2. Alter the CPA Firm and the audit fee in altering year is less than that in the previous year: None.
3. The audit fee is reduced by over 10% compared with the previous year: None.

## E. Information on Replacement of Accountants

### 1. About the former CPA:

|   |                            |                 |                                    |
|---|----------------------------|-----------------|------------------------------------|
| Replacement Date  | Not application            |                 |                                    |
| Replacement reasons and explanations  | Not application            |                 |                                    |
| Descriptions whether the Company terminated or the CPA did not accept the appointment                                 | Parties                    | CPA             | The Company                        |
|   | Status                     | Not application |                                    |
|   | Termination of appointment |                 |                                    |
| No longer accept (continued) appointed  |                            |                 |                                    |
| Other than unqualified issues in the audit reports within last two years  | Not application            |                 |                                    |
| Differences with the Company  | Yes                        |                 | Accounting principles or practices |
|   |                            |                 | Disclosure of Financial Statements |
|   |                            |                 | Audit scope or steps               |
|   |                            |                 | Others                             |
|   | None                       |                 | ✓                                  |
| Descriptions  |                            | None            |                                    |
| Other Revealed Matters (Required to be disclosed by Accounting Standards Article 10 section 5 first paragraph item 4) | None                       |                 |                                    |

### 2. About the Successor CPA:

|  |                 |
|--|-----------------|
| Firm Name  | Not application |
| CPA Name   | Not application |
| Date of appointment  | Not application |
| Consulting results regarding accounting methods or accounting principles to specific transactions or opinions on the financial statements before appointment | Not applicable  |
| Successor CPA written disagreements to former CPA  | Not applicable  |

3. Reply of the Previous Accountant : Not applicable.

F. Company Chairman, General Manager, Financial of Accounting Head has worked for Certifying Accounting Firm or Its Affiliate Business in the Past Year : None.

G. Information on Net Change in Shareholding and Net Change in Shares Pledged by Directors, Supervisors, Management and Shareholders of 10% Shareholdings or More

1. Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

Unit: Shares

| Title  | Name   | 2020                        |                                     | As of March 29, 2021        |                                     |
|--|--|-----------------------------|-------------------------------------|-----------------------------|-------------------------------------|
|  |  | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) |
| Director   | Taiwan Semiconductor Manufacturing Company, Ltd. | 0                           | 0                                   | 0                           | 0                                   |
|  | Representative: CH Chen                          | 0                           | 0                                   | 0                           | 0                                   |
|  | Representative: Y.J. Wan                         | 0                           | 0                                   | 0                           | 0                                   |
| Independent director                                       | Wen-Yeu Wang                                     | 0                           | 0                                   | 0                           | 0                                   |
| Independent director                                       | Robert Hsieh                                     | 0                           | 0                                   | 0                           | 0                                   |
| Independent director                                       | Stella Wen                                       | 0                           | 0                                   | 0                           | 0                                   |
| President  | CH Chen  | 0                           | 0                                   | 0                           | 0                                   |
| Vice President   | CA Lin   | 24,030                      | 0                                   | 0                           | 0                                   |
| Vice President   | MY Chu   | 0                           | 0                                   | 0                           | 0                                   |
| Sr. Director   | TY Liu   | 2,025                       | 0                                   | 0                           | 0                                   |
| Sr. Director   | CM Fan   | 16,287                      | 0                                   | 0                           | 0                                   |
| Finance Sr. Director                                       | Simon Lin  | 13,617                      | 0                                   | (3,000)                     | 0                                   |
| Head of Department of Legal Affairs and Company Supervisor | CT Chou(Note1)                                   | 0                           | 0                                   | 0                           | 0                                   |
| Major shareholders   | Taiwan Semiconductor Manufacturing Company, Ltd. | 0                           | 0                                   | 0                           | 0                                   |

Note1: Appointed as head of corporate governance by the board of directors on 2020/8/4.

2. Shares Trading with Related Parties: None

3. Shares Pledge with Related Parties: None

## H. Top 10 shareholders relation

As of March 29, 2021; Unit: Thousand shares

| Name  | Current Shareholding |       | Spouse's/<br>minor's<br>Shareholding |   | Shareholding<br>by Nominee<br>Arrangement |   | Name and Relationship Between the<br>Company's Top Ten Shareholders, or<br>Spouses or Relatives Within Two Degrees |              | Remarks |
|---|----------------------|-------|--------------------------------------|---|---|---|--|--------------|---------|
|   | Shares               | %     | Shares                               | % | Shares                                    | % | Name   | Relationship |         |
| Taiwan Semiconductor Manufacturing Company (Representative: Mark Liu)                             | 111,282              | 41.01 | 0                                    | 0 | 0   | 0 | None   | None         |         |
| He, Tsung-Han   | 2,730                | 1.01  | 0                                    | 0 | 0   | 0 | None   | None         |         |
| Tripartite Therapeutics Inc. (Representative: Lin, Shun-Siao)                                     | 2,388                | 0.88  | 0                                    | 0 | 0   | 0 | None   | None         |         |
| Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds | 2,182                | 0.80  | 0                                    | 0 | 0   | 0 | None   | None         |         |
| Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds                    | 2,061                | 0.76  | 0                                    | 0 | 0   | 0 | None   | None         |         |
| TransGlobe Life Insurance Inc. (Representative: Peng, Teng-De)                                    | 1,191                | 0.44  | 0                                    | 0 | 0   | 0 | None   | None         |         |
| Huang, Yu-Wen   | 826                  | 0.30  | 0                                    | 0 | 0   | 0 | None   | None         |         |
| Hundred River International Investment Copr. (Representative: Chen, Guan-Bai)                     | 768                  | 0.28  | 0                                    | 0 | 0   | 0 | None   | None         |         |
| HongQi LPG Ltd. (Representative: Lai, Wun-Long)   | 670                  | 0.25  | 0                                    | 0 | 0   | 0 | None   | None         |         |
| Jhuang, Ming-Lang   | 666                  | 0.25  | 0                                    | 0 | 0   | 0 | None   | None         |         |

I. Long-Term Investment Ownership: Not applicable.

## IV. Information on Implementation of The Company Funds Utilization Plans

### A. Source of Capital

Unit: NT\$ Thousand; Thousand shares, As of March 29, 2021

| Month/<br>Year | Par<br>Value<br>(NT\$) | Authorized Capital |           | Paid-in Capital |           | Remarks  |  |   |
|----------------|------------------------|--------------------|-----------|-----------------|-----------|--|--|---|
|                |                        | Shares             | Amount    | Shares          | Amount    | Source of Capital  | Capital<br>increased by<br>assets other<br>than cash | Other   |
| 9/1998         | 10                     | 64,000             | 640,000   | 28,000          | 280,000   | Fondation 216,000  | technology<br>64,000                                 | 9/11/1998 Jing Shang Tzu<br>No.087127301            |
| 7/1999         | 10                     | 64,000             | 640,000   | 43,250          | 432,500   | Cash injection 152,500   | None   | 7/26/1999 Jing Shang Tzu<br>No.088127212            |
| 9/2000         | 10                     | 64,000             | 640,000   | 55,000          | 550,000   | Cash injection 117,500   | None   | 9/20/2000 Jing Shang Tzu<br>No.089134667            |
| 8/2002         | 12                     | 64,000             | 640,000   | 64,000          | 640,000   | Cash injection 90,000  | None   | 8/19/2002 Jing Shou Shang<br>Tzu No.09101336780     |
| 3/2003         | 12                     | 88,000             | 880,000   | 73,000          | 730,000   | Cash injection 90,000  | None   | 3/19/2003 Jing Shou Shang<br>Tzu No.09201078970     |
| 4/2003         | 11                     | 88,000             | 880,000   | 83,000          | 830,000   | Cash injection 100,000   | None   | 4/30/2003 Jing Shou Shang<br>Tzu No.09201130010     |
| 9/2003         | 15                     | 120,000            | 1,200,000 | 103,000         | 1,030,000 | Cash injection 200,000   | None   | 9/1/2003 Jing Shou Shang<br>Tzu No.09201260090      |
| 12/2003        | 20                     | 120,000            | 1,200,000 | 115,000         | 1,150,000 | Cash injection 120,000   | None   | 12/4/2003 Jing Shou Shang<br>Tzu No.09201327560     |
| 4/2006         | 10                     | 120,000            | 1,200,000 | 120,000         | 1,200,000 | Cash injection 50,000  | None   | 4/10/2006 Jing Shou Shang<br>Tzu No.09501063960     |
| 7/2006         | -                      | 180,000            | 1,800,000 | 120,000         | 1,200,000 | Authorized Capital<br>change   | None   | 7/4/2006 Jing Shou Shang<br>Tzu No.09501131570      |
| 2/2007         | 15                     | 260,000            | 2,600,000 | 210,526         | 2,105,260 | Private placement<br>905,260   | None   | 2/16/2007 Jing Shou Shang<br>Tzu No.09601036790     |
| 8/2007         | -                      | 260,000            | 2,600,000 | 215,739         | 2,157,391 | Capital increase 27,368<br>by earnings<br>Capital increase 24,763<br>by Profit sharing in<br>stock | None   | 8/6/2007 Jing Shou Shang<br>Tzu No.09601184170      |
| 7/2008         | -                      | 260,000            | 2,600,000 | 221,279         | 2,212,794 | Capital increase 21,574<br>by earnings<br>Capital increase 33,829<br>by Profit sharing in<br>stock | None   | 7/24/2008 Jing Shou Shang<br>Tzu No.09701180530     |
| 11/2008        | -                      | 260,000            | 2,600,000 | 221,909         | 2,219,091 | Exercise of Employee<br>Stock Options 6,297  | None   | 11/27/2008 Jing Shou<br>Shang Tzu<br>No.09701302390 |
| 3/2009         | -                      | 260,000            | 2,600,000 | 222,225         | 2,222,251 | Exercise of Employee<br>Stock Options 3,160  | None   | 3/30/2009 Jing Shou Shang<br>Tzu No.09801056560     |
| 6/2009         | -                      | 260,000            | 2,600,000 | 222,660         | 2,226,601 | Exercise of Employee<br>Stock Options 4,350  | None   | 6/26/2009 Jing Shou Shang<br>Tzu No.09801127190     |
| 7/2009         | -                      | 260,000            | 2,600,000 | 224,629         | 2,246,289 | Capital increase<br>11,111 by earnings<br>Capital increase<br>8,577 by Profit<br>sharing in stock  | None   | 7/22/2009 Jing Shou Shang<br>Tzu No.09801153270     |
| 9/2009         | -                      | 260,000            | 2,600,000 | 225,533         | 2,255,327 | Exercise of Employee<br>Stock Options 9,038  | None   | 9/9/2009 Jing Shou Shang<br>Tzu No.09801206430      |
| 12/2009        | -                      | 260,000            | 2,600,000 | 225,766         | 2,257,657 | Exercise of Employee<br>Stock Options 2,330  | None   | 12/18/2009 Jing Shou<br>Shang Tzu<br>No.09801290970 |

| Month/<br>Year | Par<br>Value<br>(NT\$) | Authorized Capital |           | Paid-in Capital |           | Remarks   |  |   |
|----------------|------------------------|--------------------|-----------|-----------------|-----------|---|--|---|
|                |                        | Shares             | Amount    | Shares          | Amount    | Source of Capital   | Capital<br>increased by<br>assets other<br>than cash | Other   |
| 4/2010         | -                      | 260,000            | 2,600,000 | 226,529         | 2,265,287 | Exercise of Employee Stock Options 7,630  | None   | 4/8/2010 Jing Shou Shang Tzu No.09901068120   |
| 7/2010         | -                      | 260,000            | 2,600,000 | 227,275         | 2,272,746 | Exercise of Employee Stock Options 7,459  | None   | 7/16/2010 Jing Shou Shang Tzu No.09901144980  |
| 9/2010         | -                      | 260,000            | 2,600,000 | 227,367         | 2,273,666 | Exercise of Employee Stock Options 920  | None   | 9/2/2010 Jing Shou Shang Tzu No.09901200650   |
| 12/2010        | -                      | 260,000            | 2,600,000 | 227,968         | 2,279,684 | Exercise of Employee Stock Options 6,018  | None   | 12/6/2010 Jing Shou Shang Tzu No.09901271820  |
| 4/2011         | -                      | 260,000            | 2,600,000 | 228,561         | 2,285,607 | Exercise of Employee Stock Options 5,923  | None   | 4/11/2011 Jing Shou Shang Tzu No.10001069460  |
| 7/2011         | -                      | 260,000            | 2,600,000 | 229,026         | 2,290,265 | Exercise of Employee Stock Options 4,658  | None   | 7/1/2011 Jing Shou Shang Tzu No.10001142280   |
| 8/2011         | -                      | 260,000            | 2,600,000 | 233,256         | 2,332,557 | Capital increase 22,883 by earnings<br>Capital increase 19,410 by Profit sharing in stock | None   | 8/10/2011 Jing Shou Shang Tzu No.10001184920  |
| 9/2011         | -                      | 260,000            | 2,600,000 | 233,396         | 2,333,962 | Exercise of Employee Stock Options 1,405  | None   | 9/6/2011 Jing Shou Shang Tzu No.10001207740   |
| 12/2011        | -                      | 260,000            | 2,600,000 | 233,579         | 2,335,794 | Exercise of Employee Stock Options 1,831  | None   | 12/2/2011 Jing Shou Shang Tzu No.10001274670  |
| 4/2012         | -                      | 260,000            | 2,600,000 | 233,581         | 2,335,811 | Exercise of Employee Stock Options 17   | None   | 4/2/2012 Jing Shou Shang Tzu No.10101055600   |
| 6/2012         | -                      | 260,000            | 2,600,000 | 233,785         | 2,337,846 | Exercise of Employee Stock Options 2,035  | None   | 6/27/2012 Jing Shou Shang Tzu No.10101120250  |
| 7/2012         | -                      | 260,000            | 2,600,000 | 236,121         | 2,361,209 | Capital increase 23,363 by earnings   | None   | 7/30/2012 Jing Shou Shang Tzu No.10101155880  |
| 9/2012         | -                      | 260,000            | 2,600,000 | 236,153         | 2,361,526 | Exercise of Employee Stock Options 317  | None   | 9/13/2012 Jing Shou Shang Tzu No.10101188740  |
| 12/2012        | -                      | 260,000            | 2,600,000 | 236,205         | 2,362,046 | Exercise of Employee Stock Options 520  | None   | 12/12/2012 Jing Shou Shang Tzu No.10101253820 |
| 4/2013         | -                      | 260,000            | 2,600,000 | 236,208         | 2,362,079 | Exercise of Employee Stock Options 33   | None   | 04/01/2013 Jing Shou Shang Tzu No.10201058510 |
| 8/2013         | -                      | 260,000            | 2,600,000 | 236,267         | 2,362,667 | Exercise of Employee Stock Options 588  | None   | 08/06/2013 Jing Shou Shang Tzu No.10201152570 |
| 8/2013         | -                      | 260,000            | 2,600,000 | 236,290         | 2,362,896 | Exercise of Employee Stock Options 229  | None   | 08/30/2013 Jing Shou Shang Tzu No.10201179150 |
| 12/2013        | -                      | 260,000            | 2,600,000 | 236,371         | 2,363,714 | Exercise of Employee Stock Options 818  | None   | 12/11/2013 Jing Shou Shang Tzu No.10201249330 |
| 3/2014         | -                      | 260,000            | 2,600,000 | 236,402         | 2,364,019 | Exercise of Employee Stock Options 305  | None   | 03/28/2014 Jing Shou Shang Tzu No.10301053810 |
| 7/2014         | -                      | 260,000            | 2,600,000 | 236,474         | 2,364,739 | Exercise of Employee Stock Options 720  | None   | 7/8/2014 Jing Shou Shang Tzu No.10301136750   |
| 9/2014         | -                      | 260,000            | 2,600,000 | 236,481         | 2,364,814 | Exercise of Employee Stock Options 75   | None   | 9/4/2014 Jing Shou Shang Tzu No.10301184300   |
| 12/2014        | -                      | 260,000            | 2,600,000 | 238,051         | 2,380,508 | Exercise of Employee Stock Options 15,694   | None   | 12/5/2014 Jing Shou Shang Tzu No.10301253830  |
| 3/2015         | -                      | 260,000            | 2,600,000 | 238,121         | 2,381,207 | Exercise of Employee Stock Options 699  | None   | 3/6/2015 Jing Shou Shang Tzu No.10401033070   |

| Month/<br>Year | Par<br>Value<br>(NT\$) | Authorized Capital |           | Paid-in Capital |           | Remarks  |  |  |
|----------------|------------------------|--------------------|-----------|-----------------|-----------|--|--|--|
|                |                        | Shares             | Amount    | Shares          | Amount    | Source of Capital  | Capital<br>increased by<br>assets other<br>than cash | Other  |
| 4/2015         | 42                     | 300,000            | 3,000,000 | 268,121         | 2,681,207 | Cash injection 300,000   | None   | 4/15/2015 Jing Shou Shang<br>Tzu No.10401064200      |
| 6/2015         | -                      | 300,000            | 3,000,000 | 268,427         | 2,684,265 | Exercise of Employee<br>Stock Options 3,059  | None   | 6/8/2015 Jing Shou Shang<br>Tzu No.10401105400       |
| 12/2015        | -                      | 300,000            | 3,000,000 | 268,768         | 2,687,680 | Exercise of Employee<br>Stock Options 3,414  | None   | 12/2/2015 Jing Shou Shang<br>Tzu No.10401254910      |
| 3/2016         | -                      | 300,000            | 3,000,000 | 268,876         | 2,688,761 | Exercise of Employee<br>Stock Options 1,082  | None   | 3/3/2016 Jing Shou Shang<br>Tzu No.10501040250       |
| 5/2016         | -                      | 300,000            | 3,000,000 | 269,195         | 2,691,948 | Exercise of Employee<br>Stock Options 3,187  | None   | 5/31/2016 Jing Shou Shang<br>Tzu No.10501108730      |
| 11/2016        | -                      | 300,000            | 3,000,000 | 269,590         | 2,695,901 | Exercise of Employee<br>Stock Options 3,953  | None   | 11/30/2016 Jing Shou<br>Shang Tzu<br>No.10501277360  |
| 3/2017         | -                      | 300,000            | 3,000,000 | 269,853         | 2,698,534 | Exercise of Employee<br>Stock Options 2,633  | None   | 3/16/2017 Jing Shou Shang<br>Tzu No.10601032450      |
| 3/2017         | -                      | 300,000            | 3,000,000 | 271,353         | 2,713,534 | Issue restricted<br>employee stocks<br>15,000  | None   | 3/30/2017 Jing Shou Shang<br>Tzu No.10601037310      |
| 6/2017         |                        | 300,000            | 3,000,000 | 272,149         | 2,721,493 | Exercise of Employee<br>Stock Options 7,959  | None   | 6/2/2017 Jing Shou Shang<br>Tzu No. 10601069300      |
| 8/2017         |                        | 300,000            | 3,000,000 | 272,109         | 2,721,093 | Exercise of Employee<br>Stock Options 1,480<br>Cancel restricted<br>employee stocks 1,880  | None   | 8/17/2017 Jing Shou Shang<br>Tzu No. 10601111270     |
| 11/2017        |                        | 300,000            | 3,000,000 | 271,919         | 2,719,193 | Cancel restricted<br>employee stocks 1,900   | None   | 11/28/2017 Jing Shou<br>Shang Tzu No.<br>10601158830 |
| 2/2018         |                        | 300,000            | 3,000,000 | 271,695         | 2,716,949 | Cancel restricted<br>employee stocks 2,244   | None   | 2/22/2018 Jing Shou Shang<br>Tzu No. 10701019760     |
| 8/2018         | 20                     | 300,000            | 3,000,000 | 271,795         | 2,717,949 | Exercise of Employee<br>Stock Options 1,000  | None   | 8/22/2018 Jing Shou Shang<br>Tzu No. 10701106860     |
| 3/2019         | 20                     | 300,000            | 3,000,000 | 271,744         | 2,717,441 | Exercise of Employee<br>Stock Options 2,000,<br>Cancel restricted<br>employee stocks 2,508 | None   | 3/15/2019 Jing Shou Shang<br>Tzu No. 10801026540     |
| 6/2019         | -                      | 400,000            | 4,000,000 | 271,744         | 2,717,441 | Change Authorized<br>capital   | None   | 6/18/2019 Jing Shou Shang<br>Tzu No. 10801072960     |
| 8/2019         | -                      | 400,000            | 4,000,000 | 271,723         | 2,717,225 | Cancel restricted<br>employee stocks 216   | None   | 8/26/2019 Jing Shou Shang<br>Tzu No. 10801115200     |
| 3/2020         | -                      | 400,000            | 4,000,000 | 271,364         | 2,713,643 | Cancel restricted<br>employee stocks 3,582   | None   | 3/12/2020 Jing Shou Shang<br>Tzu No. 10901031500     |

Unit: Shares, As of March 29, 2021

| Share<br>Type   | Authorized Capital |            |             | Un-issued<br>Shares | Total<br>Shares |
|-----------------|--------------------|------------|-------------|---------------------|-----------------|
|                 | Issued Shares      |            |             |                     |                 |
|                 | Listed             | Non-listed | Total       |                     |                 |
| Common<br>Stock | 271,364,316        | -          | 271,364,116 | 128,635,684         | 400,000,000     |

## B. Shareholder Structure

Unit: Shares, As of March 29, 2021

| Shareholder Structure<br>Quantity | Government Agencies | Financial Institutions | Other Juridical Persons | Domestic Natural Persons | Foreign Institutions & Natural Persons | Total       |
|-----------------------------------|---------------------|------------------------|-------------------------|--------------------------|--|-------------|
| Number of Shareholders            | 0                   | 29                     | 118                     | 43,861                   | 128                                    | 44,136      |
| Shareholding                      | 0                   | 4,129,248              | 118,141,221             | 132,280,867              | 16,812,980                             | 271,364,316 |
| Percentage                        | 0%                  | 1.52%                  | 43.53%                  | 48.75%                   | 6.20%                                  | 100.00%     |

## C. Distribution Profile of Shareholder Ownership

Unit: Shares, As of March 29, 2021

| Class of Shareholding | Number of Shareholders | Shareholding (Shares) | Percentage |
|-----------------------|------------------------|-----------------------|------------|
| 1 ~ 999               | 5,806                  | 987,093               | 0.36       |
| 1,000 ~ 5,000         | 34,166                 | 60,833,073            | 22.42      |
| 5,001 ~ 10,000        | 2,427                  | 19,043,151            | 7.02       |
| 10,001 ~ 15,000       | 610                    | 7,859,561             | 2.90       |
| 15,001 ~ 20,000       | 349                    | 6,496,699             | 2.39       |
| 20,001 ~ 30,000       | 303                    | 7,730,447             | 2.85       |
| 30,001 ~ 40,000       | 125                    | 4,487,659             | 1.65       |
| 40,001 ~ 50,000       | 74                     | 3,429,378             | 1.26       |
| 50,001 ~ 100,000      | 153                    | 11,080,871            | 4.08       |
| 100,001 ~ 200,000     | 71                     | 10,063,935            | 3.71       |
| 200,001 ~ 400,000     | 28                     | 7,363,002             | 2.71       |
| 400,001 ~ 600,000     | 12                     | 5,928,583             | 2.19       |
| 600,001 ~ 800,000     | 5                      | 3,401,000             | 1.25       |
| 800,001 ~ 1000,000    | 1                      | 826,000               | 0.31       |
| 1,000,001 of over     | 6                      | 121,833,864           | 44.90      |
| Total                 | 44,136                 | 271,364,316           | 100.00     |

## D. Major Shareholders

Unit: Shares, As of March 29, 2021

| Shares  | Shares held | Share holdings |
|---|-------------|----------------|
| Major shareholder's Name  |             |                |
| Taiwan Semiconductor Manufacturing Company, Ltd.<br>(Representative: Mark Liu)                    | 111,281,925 | 41.01          |
| He, Tsung-Han   | 2,730,000   | 1.01           |
| Tripartite Therapeutics Inc. (Representative: Lin, Shun-Siao)                                     | 2,388,000   | 0.88           |
| Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds | 2,182,225   | 0.80           |
| Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds                    | 2,060,714   | 0.76           |
| TransGlobe Life Insurance Inc. (Representative: Peng, Teng-De)                                    | 1,191,000   | 0.44           |
| Huang, Yu-Wen   | 826,000     | 0.30           |
| Hundred River International Investment Copr. (Representative: Chen, Guan-Bai)                     | 768,000     | 0.28           |
| HongQi LPG Ltd. (Representative: Lai, Wun-Long)   | 670,000     | 0.25           |
| Jhuang, Ming-Lang   | 666,000     | 0.25           |

## E. Market Price, Net Worth, Earnings and Dividends per Common Share

Unit: NT\$ ; Stocks, in thousands

| Item                       |                                     | Year    |              |                                |
|----------------------------|-------------------------------------|---------|--------------|--------------------------------|
|                            |                                     | 2019    | 2020         | Current year to March 29, 2021 |
| Market price per share     | Highest                             | 86.20   | 213.50       | 219.00                         |
|                            | Lowest                              | 31.25   | 44.00        | 162.50                         |
|                            | Average                             | 55.38   | 127.07       | 192.65                         |
| Equity per share           | Before distribution                 | 12.13   | 18.48        | -                              |
|                            | After distribution                  | 12.13   | 15.98(Note1) | -                              |
| Earnings per share         | Weighted average shares             | 271,024 | 271,364      | -                              |
|                            | Earnings per share                  | 0.67    | 6.37         | -                              |
| Dividends per share        | Cash dividends                      | -       | 2.5(Note1)   | -                              |
|                            | Stock dividends                     | -       | -            | -                              |
|                            |                                     | -       | -            | -                              |
|                            | Accumulated undistributed dividends | -       | -            | -                              |
| Investment return analysis | Price/ earning ratio                | 82.66   | 19.95        | -                              |
|                            | Price/ dividend ratio               | -       | 50.83(Note1) | -                              |
|                            | Cash dividend yield rate            | -       | 1.97(Note1)  | -                              |

Note1: Subject to shareholders' meeting resolution.

## F. Dividend Policy

### 1. Dividend policy in Articles of Incorporation:

According to article 27 of the Company's Articles of Incorporation:

If there is any profit after annual closing, it should be first deducted for income tax and accumulated deficits. Then appropriate 10% as legal reserve until the accumulated legal reserve equals the Company's paid-in capital, and appropriate (or reverse) the special reserve in accordance with relevant laws or regulations or as requested by the authorities in charge. Any remaining balance together with any unappropriated earnings shall be allocated according to the proposal of the board of directors and the resolution of the shareholders' meeting.

According to article 27-1 of the Company's Articles of Incorporation:

The dividend distribution policy of the Corporation, based on the capital budget, middle and long-term operation plan and financial condition, shall be distributed upon the resolution of Board Meeting by following the rules below:

(1) The Corporation shall distribute all divisible surplus based on the considerations of finance, business and operation factors. The surplus distribution shall be by stock dividend or cash dividend. However, the Corporation is in the operation growth period. When distributing the divisible surplus, the proportion of cash dividend shall be no less than 50% of the total dividend.

(2) If the Corporation has no surplus to be distributed, or the surplus balance is far lower than that distributed in the last years, it shall distribute all or a part of the reserve pursuant to the requirements of laws or competent authority based on

the consideration of finance, business and operation factors.

2. Distribution of stock dividends at this shareholders' meeting:

The Company's appropriations of earnings for 2020 had been approved for NT\$678,410,790(NT\$2.5 per share) in the meeting of the Board of Directors held on February 23, 2021.

G. Stock Dividend Distribution : Not applicable.

H. Employee, Directors and Supervisors Compensation :

1. According to article 27 of the Company's Articles of Incorporation:

The Corporation shall set aside not less than 1% of its annual profit as profit sharing bonus to its employees and not more than 2% as compensation to its directors. Directors who also serve as executive officers of this Corporation are not entitled to receive compensation to directors. Employees' profit sharing bonuses and compensation to directors are resolved by a majority vote at a Board of Directors meeting attended by two-thirds of the total number of directors and shall be reported to the shareholders' meeting. The Corporation shall have reserved a sufficient amount to offset its accumulated losses and then set aside profit sharing bonuses to employees and compensation to directors in accordance with a predetermined ratio.

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

The Company accrued NT\$259,117 thousand employee compensation and NT\$1,273 thousand compensation to directors and NT\$1,910 thousand remuneration to directors based on a percentage of net profit before employee and director compensation. If there is a change in the proposed amounts after the annual financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

3. Information on any approval by the board of directors of distribution of compensation:

(1) The amount of any employee compensation distributed in cash or stocks and compensation for directors and supervisors. If there is any discrepancy between that amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed:

On February 23, 2021, the board of directors approved of NT\$259,117 thousand for employees compensation, NT\$1,273 thousand for directors compensation and NT\$1,910 thousand for directors remuneration, which is not different from the annual estimated amount of recognized expenses.

(2) The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee compensation: Not applicable.

4. Actual distribution of employee dividends, remuneration of directors/supervisors in the previous year:

The Company paid 27,297 thousand for employees compensation, NT\$1,200 thousand for directors compensation in 2019. The Company's actually distributed number does not differ from the recognized one.

I. Share Buyback : None.

J. Issuance of Corporate Bond, Preferred Stock, Depositary Shares Issuance : None.

K. Status of Employee Stock Option Plan : None.

L. Status of Restricted Employee Shares : None.

M. Status of Mergers and Acquisitions : None.

N. Fund Plan Implementation : None.

## V. Operational Highlights

### A. A Description of the Business

#### 1. Business Scope

##### (1) Main areas of business operations

Unit: NT\$ Thousand

| Item  | Total sales<br>in Year 2020 | (%) of<br>Total Sales |
|---|-----------------------------|-----------------------|
| Wafer Level Chip Scale<br>Packaging             | 5,449,402                   | 74.88                 |
| Wafer testing                                   | 1,100,993                   | 15.13                 |
| Wafer Level Post Passivation<br>Interconnection | 667,381                     | 9.17                  |
| Others  | 59,813                      | 0.82                  |
| Total   | 7,277,589                   | 100.00                |

##### (2) Current Products (Services)

###### a. Current Products (Services):

- (a) Wafer Level Chip Scale Packaging : Image Sensor, Light Sensor, IMU, Biometric Sensor.
- (b) Wafer Level Post Passivation Interconnection : 3D Post Passivation Interconnection, Backside Metal Process, Thick Cu, Finger Print Sensor, MEMS.
- (c) Wafer Testing

###### b. New Products and Services to Be Developed:

- (a) Wafer level packaging of image sensor applied in mobile phones, notebook computers, personal mobile electronic devices, wearable device, advanced driver assistance system, vehicle around view, reverse image safety monitoring devices, medical and light sensor.
- (b) Wafer level chip scale packaging and testing for sensor components and power management unit applied in various ultrathin consumer electronics, computers, communications, information technology products, optical electron and environment, pressure sensing and IoT.
- (c) Wafer level packaging applied in MEMS network, finger print sensor and biological sensor.

#### 2. General Economic Environment

The global economic situation in 2021 is expected to rebound from the bottom of 2020. According to the forecasts of the global economic growth rate and trade growth

rate for 2020 and 2021 by the major international forecasting agencies IMF, IHS, OECD and EIU, the global economic growth rate in 2021 may increase by 8.4% to 9.6% compared to 2020. As for the growth rate of global trade in 2021, as the epidemic is expected to be more easing compared to 2020, it is expected to increase by 14.2 to 18.7 percentage points as demand recovers, production activities continue to recover, and border controls are relaxed. On the whole, the growth rate of the trade economy has shown a significant rebound, but the base period in 2020 is obviously low. Even if the economy in 2021 is expected to rise from the bottom of 2020, the overall performance still cannot return to the level before the outbreak.

In 2020, the growth performance of most countries is mostly declining. As for the economic outlook for 2021, the final result of the presidential election in the United States will help the communication and implementation of various policies; and the development of pneumonia vaccines has continued to report good news. It is estimated that the economic performance of the United States in 2021 will gradually return to normal and the growth rate is expected up to 4.25%.

Although mainland China's growth has been severely declining due to the raging epidemic in early 2020, its growth has gradually accelerated since the second quarter. It is estimated that the growth rate for the whole year of 2020 is 2.10%; and the forecast value of all walks of life in 2021 is about 8.0%.

In 2020, the Eurozone (European Union, excluding the United Kingdom) suffered a 7.36% (6.92%) decline in economic growth due to the repeated effects of the epidemic. Among the regions, Spain experienced the largest decline by more than double digits (-11.53%); and the degree of decline in the United Kingdom was also up to -1.55%, it is obvious that the economy has been seriously damaged. IHS Markit predicts that the growth performance of this area in 2021 is expected to turn from negative to positive (3.62% in the Eurozone, 3.52% in the EU), but the economic situation will remain relatively weak.

Although the performance of the global economy in 2020 is not satisfactory, the IMF estimates that global GDP is expected to rebound to 5.2% in 2021. Although the economic recovery process is long and tortuous and highly uncertain, the global economic base period in 2020 is relatively low, coupled with the continuous economic stimulus policies of various governments, and the new crown pneumonia vaccine is expected to be on the market in 2021, almost certainly in 2021 there will be higher economic growth.

### 3. Industrial Overview

#### (1) Current situation and development of the industry

Although COVID-19 has had an impact on the global economy, the overall performance of the semiconductor market has been better than expected thanks to the

demand for cloud computing and remote work and learning equipment. According to IDC's global semiconductor application forecast report, global semiconductor revenue in 2020 will reach 442 billion US dollars, a growth of 5.4% compared to 2019. After the poor performance in 2019, the DRAM and NAND markets will also recover in 2020, growing by 4% and 32.9%, respectively. IDC predicts that with the popularization of vaccines and the opening of the economy and the gradual recovery, the semiconductor market will reach US\$476 billion in 2021, with an annual growth rate of 7.7%. Computing systems such as PCs and server semiconductors will grow by approximately 10.9% in 2020, reaching US\$152 billion.

Working and studying at home increases the purchasing power of PCs in the corporate and consumer markets. In addition, the decentralization of employees and students from centralized locations also forces cloud service providers, telecommunications providers, and corporate IT departments to more actively invest in computing infrastructure.

IDC predicts that by 2021, computing system semiconductor revenue will grow by 6.3% to US\$161 billion. With the significant acceleration of the growth of 5G mobile phones, smart phones have become the second largest demand driver for semiconductor development in 2020. Although mobile phone shipments will drop by more than 5% in 2020, as the market shifts to higher ASP 5G semiconductors, more memory, sensors, and RF support for more frequency bands, mobile phone semiconductor revenues will grow by about 3%.

For semiconductor manufacturers, 2021 will be a particularly important year, because 5G mobile phones will account for 30% of all mobile phone shipments, and 5G mobile phone semiconductors will account for nearly 54% of revenue. IDC predicts that by 2021, mobile phone semiconductor revenue will grow 11.4% to 128 billion US dollars.

In the automotive and industrial semiconductor markets, although sales have increased in the third quarter of 2020, automotive OEMs are experiencing manufacturing disruptions due to the distribution of production by some semiconductor foundries and semiconductor shortages. In 2020, sales of automobiles, including light commercial vehicles, fell by 14.5% to 71 million units, resulting in a 8.4% decline in automotive semiconductor revenue to US\$37 billion. IDC predicts that by 2021, non-memory automotive semiconductor revenue will grow by 12.6%, and the market development is worth looking forward to.

In 2020, the COVID-19 epidemic sweeps the world, and the IC industry is also experiencing challenges. Although the overall IC industry has avoided the catastrophic sales decline encountered by many other industries, but benefited from the demand for personal computers and smartphones, global IC sales increased by 10% in 2020.

During the COVID-19 epidemic, these electronic products were used to use network services and cloud computing, and the expansion investment of data center computers also gave impetus to IC sales.

After a 4.4% decline in 2020, IC Insights predicts that global GDP will grow by 4.8% in 2021, the highest increase since 1976. In addition, IC Insights believes that the annual growth rate of the global IC market in the next few years will closely follow the performance of global GDP. Electronic system sales are expected to increase by 8%, and the IC market is expected to grow by 12% in 2021, reaching US\$441.5 billion, surpassing the record of US\$421.7 billion set in 2018.

Looking forward to 2021, with the help of many emerging applications such as 5G, new energy vehicles, and high-speed computing, coupled with the recovery of the memory industry and the steady growth of demand for home office/learning, many research institutes are expecting a 10% growth in the global semiconductor market in 2021.

According to WSTS statistics, the global semiconductor market sales value in 20Q4 was US\$118.9 billion, up 4.7% from the previous quarter (20Q3), and 9.6% from the same period in 2019 (19Q4); sales reached 262 billion units, an increase of 5.2% from the previous quarter (20Q3), an increase of 10.5% compared to the same period in 2019 (19Q4); ASP was US\$0.454, a decrease of 0.4% compared with the previous quarter (20Q3), and a decrease of 0.8% compared with the same period of 2019 (19Q4).

The total annual sales value of the global semiconductor market in 2020 will reach US\$440.4 billion, an increase of 6.8% compared to 2019; the total sales in 2020 will reach 953.7 billion, an increase of 2.3% compared to 2019; the ASP in 2020 will be US\$0.462, an increase of 4.4% compared to 2019.

According to statistics from the Taiwan Semiconductor Industry Association (TSIA) and the International Institute of Obstetrics and Technology of the Industrial Technology Research Institute, Taiwan's IC industry output value exceeded the NT\$3 trillion mark for the first time last year (2020), reaching a scale of NT\$3.22 trillion, setting a record high. It is estimated that in 2021, due to the shortage of semiconductor production capacity, the annual output value is estimated to increase by 8.6% to NT\$3.5 trillion. Among them, the output value of the IC design industry this year (2021) will increase by 10.9% to NT\$945.9 billion, and the output value of the foundry industry will increase by 8.5% to NT\$1.77 trillion.

From the perspective of product application, the highlights of CES 2021 will mainly focus on the following highlights:

a. COVID-19 drives personal health topics

The global pandemic has deeply affected many fields of technology. The rapid adoption of fitness equipment, Internet technology, and door locks with built-in voice functions in the home have all come out. Other types of smart home devices related to environmental health have also become popular, such as smart air purifiers, water filtration systems and ultraviolet disinfection lamps, etc. In addition to smart watches, wearable devices that can monitor people's health have been launched. Smart masks, non-contact appliances or devices that emphasize household hygiene, and voice-controlled appliances have all become themes.

b. Voice assistants enter wearable devices and other fields:

In 2021, some innovations will continue to evolve, allowing AI to enter more fields, especially to show consumers new user experiences through voice assistants. In addition to appearing on mobile phones and smart home devices, these voice assistants will also appear on more smart wearable devices.

c. 5G will become the engine of growth

The Consumer Technology Association pointed out that 5G with AI will create many new paradigms, which will support the entire economy and create more job opportunities. Qualcomm's 5G economic research report commissioned by IHS Markit predicts that by 2035, there will be 22.8 million 5G-related jobs worldwide and US\$13.1 trillion in sales. In addition to the consumer market, the proliferation of industrial 5G networks (especially MMWave 5G networks) will eventually have a greater impact on the entire economy. With the launch of 5G-enabled warehouses, agricultural equipment, drones and self-driving cars, all will bring new business opportunities.

d. TV panels enter diversification, Micro LED, curved OLED, 8K

By 2021, the three most important changes and trends in TV development are the emergence of more 8K TVs, more diversified OLED panels, and the release of batteries using Micro LED and Mini LED panels. As a result, there is a trend for TVs with finer resolution, curved screens, lighter and thinner, cheaper and even larger sizes.

e. Robots will become more practical

Robots are becoming more and more important in automating process applications and maintaining social distancing. In the hospital, the robot can be used to obtain the patient's body temperature and vital signs for classification management, and use ultraviolet lamps to disinfect the room. Other robots that can be used to order and deliver food are also gradually being practiced.

f. Smart car

Automakers including Mercedes-Benz, General Motors (GM), Hyundai

Motors, etc., will launch electric and autonomous driving concept cars, including more intelligent parking assistance systems that can avoid misoperations and collisions, and use brain wave technology to avoid traffic accidents, etc.

- (2) The links between the upstream, midstream, and downstream segments of the industry supply chain

The upstream of the semiconductor industry chain is the IP design and IC design industry. The middle reaches are IC manufacturing, wafer fabrication, related production process testing equipment, photomasks, chemicals, etc., downstream IC packaging testing, related production process testing equipment, components ( Such as substrates, lead frames, IC modules, IC channels, etc. Taiwan has the most complete semiconductor industry cluster and professional division in the world. After the product design is completed, IC design company appoints a professional wafer foundry or IDM factory (integrated semiconductor factory, from IC design, manufacturing, packaging, testing to final sales) to produce semi-finished wafers. After the previous test, they are transferred to the professional packaging factory for cutting and packaging. Finally, the professional test factory conducts the latter stage test. After the test, the finished products are sold to the system manufacturer through the sales pipeline to become the system product.

In the post-Moore's Law era, the complexity of IC products has been difficult to achieve by a single semiconductor technology node. For IC design industry, not every IP can shrink the technology node. The IP or design of different technology nodes should be mixed and used, such as system on chip (SOC) is one of the methods. But sometimes because of the different maturity of different nodes, it is not only cost-effective to integrate circuits of different technologies on the same chip, even the yield will have an impact; system-in-package (SiP) came into being to solve this problem. The product owner can integrate ICs designed by different expertise design houses into one package using SiP. This flexibility of integration can not only cross technology nodes, but also cross platforms, and integrate ICs with silicon substrates and devices with non-silicon substrates (such as III-V or passive components), creating unlimited possibilities.

The rise of this packaging has expanded the mid-range process platform between the front-end and back-end processes. In addition to the previously known technologies such as Wafer Bumping, Wafer Level Package, Fan-out Wafer Level Package, WLCSP, 3D WLP, WL Optics and 3D IC, these technologies can also be mixed to customize various forms of SiP. As a leader of professional wafer-level IC packaging, the Company is also the first one to commercialize the 3D wafer-level packaging technology.

The 3D wafer-level packaging technology can be applied to various market fields, including consumer electronics, communication, portable computer and automobile. The product applications include image sensor, optical sensor, power management IC, power discrete component, analog IC, hybrid signal IC, MEMS sensor, various biological identification chip (such as the fingerprint identifier) and integrated passive component.

With the demands for the advanced packaging processes, such as the Flip Chip BGA or Flip Chip CSP, Wafer Level CSP, Cu Wire Bond, Cu Pillar, especially the rising of 2.5D/ 3D IC or Through Silicon Via TSV packaging in the future, the wafer-level packaging service will continue to play a critical role in the related application products.

### (3) Competition Situation

Our major products cover the wafer level packaging of image sensors, new biological sensor, fingerprint sensor, micro-motor control unit and power control unit, whose primary competitors include:

| Major Products                    | Primary Competitors in Wafer Level Packaging                 |
|-----------------------------------|--|
| Image sensor / Fingerprint sensor | China Wafer Level CSP Co., Ltd., Huatian Technology Co., Ltd |

## 4. Research and Development

### (1) Research and development expense for recent years

Unit: NT\$ Thousand

| Item                       | Year        | 2020      | As of March 31, 2021 |
|----------------------------|-------------|-----------|----------------------|
|                            | R&D expense |           | 253,999              |
| Revenues                   |             | 7,277,589 | 2,111,719            |
| R&D expense to revenue (%) |             | 3.49%     | 3.55%                |

### (2) Technical and R&D Overview

- a. TSV (through-silicon via Package) packaging technology: successfully imported CIS (CMOS Image Sensor) mass production, and other related applied MEMS packaging process has been completed and verified the package into volume production.
- b. CIS-CSP process improvement technology: imported vehicle regulations imaging packages, package verification has been completed vehicle regulations into mass production.
- c. Introducing special optical glass coating and applied to a variety of advanced optical sensor.

- d. Development of thick copper process, successfully applied to the integrated passive components products and RF components products.
- e. Application of infrared glass coating, glass coating and applied to the import of advanced infrared optical sensor element mobile phones.
- f. A new generation of improved through-silicon via packaging (TSV CSP) wafer-level packaging technology research and development.
- g. Development of glass-less sensor application.
- h. Development and production of FPS (Finger Printer Sensor) application.
- i. Development GaN package process and delivery samples to customer.
- j. Development and production of new-generation biometric sensor.
- k. Development of Si-cap for IR sensor application.
- l. Make use of TSV core technology to develop the package of MEMS speaker continuously.
- m. Taiwan has achieved 252 patents, 192 China patents, 5 Japanese patents, 1 Germany patent and 245 US patents. In 2020, the number of new patents obtained by the company is: 3 patents in Taiwan, 4 patents in China, 1 patents in the United States.

(3) Successful development of the technology or product in recent years

| Year | Item  | Main function/Benefit  |
|------|---|--|
| 2019 | 1. Development of Si-cap for IR sensor<br>2. 3D sensor package approval | 1. Provide for the application of IR sensor package<br>2. Provide for the application of AR and IR |
| 2020 | Development of MEMS speaker   | Apply for cell to get better voice performance   |

5. Long-term and Short-term Business Development Plan

In front of the severe competition from business of the same trade and ever-changing market, the long-term and short-term development plan of the Company is listed below:

(1) Short-term plan:

- a. To develop the customer-oriented packaging service and enhance customer satisfaction.

We will promote our high quality services trusted by all clients to meet their demands with faster and better technology and services, and also provide diversified packaging technology of wafer level processing to adapt to the requirements of multiple products.

- b. To strengthen the cooperation between the upstream, midstream and downstream industrial chains.

On the occasion of higher requirements for advanced process, the cooperation and integration between upstream, midstream and downstream industries are the keys to the success of advanced process. The Company has formed a strategic alliance with the wafer manufactures and the primary testing factories, and collaborates with the large-sized integrated element manufacturer globally, hoping to become the leading enterprise in advanced packaging technology and services.

- c. To establish a sound operation mechanism with function as the core of cultivation, so as to improve the management and operation performance.

Through the education and training, the company can achieve its strategic goals in business. With the improvement of management and technology as its appeal, effective performance of the functions as the core of cultivation, and improvement of work performance as the orientation, it will enhance the staff's work efficiency to make the company able to cope with the rapid change of environment and challenges.

(2) Medium and long term plan:

- a. To maintain the long term cooperation and partnership with our clients and suppliers

We will attach more attention on the long term cooperation with the upstream and downstream manufacturers. During the process of division of labor based on specialization, the Company will insist on acting as a trustworthy packaging manufacturer to provide our clients with desired quality and service and also maintain a good relationship with our suppliers.

- b. To develop the innovation in R&D

We will devote ourselves in researching and developing the derived and new process, such as the application of advanced 3D wafer stacking, new biological sensor and substrate for connecting wafer connection. The application of products shall be extended to monitor, medical and other electronic industries rather than consume, automotive and PC products.

## B. Industry Survey and Market Analysis

### 1. Market Analysis

#### (1) Sales region

Unit: NT\$ Thousand

| Region \ Year | 2020      |     |
|---------------|-----------|-----|
|               | Amount    | %   |
| Taiwan        | 5,887,354 | 81  |
| United States | 1,207,220 | 17  |
| Europe        | 82,566    | 1   |
| Others        | 100,449   | 1   |
| Total         | 7,277,589 | 100 |

#### (2) Market Analysis and Market Share of Advanced Packaging

In order to continue Moore's Law, advanced packaging takes shape and will lead the development of the semiconductor industry in the future. The 5G-centric era is approaching, and applications such as artificial intelligence (AI), the Internet of Things, and the Internet of Vehicles are emerging, making mobile computing and high-performance computing an important growth driver for global semiconductors. Make relevant core computing chips face many challenges such as high performance, low cost, low power consumption, high security, and small area. In order to continuously improve chip performance and maintain a small size, the industry urgently needs to find another way to promote technological progress. Therefore, the concept of heterogeneous integration came into being, and advanced packaging became a breakthrough point for continuation of Moore's Law.

Because advanced packaging can relatively easily achieve high-density integration of chips, miniaturization of the volume, and lower cost, the industry has begun to turn its attention to advanced packaging. Research organization Yole Développement estimates that the compound annual growth rate of the global advanced packaging market from 2018 to 2024 is 8.2%, and it is expected to occupy half of the entire semiconductor market by 2025. Taiwan is a major global packaging and testing center, and the proportion of advanced packaging will increase year by year. According to the International Institute of Obstetrics and Research of the Industrial Technology Research Institute, advanced packaging will account for 42.5% of the overall packaging revenue by 2025.

#### (3) Supply-demand Situation and Various development trends of products

Driven by the trends of 5G high-frequency bandwidth, low latency, and high-density connections, various terminal devices, AI, home applications, health

technology, smart cars, Internet of Things, and Industry 4.0 are all opportunities for the development of semiconductor. Advanced packaging that exceeds half of the overall packaging output value will become the most important driving force for growth. The output value of the global professional packaging and testing industry from advanced applications and packaging processes will continue to be an important driving force for the growth of output value. The company's main products are wafer level packaging and foundry services, including mobile devices, 5G communications, automotive electronics and wearable devices. The supply and demand situation and growth analysis of its main application areas are as follows:

#### a. 3D Sensing

With the continuous advancement of technology, terminal devices begin to process a large amount of image information, which also makes the scalability of mobile phones, automobiles, AR and other applications become higher and higher, and from 2D to 3D is a major development of future sensors trend. Face ID, which debuted on iPhone X in 2018, not only improved the safety and convenience of smartphones, but also officially detonated the demand for 3D sensing in the consumer market.

In a 2D world, we only have information on the x-axis and y-axis, so the image data obtained is also flat. For example, when we take pictures, we only know the height and shape of this person, but we have no way of knowing how much his nose is protruding and how much his eye sockets are sunken.

The 3D world adds the z-axis, which is the depth information. In this way, the image we get will be three-dimensional. 3D sensing is sensing and detecting 3D stereoscopic images, we can actually think of it as the operation of the human eye.

Once the three-dimensional information can be sensed, the entire application scene can be greatly increased, as small as face unlocking on smart phones, 3D cameras, smart speakers, self-driving car detection systems, face keys, and gesture sensors. Applications ranging from AI robots to sensing, factory control, medical, AR/VR, etc.

According to research conducted by research institute Yole Développement, the global 3D imaging and sensing market will grow from USD 5 billion in 2019 to USD 15 billion in 2025, with a CAGR of over 20%, and smartphones and cars are the main applications. In 2025, the market size can reach US\$8.1 billion and US\$3.7 billion respectively, with a combined share of 80% and a CAGR of 26% and 28% respectively.

## b. CMOS Image sensor

According to data from the market research organization TSR, it is expected that the CMOS image sensor market will grow from US\$19.7 billion in 2020 to US\$27 billion in 2024. At present, it is mainly used in smart phones, future autonomous driving, smart factories, entertainment, medical, etc. The demand for image sensors will gradually increase.

IC Insights analysis pointed out that in 2019, CIS sales increased by 9% to a record high of 15.5 billion US dollars, 6.1 billion CMOS image sensors were sold globally, and the shipment growth rate was 11%, setting a record high. It will continue to increase by 9% to 6.6 billion sensors in 2020. Since 2011, global CIS shipments and sales have reached a record high for eight consecutive years. It is expected that this growth trend will continue until 2023, when the shipments are 9.5 billion sensors and the sales will reach 21.5 billion US dollars.

According to a report by Counterpoint Research, in the past ten years, the demand for CMOS image sensors (i.e. CIS) in smart phones has grown approximately eight times. In 2019, CIS shipments exceeded 4.5 billion, and it is further predicted that although the shipments of smart phones will decline in 2020, the shipments of CMOS image sensors will increase with each mobile phone. The number of CIS has increased and continued to grow, and will reach a record high in 2020, about 5 billion.

In recent years, mobile phone manufacturers have made the multi-camera and 3D sensor of smart phones standard equipment, and most of them have three or four camera modules. According to Counterpoint data, a total of 60 million smartphones with four cameras were shipped in the first quarter of 2020, so that each smartphone is equipped with an average of more than 3.5 CMOS image sensors. Among them, shipments of high- and mid-range smartphones equipped with four cameras have shown a growth of about 20%.

Automobile system has become the fastest growing field of CIS. It is estimated that sales in 2023 will rise to 3.2 billion US dollars, accounting for 15% of total market sales in that year, with a compound annual growth rate (CAGR) of 29.7%. In the next five years, other high-growth application markets will be in order: medical and scientific systems (CAGR 22.7%, sales 1.2 billion US dollars); security surveillance cameras (19.5%, 2 billion US dollars); including robots, Internet of Things Including industrial areas (16.1%, US \$ 1.8 billion); toys and games including consumer-grade virtual / augmented reality products (15.1%, US \$ 172 million). As the largest application market for CIS, sales in the mobile phone sector are estimated to reach 9.8 billion US dollars in 2023, accounting for approximately 45% of the total market in that year, with a compound annual

growth rate of only 2.6%.

According to market research firm IHS, the automotive semiconductor market will increase from \$55 billion in 2016 to \$85 billion in 2022. As for autopilot, with the repeated calculation of safety applications and the cheapening of technology, fully automatic vehicles are developing in stages. Automated driving is accompanied by the application of processors, sensors, and new technologies such as car-to-workshop communications. These technologies will boost the global semiconductor industry's market value in the automotive industry by two to three times in the next five to 10 years. The number of semiconductor products used in vehicles will increase from the current \$400 per vehicle to \$1,000.

In addition, as first-tier automakers have successively invested heavily in the research and development of artificial intelligence related applications such as ADAS systems and self-driving cars, the automotive electronics market has grown rapidly, and automotive CIS components have entered a high-speed growth period. As various companies continue to implement ADAS systems in new car models, in the past they only provided front view and rear view camera functions. In the future, 4 more lenses will be added to surround view and rear view. Night vision foreground, in-car driving and in-car passenger images, gesture control and other functions. According to estimates by the market survey agency, the current car image sensor used in each car is about 0.6, and it will grow to 6 to 8 in 2025. In the high-end car market, the number of image sensors has been installed up to ten per unit, including car interior monitoring, active braking with front camera, front, rear, left and right plus calculations to synthesize panoramic images, etc.

### c. MEMS

With the continuous development of micro-electromechanical (MEMS) technology and applications, various sensors based on this technology have been widely used in consumer electronics, automotive, industrial, medical, aerospace, and telecommunications fields. Research firm Yole Développement said that due to the impact of the epidemic, the overall terminal application market size of global micro electromechanical components will decrease by 5.2% annually in 2020, falling to 10.9 billion US dollars.

However, the market is expected to resume growth in 2021 and grow to US\$17.7 billion in 2025. The total annual compound growth rate (CAGR) of the market size from 2019 to 2025 is 7.4%. In terms of individual terminal application markets, the automotive market in 2020 will be affected by the economic uncertainty caused by the epidemic, the closure of some car factories, and the decline in car sales. The terminal application market has dropped by 27.5%

annually, and the decline is the largest among other application markets.

According to Yole Développement, the global MEMS market reached US\$11.5 billion in 2019 and is expected to continue to grow to US\$17.7 billion by 2025 at a compound annual growth rate (CAGR) of 8.4%. Among them, consumer applications will reach 11.1 billion U.S. dollars and automotive applications will reach 2.6 billion U.S. dollars; the remainder include telecommunications, medical, industrial and aerospace applications about 4 billion U.S. dollars.

The trend of MEMS, at the application level, in the medium term, there will be a trend toward packaging a large number of sensors and more wearable ultra-sensitive devices, as well as a trend toward more consumer medical health. Everything related to the voice interface and VPA9 will continue to grow strongly, which will increase the demand for better quality MEMS microphones with high-fidelity voice capture performance. MEMS devices are developing in the direction of higher accuracy, super power, and embedded intelligence, and may have a certain degree of biocompatibility for medical applications.

#### d. Wearable device

According to research firm Gartner, as more and more people work remotely from home and people are alert to the demand for health monitoring, it is expected that the wearable device market will grow in the next few years. Therefore, it is estimated that by 2021, the total expenditure of end users on wearable devices will reach 81.5 billion US dollars. This figure is an increase of 18.1% from the 69 billion US dollars in 2020.

As the new crown epidemic will become the new normal, this demand will also promote the growth of wearable devices in 2022, and total consumer spending will further grow to 93.86 billion US dollars. As consumers rely more on smart watches and ear-worn devices for remote work, fitness activities and health tracking, these two products have grown relatively strongly. Among them, consumer spending on smart watches has grown by 17.6% to 21.8 billion U.S. dollars in 2020, and is expected to reach 25.6 billion U.S. dollars in 2021. With the improvement of new processor technology and battery life, the influx of new users will continue to bring positive cycles and growth. In 2020, ear-worn device spending increased by 124% to reach 32.7 billion U.S. dollars, and is expected to reach 39.2 billion U.S. dollars by 2021. This huge growth can be largely attributed to the fact that remote workers have upgraded their headsets for video calls, and consumers' motivation to purchase headsets with smartphones.

Gartner added a new category of Smart Patch in its latest wearable device forecast. Basically, the smart patch is a non-invasive health monitoring sensor

attached to the surface of the skin, which can be used to measure temperature, heartbeat, blood sugar and other vital statistics, which is more effective than other wearable technologies. It can even manage drugs remotely, such as monitoring insulin use in diabetic patients.

As device manufacturers focus on improving sensor accuracy, the performance gap between medical-grade and non-medical-grade wearable devices is shrinking, which will continue to drive the growth of multiple wearable device categories.

According to IDC estimates, the global wearable device market shipments reached 124.9 million in 2018, an increase of 8.2% compared to 2017. Although this growth rate is slightly lower than the 10.3% in 2017, the market is expected to resume double-digit growth from 2019 to 2022, mainly due to the increasing popularity of smart watches and other forms of wearable devices.

Smart watches will include more functions in the next few years. At present, the development of smart watches in the direction of health and fitness is a strong start, but the integration of cellular networks and other IoT devices and systems will change the appearance and growth rate of smart watches. IDC estimates that while shipments of smart watches will continue to grow in 2022, it will also account for 44.6% of wearable devices, which will increase by almost 10 percentage points from 34.8% in 2018.

#### e. 5G communication: GaN components

The advent of 5G has brought revolutionary changes to semiconductor materials. Whether it is a silicon substrate or a silicon carbide (SiC) substrate, GaN will achieve rapid development. From 2G to 5G, the communication frequency is constantly developing to high frequency, so the requirements of base stations and communication equipment on the high frequency performance of radio frequency components are also increasing. In this context, GaN will surely become the core component of 5G technology with its unique high-frequency characteristics, ultra-high power density, and superior integration.

##### RF GaN components:

Among 5G products, GaN is mainly used in Sub-6GHz base stations and millimeter wave (above 24GHz) small base stations. According to market research company Yole Développement, the global market for GaN radio frequency components will exceed US\$2 billion by 2025, of which wireless communications and military applications account for the majority.

##### Power GaN components:

The requirements for high frequency and high efficiency of 5G communication

RF front-end will bring unprecedented opportunities for gallium nitride, and the demand for electrification of automobiles and charging of portable electronic products, as well as high-wattage, high-power power supplies will all driving GaN power components gradually replacing traditional silicon power components. Driven by the demand of the power supply market, the gallium nitride market will grow steadily. Yole Développement estimates that the growth rate in 2019 will reach 167%, and the market value will exceed US\$700 million in 2025.

(4) Competitive Edges, Positive and Negative Factors in the Prospect and Relevant Countermeasures

a. Competitive Edge

- (a) To enhance the competitive advantage by improving the production efficiency and reducing the costs

In recent years, the Company has actively facilitated the equipment automation and optimization of production line to increase the utilization rate. It will also take advantage of the allocation of production capacity of all plants to provide products and services quickly in return for the loyalty of the customers.

- (b) Leading Technology to Produce Diversified Products and Application

Experienced in the R&D, manufacture and selling of IC semiconductor for years, apart from our fine products, short delivery period and great after-sales service that are highly praised by the clients, our marketing and R&D teams also develop new comprehensive technical patent. Besides, to meet the clients' requirements, we also develop kinds of advanced wafer level packaging and are selected by famous international brands as the qualified supplier.

- (c) Group Integration

As the subsidiary of Taiwan Semiconductor Manufacturing Company, we utilize our own techniques and marketing ability to build a powerful client base, and also work together with TSMC to provide the Turn-key service including R&D and manufacture in the semi-conductor supply chain.

- (d) Advantage of International Division

The development of packaging industry in Taiwan is positioned as the partner for global semiconductor manufacturer in the supply chain. With the advanced strategy for technical development, we take the advantage of the integration of quality, cost, delivery, production capacity and service to enhance its overall competitiveness in the international division. Being the provider of advanced wafer level packaging service, we can not only offer

both domestic and foreign clients with complete system of supply chain designed by the upstream IC design. Moreover, by cooperating with IC Foundry Company, we are able to solve the issues derived during the production process.

b. Positive Factors in the Prospect

(a) Advancement in Wafer Level CSP

To meet the requirements for end products, we have constantly promoted the development of the Wafer Level CSP process. Currently we aim to achieve the following goals for packaging process: miniaturization, adoption of energy-saving components, heterogeneous Integration, and improvement of product performance; by pursuing those goals, we hope to break through the boundaries of Moore's law and bring the utmost performance and integration of semiconductor components and modules. As shown by the progress of this technological development, enterprises in semiconductor packaging are constantly pursuing the 3D stacked package technology which can make chips thinner, cut down the material costs and improve the power-efficiency of chips with reduced electromagnetic interference and lower power consumption. In face of the opportunities created by the development of Wafer Level CSP, enterprises of Taiwan have an edge in industrial ecology since it has a complete industrial chain for semiconductors. Therefore, it is reasonable to predict a good prospect for the application of Wafer Level CSP techniques.

(b) Develop new applications and continue to invest in medium and long-term business opportunities

In view of the rapid changes in industrial demand, the Company continues to develop new customers and new products, such as expanding high-frequency power component processing services for 5G GaN communications, custom MEMS components processing services, and continuous development of component thinning process and new module technology to help customers create new product needs and 12-inch wafer testing business.

(c) Independent research and development of core technologies

The company is always strengthening its R&D ability. In recent years, we have successfully developed the technique of Wafer Level Post Passivation Interconnection which can be applied to automobile electronics, and because of the outstanding quality of our products, we have been recognized as a qualified supplier by many prestigious international brands

and automobile manufacturers. At the means time, we have also developed the technique of Wafer Level Post Passivation Interconnection specifically to be adopted for multiple types of micro-electro mechanical (MEMS) sensors. It is worth mentioning that this technique can meet the demand for producing thinner and lighter chips; therefore, it is deemed an indispensable technique for developing the cutting-edge mobile devices and wearable devices.

c. Negative Factors in the Prospect and Relevant Countermeasures

- (a) Smart phones tend to be saturated, and consumer replacement cycles are prolonged

The smart phone market is facing the unfavorable factors such as mature products, reduced product differentiation, high market penetration rate, and growth momentum in emerging markets, which makes the mobile phone industry relatively difficult to operate.

Countermeasures:

In view of constant changes in the market and the technology of electronic and semiconductor industries, the company should explore a competitive niche by continuously developing advanced process of manufacturing and new derivative technologies and with the needs of the emerging applications. Meanwhile, we should strengthen the cooperation with key customers and strive to integrate the leading technologies of upstream industries, so as to provide our customers with high value-added solutions for packaging. Apart from ensuring the timely introduction of customers' products into the market, we should also strain to enhance our productivity and lower the operating costs by improving the management of manufacturing, which will lead to higher profits or at least a stable profit margin.

- (b) Sino-US trade wars affect the semiconductor industry

Recently, the international situation has changed, global trade barriers have intensified, adding variables to trade agreements and regional competition, and the uncertainty of the development of the semiconductor industry has increased dramatically. If the US-China trade war continues, it will affect the global ICT industry for a long time, and the logic, analogy, and memory wafer semi-finished products and modules will be the most affected.

Countermeasures:

The company should concentrate on exploring advanced techniques of Wafer Level CSP and achieve product differentiation by designing products according to requirements for different functions and applications. Meanwhile,

automatic equipment should be introduced to the production so as to enhance productivity and product quality and effectively cut down the costs. Besides, we should divert the company to the niche application market in other fields like sustainable energy, healthcare and automotive electronics. In view of the increasing demand for analog chips and sensor chips, etc., the company should gain an edge by obtaining more patented techniques and thus makes us more stand in the advantageous position in front of the severe competition. At the same time, strengthen the integration of Taiwan's industrial supply chain with the United States, close the economic and trade partnership between the two sides, and develop a diversified international market.

## 2. Usage and manufacturing processes for the company's main products

### (1) Usage for the company's main products

| Product                                      | Main purpose  | Main application  |
|--|---|---|
| Wafer Level Chip Scale Packaging             | Image sensors, environmental sensors  | Phone, tablet, notebook, computers, automotive, medical |
| Wafer Level Post Passivation Interconnection | Fingerprint sensors, actuators sensors, micro-electromechanical components, power, analog and RF components | Phone, tablet, notebook computers, cars                 |

### (2) Manufacturing processes for the company's main products

#### a. Wafer level CSP packaging technology manufacturing processes:

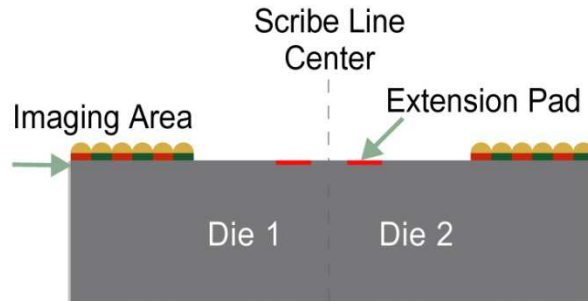
That has not been carried out before cutting the wafer, the entire wafers complete the package via a film, yellow and etching the wafer process, and finally cut into a single IC, this process can be seen as extending front semiconductor fab process. The biggest advantage is in the process of packaging, the whole piece by way of a wafer manufacturing process, but at the same time the individual IC package complete packaging process to reduce expenditures. The basic step of the packaging process, such as the following:

- (a) With a piece of adhesive high light-transmissive thin glass wafer affixed to the front of the customer to protect the wafer surface from contamination.
- (b) Grinding sticky back glass wafer so that the thickness of the wafer becomes thin, thereby reducing the thickness of the package after. And of etching the wafer scribe the back of the silicon material removal, so the dolphin

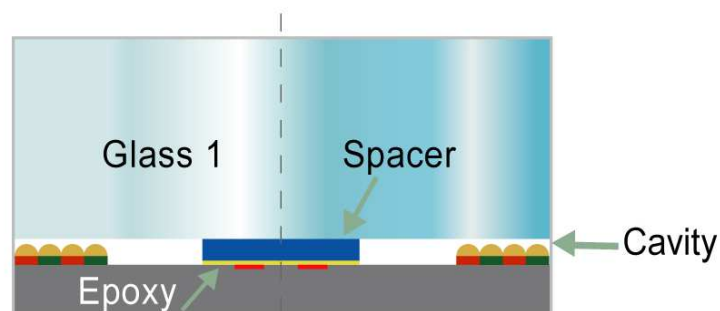
- independent IC produced on the adhesive protective sheet of glass.
- (c) The protective layer of glass affixed to the back of the wafer, in order to achieve the protective effect completely covered the IC.
  - (d) In the glass surface ready to make welding points (Solder Joint) is covered with a layer of organic material as an insulating buffer layer.
  - (e) Cutting between individual IC exposed pad sectional then sputtered metal layer, then use the three-dimensional exposure, developing and etching processes required to complete the metal line so that the line of the IC pad sectional communicating.
  - (f) On the metal line covered with a protective layer.
  - (g) BGA form of printing element places a manner where the solder paste is printed on the entire wafer chip solder joints, after reflow (Reflow) the formation of solder balls.
  - (h) Cutting the wafer become single package complete IC.

### **Wafer Level CSP –Shell 3D Process Flow**

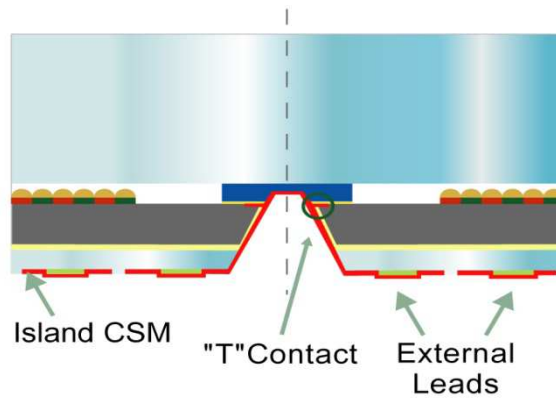
#### **Step A: Passivation and Pad Extension Layers**



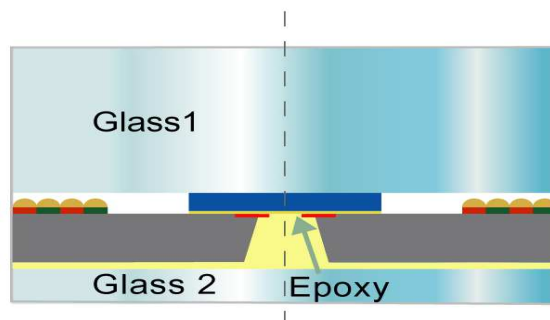
#### **Step B: Glass 1 Attachment**



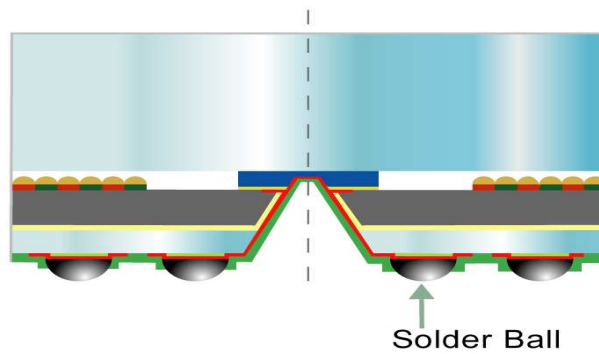
**Step C: Etching and Glass-2 bonding**



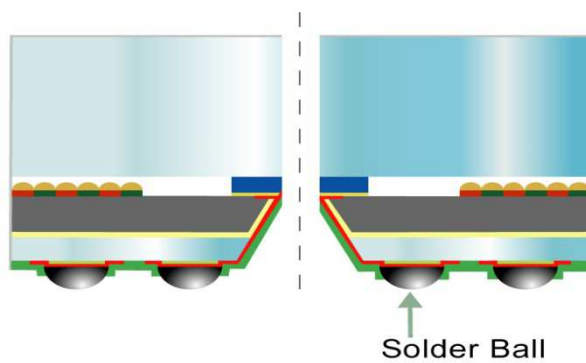
**Step D: Barrier deposition and T-contact formation**



**Step E: Passivation coating and BGA formation**



**Step F: Dicing and Final inspection**

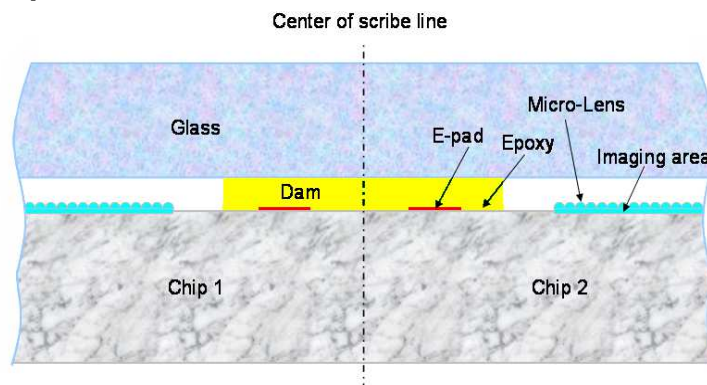


b. TSV (through-silicon via packaging) technology step description:

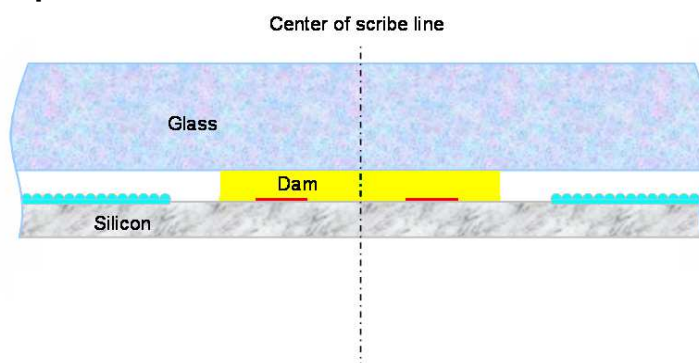
- (a) In a piece of adhesive high light-transmissive thin glass wafer affixed to the front of the customer to protect the wafer surface from contamination.
- (b) After grinding sticky back glass wafer so that the thickness of the wafer becomes thin, thereby reducing the thickness of the package.
- (c) Perform TSV etching as the hole RDL line connection.
- (d) In the surface of the wafer is coated with a silicon dioxide as the insulating layer.
- (e) Sputtering surface of the wafer on the metal layer, then use the three-dimensional exposure, developing and etching processes required to complete the metal line so that the line of the IC pads sectional communicated.
- (f) On the metal line covered with a protective layer.
- (g) BGA type printing element places manner solder paste printed on the entire wafers weld position where, after reflow (Reflow) the formation of solder balls. Finally, the wafer is diced into single pieces to complete the package of IC.

## **TSV Wafer Level Package – Process Flow**

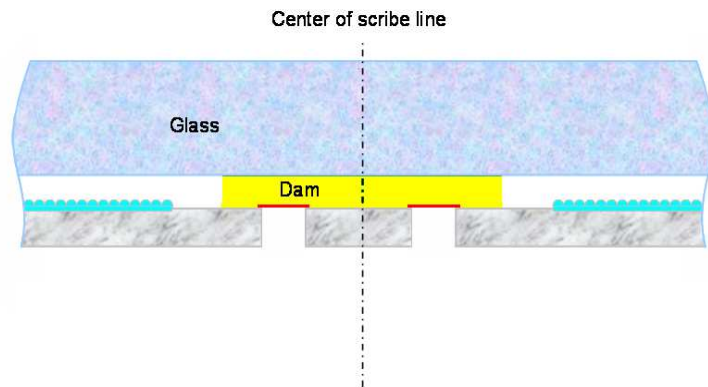
### **Step A: Glass attachment**



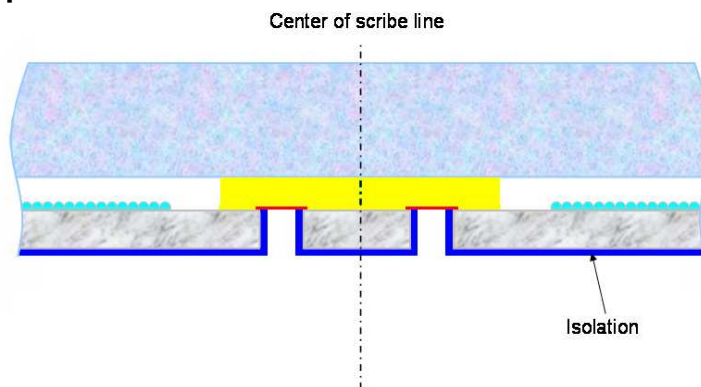
### **Step B: Wafer thin down**



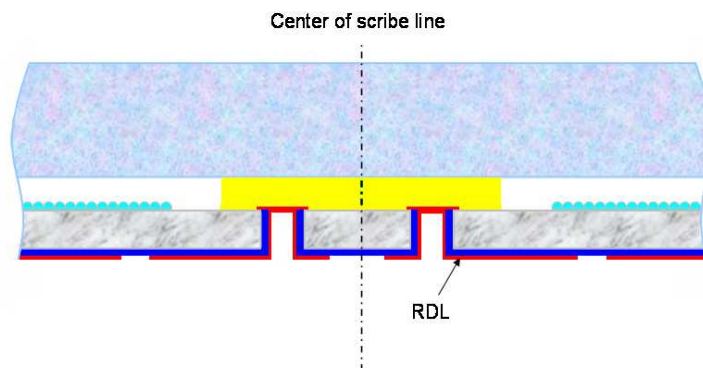
### Step C: TSV formation



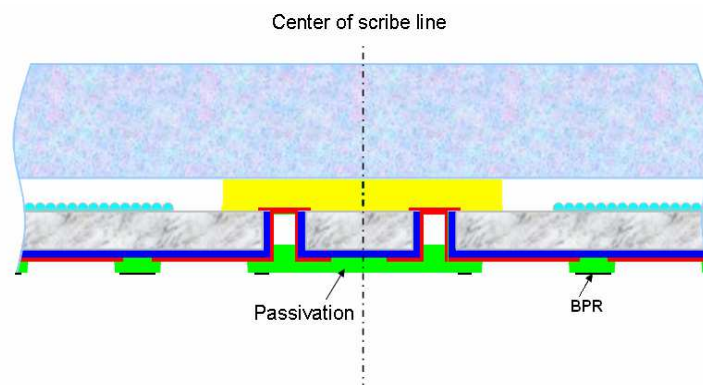
### Step D: Isolation formation



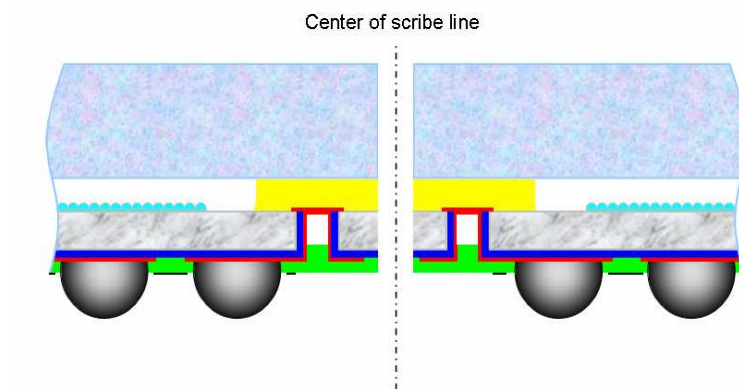
### Step E: RDL process



### Step F: Passivation process



## Step G: BGA & Dicing processes



### c. Wafer level Si cap step description

- A. One wafer side produces wafer ID and alignment mark by Laser and dry etching.
- B. Particle removes on the opposite of Wafer
- C. Make up Si cavity by photo & dry etching process
- D. Particle removes and whole wafer clean after full process

## Wafer Level Si Cap – Process Flow

### Step A: Wafer Mark



### Step B: Back-side particle removal



### Step C: Si Cavity information



### Step D: Whole wafer clean and particle removal



(Top view)

c. Future development plans:

To fulfill the market and customer demand for new product technologies, we continue to develop wafer-level new process technologies for diverse biometric sensors, image sensors, ambient light sensors, and micro-electromechanical systems (MEMS), MOSFETs and other products. To provide technical services including wafer-level packaging and wafer-level processes at backend market.

### 3. Supply situation for the company's major raw materials

| Major Raw Materials | Supply Name        | Foreign | Domestic | Supply Situation |
|---------------------|--------------------|---------|----------|------------------|
| Thin Glass          | SCHOTT \ NEG       | ✓       |          | Good             |
| Target              | Umicore \ Grikin   |         | ✓        | Good             |
| Slury               | AGC ELECTRONICS    |         | ✓        | Good             |
| Aluminum Etch       | Thipod \ KANTO-PPC |         | ✓        | Good             |
| OPC Muden Gold      | OKUNO              | ✓       |          | Good             |

### 4. Major Suppliers and Clients:

(1) A list of any suppliers accounting for 10 percent or more of the company's total procurement amount in either of the 2 most recent fiscal years:

Unit: NT\$ Thousand

| Item | 2019                            |           |     |                      | 2020                            |           |     |                      |
|------|---------------------------------|-----------|-----|----------------------|---------------------------------|-----------|-----|----------------------|
|      | Company Name                    | Amount    | %   | Relation with issuer | Company Name                    | Amount    | %   | Relation with issuer |
| 1    | NIPPON ELECTRIC GLASS CO., LTD. | 167,836   | 17  | None                 | NIPPON ELECTRIC GLASS CO., LTD. | 154,106   | 13  | None                 |
|      | Others                          | 835,827   | 83  |                      | Others                          | 993,714   | 87  |                      |
|      | Net Sales                       | 1,003,663 | 100 |                      | Net Sales                       | 1,147,820 | 100 |                      |

(2) A list of any clients accounting for 10 percent or more of the company's total sales amount in either of the 2 most recent fiscal years:

Unit: NT\$ Thousand

| Item | 2019         |           |     |  | 2020         |           |     |  |
|------|--------------|-----------|-----|--|--------------|-----------|-----|--|
|      | Company Name | Amount    | %   | Relation with issuer                                       | Company Name | Amount    | %   | Relation with issuer                                       |
| 1    | Company A    | 2,798,921 | 60  | Investors that have significant influence over the Company | Company A    | 5,498,556 | 76  | Investors that have significant influence over the Company |
| 2    | Company B    | 1,269,969 | 27  | None   | Company B    | 1,041,992 | 14  | None   |
|      | Others       | 584,290   | 13  |  | Others       | 737,041   | 10  |  |
|      | Net Sales    | 4,653,180 | 100 |  | Net Sales    | 7,277,589 | 100 |  |

5. Production in the last two years:

Unit: NT\$ Thousand, Thousand piece (8 inch equivalent wafer)

| Output Major Products                        | Year | 2019     |        |           | 2020     |        |           |
|--|------|----------|--------|-----------|----------|--------|-----------|
|  |      | Capacity | Output | Amount    | Capacity | Output | Amount    |
| Wafer Level Chip Scale Packaging             |      | 373      | 247    | 3,350,093 | 354      | 300    | 3,931,414 |
| Wafer Level Post Passivation Interconnection |      | 546      | 239    | 561,554   | 544      | 224    | 624,464   |
| Wafer Testing and Others                     |      | 0        | 0      | 13,408    | 275      | 298    | 580,571   |
| Total  |      |          |        | 3,925,055 |          |        | 5,136,449 |

Note: The output and capacity of Wafer Level Chip Scale packaging and Wafer Level Post Passivation Interconnection are 1,000 pieces equivalent to eight-inch wafers. Wafer testing is 1,000 pieces 12-inch wafers.

6. Shipment and net revenue in the last two years:

Unit: NT\$ Thousand, Thousand piece (8 inch equivalent wafer)

| Shipemet & Revenue Major Products            | Year | 2019     |             |          |             | 2020     |             |          |             |
|--|------|----------|-------------|----------|-------------|----------|-------------|----------|-------------|
|  |      | Domestic |             | Export   |             | Domestic |             | Export   |             |
|  |      | Quantity | Net revenue | Quantity | Net revenue | Quantity | Net revenue | Quantity | Net revenue |
| Wafer Level Chip Scale Packaging             |      | 98       | 2,588,921   | 148      | 1,442,516   | 158      | 4,168,071   | 140      | 1,281,331   |
| Wafer Level Post Passivation Interconnection |      | 124      | 440,109     | 115      | 136,661     | 154      | 581,435     | 70       | 85,946      |
| Wafer Testing and Others                     |      | 0        | 30,420      | 0        | 14,553      | 298      | 1,150,162   | 0        | 10,644      |
| Total  |      |          | 3,059,450   |          | 1,593,730   |          | 5,899,668   |          | 1,377,921   |

Note: The shipment quantity of Wafer Level Chip Scale packaging and Wafer Level Post Passivation Interconnection are 1,000 pieces equivalent to eight-inch wafers. Wafer testing is 1,000 pieces 12-inch wafers.

### C. Personnel Structure

| Year                             |                          | 2019  | 2020  | As of March 31, 2021 |
|----------------------------------|--------------------------|-------|-------|----------------------|
| Number of Employees              | Direct Labor             | 907   | 1,033 | 1,020                |
|                                  | Indirect Labor           | 611   | 607   | 599                  |
|                                  | Total                    | 1,518 | 1,640 | 1,619                |
| Average Age (years)              |                          | 37    | 37    | 37                   |
| Average Years of Service (years) |                          | 6.8   | 6.8   | 6.9                  |
| Education                        | Ph.D.                    | 10    | 15    | 15                   |
|                                  | Masters                  | 280   | 265   | 258                  |
|                                  | Bachelor's Degree        | 751   | 884   | 881                  |
|                                  | Senior High School       | 440   | 430   | 420                  |
|                                  | Below Senior High School | 37    | 46    | 45                   |

### D. Environmental Protection Measures

1. The loss or penalty caused by environmental pollution:

2019 and 2020: None.

2. Countermeasures: NA.

Besides operating and maintaining waste water and air pollutant treatment facilities as well as conducting waste sorting pursuant to environmental regulations, as a member of the global community, the Company constantly follows the latest trends of international environmental protection and is dedicated to developing and implementing various carbon footprint reduction programs. By means of the above actions, the Company hopes to conserve electric energy and reduce greenhouse gas (GHG) emissions in order to alleviate greenhouse effect and global warming.

The Company has obtained Environmental and Safety/health Management System certifications such as ISO 14001 and ISO 45001 for many years. However, it still constantly promotes and improves the environment and safety/ health system as well as the culture of its factories every year. It has further adopted measures to meet the requirements of the Taiwan Occupational Safety and Health Management System (CNS45001) and has obtained the certification. Additionally, it has passed the Greenhouse Gas Inventory Assessment and the carbon footprint assessment of the main products. The Company is dedicated to its Environment, Health and Safety Policies (Customers' highest satisfaction, zero accidents, and sustainable environmental development).

## E. Labor Relations

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

### (1) Employee Benefit Programs

- a. According to "Employee Welfare Fund Ordinance", Xintec has organized the Employee Welfare Committee for employee benefits and bonuses.
- b. All employees will be participating in the national health insurance, labor insurance and group insurance. Each employee can apply the insurance benefits.
- c. Xintec's compensation program includes year-end bonuses. When annual settlement, after paying taxes, making up a deficit, reserving dividends and fund, if have any surplus, Xintec will pay compensation in according to related regulations.
- d. Xintec has performance management system. Depending on the operating results, the President can decide whether to grant special incentive bonus.

### (2) Training & Development

In Xintec, we treat our employees as the most important assets. We focus on personal effectiveness, technical, or managerial training program to strengthen and broaden employees' view and competencies for employees' career.

In 2020, a total of 111 physical training courses were held, with a total training time of 260.46 hours and a total of 8,886 participants. In addition, a total of 53 professional technical e-courses were recorded and reproduced, with a total of 21.11 hours. Xintec's training programs include:

#### a. New Employee Training

Provide basic knowledge and ESH training for new employees.

#### b. Personal Effectiveness

Provide personal effectiveness training courses to have our employees equipped to work efficiently and effectively. The course includes time management, presentation skill, how to hold the meeting, confrontation management, and so on.

#### c. Technical Training

Align internal and external experts to develop technical training courses to strengthen our competitiveness.

#### d. On-the-Job Training

Provide technical and professional training required by different functions within the Company.

#### e. Managerial Training

According to required manager's competencies, provide different level managerial training courses to enhance manager's managerial skills.

#### f. Specific Qualification

According to related regulations or their performance, implement certificate training for upgrading the product quality by means of improving the competencies and skills of the employees.

### (3) Retirement Policy:

According to the related laws and regulations, Xintec contributes an amount equal to 2% of salaries paid each month to employees' respective pension funds, which are administered by the Labor Pension Fund Supervisory Committee and deposited in the Committee's name in the Bank of Taiwan. According to the related laws and regulations, implement pension payment program. As of the end of 2020, company welfare program contains total \$NTD 50,638 thousands. Since July 1, 2005, according to the Labor Pension Act, Xintec has made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts. In 2020, the total amount of recognized expense is \$NTD 50,801 thousands.

(4) Labor-Management relationship:

Xintec has established the related regulations for recruitment, promotion, retirement, pension and other benefits to enhance Labor-Management relationships.

(5) Working Environment and Employee Safety Protection:

Xintec's ESH policy is focused on establishing a safe working environment, preventing occupational injury and illness, keeping employees healthy, enhancing every employee's awareness and sense of accountability to ESH. The entrances to the company are equipped with access control device; the gym and nursing room with an emergency pressure deduction; the main entrance and public areas have 24 hours security guards to protect the personal safety.

Health promotion activities for employees include fitness programs, body weight control programs, health examination, health lecture, provide the visually-impaired massage station and health care professionals provide health services.

Participate in government activities and obtain "Badge of Accredited Healthy Workplace" from the Ministry of Health and Welfare National Health Agency.

2. List any loss sustained as a result of labor disputes in the most recent fiscal year, and during the current fiscal year up to the date of printing of the annual report, disclose an estimate of losses incurred to date or likely to be incurred in the future, and indicate mitigation measures being or to be taken: None.

## F. Major Contracts

| Agreement                       | Counterparty                   | Period                         | Major Contents                            | Restrictions  |
|---------------------------------|--------------------------------|--------------------------------|---|---|
| Lease agreement                 | Ministry of economic affairs   | 05/2003~05/2023                | Zhongli Industrial Park (A5-3)            | The contract shall not be subleased, lended or for others to use. |
|                                 |                                | 10/2003~10/2023                | Zhongli Industrial Park (A1-3,A1-4, A2-4) |   |
|                                 |                                | 01/2020~11/2023                | Zhongli Industrial Park (A5-1)            |   |
|                                 |                                | 10/2010~10/2026                | Zhongli Industrial Park (A8-1)            |   |
|                                 |                                | 01/2013~10/2026                | Zhongli Industrial Park (C7-1,C7-2)       |   |
|                                 |                                | 04/2012~03/2027                | Zhongli Industrial Park (A7-3)            |   |
|                                 |                                | 08/2012~08/2027                | Zhongli Industrial Park (A3-1)            |   |
|                                 |                                | 01/2013~11/2027                | Zhongli Industrial Park (C9-1,C9-2)       |   |
|                                 |                                | 03/2012~02/2028                | Zhongli Industrial Park (C10-1,C10-2)     |   |
|                                 |                                | 05/2010~04/2030                | Zhongli Industrial Park (A5-4、A7-2、A8-3)  |   |
|                                 | 01/2021~08/2032                | Zhongli Industrial Park (A1-1) |   |   |
|                                 | Unice E-O services Inc.        | 11/2020~12/2030                | Zhongli Industrial Park (A3-3, A3-4)      |   |
|                                 | Argosy Research Inc.           | 05/2017~04/2021                | Zhongli Industrial Park (C2-2)            |   |
| Borrowing contracts             | Taipei Fubon Commercial Bank   | 06/2017~06/2022                | Working capital                           | None  |
|                                 | Taipei Fubon Commercial Bank   | 06/2017~05/2022                | Working capital                           |   |
|                                 | Far Eastern International Bank | 06/2017~06/2022                | Working capital                           |   |
|                                 | Far Eastern International Bank | 06/2019~12/2024                | Working capital                           |   |
|                                 | Taishin International Bank     | 06/2017~09/2022                | Working capital                           |   |
|                                 | Hua Nan Bank                   | 10/2017~11/2022                | Working capital                           |   |
| Backend service contract        | TSMC                           | 06/2013~(Note1)                | Backend packing service                   | Duty of confidentiality   |
| Equipment Consignment Agreement | TSMC                           | 10/2019~10/2020 (Note 2)       | Consign equipment for back-end service    | Duty of confidentiality   |

Note 1: The contract is still valid except with the consent of the parties to terminate.

Note 2: Unless otherwise specified, the agreement will be renewed automatically every year for successive one (1) year period.

## VI. Operational Highlights

### A. Most Recent 5-Year Concise Financial Information

#### 1. Most Recent 5-Year Concise Balance Sheet and Statement of Comprehensive Income

##### (1) Concise Balance Sheet

Unit: NT\$, in thousands

| Item \ Year   | 2016               | 2017      | 2018      | 2019        | 2020      |            |
|---|--------------------|-----------|-----------|-------------|-----------|------------|
| Current assets  | 2,023,778          | 2,470,933 | 2,300,458 | 2,189,356   | 3,152,343 |            |
| Net property, plant and equipment                     | 6,128,613          | 5,457,634 | 3,940,619 | 3,439,913   | 4,054,174 |            |
| Intangible assets                                     | 69,361             | 57,240    | 38,758    | 23,341      | 48,073    |            |
| Others assets   | 212,524            | 216,845   | 214,913   | 516,171     | 500,596   |            |
| Total asstes  | 8,434,276          | 8,202,652 | 6,494,748 | 6,168,781   | 7,755,186 |            |
| Current liabilities                                   | Befor Distribution | 1,214,362 | 1,363,854 | 1,253,376   | 1,276,369 | 1,987,204  |
|   | After Distribution | 1,214,362 | 1,363,854 | 1,253,376   | 1,276,369 | ( Note 2 ) |
| Non-current liabilities                               | 2,114,962          | 2,434,681 | 2,143,338 | 1,601,603   | 752,526   |            |
| Total Liabilities                                     | Befor Distribution | 3,329,324 | 3,798,535 | 3,396,714   | 2,877,972 | 2,739,730  |
|   | After Distribution | 3,329,324 | 3,798,535 | 3,396,714   | 2,877,972 | ( Note 2 ) |
| Equity attributable to shareholders of parent company | 5,104,952          | 4,404,117 | 3,098,034 | 3,290,809   | 5,015,456 |            |
| Capital stock   | 2,698,534          | 2,719,193 | 2,717,597 | 2,713,643   | 2,713,643 |            |
| Capital surplus                                       | 1,592,780          | 1,630,968 | 1,613,146 | 396,424     | 396,424   |            |
| Retained earnings                                     | Befor Distribution | 813,638   | 79,104    | (1,228,208) | 181,206   | 1,905,389  |
|   | After Distribution | 813,638   | 79,104    | (1,228,208) | 181,206   | ( Note 2 ) |
| Other equity  | -                  | (25,148)  | (4,501)   | (464)       | -         |            |
| Treasury stock  | -                  | -         | -         | -           | -         |            |
| Non-controlling interests                             | -                  | -         | -         | -           | -         |            |
| Total equity  | Befor Distribution | 5,104,952 | 4,404,117 | 3,098,034   | 3,290,809 | 5,015,456  |
|   | After Distribution | 5,104,952 | 4,404,117 | 3,098,034   | 3,290,809 | ( Note 2 ) |

Note 1: Numbers were audited by CPA.

Note 2: Subject to change after shareholders' meeting resolution.

## (2) Concise Statement of Comprehensive Income

Unit: NT\$, in thousands

| Item  | Year      |           |             |           |           |
|---|-----------|-----------|-------------|-----------|-----------|
|   | 2016      | 2017      | 2018        | 2019      | 2020      |
| Operating revenue   | 3,920,698 | 4,078,484 | 4,714,446   | 4,653,180 | 7,277,589 |
| Gross profit  | (298,833) | (349,608) | 9,512       | 547,628   | 2,214,992 |
| Operating income (loss)   | (713,382) | (719,390) | (1,304,492) | 233,537   | 1,762,948 |
| Non-operating income and expense                                      | (28,249)  | (41,464)  | (47,459)    | (51,559)  | (35,503)  |
| Income (loss) before income tax                                       | (741,631) | (760,854) | (1,351,951) | 181,978   | 1,727,445 |
| Profit (loss) from continuing operations                              | (636,819) | (733,280) | (1,351,951) | 181,978   | 1,727,445 |
| Loss from discontinuing operations                                    | -         | -         | -           | -         | -         |
| Net income (loss)   | (636,819) | (733,280) | (1,351,951) | 181,978   | 1,727,445 |
| Other comprehensive income (loss)                                     | 2,388     | (1,254)   | (2,972)     | (772)     | (3,262)   |
| Total comprehensive income (loss)                                     | (634,431) | (734,534) | (1,354,923) | 181,206   | 1,724,183 |
| Net income (loss) attributable to owner of the corporation            | (636,819) | (733,280) | (1,351,951) | 181,978   | 1,727,445 |
| Net income (loss) attributable to non-controlling interests           | -         | -         | -           | -         | -         |
| Comprehensive income (loss) attributable to owner of the corporation  | (634,431) | (734,534) | (1,354,923) | 181,206   | 1,724,183 |
| Comprehensive income (loss) attributable to non-controlling interests | -         | -         | -           | -         | -         |
| Earnings (loss) per share   | (2.36)    | (2.71)    | (4.99)      | 0.67      | 6.37      |

Note 1: Numbers were audited by CPA.

2. CPAs and Their Opinions for Most Recent 5-Years

| Year | Name of CPA                     | Auditor's Opinion      |
|------|---------------------------------|------------------------|
| 2016 | Yu Feng Huang<br>Cheng Chih Lin | An Unqualified Opinion |
| 2017 | Yu Feng Huang<br>Cheng Chih Lin | An Unqualified Opinion |
| 2018 | Yu Feng Huang<br>Cheng Chih Lin | An Unqualified Opinion |
| 2019 | Mei Chen Tsai<br>Cheng Chih Lin | An Unqualified Opinion |
| 2020 | Mei Chen Tsai<br>Cheng Chih Lin | An Unqualified Opinion |

## B. Most Recent 5-Year Financial Analysis

### 1. Financial Analysis

| Item                           |   | Year    |         |         |        |        |
|--------------------------------|---|---------|---------|---------|--------|--------|
|                                |   | 2016    | 2017    | 2018    | 2019   | 2020   |
| Capital Structure Analysis     | Debts Ratio (%)                                     | 39.47   | 46.31   | 52.30   | 46.65  | 35.33  |
|                                | Long-term Fund to Property, Plant and Equipment (%) | 117.81  | 125.31  | 133.01  | 142.22 | 142.27 |
| Liquidity Analysis             | Current Ratio (%)                                   | 166.65  | 181.17  | 183.54  | 171.53 | 158.63 |
|                                | Quick Ratio (%)                                     | 145.01  | 143.25  | 163.34  | 138.51 | 131.34 |
|                                | Times Interest Earned (Times)                       | (29.99) | (18.16) | (31.60) | 6.03   | 72.05  |
| Operating Performance Analysis | Average Collection Turnover (Times)                 | 6.90    | 4.78    | 4.56    | 5.05   | 5.79   |
|                                | Average Collection Days                             | 52.89   | 76.35   | 80.04   | 72.27  | 63.03  |
|                                | Average Inventory Turnover (Times)                  | 20.51   | 14.29   | 23.71   | 21.65  | 26.36  |
|                                | Average Payment Turnover (Times)                    | 17.09   | 15.43   | 13.95   | 14.39  | 17.72  |
|                                | Average Inventory Turnover Days                     | 17.79   | 25.54   | 15.39   | 16.85  | 13.84  |
|                                | Property, Plant and Equipment Turnover (Times)      | 0.62    | 0.70    | 1.00    | 1.26   | 1.94   |
|                                | Total Assets Turnover (Times)                       | 0.46    | 0.49    | 0.64    | 0.72   | 1.05   |
| Profitability Analysis         | Return on Total Assets (%)                          | (7.28)  | (8.42)  | (17.89) | 3.25   | 25.09  |
|                                | Return on Total Equity (%)                          | (11.62) | (15.42) | (35.81) | 5.70   | 41.59  |
|                                | Pre-tax Income to Paid-in Capital Ratio (%)         | (27.48) | (27.98) | (49.75) | 6.71   | 63.66  |
|                                | Net Margin (%)                                      | (16.24) | (17.98) | (28.68) | 3.91   | 23.74  |
|                                | Basic Earnings Per Share (NT\$)                     | (2.36)  | (2.71)  | (4.99)  | 0.67   | 6.37   |
| Cash flow                      | Cash Flow Ratio (%)                                 | 38.49   | (12.43) | 66.56   | 74.63  | 118.61 |
|                                | Cash Flow Adequacy Ratio (%)                        | 80.87   | 66.53   | 69.96   | 90.16  | 126.04 |
|                                | Cash Flow Reinvestment Ratio (%)                    | 2.17    | (1.08)  | 5.35    | 5.98   | 13.73  |
| Leverage                       | Operating Leverage                                  | (2.80)  | (2.55)  | (1.63)  | 10.25  | 2.44   |
|                                | Financial Leverage                                  | 0.97    | 0.95    | 0.97    | 1.18   | 1.01   |

The reasons for all financial ratio changes within the most recent two years are as follows (if less than 20% are exempt from analysis):

1. Debts Ratio decreased was due to total assets increased.
2. Times interest earned increased was mainly due to income before income tax increased.
3. Average Inventory Turnover and Average Payment Turnover increased was due to Operating cost increased.
4. Property, plant and equipment turnover and Total Assets Turnover increased was due to sales increased.
5. Return on total assets, return on total equity, pre-tax income to paid-in capital ratio, net margin and EPS increased was mainly due to the net income increased.
6. Cash Flow Ratio increased was due to net cash generated from operating activities increased.
7. Cash flow adequacy ratio increased was mainly due to five-year sum of net cash generated from operating activities increased and five-year sum of capital expenditures and cash dividend decreased.
8. Cash Flow Reinvestment Ratio was due to net cash generated from operating activities increased.
9. Operating leverage decreased was mainly due to operating income increased.

Formula :

1. Capital Structure Analysis

(1) Debt Ratio = Total Liabilities / Total Assets

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

2. Liquidity Analysis

(1) Current Ratio = Current Assets / Current Liabilities

(2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities

(3) Times Interest Earned = Earnings before Interest and Taxes / Interest Expenses

3. Operating Performance Analysis

(1) Average Collection Turnover (Times) = Net Sales / Average Trade Receivables

(2) Average Collection Days =  $365 / \text{Average Collection Turnover}$

(3) Average Inventory Turnover (Times) = Cost of Sales / Average Inventory

(4) Average Payment Turnover (Times) = Cost of Sales / Average Trade Payables

(5) Average Inventory Turnover Days =  $365 / \text{Average Inventory Turnover}$

(6) Property, Plant and Equipment Turnover (Times) = Net Sales / Average Net Property, Plant and Equipment

(7) Total Assets Turnover (Times) = Net Sales / Average Total Assets

4. Profitability Analysis

(1) Return on Total Assets =  $(\text{Net Income} + \text{Interest Expenses} * (1 - \text{Effective Tax Rate})) / \text{Average Total Assets}$

(2) Return on Total Equity = Net Income / Average Total equity

(3) Pre-tax Income to Paid-in Capital Ratio = Income before Tax / Paid-in Capital

(4) Net Margin = Net Income / Net Sales

(5) Earnings Per Share =  $(\text{Net Income Attributable to Shareholders of the Parent} - \text{Preferred Stock Dividend}) / \text{Weighted Average Number of Shares Outstanding}$

5. Cash Flow

(1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities

(2) Cash Flow Adequacy Ratio =  $\text{Five-year Sum of Cash from Operations} / \text{Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend}$

(3) Cash Flow Reinvestment Ratio =  $(\text{Cash Provided by Operating Activities} - \text{Cash Dividends}) / (\text{Gross Property, Plant and Equipment} + \text{Long-term Investments} + \text{Other Noncurrent Assets} + \text{Working Capital})$

6. Leverage

(1) Operating Leverage =  $(\text{Net Sales} - \text{Variable Cost}) / \text{Income from Operations}$

(2) Financial Leverage =  $\text{Income from Operations} / (\text{Income from Operations} - \text{Interest Expenses})$

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

The Board of Directors has prepared the Company's 2020 Business Report, Financial Statements, and Proposal for the earnings distribution plan. The CPA firm of Deloitte & Touche was retained to audit Xintec's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and the earnings distribution plan Proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of Xintec Inc. According to Article 14-4, 14-5 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

Xintec Inc.

Chairman of the Audit Committee: Robert Hsieh

February 23, 2021

D. Financial Statements and Independent Auditors' Report

**Xintec Inc.**

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

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Xintec Inc.

### **Opinion**

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

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

### **Basis for Opinion**

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

### **Key Audit Matters**

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

Key audit matter of the Company's financial statements for the year ended December 31, 2020 is stated as follows:

#### Revenue recognition of wafer testing

This year the Company's new revenue stream is generated from wafer testing, which is performed according to the terms agreed in the contractual agreement. The Company satisfies the performance obligation in the contract for testing services because the customer simultaneously receives and consumes the benefits provided by the Company's performance. As such, revenue is recognized over time in accordance with the requirements under paragraph 35(a) of IFRS 15. Refer to Notes 4, 5 and 20 to the accompanying financial statements for the details of the accounting policies related to the revenue recognition. As wafer testing is a new business of the Company

and most of its transactions are processed manually, there is a risk that revenue may not be properly recognized due to human errors. Thus, the Company's revenue recognition of wafer testing was identified as a key audit matter.

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

1. We obtained an understanding of the design of key internal controls over the revenue recognition of wafer testing.
2. We selected samples of sales invoices from wafer testing and confirmed relevant supporting documents to verify the accuracy of revenue recognized.
3. We selected samples of revenue details from wafer testing to confirm that the actual receipts and certificate of remittance were consistent with the recorded amounts, checked the credit periods of past due receivables for any abnormal conditions, and sent a confirmation letter to verify the amount of revenue recognized.

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

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

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

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

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

The engagement partners on the audits resulting in this independent auditors' report are Mei Chen Tsai and Cheng Chih Lin.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 23, 2021

*Notice to Readers*

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

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

XINTEC INC.

**BALANCE SHEETS**  
(In Thousands of New Taiwan Dollars)

| ASSETS   | December 31, 2020   |            | December 31, 2019   |            | LIABILITIES AND EQUITY  | December 31, 2020   |            | December 31, 2019   |            |
|--|---------------------|------------|---------------------|------------|---|---------------------|------------|---------------------|------------|
|  | Amount              | %          | Amount              | %          |   | Amount              | %          | Amount              | %          |
| <b>CURRENT ASSETS</b>  |                     |            |                     |            | <b>CURRENT LIABILITIES</b>  |                     |            |                     |            |
| Cash and cash equivalents (Note 6)                             | \$ 1,012,987        | 13         | \$ 803,388          | 13         | Financial liabilities at fair value through profit or loss (Note 7)     | \$ 58               | -          | \$ 261              | -          |
| Financial assets at fair value through profit or loss (Note 7) | 10,245              | -          | 5,290               | -          | Accounts payable  | 317,729             | 4          | 253,683             | 4          |
| Contract assets (Notes 20 and 31)                              | 275,032             | 4          | 218,938             | 4          | Salary and bonus payable  | 164,960             | 2          | 154,543             | 3          |
| Accounts receivable, net (Note 8)                              | 228,133             | 3          | 221,335             | 4          | Accrued employees' compensation and remuneration of directors (Note 27) | 260,390             | 3          | 28,497              | 1          |
| Receivables from related parties, net (Notes 8 and 31)         | 1,358,624           | 17         | 706,966             | 11         | Payables to contractors and equipment suppliers                         | 377,594             | 5          | 67,569              | 1          |
| Other receivables from related parties (Note 31)               | -                   | -          | 29,781              | -          | Income tax payable (Notes 5 and 25)                                     | 24,950              | -          | -                   | -          |
| Inventories (Notes 5 and 9)                                    | 212,305             | 3          | 171,799             | 3          | Lease liabilities - current (Notes 11 and 29)                           | 40,012              | 1          | 42,624              | 1          |
| Other financial assets   | 37                  | -          | 1,147               | -          | Long-term borrowings - current portion (Note 16)                        | 233,333             | 3          | 333,333             | 5          |
| Other current assets (Notes 13 and 31)                         | 54,980              | 1          | 30,712              | -          | Accrued expenses and other current liabilities (Notes 15 and 31)        | 568,178             | 7          | 395,859             | 6          |
| Total current assets   | 3,152,343           | 41         | 2,189,356           | 35         | Total current liabilities   | 1,987,204           | 25         | 1,276,369           | 21         |
| <b>NONCURRENT ASSETS</b>                                       |                     |            |                     |            | <b>NONCURRENT LIABILITIES</b>   |                     |            |                     |            |
| Property, plant and equipment (Notes 5 and 10)                 | 4,054,174           | 52         | 3,439,913           | 56         | Long-term borrowings (Note 16)  | 205,556             | 3          | 1,191,667           | 19         |
| Right-of-use assets (Note 11)                                  | 261,432             | 3          | 302,002             | 5          | Provisions (Note 14)  | 323,902             | 4          | 153,906             | 3          |
| Intangible assets (Note 12)                                    | 48,073              | 1          | 23,341              | 1          | Lease liabilities - non-current (Notes 11 and 29)                       | 220,902             | 3          | 255,072             | 4          |
| Deferred income tax assets (Notes 5 and 25)                    | 229,444             | 3          | 204,403             | 3          | Net defined benefit liabilities - non-current (Note 17)                 | 2,166               | -          | 958                 | -          |
| Refundable deposits  | 9,720               | -          | 9,766               | -          | Total non-current liabilities   | 752,526             | 10         | 1,601,603           | 26         |
| Total noncurrent assets  | 4,602,843           | 59         | 3,979,425           | 65         | Total liabilities   | 2,739,730           | 35         | 2,877,972           | 47         |
|  |                     |            |                     |            | <b>EQUITY (Notes 18 and 19)</b>   |                     |            |                     |            |
| <b>TOTAL</b>   | <b>\$ 7,755,186</b> | <b>100</b> | <b>\$ 6,168,781</b> | <b>100</b> | Capital stock - common stock  | 2,713,643           | 35         | 2,713,643           | 44         |
|  |                     |            |                     |            | Capital surplus   | 396,424             | 5          | 396,424             | 6          |
|  |                     |            |                     |            | Retained earnings   |                     |            |                     |            |
|  |                     |            |                     |            | Appropriated as legal reserve   | 18,120              | -          | -                   | -          |
|  |                     |            |                     |            | Unappropriated earnings   | 1,887,269           | 25         | 181,206             | 3          |
|  |                     |            |                     |            |   | 1,905,389           | 25         | 181,206             | 3          |
|  |                     |            |                     |            | Other   | -                   | -          | (464)               | -          |
|  |                     |            |                     |            | Total equity  | 5,015,456           | 65         | 3,290,809           | 53         |
|  |                     |            |                     |            | <b>TOTAL</b>  | <b>\$ 7,755,186</b> | <b>100</b> | <b>\$ 6,168,781</b> | <b>100</b> |

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

**XINTEC INC.**

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

|  | 2020                |           | 2019              |            |
|--|---------------------|-----------|-------------------|------------|
|  | Amount              | %         | Amount            | %          |
| OPERATING REVENUE (Notes 5, 20 and 31)                             | \$ 7,277,589        | 100       | \$ 4,653,180      | 100        |
| OPERATING COSTS (Notes 9, 27 and 31)                               | <u>5,062,597</u>    | <u>70</u> | <u>4,105,552</u>  | <u>88</u>  |
| GROSS PROFIT   | <u>2,214,992</u>    | <u>30</u> | <u>547,628</u>    | <u>12</u>  |
| OPERATING EXPENSES (Notes 27 and 31)                               |                     |           |                   |            |
| Sales and marketing  | 49,529              | 1         | 39,429            | 1          |
| General and administrative   | 147,836             | 2         | 118,379           | 2          |
| Research and development   | <u>253,999</u>      | <u>3</u>  | <u>218,811</u>    | <u>5</u>   |
| Total operating expenses   | <u>451,364</u>      | <u>6</u>  | <u>376,619</u>    | <u>8</u>   |
| OTHER OPERATING INCOME AND EXPENSES, NET<br>(Notes 21, 27 and 31)  | <u>(680)</u>        | <u>-</u>  | <u>62,528</u>     | <u>1</u>   |
| PROFIT FROM OPERATIONS   | <u>1,762,948</u>    | <u>24</u> | <u>233,537</u>    | <u>5</u>   |
| NON-OPERATING INCOME AND EXPENSES                                  |                     |           |                   |            |
| Interest income (Note 22)  | 3,081               | -         | 4,049             | -          |
| Finance costs (Note 23)  | (24,314)            | -         | (36,192)          | (1)        |
| Other gains and losses (Note 24)                                   | <u>(14,270)</u>     | <u>-</u>  | <u>(19,416)</u>   | <u>-</u>   |
| Total non-operating income and expenses                            | <u>(35,503)</u>     | <u>-</u>  | <u>(51,559)</u>   | <u>(1)</u> |
| PROFIT BEFORE INCOME TAX   | 1,727,445           | 24        | 181,978           | 4          |
| INCOME TAX EXPENSE (Note 25)                                       | <u>-</u>            | <u>-</u>  | <u>-</u>          | <u>-</u>   |
| NET PROFIT FOR THE YEAR  | <u>1,727,445</u>    | <u>24</u> | <u>181,978</u>    | <u>4</u>   |
| OTHER COMPREHENSIVE INCOME (LOSS)                                  |                     |           |                   |            |
| Items that will not be reclassified subsequently to profit or loss |                     |           |                   |            |
| Remeasurement of defined benefit plans (Note 17)                   | <u>(3,262)</u>      | <u>-</u>  | <u>(772)</u>      | <u>-</u>   |
| Other comprehensive loss for the year                              | <u>(3,262)</u>      | <u>-</u>  | <u>(772)</u>      | <u>-</u>   |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR                            | <u>\$ 1,724,183</u> | <u>24</u> | <u>\$ 181,206</u> | <u>4</u>   |
| EARNINGS PER SHARE (Note 26)                                       |                     |           |                   |            |
| Basic earnings per share   | <u>\$ 6.37</u>      |           | <u>\$ 0.67</u>    |            |
| Diluted earnings per share   | <u>\$ 6.33</u>      |           | <u>\$ 0.67</u>    |            |

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

XINTEC INC.

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

|  | Capital Stock - Common Stock |              | Capital Surplus | Legal Reserve | Retained Earnings                                      |                | Other<br>Unearned<br>Stock-based<br>Employee<br>Compensation | Total Equity |
|--|------------------------------|--------------|-----------------|---------------|--|----------------|--|--------------|
|  | Stock<br>(In Thousands)      | Amount       |                 |               | Unappropriated<br>Earnings<br>(Accumulated<br>Deficit) | Total          |  |              |
| BALANCE, JANUARY 1, 2019   | 271,760                      | \$ 2,717,597 | \$ 1,613,146    | \$ 79,104     | \$ (1,307,312)   | \$ (1,228,208) | \$ (4,501)   | \$ 3,098,034 |
| Offset of deficit against capital surplus  | -                            | -            | (1,228,208)     | -             | 1,228,208  | 1,228,208      | -  | -            |
| Offset of deficit against legal reserve  | -                            | -            | -               | (79,104)      | 79,104   | -              | -  | -            |
| Net profit for the year ended December 31, 2019                                  | -                            | -            | -               | -             | 181,978  | 181,978        | -  | 181,978      |
| Other comprehensive loss for the year ended December 31, 2019, net of income tax | -                            | -            | -               | -             | (772)  | (772)          | -  | (772)        |
| Total comprehensive income for the year ended December 31, 2019                  | -                            | -            | -               | -             | 181,206  | 181,206        | -  | 181,206      |
| Compensation cost of employee restricted stock                                   | 200                          | 2,000        | 6,400           | -             | -  | -              | 3,169  | 11,569       |
| Retirement of employee restricted stock  | (596)                        | (5,954)      | 5,086           | -             | -  | -              | 868  | -            |
| BALANCE, DECEMBER 31, 2019   | 271,364                      | 2,713,643    | 396,424         | -             | 181,206  | 181,206        | (464)  | 3,290,809    |
| Appropriation of prior year's earnings as legal reserve                          | -                            | -            | -               | 18,120        | (18,120)   | -              | -  | -            |
| Net profit for the year ended December 31, 2020                                  | -                            | -            | -               | -             | 1,727,445  | 1,727,445      | -  | 1,727,445    |
| Other comprehensive loss for the year ended December 31, 2020, net of income tax | -                            | -            | -               | -             | (3,262)  | (3,262)        | -  | (3,262)      |
| Total comprehensive income for the year ended December 31, 2020                  | -                            | -            | -               | -             | 1,724,183  | 1,724,183      | -  | 1,724,183    |
| Compensation cost of employee restricted stock                                   | -                            | -            | -               | -             | -  | -              | 464  | 464          |
| BALANCE, DECEMBER 31, 2020   | 271,364                      | \$ 2,713,643 | \$ 396,424      | \$ 18,120     | \$ 1,887,269   | \$ 1,905,389   | \$ -   | \$ 5,015,456 |

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

**XINTEC INC.**

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

|   | 2020             | 2019             |
|---|------------------|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                   |                  |                  |
| Income before income tax                                      | \$ 1,727,445     | \$ 181,978       |
| Adjustments for:  |                  |                  |
| Depreciation  | 817,901          | 810,230          |
| Amortization  | 19,609           | 25,775           |
| Expected credit loss (gain)                                   | 8                | (21)             |
| Finance costs   | 24,314           | 36,192           |
| Interest income   | (3,081)          | (4,049)          |
| Compensation cost of employee restricted stock                | 464              | 7,569            |
| (Gain) loss on disposal of property, plant and equipment, net | (10,442)         | 414              |
| Impairment loss recognized on property, plant and equipment   | 67,676           | -                |
| Gain on lease modification                                    | -                | (23)             |
| Gain on foreign exchange, net                                 | (128)            | (421)            |
| Changes in operating assets and liabilities:                  |                  |                  |
| Derivative financial instruments                              | (5,158)          | (7,170)          |
| Contract assets   | (56,078)         | 9,821            |
| Accounts receivable, net                                      | (6,822)          | 43,374           |
| Receivables from related parties, net                         | (651,658)        | (57,154)         |
| Other receivables from related parties                        | 29,781           | (29,781)         |
| Inventories   | (40,506)         | 35,593           |
| Other current assets  | (28,280)         | 6,180            |
| Other financial assets  | 1,037            | (1,031)          |
| Accounts payable  | 64,046           | (63,163)         |
| Salary and bonus payable                                      | 10,417           | 15,058           |
| Accrued employees' compensation and remuneration of directors | 231,893          | 28,497           |
| Accrued expenses and other current liabilities                | 166,577          | (84,208)         |
| Net defined benefit assets/liabilities                        | (2,054)          | (1,366)          |
| Cash generated from operations                                | <u>2,356,961</u> | <u>952,294</u>   |
| Income tax refunded   | <u>157</u>       | <u>315</u>       |
| Net cash generated from operating activities                  | <u>2,357,118</u> | <u>952,609</u>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                   |                  |                  |
| Payments for property, plant and equipment                    | (967,859)        | (387,763)        |
| Proceeds from disposal of property, plant and equipment       | 10,442           | 71               |
| Increase in refundable deposits                               | (515)            | (12,824)         |
| Decrease in refundable deposits                               | 561              | 13,568           |
| Payments for intangible assets                                | (44,341)         | (10,358)         |
| Interest received   | <u>3,154</u>     | <u>4,086</u>     |
| Net cash used in investing activities                         | <u>(998,558)</u> | <u>(393,220)</u> |

(Continued)

**XINTEC INC.**

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

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|   | <b>2020</b>         | <b>2019</b>       |
|---|---------------------|-------------------|
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                 |                     |                   |
| Proceeds from long-term borrowings                          | \$ 150,000          | \$ 90,000         |
| Repayments of long-term borrowings                          | (1,236,111)         | (675,000)         |
| Repayments of the principal portion of lease liabilities    | (42,479)            | (43,600)          |
| Interest paid   | (20,371)            | (34,693)          |
| Proceeds from issuance of employee restricted stock         | <u>-</u>            | <u>4,000</u>      |
| Net cash used in financing activities                       | <u>(1,148,961)</u>  | <u>(659,293)</u>  |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b> | 209,599             | (99,904)          |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>         | <u>803,388</u>      | <u>903,292</u>    |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>               | <u>\$ 1,012,987</u> | <u>\$ 803,388</u> |

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

(Concluded)

# XINTEC INC.

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

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#### 1. GENERAL INFORMATION

Xintec Inc. (the “Company” or “Xintec”) was incorporated on September 11, 1998. The Company is a dedicated subcontractor of advanced packaging services in the semiconductor industry and engages mainly in wafer level chip scale packaging (CSP), wafer level post passivation interconnection services (PPI) and wafer testing services. The Company’s stock has been listed on the Taipei Exchange since March 30, 2015. The address of its registered office and principal place of business is 9F, No.23, Jilin Rd., Jhongli Dist., Taoyuan City 32062, Taiwan.

#### 2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The financial statements were approved and authorized by the board of directors for issue on February 23, 2021.

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

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

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Company’s accounting policies.

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

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

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

| <u>New IFRSs</u>   | <u>Effective Date<br/>Announced by IASB (Note 1)</u> |
|--|--|
| “Annual Improvements to IFRS Standards 2018-2020”  | January 1, 2022 (Note 2)                             |
| Amendments to IFRS 3 “Reference to the Conceptual Framework”   | January 1, 2022 (Note 3)                             |
| Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture” | To be determined by IASB                             |

(Continued)

| <b>New IFRSs</b>  | <b>Effective Date<br/>Announced by IASB (Note 1)</b> |
|---|--|
| IFRS 17 “Insurance Contracts”   | January 1, 2023                                      |
| Amendments to IFRS 17   | January 1, 2023                                      |
| Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”       | January 1, 2023                                      |
| Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use” | January 1, 2022 (Note 4)                             |
| Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”            | January 1, 2022 (Note 5)                             |
|   | (Concluded)  |

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

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022.

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

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

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

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

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

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

2) Annual Improvements to IFRS Standards 2018-2020

Several standards, including IFRS 9 “Financial Instruments”, were amended in the annual improvements. IFRS 9 requires to compare the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, with that of the cash flows under the original financial liability when there is an exchange or modification of debt instruments. The new terms and the original terms are substantially different if the difference between those discounted

present values is at least 10%. The amendments to IFRS 9 clarify that the only fees that should be included in the above assessment are those fees paid or received between the borrower and the lender.

3) Amendments to IAS 16 “Property, Plant and Equipment: Proceeds before Intended Use”

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of those items is measured in accordance with IAS 2 “Inventories”. Any proceeds from selling those items and the cost of those items are recognized in profit or loss in accordance with applicable standards.

The amendments are applicable only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021. The Company will restate its comparative information when it initially applies the aforementioned amendments.

4) Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”

The amendments specify that when assessing whether a contract is onerous, the “cost of fulfilling a contract” includes both the incremental costs of fulfilling that contract (for example, direct labor and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of depreciation for an item of property, plant and equipment used in fulfilling the contract).

The Company will recognize the cumulative effect of the initial application of the aforementioned amendments in the retained earnings at the date of the initial application.

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

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

##### **Statement of Compliance**

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

##### **Basis of Preparation**

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

##### **Classification of Current and Noncurrent Assets and Liabilities**

Current assets include:

- a. Assets held primarily for the purpose of trading;
- b. Assets expected to be realized within 12 months after the reporting period; and

- c. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- a. Liabilities held primarily for the purpose of trading;
- b. Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; and
- c. Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as noncurrent.

### **Foreign Currencies**

In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Such exchange differences are recognized in profit or loss in the year in which they arise. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income. Non-monetary items that are measured at historical cost in foreign currencies are not retranslated.

### **Cash Equivalents**

Cash equivalents, for the purpose of meeting short-term cash commitments and investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### **Inventories**

Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made on an item-by-item basis, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and necessary selling costs. Inventories are recorded at weighted-average cost on the balance sheet date.

### **Property, Plant and Equipment**

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment. Costs include any incremental costs that are directly attributable to the construction or acquisition of the item of property, plant and equipment. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Other than stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Properties, plant and equipment in the course of construction are carried at cost, less any recognized impairment loss. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation is recognized so as to write off the cost of the assets less their residual values over their useful lives, and it is computed using the straight-line method over the following estimated useful lives:

|                         |               |
|-------------------------|---------------|
| Buildings               | 3 to 32 years |
| Machinery and equipment | 3 to 8 years  |
| Office equipment        | 3 to 11 years |
| Leased improvements     | 3 to 16 years |
| Other equipment         | 3 to 11 years |

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis. Freehold land is not depreciated.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

### **Intangible Assets**

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized using the straight-line method over the following estimated useful lives:

|                     |              |
|---------------------|--------------|
| Technical expertise | 20 years     |
| Software            | 3 years      |
| Patents             | 2 years      |
| Others              | 2 to 5 years |

The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Expenditure on research activities is recognized as an expense when incurred. An internally-generated intangible asset arising from development activities is capitalized and then amortized on a straight-line basis over its useful life if the recognition criteria for an intangible asset have been met; otherwise, the development expenditure is recognized as an expense when incurred.

### **Impairment of Property, Plant and Equipment, Right-of-use Asset and Intangible Assets**

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

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

Before the Company recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories, property, plant and equipment and intangible assets related to the contract applicable under IFRS 15 shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the company expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

When an impairment loss is subsequently reverses, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

### **Financial Instruments**

Financial assets and liabilities shall be recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and liabilities are initially recognized at fair values. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss. Fair value is determined in the manner described in Note 30.

### **Financial Assets**

The classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis for which financial assets were classified in the same way, respectively.

#### **a. Category of financial assets and measurement**

Financial assets are classified into the following categories: financial assets at fair value through profit or loss and financial assets at amortized cost.

##### **1) Financial assets at fair value through profit or loss**

Derivative financial instruments that do not meet the criteria for hedge accounting are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

##### **2) Financial assets at amortized cost**

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

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

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

b. Impairment of financial assets and contract assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable and contract assets).

The Company always recognizes lifetime Expected Credit Loss (ECL) for accounts receivable. For all other financial instruments, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

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

For the purposes of internal credit risk management, it is judged that the following conditions represent a default on financial assets without considering the collateral held:

- 1) Internal or external information indicates that the debtor is no longer able to settle the debt.
- 2) Overdue for more than 90 days, unless there is reasonable and corroborative information showing that a delayed basis of default is more appropriate.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

c. Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

## **Financial Liabilities and Equity Instruments**

a. Classification as debt or equity

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

b. Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

c. Financial liabilities

Financial liabilities are subsequently measured either at amortized cost using effective interest method or at FVTPL.

Financial liabilities measured at FVTPL are derivative financial instruments that do not meet the criteria for hedge accounting, and they are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

Financial liabilities other than those held for trading purposes and designated as at FVTPL are subsequently measured at amortized cost at the end of each reporting period.

d. Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

### **Derivative Financial Instruments**

The Company enters into foreign exchange forward contracts to manage its exposure to foreign exchange rates.

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

### **Provision**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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

### **Revenue Recognition**

#### Packaging Service Revenue

The Company identifies the contract with the customers and recognizes revenue when performance obligations are satisfied.

The revenue from packaging service is generated during the manufacturing of customer-specific goods. If the customer controls the customized goods when they are in packaging process, revenue is recognized over time. Packaging service revenue is measured at the fair value of the consideration received or receivable. Packaging service revenue is reduced for estimated customer returns, rebates and other similar allowances.

## Testing Service Revenue

The Company satisfies the performance obligation in the contract for testing services because the customer simultaneously receives and consumes the benefits provided by the Company's performance. The Company has the right to collect payment for the portion of testing services that have been satisfied, and the revenue from testing services is recognized over time.

Provision for estimated sales returns and other allowances is generally made and adjusted based on historical experience and the consideration of varying contractual terms to recognize refund liabilities, which is classified under accrued expenses and other current liabilities.

In principle, the payment terms granted to customers are 30 days to 60 days from the end of the month when the invoice is issued, and 30 days from the end of the month of when the invoice is issued for some customers. Due to the short term nature of the receivables from packaging and testing service revenue with the immaterial discounted effect, the Company measures them at the original invoice amounts without discounting.

## **Leases**

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

### a. The Company as lessor

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

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

### b. The Company as lessee

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

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

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

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments and variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the

remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

## **Employee Benefits**

### Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for service rendered by employees.

### Retirement benefits

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

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the Projected Unit Credit Method. Service cost (including current service cost), and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

## **Share-based Payment Arrangements**

The Company elected to take the optional exemption under IFRS 1, "First-time Adoption of International Financial Reporting Standards" for the share-based payment transactions granted and vested before the date of transition to IFRSs.

Employee stock options that were granted after January 1, 2012 are measured at the fair value of the stock options at the grant date. The fair value of the stock option granted determined at the grant date of the stock options is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in capital surplus - employee stock option. The estimate is revised if subsequent information indicates that the number of stock options expected to vest differs from original estimates. It is recognized as an expense in full at the grant date if vesting immediately.

For cash-settled share-based payments, a liability is recognized for the goods or services acquired, measured initially at the fair value of the liability incurred. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in profit or loss.

When restricted shares for employees are issued, other equity - unearned employee benefits is recognized on the grant date, with a corresponding increase in capital surplus - restricted shares for employees. If restricted shares for employees are granted for consideration and should be returned, they are recognized as payables. Dividends paid to employees on restricted shares that do not need to be returned if employees resign in the vesting period are recognized as expenses when the dividends are declared with a corresponding adjustment in retained earnings and capital surplus - restricted shares for employees.

At the end of each reporting period, the Company revises its estimate of the number of restricted shares for employees expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - restricted shares for employees.

## **Taxation**

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

### Current tax

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

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

### Deferred tax

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

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforwards, and unused tax credits from purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

### Current and deferred tax for the year

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

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

In the application of the Company's accounting policies, which are described in Note 4, the management is required to make judgments, estimations, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Company considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised if the revisions affect only that year or in the year of the revision and future years if the revisions affect both current and future years.

### **Critical Accounting Judgements**

a. Revenue recognition

For each contract, the Company determines whether its performance obligations are satisfied over time or at a point in time based on the conditions in the contract and applicable regulations described in Note 4. The Company also records a refund liability for estimated future returns and other allowances in the same period when performance obligations are satisfied. Estimate of sales returns and other allowances is generally made and adjusted based on historical experience and the varying contractual terms that would significantly affect the allowance, and management periodically reviews the adequacy of the percentage used.

### **Key Sources of Estimation Uncertainty**

a. Valuation of inventory

Inventories are stated at the lower of cost or net realizable value, and the Company has to use judgment and estimate to determine the net realizable value of inventory at the end of each reporting period.

Due to the rapid technological changes, the Company estimates the net realizable value of inventory for obsolescence and unmarketable items at the end of reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific time horizon.

b. Realization of deferred income tax assets

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which those deferred tax assets can be utilized. Assessment of the realization of the deferred tax assets requires the Company's subjective judgment and estimate including the future revenue growth and profitability, the amount of tax credits that can be utilized and feasible tax planning strategies. Any changes in the global economic environment, the industry trends and relevant laws and regulations could result in significant adjustments to the deferred tax assets.

## **6. CASH AND CASH EQUIVALENTS**

|   | <b>December 31</b>  |                   |
|---|---------------------|-------------------|
|   | <b>2020</b>         | <b>2019</b>       |
| Cash and deposits in banks                              | \$ 543,987          | \$ 419,388        |
| Repurchase agreements collateralized by corporate bonds | <u>469,000</u>      | <u>384,000</u>    |
|   | <u>\$ 1,012,987</u> | <u>\$ 803,388</u> |

## 7. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

|   | <u>December 31</u> |                 |
|---|--------------------|-----------------|
|   | 2020               | 2019            |
| <u>Derivative financial assets</u>      |                    |                 |
| Forward exchange contracts              | \$ <u>10,245</u>   | \$ <u>5,290</u> |
| <u>Derivative financial liabilities</u> |                    |                 |
| Forward exchange contracts              | \$ <u>58</u>       | \$ <u>261</u>   |

The Company entered into derivative contracts to manage exposures due to fluctuations of foreign exchange rates. The derivative contracts entered into by the Company did not meet the criteria for hedge accounting. Therefore, the Company did not apply hedge accounting treatment for derivative contracts.

The details of outstanding forward exchange contracts consisted of the following:

|                          | <u>Maturity Date</u>       | <u>Contract Amount<br/>(In Thousands)</u> |
|--------------------------|----------------------------|---|
| <u>December 31, 2020</u> |                            |   |
| Sell US\$/Buy NT\$       | January 2021-February 2021 | US\$49,740/NT\$1,407,732                  |
| <u>December 31, 2019</u> |                            |   |
| Sell US\$/Buy NT\$       | January 2020-February 2020 | US\$27,730/NT\$836,596                    |

## 8. ACCOUNTS RECEIVABLE

|                                     | <u>December 31</u>  |                   |
|-------------------------------------|---------------------|-------------------|
|                                     | 2020                | 2019              |
| <u>Unrelated parties</u>            |                     |                   |
| Accounts receivable                 | \$ 228,374          | \$ 221,552        |
| Less: Allowance for impairment loss | <u>(241)</u>        | <u>(217)</u>      |
| Accounts receivable, net            | <u>228,133</u>      | <u>221,335</u>    |
| <u>Related parties</u>              |                     |                   |
| Accounts receivable                 | 1,358,624           | 706,966           |
| Less: Allowance for impairment loss | <u>-</u>            | <u>-</u>          |
| Accounts receivable, net            | <u>1,358,624</u>    | <u>706,966</u>    |
|                                     | <u>\$ 1,586,757</u> | <u>\$ 928,301</u> |

In principle, the payment terms granted to customers are 30 days to 60 days from the end of the month when the invoice is issued, and 30 days from the end of the month of when the invoice is issued for some customers. Aside from recognizing impairment loss for credit-impaired accounts receivable, the Company recognizes loss allowance based on the expected credit loss ratio of customers by different risk levels. Such risk levels are determined with reference to factors of historical loss ratios and customers' current financial conditions and business outlook (such as economic outlook of the industries in which the customers operate

and future changes in purchasing requirements during a certain period, etc.). For accounts receivable that are over 90 days past due without collaterals or guarantees, the Company recognizes loss allowance at full amount.

Except for those impaired, the rest of accounts receivable aging analysis at the end of the reporting period is summarized in the following table. Accounts receivable include amounts that are past due for which the Company has not recognized a specific allowance for doubtful receivables after the assessment since there has not been a significant change in the credit quality of its customers and the amounts are still considered recoverable.

Aging analysis of accounts receivable, net

|                               | <u>December 31</u>  |                   |
|-------------------------------|---------------------|-------------------|
|                               | <u>2020</u>         | <u>2019</u>       |
| Neither past due nor impaired | \$ 1,581,985        | \$ 928,284        |
| Over 30 days past due         | 1,187               | 17                |
| Over 31-60 days past due      | <u>3,585</u>        | <u>-</u>          |
|                               | <u>\$ 1,586,757</u> | <u>\$ 928,301</u> |

Movements of the loss allowance for accounts receivable:

|  | <u>For the Year Ended December 31</u> |               |
|--|---------------------------------------|---------------|
|  | <u>2020</u>                           | <u>2019</u>   |
| Balance on January 1                           | \$ 217                                | \$ 231        |
| Recognition (reversal) of expected credit loss | <u>24</u>                             | <u>(14)</u>   |
| Balance on December 31                         | <u>\$ 241</u>                         | <u>\$ 217</u> |

**9. INVENTORIES**

|               | <u>December 31</u> |                   |
|---------------|--------------------|-------------------|
|               | <u>2020</u>        | <u>2019</u>       |
| Raw materials | <u>\$ 212,305</u>  | <u>\$ 171,799</u> |

The cost of inventories recognized as cost of goods sold consisted of the following:

|                             | <u>For the Year Ended December 31</u> |                 |
|-----------------------------|---------------------------------------|-----------------|
|                             | <u>2020</u>                           | <u>2019</u>     |
| Recovery of inventory loss  | <u>\$ 3,253</u>                       | <u>\$ 150</u>   |
| Revenue from sale of scraps | <u>\$ 4,842</u>                       | <u>\$ 7,249</u> |

## 10. PROPERTY, PLANT AND EQUIPMENT

|                                      | <u>December 31</u>  |                     |
|--------------------------------------|---------------------|---------------------|
|                                      | <u>2020</u>         | <u>2019</u>         |
| Assets used by the Company           | \$ 3,969,444        | \$ 3,340,753        |
| Assets leased under operating leases | <u>84,730</u>       | <u>99,160</u>       |
|                                      | <u>\$ 4,054,174</u> | <u>\$ 3,439,913</u> |

### a. Assets used by the Company

|   | Land              | Buildings           | Machinery<br>and<br>Equipment | Office<br>Equipment | Leased<br>Improvement | Other<br>Equipment  | Equipment<br>under<br>Installation<br>and<br>Construction<br>in Progress | Total               |
|---|-------------------|---------------------|-------------------------------|---------------------|-----------------------|---------------------|--|---------------------|
| <u>Cost</u>   |                   |                     |                               |                     |                       |                     |  |                     |
| Balance at January 1, 2020                          | \$ 780,851        | \$ 2,063,744        | \$ 9,549,931                  | \$ 210,041          | \$ 656,448            | \$ 1,020,264        | \$ 15,821  | \$14,297,100        |
| Additions   | -                 | 878,313             | 212,296                       | 39,602              | 5,183                 | 180,518             | 136,537  | 1,452,449           |
| Disposals or retirements                            | -                 | -                   | (471,006)                     | -                   | -                     | -                   | -  | (471,006)           |
| Balance at December 31, 2020                        | <u>\$ 780,851</u> | <u>\$ 2,942,057</u> | <u>\$ 9,291,221</u>           | <u>\$ 249,643</u>   | <u>\$ 661,631</u>     | <u>\$ 1,200,782</u> | <u>\$ 152,358</u>  | <u>\$15,278,543</u> |
| <u>Accumulated depreciation<br/>and impairment</u>  |                   |                     |                               |                     |                       |                     |  |                     |
| Balance at January 1, 2020                          | \$ -              | \$ 963,577          | \$ 8,753,175                  | \$ 182,785          | \$ 470,203            | \$ 586,607          | \$ -   | \$10,956,347        |
| Depreciation  | -                 | 191,288             | 387,243                       | 18,224              | 53,181                | 106,146             | -  | 756,082             |
| Impairment loss                                     | -                 | -                   | 67,676                        | -                   | -                     | -                   | -  | 67,676              |
| Disposals or retirements                            | -                 | -                   | (471,006)                     | -                   | -                     | -                   | -  | (471,006)           |
| Balance at December 31, 2020                        | <u>\$ -</u>       | <u>\$ 1,154,865</u> | <u>\$ 8,737,088</u>           | <u>\$ 201,009</u>   | <u>\$ 523,384</u>     | <u>\$ 692,753</u>   | <u>\$ -</u>  | <u>\$11,309,099</u> |
| Carrying amount at<br>December 31, 2020             | <u>\$ 780,851</u> | <u>\$ 1,787,192</u> | <u>\$ 554,133</u>             | <u>\$ 48,634</u>    | <u>\$ 138,247</u>     | <u>\$ 508,029</u>   | <u>\$ 152,358</u>  | <u>\$ 3,969,444</u> |
| <u>Cost</u>   |                   |                     |                               |                     |                       |                     |  |                     |
| Balance at January 1, 2019                          | \$ 772,029        | \$ 2,144,508        | \$ 9,457,138                  | \$ 206,329          | \$ 725,306            | \$ 947,054          | \$ 36,559  | \$14,288,923        |
| Additions   | 8,822             | 71,088              | 96,887                        | 6,379               | 2,982                 | 96,714              | (20,738)   | 262,134             |
| Disposals or retirements                            | -                 | -                   | (4,094)                       | (658)               | (71,840)              | (1,920)             | -  | (78,512)            |
| Transfer to assets leased under<br>operating leases | -                 | (151,852)           | -                             | (2,009)             | -                     | (21,584)            | -  | (175,445)           |
| Balance at December 31, 2019                        | <u>\$ 780,851</u> | <u>\$ 2,063,744</u> | <u>\$ 9,549,931</u>           | <u>\$ 210,041</u>   | <u>\$ 656,448</u>     | <u>\$ 1,020,264</u> | <u>\$ 15,821</u>   | <u>\$14,297,100</u> |
| <u>Accumulated depreciation<br/>and impairment</u>  |                   |                     |                               |                     |                       |                     |  |                     |
| Balance at January 1, 2019                          | \$ -              | \$ 882,303          | \$ 8,304,835                  | \$ 159,970          | \$ 488,390            | \$ 512,806          | \$ -   | \$10,348,304        |
| Depreciation  | -                 | 130,271             | 451,949                       | 24,849              | 53,653                | 83,241              | -  | 743,963             |
| Disposals or retirements                            | -                 | -                   | (3,609)                       | (658)               | (71,840)              | (1,920)             | -  | (78,027)            |
| Transfer to assets leased under<br>operating leases | -                 | (48,997)            | -                             | (1,376)             | -                     | (7,520)             | -  | (57,893)            |
| Balance at December 31, 2019                        | <u>\$ -</u>       | <u>\$ 963,577</u>   | <u>\$ 8,753,175</u>           | <u>\$ 182,785</u>   | <u>\$ 470,203</u>     | <u>\$ 586,607</u>   | <u>\$ -</u>  | <u>\$10,956,347</u> |
| Carrying amount at<br>December 31, 2019             | <u>\$ 780,851</u> | <u>\$ 1,100,167</u> | <u>\$ 796,756</u>             | <u>\$ 27,256</u>    | <u>\$ 186,245</u>     | <u>\$ 433,657</u>   | <u>\$ 15,821</u>   | <u>\$ 3,340,753</u> |

The significant part of the Company's buildings includes main plants, mechanical and electrical power equipment and clean rooms, and their related depreciations are calculated using the estimated useful lives of 18 to 32 years, 7 to 11 years and 10 to 11 years, respectively. The significant part of the Company's machinery and equipment includes etching machines and sputters, and its related depreciation is calculated using the estimated useful lives of 3 to 8 years.

The Company recognized impairment loss in the amounts of NT\$67,676 thousand and zero thousand for the years ended December 31, 2020 and 2019, respectively, due to the carrying amount of some of the property, plant and equipment which was deemed unrecoverable. Such impairment loss was included in other operating income and expenses.

b. Assets leased under operating leases

|  | <b>Buildings</b>  | <b>Equipment</b> | <b>Other<br/>Equipment</b> | <b>Total</b>      |
|--|-------------------|------------------|----------------------------|-------------------|
| <u>Cost</u>                                  |                   |                  |                            |                   |
| Balance at January 1, 2020                   | \$ 153,429        | \$ 2,009         | \$ 21,584                  | \$ 177,022        |
| Additions                                    | <u>1,970</u>      | <u>-</u>         | <u>-</u>                   | <u>1,970</u>      |
| Balance on December 31, 2020                 | <u>\$ 155,399</u> | <u>\$ 2,009</u>  | <u>\$ 21,584</u>           | <u>\$ 178,992</u> |
| <u>Accumulated depreciation</u>              |                   |                  |                            |                   |
| Balance at January 1, 2020                   | \$ 64,954         | \$ 1,788         | \$ 11,120                  | \$ 77,862         |
| Depreciation                                 | <u>12,699</u>     | <u>100</u>       | <u>3,601</u>               | <u>16,400</u>     |
| Balance on December 31, 2020                 | <u>\$ 77,653</u>  | <u>\$ 1,888</u>  | <u>\$ 14,721</u>           | <u>\$ 94,262</u>  |
| Carrying amount at<br>December 31, 2020      | <u>\$ 77,746</u>  | <u>\$ 121</u>    | <u>\$ 6,863</u>            | <u>\$ 84,730</u>  |
| <u>Cost</u>                                  |                   |                  |                            |                   |
| Balance at January 1, 2019                   | \$ -              | \$ -             | \$ -                       | \$ -              |
| Additions                                    | 1,577             | -                | -                          | 1,577             |
| Transfers from assets used by<br>the Company | <u>151,852</u>    | <u>2,009</u>     | <u>21,584</u>              | <u>175,445</u>    |
| Balance on December 31, 2019                 | <u>\$ 153,429</u> | <u>\$ 2,009</u>  | <u>\$ 21,584</u>           | <u>\$ 177,022</u> |
| <u>Accumulated depreciation</u>              |                   |                  |                            |                   |
| Balance at January 1, 2019                   | \$ -              | \$ -             | \$ -                       | \$ -              |
| Transfers from assets used by<br>the Company | 48,997            | 1,376            | 7,520                      | 57,893            |
| Depreciation                                 | <u>15,957</u>     | <u>412</u>       | <u>3,600</u>               | <u>19,969</u>     |
| Balance on December 31, 2019                 | <u>\$ 64,954</u>  | <u>\$ 1,788</u>  | <u>\$ 11,120</u>           | <u>\$ 77,862</u>  |
| Carrying amount at January 1,<br>2019        | <u>\$ -</u>       | <u>\$ -</u>      | <u>\$ -</u>                | <u>\$ -</u>       |
| Carrying amount at<br>December 31, 2019      | <u>\$ 88,475</u>  | <u>\$ 221</u>    | <u>\$ 10,464</u>           | <u>\$ 99,160</u>  |

The Company leased certain buildings to VisEra Technology Company Ltd. (VisEra) under operating lease agreement. The lease term and rental were both determined in accordance with mutual agreements with lease terms between 1 and 2 years. The lessees have extension options during the lease periods. The rental payments were received on a monthly basis and depreciation of such leased assets was included in other operating income and expenses. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods. Based on the lease contract, the lease payment could be adjusted according to the actual production capacity.

The maturity analysis of lease payments receivable under the above operating leases is as follows:

|   | <b>December 31</b> |                  |
|---|--------------------|------------------|
|   | <b>2020</b>        | <b>2019</b>      |
| No later than 1 year                        | \$ 73,400          | \$ 68,350        |
| Later than 1 year but no later than 5 years | <u>63,600</u>      | <u>-</u>         |
|   | <u>\$ 137,000</u>  | <u>\$ 68,350</u> |

The above items of property, plant and equipment leased under operating leases are depreciated on a straight-line basis over their estimated useful lives of 2 to 5 years.

## 11. LEASE ARRANGEMENTS

### a. Right-of-use assets

|   | <b>December 31</b>                    |                   |
|---|---------------------------------------|-------------------|
|   | <b>2020</b>                           | <b>2019</b>       |
| <u>Carrying amount</u>                      |                                       |                   |
| Buildings                                   | <u>\$ 261,432</u>                     | <u>\$ 302,002</u> |
|   | <b>For the Year Ended December 31</b> |                   |
|   | <b>2020</b>                           | <b>2019</b>       |
| Additions to right-of-use assets            | <u>\$ 4,849</u>                       | <u>\$ 36,406</u>  |
| Depreciation charge for right-of-use assets |                                       |                   |
| Buildings                                   | <u>\$ 45,419</u>                      | <u>\$ 46,298</u>  |

### b. Lease liabilities

|                        | <b>December 31</b> |                   |
|------------------------|--------------------|-------------------|
|                        | <b>2020</b>        | <b>2019</b>       |
| <u>Carrying amount</u> |                    |                   |
| Current                | <u>\$ 40,012</u>   | <u>\$ 42,624</u>  |
| Non-current            | <u>\$ 220,902</u>  | <u>\$ 255,072</u> |

Range of discount rate for lease liabilities was as follows:

|           | <b>December 31</b> |             |
|-----------|--------------------|-------------|
|           | <b>2020</b>        | <b>2019</b> |
| Buildings | 1.40%-2.25%        | 1.55%-2.25% |

### c. Material lease-in activities and terms

The Company leases certain buildings for the use of plants and offices with lease terms of 5 to 15 years. The adjustment of buildings' rental in Zhongli Industrial depends on the Consumer Price Index. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods. The Company shall not sublease or transfer all or one of the buildings without the consent of the lessor.

d. Other lease information

|   | <b>For the Year Ended December 31</b> |                  |
|---|---------------------------------------|------------------|
|   | <b>2020</b>                           | <b>2019</b>      |
| Expenses relating to low-value asset leases | <u>\$ 3,825</u>                       | <u>\$ 4,520</u>  |
| Total cash outflow for leases               | <u>\$ 52,801</u>                      | <u>\$ 53,361</u> |

The Company's leases of certain office equipment qualify as low-value asset leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

**12. INTANGIBLE ASSETS**

|   | <b>Technical<br/>Expertise</b> | <b>Software</b>  | <b>Patents and<br/>Others</b> | <b>Total</b>      |
|---|--------------------------------|------------------|-------------------------------|-------------------|
| <u>Cost</u>                             |                                |                  |                               |                   |
| Balance at January 1, 2020              | \$ 113,340                     | \$ 80,956        | \$ 154,199                    | \$ 384,495        |
| Additions                               | <u>-</u>                       | <u>1,994</u>     | <u>42,347</u>                 | <u>44,341</u>     |
| Balance at December 31, 2020            | <u>\$ 113,340</u>              | <u>\$ 82,950</u> | <u>\$ 196,546</u>             | <u>\$ 392,836</u> |
| <u>Accumulated amortization</u>         |                                |                  |                               |                   |
| Balance at January 1, 2020              | \$ 103,423                     | \$ 76,649        | \$ 145,082                    | \$ 325,154        |
| Additions                               | <u>5,666</u>                   | <u>3,195</u>     | <u>10,748</u>                 | <u>19,609</u>     |
| Balance at December 31, 2020            | <u>\$ 109,089</u>              | <u>\$ 79,844</u> | <u>\$ 155,830</u>             | <u>\$ 344,763</u> |
| Carrying amount at December 31,<br>2020 | <u>\$ 4,251</u>                | <u>\$ 3,106</u>  | <u>\$ 40,716</u>              | <u>\$ 48,073</u>  |
| <u>Cost</u>                             |                                |                  |                               |                   |
| Balance at January 1, 2019              | \$ 113,340                     | \$ 79,043        | \$ 145,754                    | \$ 338,137        |
| Additions                               | <u>-</u>                       | <u>1,913</u>     | <u>8,445</u>                  | <u>10,358</u>     |
| Balance at December 31, 2019            | <u>\$ 113,340</u>              | <u>\$ 80,956</u> | <u>\$ 154,199</u>             | <u>\$ 348,495</u> |
| <u>Accumulated amortization</u>         |                                |                  |                               |                   |
| Balance at January 1, 2019              | \$ 97,756                      | \$ 71,131        | \$ 130,492                    | \$ 299,379        |
| Additions                               | <u>5,667</u>                   | <u>5,518</u>     | <u>14,590</u>                 | <u>25,775</u>     |
| Balance at December 31, 2019            | <u>\$ 103,423</u>              | <u>\$ 76,649</u> | <u>\$ 145,082</u>             | <u>\$ 325,154</u> |
| Carrying amount at December 31,<br>2019 | <u>\$ 9,917</u>                | <u>\$ 4,307</u>  | <u>\$ 9,117</u>               | <u>\$ 23,341</u>  |

### 13. OTHER CURRENT ASSETS

|                          | <u>December 31</u> |                  |
|--------------------------|--------------------|------------------|
|                          | <u>2020</u>        | <u>2019</u>      |
| Prepaid expenses         | \$ 35,450          | \$ 23,647        |
| Prepayments to suppliers | 11,755             | 2,296            |
| Temporary payment        | 7,586              | 4,423            |
| Tax refund receivable    | <u>189</u>         | <u>346</u>       |
|                          | <u>\$ 54,980</u>   | <u>\$ 30,712</u> |

### 14. PROVISIONS

|   | <u>December 31</u> |                                 |
|---|--------------------|---------------------------------|
|   | <u>2020</u>        | <u>2019</u>                     |
| <u>Non-current</u>                          |                    |                                 |
| Decommissioning costs                       | <u>\$ 323,902</u>  | <u>\$ 153,906</u>               |
|   |                    | <b>Decommissioning<br/>Cost</b> |
| <u>For the year ended December 31, 2020</u> |                    |                                 |
| Balance, beginning of year                  |                    | \$ 153,906                      |
| Recognition                                 |                    | <u>169,996</u>                  |
| Balance, end of year                        |                    | <u>\$ 323,902</u>               |
| <u>For the year ended December 31, 2019</u> |                    |                                 |
| Balance, beginning and end of year          |                    | <u>\$ 153,906</u>               |

Decommissioning cost represents provision for cost of disassembly and removal of leased equipment and restoration of the location. Such amount of provision is measured using the estimated discounted cash flows to settle future obligation. The estimated decommissioning cost is assessed and adjusted reasonably at the end of each reporting period.

### 15. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

|                                       | <u>December 31</u> |                   |
|---------------------------------------|--------------------|-------------------|
|                                       | <u>2020</u>        | <u>2019</u>       |
| Subcontracting expenses payable       | \$ 182,509         | \$ 113,913        |
| Refund liabilities                    | 56,669             | 58,838            |
| Utilities payables                    | 38,808             | 18,220            |
| Insurance payables                    | 28,063             | 26,928            |
| Pension expenses payable              | 14,522             | 9,036             |
| Pollution prevention expenses payable | 12,571             | 15,370            |
| Rentals payable                       | 5,735              | 7,108             |
| Others                                | <u>229,301</u>     | <u>146,446</u>    |
|                                       | <u>\$ 568,178</u>  | <u>\$ 395,859</u> |

## 16. LONG-TERM BORROWINGS

|   | <u>December 31</u> |                     |
|---|--------------------|---------------------|
|   | <u>2020</u>        | <u>2019</u>         |
| Unsecured borrowings:   |                    |                     |
| Repayable quarterly from June 2020 in 9 installments with annual interest rates of 1.04%-1.21% in 2020 and 1.20%-1.21% in 2019; NT\$77,778 thousand was redeemed in advance in 2020.          | \$ 388,889         | \$ 700,000          |
| Repayable quarterly from March 2022 in 16 installments with an annual interest rate of 1.07% in 2020.   | 50,000             | -                   |
| Repayable semiannually from September 2019 in 7 installments with annual interest rates of 1.04%-1.24% in 2020 and 1.24%-1.30% in 2019; NT\$475,000 thousand was redeemed in advance in 2020. | -                  | 475,000             |
| Repayable with annual interest rates of 1.04%-1.20% in 2020 and 1.08% in 2019, and will be redeemed in December 2024; NT\$100,000 thousand was redeemed in advance in 2020.                   | -                  | 100,000             |
| Repayable with annual interest rates of 0.99%-1.16% in 2020 and 1.15%-1.16% in 2019, and will be redeemed in May 2022; NT\$100,000 thousand was redeemed in advance in 2020.                  | -                  | 100,000             |
| Repayable quarterly from February 2019 in 16 installments with annual interest rates of 1.19%-1.60% in 2020 and 1.60% in 2019; NT\$150,000 thousand was redeemed in advance in 2020.          | -                  | 150,000             |
|   | <u>\$ 438,889</u>  | <u>\$ 1,525,000</u> |
| Current portion   | \$ 233,333         | \$ 333,333          |
| Non-current portion   | <u>205,556</u>     | <u>1,191,667</u>    |
|   | <u>\$ 438,889</u>  | <u>\$ 1,525,000</u> |

Under certain bank loan agreements, the Company has to meet certain financial covenants and criteria based on its semiannual and annual financial statements. Such inspection of certain financial covenants and criteria has been performed since 2019 based on the Company's semiannual financial statements. As of December 31, 2020 and 2019, such financial covenants were not breached.

## 17. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

The pension plan under the Labor Pension Act (the "LPA") is deemed a defined contribution retirement plan. Pursuant to the Act, the Company makes monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts. Accordingly, the Company recognized expenses of NT\$50,801 thousand and NT\$53,084 thousand in the statements of comprehensive income for the years ended December 31, 2020 and 2019, respectively.

b. Defined benefit plans

The Company has defined benefit plans under the Labor Standards Law that provide benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement. The Company contributes an amount equal to 2% of salaries paid each month to their respective pension funds (the "Fund"), which are administered by the Labor Pension Fund Supervisory Committee (the "Committee") and deposited in the Committee's name in the Bank of Taiwan.

Before the end of each year, the Company assesses the balance in the Fund. If the amount of the balance in the Fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The Fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); as such, the Company has no right to influence the investment policy and strategy.

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

|   | <b>December 31</b> |                 |
|---|--------------------|-----------------|
|   | <b>2020</b>        | <b>2019</b>     |
| Present value of defined benefit obligation | \$ 52,804          | \$ 49,458       |
| Fair value of plan assets                   | <u>(50,638)</u>    | <u>(48,500)</u> |
| Net defined benefit liabilities             | <u>\$ 2,166</u>    | <u>\$ 958</u>   |

Movements in net defined benefit liabilities (assets) were as follows:

|   | <b>Present Value of<br/>the Defined<br/>Benefit<br/>Obligation</b> | <b>Fair Value of<br/>the Plan Assets</b> | <b>Net Defined<br/>Benefit<br/>Liabilities<br/>(Assets)</b> |
|---|--|--|---|
| Balance at January 1, 2020                          | <u>\$ 49,458</u>   | <u>\$ (48,500)</u>                       | <u>\$ 958</u>   |
| Service cost  | -  | -  | -   |
| Net interest expense (income)                       | <u>370</u>   | <u>(369)</u>                             | <u>1</u>  |
| Recognized in profit or loss                        | <u>370</u>   | <u>(369)</u>                             | <u>1</u>  |
| Remeasurement                                       |  |  |   |
| Return on plan assets                               | -  | (1,565)                                  | (1,565)   |
| Actuarial loss - changes in demographic assumptions | 53   | -  | 53  |
| Actuarial loss - changes in financial assumptions   | 2,615  | -  | 2,615   |
| Actuarial loss - experience adjustments             | <u>2,159</u>   | <u>-</u>                                 | <u>2,159</u>  |
| Recognized in other comprehensive income            | <u>4,827</u>   | <u>(1,565)</u>                           | <u>3,262</u>  |
| Contributions from the employer                     | <u>-</u>   | <u>(2,055)</u>                           | <u>(2,055)</u>  |
| Benefits paid                                       | <u>(1,851)</u>   | <u>1,851</u>                             | <u>-</u>  |
| Balance at December 31, 2020                        | <u>\$ 52,804</u>   | <u>\$ (50,638)</u>                       | <u>\$ 2,166</u>   |

(Continued)

|   | <b>Present Value of<br/>the Defined<br/>Benefit<br/>Obligation</b> | <b>Fair Value of<br/>the Plan Assets</b> | <b>Net Defined<br/>Benefit<br/>Liabilities<br/>(Assets)</b> |
|---|--|--|---|
| Balance at January 1, 2019                          | \$ 46,961  | \$ (45,409)                              | \$ 1,552  |
| Service cost  | -  | -  | -   |
| Net interest expense (income)                       | 463  | (448)                                    | 15  |
| Recognized in profit or loss                        | <u>463</u>   | <u>(448)</u>                             | <u>15</u>   |
| Remeasurement                                       |  |  |   |
| Return on plan assets                               | -  | (1,619)                                  | (1,619)   |
| Actuarial loss - changes in demographic assumptions | 258  | -  | 258   |
| Actuarial loss - changes in financial assumptions   | 1,582  | -  | 1,582   |
| Actuarial loss - experience adjustments             | <u>551</u>   | <u>-</u>                                 | <u>551</u>  |
| Recognized in other comprehensive income            | <u>2,391</u>   | <u>(1,619)</u>                           | <u>772</u>  |
| Contributions from the employer                     | <u>-</u>   | <u>(1,381)</u>                           | <u>(1,381)</u>  |
| Benefits paid                                       | <u>(357)</u>   | <u>357</u>                               | <u>-</u>  |
| Balance at December 31, 2019                        | <u>\$ 49,458</u>   | <u>\$ (48,500)</u>                       | <u>\$ 958</u><br>(Concluded)                                |

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

|                                     | <b>For the Year Ended December 31</b> |              |
|-------------------------------------|---------------------------------------|--------------|
|                                     | <b>2020</b>                           | <b>2019</b>  |
| General and administrative expenses | <u>\$ 1</u>                           | <u>\$ 15</u> |

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

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

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

|                                  | <b>December 31</b> |             |
|----------------------------------|--------------------|-------------|
|                                  | <b>2020</b>        | <b>2019</b> |
| Discount rate                    | 0.35%              | 0.75%       |
| Expected rate of salary increase | 2.00%              | 2.00%       |
| Turnover rate                    | 0.48%              | 0.52%       |

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

|                                  | <b>December 31</b> |                   |
|----------------------------------|--------------------|-------------------|
|                                  | <b>2020</b>        | <b>2019</b>       |
| Discount rate                    |                    |                   |
| 0.25% increase                   | <u>\$ (1,657)</u>  | <u>\$ (1,593)</u> |
| 0.25% decrease                   | <u>\$ 1,729</u>    | <u>\$ 1,665</u>   |
| Expected rate of salary increase |                    |                   |
| 0.25% increase                   | <u>\$ 1,697</u>    | <u>\$ 1,640</u>   |
| 0.25% decrease                   | <u>\$ (1,635)</u>  | <u>\$ (1,578)</u> |
| Turnover rate                    |                    |                   |
| 10% increase                     | <u>\$ (74)</u>     | <u>\$ (90)</u>    |
| 10% decrease                     | <u>\$ 74</u>       | <u>\$ 90</u>      |

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

|  | <b>December 31</b> |                 |
|--|--------------------|-----------------|
|  | <b>2020</b>        | <b>2019</b>     |
| The expected contributions to the plan for the next year | <u>\$ 1,823</u>    | <u>\$ 1,774</u> |
| The average duration of the defined benefit obligation   | 12 years           | 13 years        |

The maturity analysis of undiscounted pension benefits is as follows:

|  | <b>December 31</b> |                  |
|--|--------------------|------------------|
|  | <b>2020</b>        | <b>2019</b>      |
| Less than 1 year                             | \$ 401             | \$ 344           |
| Later than 1 year and not later than 5 years | 4,801              | 4,506            |
| Later than 5 years                           | <u>49,660</u>      | <u>49,469</u>    |
|  | <u>\$ 54,862</u>   | <u>\$ 54,319</u> |

## 18. EQUITY

### a. Capital stock

|                                      | <u>December 31</u>  |                     |
|--------------------------------------|---------------------|---------------------|
|                                      | <u>2020</u>         | <u>2019</u>         |
| Authorized stock (in thousands)      | <u>400,000</u>      | <u>400,000</u>      |
| Authorized capital                   | <u>\$ 4,000,000</u> | <u>\$ 4,000,000</u> |
| Issued and paid stock (in thousands) | <u>271,364</u>      | <u>271,364</u>      |
| Issued capital                       | <u>\$ 2,713,643</u> | <u>\$ 2,713,643</u> |

A holder of issued common stock with a par value of NT\$10 is entitled to vote and to receive dividends.

The authorized stock included 12,000 thousand stocks allocated for the exercise of employee stock options.

### b. Capital surplus

|  | <u>December 31</u> |                   |
|--|--------------------|-------------------|
|  | <u>2020</u>        | <u>2019</u>       |
| May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note 1) |                    |                   |
| Additional paid-in capital - ordinary shares   | \$ 387,960         | \$ 387,960        |
| <u>May only be used to offset a deficit</u>  |                    |                   |
| Additional paid-in capital- employee restricted shares   | 8,464              | -                 |
| <u>May not be used for any purpose (Note 2)</u>  |                    |                   |
| Employee restricted shares   | -                  | 8,464             |
|  | <u>\$ 396,424</u>  | <u>\$ 396,424</u> |

Note 1: Under the Company Law, the capital surplus generated from the excess of the issuance price over the par value of capital stock may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital stock (limited to a certain percentage of the Company's capital surplus and once a year).

Note 2: The capital surplus arising from employee restricted stocks and employee stock options may not be used for any purpose.

### c. Retained earnings and dividend policy

Under the dividend policy as set forth in the Company's Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, and setting aside or reversing special reserve in accordance with the laws and regulations until the accumulated legal reserve equals the Company's paid-in capital. Any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders.

For the policy on the profit sharing bonus for employees and compensation for directors, refer to Note 27.

The policy on the appropriation of dividends shall take the following factors into account: The Company's capital budget, intermediate and long term operational planning, and financial position. The following principles shall be followed and earnings shall be allocated according to the resolution of shareholders in the shareholders' meeting:

- 1) The Company shall consider financial, business and operating factors when distributing profits. The profits may be distributed by way of cash dividend and/or stock dividend. However, due to the Company's business growing stage at present, the proportions of dividends that will be distributed depend on future expansion plans and capital budget needs. The proportion of cash dividends shall not be lower than 50% of the total dividends.
- 2) If there is no profit or the distributable profit is far lower than the previous year's amounts distributed, or in consideration of financial, business and operating factors, the appropriation for capital reserve shall be in accordance with relevant laws or regulations or as requested by the authorities in charge.

Any appropriations of the profits are subject to shareholders' approval in the following year.

The appropriation for legal capital reserve shall be made until the reserve equals the Company's paid-in capital. The reserve may be used to offset a deficit, or distributed as dividends in cash or stocks for the portion in excess of 25% of the paid-in capital if the Company incurs no loss.

Pursuant to existing regulations, the Company is required to set aside additional special reserve equivalent to the net debit balance of the other components of shareholders' equity, such as gain/loss from changes in fair value of hedging instruments in cash flow hedges, etc. For the subsequent decrease in the deduction amount to shareholders' equity, any special reserve appropriated may be reversed to the extent that the net debit balance reverses.

The Company's offset of deficit for 2018 was approved in the shareholders' meeting held on May 30, 2019 as follows:

|   | <b>Deficit<br/>Offset</b>       |
|---|---------------------------------|
|   | <b>For Fiscal Year<br/>2018</b> |
| Balance of unappropriated earnings, beginning of year | \$ -                            |
| Adjustment on initial application                     | 47,611                          |
| Remeasurement of defined benefit plans                | (2,972)                         |
| Net loss in 2018                                      | (1,351,951)                     |
| Legal reserve for offset with deficit                 | 79,104                          |
| Capital surplus for offset with deficit               | <u>1,228,208</u>                |
| Balance of unappropriated earnings, end of year       | <u>\$ -</u>                     |

The Company's appropriation of earnings for 2019 was approved in the shareholders' meeting held on May 28, 2020 as follows:

|   | <b>Earnings<br/>Offset</b>      |
|---|---------------------------------|
|   | <b>For Fiscal Year<br/>2019</b> |
| Balance of unappropriated earnings, beginning of year | \$ -                            |
| Remeasurement of defined benefit plans                | (772)                           |
| Net income in 2019                                    | 181,978                         |
| Legal reserve for offset with earnings                | <u>(18,120)</u>                 |
| Balance of unappropriated earnings, end of year       | <u>\$ 163,086</u>               |

The Company's appropriation of earnings for 2020 had been proposed by the board of directors on February 23, 2021 as follows:

|   | <b>Appropriation<br/>of Earnings</b> |
|---|--------------------------------------|
|   | <b>For Fiscal Year<br/>2020</b>      |
| Balance of unappropriated earnings, beginning of year | \$ 163,086                           |
| Remeasurement of defined benefit plans                | (3,262)                              |
| Net income in 2020                                    | 1,727,445                            |
| Legal reserve   | (172,418)                            |
| Cash dividend to shareholders                         | <u>(678,411)</u>                     |
| Balance of unappropriated earnings, end of year       | <u>\$ 1,036,440</u>                  |
| Cash dividends per share (NT\$)                       | <u>\$ 2.5</u>                        |

The appropriation of earnings for 2020 is subject to the resolution of the shareholders in the shareholders' meeting to be held on May 27, 2021.

d. Others

Unearned stock-based employee compensation

The shareholders' meeting of the Company approved a restricted stock plan for employees on May 31, 2018 and June 14, 2016. Refer to Note 19.

|   | <b>For the Year Ended December 31</b> |                 |
|---|---------------------------------------|-----------------|
|   | <b>2020</b>                           | <b>2019</b>     |
| Balance, beginning of year              | \$ (464)                              | \$ (4,501)      |
| Issuance of stock                       | -                                     | (4,400)         |
| Forfeit of stock                        | -                                     | 868             |
| Stock-based payment expenses recognized | <u>464</u>                            | <u>7,569</u>    |
| Balance, end of year                    | <u>\$ -</u>                           | <u>\$ (464)</u> |

## 19. STOCK-BASED PAYMENTS

- a. Optional exemption from adopting IFRS 2 “Share-based Payment” (IFRS 2)

### Employee Restricted Stock Plans

In the meeting on June 14, 2016, the shareholders approved a restricted stock plan for employees with a total amount of NT\$15,000 thousand, consisting of 1,500 thousand units with a par value of NT\$10, for a consideration of NT\$0 (issued for no consideration). The employee restricted stock plan was approved by the FSC on June 27, 2016.

According to the abovementioned resolution, the Company’s Board of Directors approved to grant the restricted stocks to employees with a total amount of NT\$15,000 thousand, consisting of 1,500 thousand units with a par value of NT\$10, for a consideration of NT\$0 (issued for no consideration) on February 17, 2017. The restricted stocks were granted on February 17, 2017 and issued on March 15, 2017; the value of the stock was based on a fair value of NT\$41.70 per share at the grant date.

Vesting conditions requires that an employee should reach the Company’s performance and the individual’s performance criteria at the same time. Vesting stocks are to be calculated as one full stock. Fractional stock (less than one stock) shall be rounded-down.

- 1) The First Year Vesting (One year has elapsed from the issuance date)

The Company’s Performance EPS (see Remark 1 below) is positive, and is such that, it has increased by 10% or more from the previous year. An employee who remains employed at the Company after one year has elapsed from the time of vesting, whose labor contract was never violated, and also who achieved a performance rating equal to or higher than S (see Remark 2 below) in the current year will be eligible for vesting an installment of 20% of the stock.

- 2) The Second Year Vesting (Two years have elapsed from the issuance date)

The Company’s Performance EPS is positive, and is such that, it has increased by 10% or more from the previous year. An employee who remains employed at the Company after two years has elapsed from the time of vesting, whose labor contract was never violated, and also who achieved a performance rating equal to or higher than S (see Remark 2 below) in the current year will be eligible for vesting an installment of 20% of the stock.

- 3) The Third Year Vesting (Three years have elapsed from the issuance date)

a) The Company’s Performance EPS is positive, and is such that, it has increased by 10% or more from the previous year. An employee who remains employed at the Company after three years has elapsed from the time of vesting, whose labor contract was never violated, and also who achieved a performance rating equal to or higher than S (see Remark 2 below) in the current year will be eligible for vesting an installment of 26.7% of the stock.

b) The Company’s Performance EPS has achieved an amount of NT\$2 or more. An employee who remains employed at the Company after three years has elapsed from the time of vesting, whose labor contract was never violated, and also who achieved a performance rating equal to or higher than S in the current year will be eligible for vesting an installment of 33.3% of the stock.

Remark 1: The Company’s Performance EPS: That refers to the Company’s earnings per share as shown in financial statements audited by the Company’s CPA of the year prior to the vesting date.

Remark 2: The Company’s Performance Rating Rule is as follows: O (Outstanding), S (Successful), I (Improvement Needed), and U (Unacceptable).

Restrictions on the rights associated with stocks that have not yet vested:

- a) During the vesting period, an employee may not sell, pledge, transfer, give to another person, request the Company to buy back, or otherwise dispose of, new restricted employee stocks.
- b) The shareholders' right due to the new restricted employee stocks is executed based on a Trust contract signed by the employees.
- c) During the vesting period, the employees holding new restricted employee stocks can still participate in stock and cash dividends and subscriptions to cash rights issues, and such cash dividends and subscriptions are not required to be deposited in a trust and will not be subject to restrictions.

On May 31, 2018, the shareholders of the Company, in their shareholders' meeting, approved a restricted stock plan for employees with a total amount of NT\$5,000 thousand, consisting of 500 thousand units with a par value of NT\$10, for a consideration of NT\$20 per share. The restricted stock plan was approved by the FSC on June 28, 2018.

According to the above mentioned resolution, the Company's board of directors approved to grant the restricted stocks to employees with a total amount of NT\$1,000 thousand, consisting of 100 thousand stocks with a par value of NT\$10, for a consideration of NT\$20 on August 3, 2018. The restricted stocks were granted on August 3, 2018 and issued on August 9, 2018; the value of the stock was based on a fair value of NT\$60.10 per share at the grant date.

The Company's board of directors approved to grant the restricted stocks to employees with a total amount of NT\$2,000 thousand, consisting of 200 thousand stocks with a par value of NT\$10, for a consideration of NT\$20 on February 15, 2019. The restricted stocks were granted on February 15, 2019 and issued on February 25, 2019; the value of the stock was based on a fair value of NT\$42 per share at the grant date.

Vesting conditions are such that if an employee is still employed after three months of receiving new restricted employee stock, they can acquire the full amount of the stocks.

Restrictions on the rights associated with stocks that have not yet vested:

- i. During the vesting period, an employee may not sell, pledge, transfer, give to another person, request the Company to buy back, or otherwise dispose of, new restricted employee stocks.
- ii. The shareholders' rights due to the new restricted employee stocks is executed based on a Trust contract signed by the employees.
- iii. During the vesting period, the employees holding new restricted employee stocks can still participate in stock and cash dividends and subscriptions to cash rights issues, and such cash dividends and subscriptions are not required to be deposited in a trust and will not be subject to restrictions.

Compensation costs of employee restricted stocks recognized were NT\$464 thousand and NT\$7,569 thousand for the years ended 2020 and 2019, respectively.

Movement in employee restricted stocks for the years ended December 31, 2020 and 2019 were as follows:

|                            | <b>Number of Stocks (In Thousand)</b> |                   |
|----------------------------|---------------------------------------|-------------------|
|                            | <b>2020</b>                           | <b>2019</b>       |
| Balance, beginning of year | 267                                   | 863               |
| Issuance of stocks         | -                                     | 200               |
| Vesting of stocks          | (267)                                 | (200)             |
| Forfeit of stocks (Note)   | <u>-</u>                              | <u>(596)</u>      |
| Balance, end of year       | <u><u>-</u></u>                       | <u><u>267</u></u> |

Note: The Company includes 358 thousand shares to be cancelled and 238 shares cancelled for the year ended 2019.

## 20. OPERATING REVENUE

- a. The analysis of the Company's net revenue

### Wafer level chip scale packaging (CSP) and wafer level post passivation interconnection services (PPI)

The revenue from packaging service is generated during the manufacturing of customer-specific goods. If the customer controls the customized goods when they are in packaging process, packaging service revenue is recognized over time.

### Wafer testing

The Company satisfies the performance obligation in the contract for testing services because the customer simultaneously receives and consumes the benefits provided by the Company's performance. The Company has the right to collect payment for the portion of testing services that have been satisfied, and the revenue from testing services is recognized over time.

- b. Disaggregation of revenue from contracts with customers

| <b>Production</b> | <b>For the Year Ended December 31</b> |                            |
|-------------------|---------------------------------------|----------------------------|
|                   | <b>2020</b>                           | <b>2019</b>                |
| Wafer level CSP   | \$ 5,449,402                          | \$ 4,031,437               |
| Wafer testing     | 1,100,993                             | -                          |
| Wafer level PPI   | 667,381                               | 576,770                    |
| Others            | <u>59,813</u>                         | <u>44,973</u>              |
|                   | <u><u>\$ 7,277,589</u></u>            | <u><u>\$ 4,653,180</u></u> |

| <b>Region</b> | <b>For the Year Ended December 31</b> |                            |
|---------------|---------------------------------------|----------------------------|
|               | <b>2020</b>                           | <b>2019</b>                |
| Taiwan        | \$ 5,887,354                          | \$ 3,059,450               |
| United States | 1,207,220                             | 1,427,814                  |
| Europe        | 82,566                                | 112,917                    |
| Others        | <u>100,449</u>                        | <u>52,999</u>              |
|               | <u><u>\$ 7,277,589</u></u>            | <u><u>\$ 4,653,180</u></u> |

| <b>Customer Type</b> | <b>For the Year Ended December 31</b> |                     |
|----------------------|---------------------------------------|---------------------|
|                      | <b>2020</b>                           | <b>2019</b>         |
| Foundry companies    | \$ 5,498,556                          | \$ 2,798,921        |
| IC design house      | <u>1,779,033</u>                      | <u>1,854,259</u>    |
|                      | <u>\$ 7,277,589</u>                   | <u>\$ 4,653,180</u> |

| <b>Application Type</b> | <b>For the Year Ended December 31</b> |                     |
|-------------------------|---------------------------------------|---------------------|
|                         | <b>2020</b>                           | <b>2019</b>         |
| Consumer                | \$ 6,454,500                          | \$ 3,644,705        |
| Automotive              | <u>823,089</u>                        | <u>1,008,475</u>    |
|                         | <u>\$ 7,277,589</u>                   | <u>\$ 4,653,180</u> |

c. Contract balances

|                                     | <b>December 31,<br/>2020</b> | <b>December 31,<br/>2019</b> | <b>January 1,<br/>2019</b> |
|-------------------------------------|------------------------------|------------------------------|----------------------------|
| <u>Unrelated parties</u>            |                              |                              |                            |
| Contract assets                     | \$ 44,105                    | \$ 59,825                    | \$ 66,652                  |
| Less: Allowance for impairment loss | <u>(44)</u>                  | <u>(60)</u>                  | <u>(67)</u>                |
| Contract assets, net                | <u>44,061</u>                | <u>59,765</u>                | <u>66,585</u>              |
| <u>Related parties</u>              |                              |                              |                            |
| Contract assets                     | 230,971                      | 159,173                      | 162,167                    |
| Less: Allowance for impairment loss | <u>-</u>                     | <u>-</u>                     | <u>-</u>                   |
| Contract assets, net                | <u>230,971</u>               | <u>159,173</u>               | <u>162,167</u>             |
|                                     | <u>\$ 275,032</u>            | <u>\$ 218,938</u>            | <u>\$ 228,752</u>          |

The changes in the contract assets balances primarily result from the timing difference between the satisfaction of performance obligation and the customer's payment.

The Company reversed expected credit loss of NT\$16 thousand and NT\$7 thousand for the years ended December 31, 2020 and 2019, respectively.

Movements of the loss allowance for contract assets:

|                                     | <b>For the Year Ended December 31</b> |              |
|-------------------------------------|---------------------------------------|--------------|
|                                     | <b>2020</b>                           | <b>2019</b>  |
| Balance at January 1                | \$ 60                                 | \$ 67        |
| Add: Net reversal of loss allowance | <u>(16)</u>                           | <u>(7)</u>   |
| Balance at December 31              | <u>\$ 44</u>                          | <u>\$ 60</u> |

d. Partially completed contracts

The transaction price allocated to the performance obligations that are not fully satisfied and the expected timing for recognition of revenue are as below:

|   | <u>For the Year Ended December 31</u> |                   |
|---|---------------------------------------|-------------------|
|   | 2020                                  | 2019              |
| Packaging service                         |                                       |                   |
| For the three months ended March 31, 2021 | \$ <u>252,790</u>                     | \$ <u>-</u>       |
| For the three months ended March 31, 2020 | \$ <u>-</u>                           | \$ <u>218,938</u> |
| Testing service                           |                                       |                   |
| For the three months ended March 31, 2021 | \$ <u>22,242</u>                      | \$ <u>-</u>       |

**21. OTHER OPERATING INCOME AND EXPENSES, NET**

|   | <u>For the Year Ended December 31</u> |                  |
|---|---------------------------------------|------------------|
|   | 2020                                  | 2019             |
| Income (expenses) of leased assets                            |                                       |                  |
| Rental income   | \$ 78,900                             | \$ 90,821        |
| Depreciation of leased assets                                 | (16,400)                              | (19,969)         |
| Others  | <u>(12,357)</u>                       | <u>(7,910)</u>   |
|   | 50,143                                | 62,942           |
| Gain (loss) on disposal of property, plant and equipment, net | 10,442                                | (414)            |
| Impairment loss on property, plant and equipment              | (67,676)                              | -                |
| Others  | <u>6,411</u>                          | <u>-</u>         |
|   | <u>\$ (680)</u>                       | <u>\$ 62,528</u> |

**22. INTEREST INCOME**

|                 | <u>For the Year Ended December 31</u> |                 |
|-----------------|---------------------------------------|-----------------|
|                 | 2020                                  | 2019            |
| Interest income |                                       |                 |
| Bank deposits   | <u>\$ 3,081</u>                       | <u>\$ 4,049</u> |

**23. FINANCE COSTS**

|                               | <u>For the Year Ended December 31</u> |                  |
|-------------------------------|---------------------------------------|------------------|
|                               | 2020                                  | 2019             |
| Interest expense              |                                       |                  |
| Bank loans                    | \$ 14,578                             | \$ 25,041        |
| Interest on lease liabilities | 5,835                                 | 6,087            |
| Others                        | <u>3,901</u>                          | <u>5,064</u>     |
|                               | <u>\$ 24,314</u>                      | <u>\$ 36,192</u> |

## 24. OTHER GAINS AND LOSSES

|  | <b>For the Year Ended December 31</b> |                    |
|--|---------------------------------------|--------------------|
|  | <b>2020</b>                           | <b>2019</b>        |
| Net gain arising on financial instruments designated as at FVTPL | \$ 58,270                             | \$ 17,987          |
| Insurance income   | 541                                   | -                  |
| Foreign exchange loss, net                                       | (79,394)                              | (37,743)           |
| Others   | <u>6,313</u>                          | <u>340</u>         |
|  | <u>\$ (14,270)</u>                    | <u>\$ (19,416)</u> |

## 25. INCOME TAX

- a. Income tax expense recognized in profit or loss

Income tax expense consisted of the following:

|   | <b>For the Year Ended December 31</b> |              |
|---|---------------------------------------|--------------|
|   | <b>2020</b>                           | <b>2019</b>  |
| Current tax                                       |                                       |              |
| In respect of the current year                    | \$ 25,041                             | \$ -         |
| Deferred tax                                      |                                       |              |
| Recognition and reversal of temporary differences | 26,992                                | (4,559)      |
| Income tax credits and loss carryforwards         | <u>(52,033)</u>                       | <u>4,559</u> |
| Income tax expense recognized in profit or loss   | <u>\$ -</u>                           | <u>\$ -</u>  |

A reconciliation of income before income tax and income tax expense recognized in profit or loss is as follows:

|   | <b>For the Year Ended December 31</b> |                   |
|---|---------------------------------------|-------------------|
|   | <b>2020</b>                           | <b>2019</b>       |
| Profit before tax                                   | <u>\$ 1,727,445</u>                   | <u>\$ 181,978</u> |
| Income tax expense calculated at the statutory rate | \$ 345,489                            | \$ 36,396         |
| Tax effect of adjusting items:                      |                                       |                   |
| Deductible items in determining taxable income      | (26,386)                              | (42,349)          |
| Additional income tax on unappropriated earnings    | 8,154                                 | -                 |
| Investment tax credits used                         | (18,886)                              | -                 |
| Unrecognized loss carryforwards                     | (222,053)                             | (4,559)           |
| Unrecognized deductible temporary differences       | (111,610)                             | (41,374)          |
| Recognition and reversal of temporary differences   | 25,292                                | 36,815            |
| Remeasurement of investment tax credits             | <u>-</u>                              | <u>15,071</u>     |
| Income tax expense recognized in profit or loss     | <u>\$ -</u>                           | <u>\$ -</u>       |

In July 2019, the president of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. The Company deducted the amount of capital expenditure from the unappropriated earnings that was reinvested when calculating the tax on unappropriated earnings.

b. Deferred income tax balance

The analysis of deferred income tax assets in the balance sheets is as follows:

|                                | <b>December 31</b> |                   |
|--------------------------------|--------------------|-------------------|
|                                | <b>2020</b>        | <b>2019</b>       |
| Loss carryforwards             | \$ 92,055          | \$ 151,632        |
| Temporary differences          |                    |                   |
| Depreciation                   | 118,657            | 31,748            |
| Refund liabilities             | 11,334             | 11,768            |
| Unrealized loss on inventories | 5,648              | 6,298             |
| Others                         | <u>1,750</u>       | <u>2,957</u>      |
|                                | <u>\$ 229,444</u>  | <u>\$ 204,403</u> |

Movements of deferred income tax assets were as follows:

|   | <b>Balance,<br/>Beginning<br/>of Year</b> | <b>Recognized in<br/>Profit or Loss</b> | <b>Balance,<br/>End of Year</b> |
|---|---|---|---------------------------------|
| <u>For the year ended December 31, 2020</u> |   |   |                                 |
| Loss carryforwards                          | \$ 151,632                                | \$ (59,577)                             | \$ 92,055                       |
| Temporary differences                       |   |   |                                 |
| Depreciation                                | 31,748                                    | 86,909                                  | 118,657                         |
| Refund liabilities                          | 11,768                                    | (434)                                   | 11,334                          |
| Unrealized loss on inventories              | 6,298                                     | (650)                                   | 5,648                           |
| Others                                      | <u>2,957</u>                              | <u>(1,207)</u>                          | <u>1,750</u>                    |
|   | <u>\$ 204,403</u>                         | <u>\$ 25,041</u>                        | <u>\$ 229,444</u>               |
| <u>For the year ended December 31, 2019</u> |   |   |                                 |
| Loss carryforwards                          | \$ 151,632                                | \$ -                                    | \$ 151,632                      |
| Temporary differences                       |   |   |                                 |
| Depreciation                                | 29,641                                    | 2,107                                   | 31,748                          |
| Refund liabilities                          | 14,595                                    | (2,827)                                 | 11,768                          |
| Unrealized loss on inventories              | 6,328                                     | (30)                                    | 6,298                           |
| Others                                      | <u>2,207</u>                              | <u>750</u>                              | <u>2,957</u>                    |
|   | <u>\$ 204,403</u>                         | <u>\$ -</u>                             | <u>\$ 204,403</u>               |

- c. Deductible temporary differences for which no deferred tax assets have been recognized in the balance sheets

|                                  | <b>December 31</b> |                     |
|----------------------------------|--------------------|---------------------|
|                                  | <b>2020</b>        | <b>2019</b>         |
| Loss carryforwards               |                    |                     |
| Expire in 2026                   | \$ -               | \$ 58,122           |
| Expire in 2027                   | -                  | 935,856             |
| Expire in 2028                   | 452,965            | 572,241             |
| Expire in 2029                   | <u>32,757</u>      | <u>29,767</u>       |
|                                  | <u>\$ 485,722</u>  | <u>\$ 1,595,986</u> |
| Deductible temporary differences |                    |                     |
| Depreciation                     | <u>\$ -</u>        | <u>\$ 558,049</u>   |

- d. Information about unused loss carryforwards and tax exemptions

Loss carryforwards as of December 31, 2020 comprised of:

| <b>Expiry Year</b> | <b>Unused Amount</b> |
|--------------------|----------------------|
| 2027               | \$ 340,999           |
| 2028               | 572,241              |
| 2029               | <u>32,757</u>        |
|                    | <u>\$ 945,997</u>    |

- e. Income tax examination

The tax authorities have examined income tax returns of the Company through 2018. All differences in investment tax credits assessed by the tax authorities have been adjusted accordingly.

## 26. EARNINGS PER SHARE

|                            | <b>For the Year Ended December 31</b> |                |
|----------------------------|---------------------------------------|----------------|
|                            | <b>2020</b>                           | <b>2019</b>    |
| Basic earnings per share   | <u>\$ 6.37</u>                        | <u>\$ 0.67</u> |
| Diluted earnings per share | <u>\$ 6.33</u>                        | <u>\$ 0.67</u> |

Earnings per share is computed as follows:

|  | <b>Amounts<br/>(Numerator)</b> | <b>Number of<br/>Stocks<br/>(Denominator)<br/>(In Thousands)</b> | <b>Earnings<br/>Per Share<br/>(NT\$)</b> |
|--|--------------------------------|--|--|
| <u>For the year ended December 31, 2020</u>  |                                |  |  |
| <b>Basic EPS</b>   |                                |  |  |
| Net income available to common shareholders  | \$ 1,727,445                   | 271,364  | \$ <u>6.37</u>                           |
| Effect of potentially dilutive common stock  | <u>-</u>                       | <u>1,449</u>   |  |
| <b>Diluted EPS</b>   |                                |  |  |
| Net income available to common shareholders<br>plus effect of potentially dilutive common<br>stock | <u>\$ 1,727,445</u>            | <u>272,813</u>   | <u>\$ 6.33</u>                           |
| <u>For the year ended December 31, 2019</u>  |                                |  |  |
| <b>Basic EPS</b>   |                                |  |  |
| Net income available to common shareholders  | \$ 181,978                     | 271,024  | \$ <u>0.67</u>                           |
| Effect of potentially dilutive common stock  | <u>-</u>                       | <u>388</u>   |  |
| <b>Diluted EPS</b>   |                                |  |  |
| Net income available to common shareholders<br>plus effect of potentially dilutive common<br>stock | <u>\$ 181,978</u>              | <u>271,412</u>   | <u>\$ 0.67</u>                           |

If the Company offered to settle the obligation by cash or by issuing stocks, the profit sharing bonus for employees will be settled in stocks and the resulting potential stocks were included in the weighted average number of stocks outstanding in the calculation of diluted EPS as the stocks have a dilutive effect. Such dilutive effect of the potential stocks is included in the calculation of diluted EPS until the profit sharing bonus for employees to be settled in the form of common stocks is approved in the following year.

## 27. ADDITIONAL INFORMATION OF EXPENSES BY NATURE

Net income (loss) included the following items:

|  | <u>For the Year Ended December 31</u> |                   |
|--|---------------------------------------|-------------------|
|  | <b>2020</b>                           | <b>2019</b>       |
| a. Depreciation of property, plant and equipment and right-of-use assets |                                       |                   |
| Recognized in operating costs  | \$ 778,147                            | \$ 768,655        |
| Recognized in operating expenses   | 23,354                                | 21,606            |
| Recognized in other operating income and expenses                        | <u>16,400</u>                         | <u>19,969</u>     |
|  | <u>\$ 817,901</u>                     | <u>\$ 810,230</u> |

|  | <b>For the Year Ended December 31</b> |                     |
|--|---------------------------------------|---------------------|
|  | <b>2020</b>                           | <b>2019</b>         |
| b. Amortization of intangible assets                   |                                       |                     |
| Recognized in operating costs                          | \$ 11,254                             | \$ 9,926            |
| Recognized in operating expenses                       | <u>8,355</u>                          | <u>15,849</u>       |
|  | <u>\$ 19,609</u>                      | <u>\$ 25,775</u>    |
| c. Research and development costs expensed as incurred | <u>\$ 253,999</u>                     | <u>\$ 218,811</u>   |
| d. Employee benefits expenses                          |                                       |                     |
| Post-employment benefits (Note 17)                     |                                       |                     |
| Defined contribution plans                             | \$ 50,801                             | \$ 53,084           |
| Defined benefit plans                                  | <u>1</u>                              | <u>15</u>           |
|  | 50,802                                | 53,099              |
| Stock-based payments (Note 19)                         |                                       |                     |
| Equity-settled   | <u>464</u>                            | <u>7,569</u>        |
| Other employee benefits                                | <u>1,638,635</u>                      | <u>1,338,446</u>    |
|  | <u>\$ 1,689,901</u>                   | <u>\$ 1,399,114</u> |
| Employee benefits expense summarized by function       |                                       |                     |
| Recognized in operating costs                          | \$ 1,338,820                          | \$ 1,117,355        |
| Recognized in operating expenses                       | <u>351,081</u>                        | <u>281,759</u>      |
|  | <u>\$ 1,689,901</u>                   | <u>\$ 1,399,114</u> |

If the Company has annual profits, the Company shall allocate a profit sharing bonus for employees and compensation for directors at rates of not less than 1% and not more than 2% of annual profits, respectively. Directors who also serve as executive officers of the Company are not entitled to receive the compensation for directors. The Company's profit sharing bonus for employees and remuneration of directors have to be resolved by a majority vote at a board of directors meeting attended by two-thirds of the total number of directors and shall be reported in the shareholders' meeting. However, the Company shall reserve a sufficient profit to offset its accumulated deficit, and then set aside a profit sharing bonus for employees and remuneration of directors in accordance with the predetermined ratio. The Company also can allocate a profit sharing bonus for the employees of affiliated companies upon meeting the conditions set by the board of directors.

The Company accrues a profit sharing bonus for employees and remuneration of directors based on a percentage of net profit before income tax (before a profit sharing bonus for employees and remuneration of directors), which amounted to NT\$262,300 thousand and NT\$30,297 thousand (including remuneration of independent directors in the amounts of NT\$1,910 thousand and NT\$1,800 thousand) for the years ended December 31, 2020 and 2019, respectively.

The estimated employees' compensation and the remuneration of directors for the years ended December 31, 2020 and 2019, which had been approved by the Company's board of directors on February 23, 2021 and February 11, 2020, respectively, were as follows:

Accrual rate

|                           | <b>For the Year Ended December 31</b> |             |
|---------------------------|---------------------------------------|-------------|
|                           | <b>2020</b>                           | <b>2019</b> |
| Employees' compensation   | 13.04%                                | 12.97%      |
| Remuneration of directors | 0.06%                                 | 0.57%       |

Amount

|                           | <b>For the Year Ended December 31</b> |             |
|---------------------------|---------------------------------------|-------------|
|                           | <b>2020</b>                           | <b>2019</b> |
|                           | <b>Cash</b>                           | <b>Cash</b> |
| Employees' compensation   | \$ 259,117                            | \$ 27,297   |
| Remuneration of directors | 1,273                                 | 1,200       |

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

The board of directors of the Company held a meeting on February 11, 2020 and decided to grant a profit sharing bonus for employees and remuneration of directors of NT\$30,297 thousand (including remuneration of independent directors of NT\$1,800 thousand). The aforementioned approved amount has no difference with those recognized in the financial statements for the year ended December 31, 2019.

The board of directors of the Company held a meeting on February 15, 2019 and decided not to grant a profit sharing bonus for employees and remuneration of directors but approved NT\$1,800 thousand of remuneration of independent directors for the year ended December 31, 2018. The aforementioned approved amount has no difference with those recognized in the financial statements for the year ended December 31, 2018.

Information on the employees' compensation and remuneration of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 28. CAPITAL MANAGEMENT

The Company manages its capital to ensure that the Company will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company manages its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, capital asset purchases, research and development activities, dividend payments, debt service requirements and other business requirements associated with its existing operations over the next 12 months.

## 29. CASH FLOW INFORMATION

Changes in liabilities arising from financing activities:

|                   | January 1, 2020 | Cash Flows  | Non-cash Changes                                 |               | December 31, 2020 |
|-------------------|-----------------|-------------|--|---------------|-------------------|
|                   |                 |             | Adjusted Lease Payments Which Depend on an Index | Others (Note) |                   |
| Lease liabilities | \$ 297,696      | \$ (47,603) | \$ 4,986   | \$ 5,835      | \$ 260,914        |

|                   | January 1, 2019 | Cash Flows  | Non-cash Changes                                 |               | December 31, 2019 |
|-------------------|-----------------|-------------|--|---------------|-------------------|
|                   |                 |             | Adjusted Lease Payments Which Depend on an Index | Others (Note) |                   |
| Lease liabilities | \$ 304,065      | \$ (48,838) | \$ 36,382  | \$ 6,087      | \$ 297,696        |

Note: Finance costs from lease liabilities.

## 30. FINANCIAL INSTRUMENTS

### a. Categories of financial instruments

|                              | December 31         |                     |
|------------------------------|---------------------|---------------------|
|                              | 2020                | 2019                |
| <u>Financial assets</u>      |                     |                     |
| FVTPL                        | \$ 10,245           | \$ 5,290            |
| Amortized cost (Note 1)      | <u>2,609,501</u>    | <u>1,772,383</u>    |
|                              | <u>\$ 2,619,746</u> | <u>\$ 1,777,673</u> |
| <u>Financial liabilities</u> |                     |                     |
| FVTPL                        | \$ 58               | \$ 261              |
| Amortized cost (Note 2)      | <u>1,692,002</u>    | <u>2,230,805</u>    |
|                              | <u>\$ 1,692,060</u> | <u>\$ 2,231,066</u> |

Note 1: The balance included cash and cash equivalents, accounts receivable (including related parties), other receivables (including related parties), other financial assets and refundable deposits.

Note 2: The balance included accounts payable, payables to contractors and equipment suppliers, accrued expenses and other current liabilities, and long-term borrowings (including the portion due within a year).

### b. Financial risk management objectives and policies

The Company seeks to ensure sufficient cost-efficient funding readily available when needed. The Company manages its exposure to foreign currency risk, interest rate risk, credit risk and liquidity risk with the objective to reduce the potentially adverse effects of the market uncertainties on its financial performance.

The Company's major treasury activities are reviewed by its board of directors in accordance with procedures required by relevant regulations and internal controls. During the implementation of such activities, the treasury function must comply with certain treasury procedures that act as guiding principles for overall financial risk management and segregation of duties.

c. Market risk

The Company is exposed to the market risks arising from changes in foreign exchange rates, interest rates, and utilizes some derivative financial instruments to reduce the related risks.

Foreign currency risk

Most of the Company's operating activities are denominated in foreign currencies. Consequently, the Company is exposed to foreign currency risk. To protect against reductions in value and the volatility of future cash flows caused by changes in foreign exchange rates, the Company utilizes derivative financial instruments, including forward exchange contracts, to hedge its currency exposure. These instruments help to reduce, but do not eliminate, the impact of foreign currency exchange rate movements.

The Company's sensitivity analysis to foreign currency risk mainly focuses on the foreign currency monetary items at the end of the reporting period. Assuming an unfavorable 10% movement in the New Taiwan dollars against the foreign exchange rates, the net profit after tax for the years ended December 31, 2020 and 2019 would have decreased by NT\$379 thousand and increased by NT\$1,513 thousand, respectively, after taking into consideration the hedging contracts and the hedged items.

Interest rate risk

Variable-rate long-term bank borrowings cause the Company to be exposed to cash flow interest rate risk, but not fair value interest rate risk. Consequently, the Company will continue to pay attention to interest rates and to engage in rate swap contracts with banks to mitigate the risk of changes in interest rates of cash flow and the uncertainties over financing costs.

The Company's analysis of sensitivity to interest rate risk is prepared assuming the amount of the variable-rate long-term bank borrowings outstanding at the end of the reporting period was outstanding for the whole year. If interest rates had been 100 basis points (1%) higher and all other variables were held constant, the Company's interest expense, net of income tax, for the years ended December 31, 2020 and 2019 would have increased by NT\$3,511 thousand and NT\$12,200 thousand, respectively.

d. Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company is exposed to credit risk from operating activities, primarily accounts receivable, and from investing activities, primarily deposits with banks. As of the balance sheet date, the Company's maximum credit risk exposure is mainly from the carrying amount of financial assets recognized in the balance sheet.

Business-related credit risk

The Company has considerable accounts receivable outstanding with its customers worldwide. A substantial majority of the Company's outstanding accounts receivable are not covered by collateral or credit insurance. While the Company has procedures to monitor and limit exposure to credit risk on accounts receivable, there can be no assurance such procedures will effectively limit its credit risk and avoid losses.

The Company's credit risk is mainly concentrated on its two largest customers. The ratio of total accounts receivable to contract assets from the abovementioned customers was 95% and 92% as of December 31, 2020 and 2019, respectively.

#### Financial credit risk

The Company regularly monitors and reviews the transaction limit applied to counterparties and adjusts the concentration limit according to market conditions and the credit standing of the counterparties. The Company mitigates its exposure by selecting creditworthy financial institutions.

#### e. Liquidity risk management

The objective of liquidity risk management is to ensure the Company has sufficient liquidity to fund its business requirements. The Company manages its liquidity risk by maintaining adequate cash and banking facilities.

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2020 and 2019, the unused financing facilities of the Company amounted to NT\$3,063,470 thousand and NT\$1,932,500 thousand, respectively.

The table below summarizes the maturity analysis of the Company's financial liabilities based on contractual undiscounted payments (including principal and interest).

#### December 31, 2020

|  | <b>Less Than<br/>1 Year</b> | <b>2-3 Years</b>  | <b>4-5 Years</b> | <b>Over 5 Years</b> | <b>Total</b>        |
|--|-----------------------------|-------------------|------------------|---------------------|---------------------|
| <u>Non-derivative financial liabilities</u>      |                             |                   |                  |                     |                     |
| Accounts payable                                 | \$ 317,729                  | \$ -              | \$ -             | \$ -                | \$ 317,729          |
| Payables to contractors and equipment suppliers  | 377,594                     | -                 | -                | -                   | 377,594             |
| Accrued expenses and other current liabilities   | 557,790                     | -                 | -                | -                   | 557,790             |
| Lease liabilities                                | 44,960                      | 74,948            | 56,660           | 107,741             | 284,309             |
| Long-term borrowings                             | <u>237,113</u>              | <u>181,843</u>    | <u>25,279</u>    | <u>-</u>            | <u>444,235</u>      |
|  | <u>1,535,186</u>            | <u>256,791</u>    | <u>81,939</u>    | <u>107,741</u>      | <u>1,981,657</u>    |
| <u>Derivative financial liabilities (assets)</u> |                             |                   |                  |                     |                     |
| Forward exchange contracts                       |                             |                   |                  |                     |                     |
| Outflows   | 1,397,545                   | -                 | -                | -                   | 1,397,545           |
| Inflows  | <u>(1,407,732)</u>          | <u>-</u>          | <u>-</u>         | <u>-</u>            | <u>(1,407,732)</u>  |
|  | <u>(10,187)</u>             | <u>-</u>          | <u>-</u>         | <u>-</u>            | <u>(10,187)</u>     |
|  | <u>\$ 1,524,999</u>         | <u>\$ 256,791</u> | <u>\$ 81,939</u> | <u>\$ 107,741</u>   | <u>\$ 1,971,470</u> |

Additional information about the maturity analysis for lease liabilities:

|                   | <b>Less than 1 Year</b> | <b>1-5 Years</b>  | <b>5-10 Years</b> | <b>10+ Years</b> |
|-------------------|-------------------------|-------------------|-------------------|------------------|
| Lease liabilities | <u>\$ 44,960</u>        | <u>\$ 131,608</u> | <u>\$ 101,284</u> | <u>\$ 6,457</u>  |

December 31, 2019

|  | <b>Less Than<br/>1 Year</b> | <b>2-3 Years</b>    | <b>4-5 Years</b>  | <b>Over 5 Years</b> | <b>Total</b>        |
|--|-----------------------------|---------------------|-------------------|---------------------|---------------------|
| <u>Non-derivative financial liabilities</u>      |                             |                     |                   |                     |                     |
| Accounts payable                                 | \$ 253,683                  | \$ -                | \$ -              | \$ -                | \$ 253,683          |
| Payables to contractors and equipment suppliers  | 67,569                      | -                   | -                 | -                   | 67,569              |
| Accrued expenses and other current liabilities   | 384,553                     | -                   | -                 | -                   | 384,553             |
| Lease liabilities                                | 48,398                      | 94,285              | 59,199            | 124,110             | 325,992             |
| Long-term borrowings                             | <u>350,586</u>              | <u>1,108,281</u>    | <u>102,066</u>    | <u>-</u>            | <u>1,560,933</u>    |
|  | <u>1,104,789</u>            | <u>1,202,566</u>    | <u>161,265</u>    | <u>124,110</u>      | <u>2,592,730</u>    |
| <u>Derivative financial liabilities (assets)</u> |                             |                     |                   |                     |                     |
| Forward exchange contracts                       |                             |                     |                   |                     |                     |
| Outflows   | 831,567                     | -                   | -                 | -                   | 831,567             |
| Inflows  | <u>(836,596)</u>            | <u>-</u>            | <u>-</u>          | <u>-</u>            | <u>(836,596)</u>    |
|  | <u>(5,029)</u>              | <u>-</u>            | <u>-</u>          | <u>-</u>            | <u>(5,029)</u>      |
|  | <u>\$ 1,099,760</u>         | <u>\$ 1,202,566</u> | <u>\$ 161,265</u> | <u>\$ 124,110</u>   | <u>\$ 2,587,701</u> |

Additional information about the maturity analysis for lease liabilities:

|                   | <b>Less than 1 Year</b> | <b>1-5 Years</b>  | <b>5-10 Years</b> | <b>10+ Years</b> |
|-------------------|-------------------------|-------------------|-------------------|------------------|
| Lease liabilities | <u>\$ 48,398</u>        | <u>\$ 153,484</u> | <u>\$ 105,713</u> | <u>\$ 18,397</u> |

f. Fair value of financial instruments

1) Fair value of financial instruments carried at amortized cost

The Company considers that the carrying amounts of financial assets and financial liabilities carried at amortized cost recognized in the financial statements approximate their fair values.

2) Fair value measurements recognized in the balance sheets

The Company's financial assets and liabilities are measured at fair value. The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

3) Fair value of financial instruments that are measured at fair value on a recurring basis

Fair value hierarchy

The following table presents the Company's financial assets and liabilities measured at fair value on a recurring basis:

|                                       | <b>December 31, 2020</b> |                |                | <b>Total</b> |
|---------------------------------------|--------------------------|----------------|----------------|--------------|
|                                       | <b>Level 1</b>           | <b>Level 2</b> | <b>Level 3</b> |              |
| <u>Financial assets at FVTPL</u>      |                          |                |                |              |
| Derivative financial instruments      | \$ -                     | \$ 10,245      | \$ -           | \$ 10,245    |
| <u>Financial liabilities at FVTPL</u> |                          |                |                |              |
| Derivative financial instruments      | \$ -                     | \$ 58          | \$ -           | \$ 58        |
|                                       | <b>December 31, 2019</b> |                |                | <b>Total</b> |
|                                       | <b>Level 1</b>           | <b>Level 2</b> | <b>Level 3</b> |              |
| <u>Financial assets at FVTPL</u>      |                          |                |                |              |
| Derivative financial instruments      | \$ -                     | \$ 5,290       | \$ -           | \$ 5,290     |
| <u>Financial liabilities at FVTPL</u> |                          |                |                |              |
| Derivative financial instruments      | \$ -                     | \$ 261         | \$ -           | \$ 261       |

There were no transfers between Level 1 and Level 2 of the fair value hierarchy for the years ended December 31, 2020 and 2019, respectively.

There were no purchases and disposals of financial assets in Level 3 financial instruments for the years ended December 31, 2020 and 2019, respectively.

Valuation techniques and assumptions applied for the purpose of measuring fair value

The fair values of financial assets and financial liabilities were determined as follows:

- Forward exchange contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

**31. RELATED PARTY TRANSACTIONS**

Besides as disclosed elsewhere in the other notes, the transactions between the Company and its related parties are summarized as follows:

a. Related party name and categories

| <u>Related Party Name</u>                                 | <u>Related Party Category</u>                        |
|---|--|
| Taiwan Semiconductor Manufacturing Company Limited (TSMC) | Investor with significant influence over the Company |
| VisEra  | Other related party                                  |

b. Operating revenue

|      | <b>For the Year Ended December 31</b> |                     |
|------|---------------------------------------|---------------------|
|      | <b>2020</b>                           | <b>2019</b>         |
| TSMC | <u>\$ 5,498,556</u>                   | <u>\$ 2,798,921</u> |

The sales prices and payment terms to related parties were not significantly different from those of the third parties.

c. Manufacturing overhead

|        | <b>For the Year Ended December 31</b> |                   |
|--------|---------------------------------------|-------------------|
|        | <b>2020</b>                           | <b>2019</b>       |
| VisEra | \$ 900,292                            | \$ 566,797        |
| TSMC   | <u>848</u>                            | <u>25</u>         |
|        | <u>\$ 901,140</u>                     | <u>\$ 566,822</u> |

The consigned processing costs from related parties were determined in accordance with mutual agreements.

d. Operating expenses

|      | <b>For the Year Ended December 31</b> |              |
|------|---------------------------------------|--------------|
|      | <b>2020</b>                           | <b>2019</b>  |
| TSMC | <u>\$ -</u>                           | <u>\$ 30</u> |

e. Other operating income and expenses

|      | <b>For the Year Ended December 31</b> |                 |
|------|---------------------------------------|-----------------|
|      | <b>2020</b>                           | <b>2019</b>     |
| TSMC | <u>\$ -</u>                           | <u>\$ 5,171</u> |

f. Rental income

|        | <b>For the Year Ended December 31</b> |                  |
|--------|---------------------------------------|------------------|
|        | <b>2020</b>                           | <b>2019</b>      |
| VisEra | \$ 78,900                             | \$ 71,700        |
| TSMC   | <u>-</u>                              | <u>19,121</u>    |
|        | <u>\$ 78,900</u>                      | <u>\$ 90,821</u> |

The Company leased property, plant and equipment to related parties. The lease terms and prices were both determined in accordance with mutual agreements. The rental income was received monthly; the related rental income of leased assets was recognized under other operating income and expenses.

g. Contract assets

|      | <b>December 31</b> |                   |
|------|--------------------|-------------------|
|      | <b>2020</b>        | <b>2019</b>       |
| TSMC | <u>\$ 230,971</u>  | <u>\$ 159,173</u> |

The Company did not recognize loss allowance for the contract assets from related parties for the years ended December 31, 2020 and 2019.

h. Receivables from related parties (not including contract assets)

|      | <b>December 31</b>  |                   |
|------|---------------------|-------------------|
|      | <b>2020</b>         | <b>2019</b>       |
| TSMC | <u>\$ 1,358,624</u> | <u>\$ 706,966</u> |

The Company did not obtain guarantees for receivables from related parties. The Company did not recognize loss allowance for receivables from related parties for the years ended December 31, 2020 and 2019.

i. Other receivables from related parties

|      | <b>December 31</b> |                  |
|------|--------------------|------------------|
|      | <b>2020</b>        | <b>2019</b>      |
| TSMC | <u>\$ -</u>        | <u>\$ 29,781</u> |

j. Other current assets

|        | <b>December 31</b> |               |
|--------|--------------------|---------------|
|        | <b>2020</b>        | <b>2019</b>   |
| VisEra | \$ -               | \$ 113        |
| TSMC   | <u>-</u>           | <u>1</u>      |
|        | <u>\$ -</u>        | <u>\$ 114</u> |

k. Accrued expenses and other current liabilities

|        | <b>December 31</b> |                   |
|--------|--------------------|-------------------|
|        | <b>2020</b>        | <b>2019</b>       |
| VisEra | \$ 182,509         | \$ 113,913        |
| TSMC   | <u>-</u>           | <u>3,207</u>      |
|        | <u>\$ 182,509</u>  | <u>\$ 117,120</u> |

For other related party transactions, price and terms were determined in accordance with mutual agreements.

1. Compensation of key management personnel

The compensation of directors and other key management personnel was as follows:

|                              | <u>For the Year Ended December 31</u> |                  |
|------------------------------|---------------------------------------|------------------|
|                              | 2020                                  | 2019             |
| Short-term employee benefits | \$ 48,249                             | \$ 25,034        |
| Stock-based payments         | 129                                   | 5,389            |
| Post-employment benefits     | <u>584</u>                            | <u>521</u>       |
|                              | <u>\$ 48,962</u>                      | <u>\$ 30,944</u> |

The compensation of directors and other key management personnel was determined by the compensation committee of the Company in accordance with the individual performance and the market trends.

**32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS**

Significant contingent liabilities and unrecognized commitments of the Company as of the end of the reporting period, excluding those disclosed in other notes, were as follows:

- a. The Company entered into a commitment to purchase property, plant and equipment for NT\$411,157 thousand.

**33. EXCHANGE RATE INFORMATION OF FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES**

The significant financial assets and financial liabilities denominated in foreign currencies were as follows:

December 31, 2020

|                              | Foreign<br>Currencies<br>(In Thousands) | Exchange Rate<br>(Note) | Carrying<br>Amount<br>(In Thousands) |
|------------------------------|---|-------------------------|--------------------------------------|
| <u>Financial assets</u>      |   |                         |                                      |
| Monetary items               |   |                         |                                      |
| USD                          | \$ 58,991                               | 28.097                  | \$ 1,657,463                         |
| JPY                          | 96,231                                  | 0.2763                  | 26,589                               |
| CHF                          | 300                                     | 32.31                   | 9,682                                |
| EUR                          | 33                                      | 35.02                   | 1,148                                |
| <u>Financial liabilities</u> |   |                         |                                      |
| Monetary items               |   |                         |                                      |
| USD                          | 9,468                                   | 28.097                  | 266,034                              |
| JPY                          | 91,267                                  | 0.2763                  | 25,217                               |
| CHF                          | 300                                     | 32.31                   | 9,682                                |
| EUR                          | 33                                      | 35.02                   | 1,148                                |

December 31, 2019

|                         | <b>Foreign<br/>Currencies<br/>(In Thousands)</b> | <b>Exchange Rate<br/>(Note)</b> | <b>Carrying<br/>Amount<br/>(In Thousands)</b> |
|-------------------------|--|---------------------------------|---|
| <u>Financial assets</u> |  |                                 |   |
| Monetary items          |  |                                 |   |
| USD                     | \$ 34,686  | 29.988                          | \$ 1,040,161                                  |
| JPY                     | 61,888   | 0.2760                          | 17,081  |
| CHF                     | 224  | 30.93                           | 6,914   |
| EUR                     | 20   | 33.59                           | 682   |

Financial liabilities

|                |        |        |         |
|----------------|--------|--------|---------|
| Monetary items |        |        |         |
| USD            | 6,183  | 29.988 | 185,401 |
| JPY            | 66,834 | 0.2760 | 18,446  |
| CHF            | 245    | 30.93  | 7,589   |
| EUR            | 87     | 33.59  | 2,928   |

Note: The exchange rate represents the amount of New Taiwan dollars for which one unit of foreign currency could be exchanged.

The significant (realized and unrealized) foreign exchange gain (loss) was as follows:

|                           | <b>For the Year Ended December 31</b> |   |                      |   |
|---------------------------|---------------------------------------|---|----------------------|---|
|                           | <b>2020</b>                           |   | <b>2019</b>          |   |
|                           | <b>Exchange Rate</b>                  | <b>Net Foreign<br/>Exchange<br/>Gain (Loss)</b> | <b>Exchange Rate</b> | <b>Net Foreign<br/>Exchange<br/>Gain (Loss)</b> |
| <b>Foreign Currencies</b> |                                       |   |                      |   |
| USD                       | 28.097                                | \$ (79,796)                                     | 29.988               | \$ (37,961)                                     |
| JPY                       | 0.2763                                | 377   | 0.2760               | 180   |
| EUR                       | 35.02                                 | 3   | 33.59                | (4)   |
| CHF                       | 32.31                                 | <u>22</u>                                       | 30.93                | <u>42</u>                                       |
|                           |                                       | <u>\$ (79,394)</u>                              |                      | <u>\$ (37,743)</u>                              |

### 34. OPERATING SEGMENT INFORMATION

a. Operating segments

The Company is a single operating segment on the basis of how the Company's chief operating decision maker regularly reviews information in order to allocate resources and assess performance. The basis for the measurement of operating segment's profit or loss, assets and liabilities is the same as the basis for the preparation of financial statements. Refer to the financial statements for the related operating segment information and Note 20 for information about disaggregation of revenue.

- b. Major customers contributing at least 10% to the Company's operating revenue

|            | <b>For the Year Ended December 31</b> |          |               |          |
|------------|---------------------------------------|----------|---------------|----------|
|            | <b>2020</b>                           |          | <b>2019</b>   |          |
|            | <b>Amount</b>                         | <b>%</b> | <b>Amount</b> | <b>%</b> |
| Customer A | \$ 5,498,556                          | 76       | \$ 2,798,921  | 60       |
| Customer B | 1,041,992                             | 14       | 1,269,969     | 27       |

### 35. ADDITIONAL DISCLOSURES

- a. Significant transactions

- 1) Financing provided to others. (None)
- 2) Endorsements/guarantees provided. (None)
- 3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures). (None)
- 4) Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital. (None)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (Table 1)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 2)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 3)
- 9) Information about the derivative instruments transaction. (Note 7)

- b. Information on investees. (None)

- c. Information on investments in mainland China. (None)

- d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder. (Table 4)

**XINTEC INC.**

**ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Company Name | Types of Property   | Transaction Date | Transaction Amount | Payment Term                             | Counterparty                 | Nature of Relationships | Prior Transaction of Related Counterparty |               |               |        | Pricing Reference                      | Purpose of Acquisition | Other Terms |
|--------------|---------------------|------------------|--------------------|--|------------------------------|-------------------------|---|---------------|---------------|--------|--|------------------------|-------------|
|              |                     |                  |                    |  |                              |                         | Owner                                     | Relationships | Transfer Date | Amount |  |                        |             |
| Xintec       | Factory engineering | March 26,2020    | \$ 355,000         | Based on the terms in the purchase order | Yankey Engineering Co., Ltd. | -                       | N/A                                       | N/A           | N/A           | N/A    | Price comparison and price negotiation | Manufacturing purpose  | None        |

**XINTEC INC.**

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

| Company Name | Related Party | Nature of Relationship                           | Transaction Details |             |            |                               | Abnormal Transaction |               | Accounts Payable or Receivable |            | Note |
|--------------|---------------|--|---------------------|-------------|------------|-------------------------------|----------------------|---------------|--------------------------------|------------|------|
|              |               |  | Purchases / Sales   | Amount      | % to Total | Payment Terms                 | Unit Price           | Payment Terms | Ending Balance                 | % to Total |      |
| Xintec       | TSMC          | TSMC is an equity-method investor of the Company | Sales               | \$5,498,556 | 76         | 60 days after monthly closing | Note 31              | Note 31       | \$1,358,624                    | 86         | -    |

**XINTEC INC.**

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

| Company Name | Related Party | Relationship                                     | Ending Balance | Turnover Days | Overdue |               | Amounts Received in Subsequent Period | Allowance for Impairment Loss |
|--------------|---------------|--|----------------|---------------|---------|---------------|---------------------------------------|-------------------------------|
|              |               |  |                |               | Amount  | Actions Taken |                                       |                               |
| Xintec       | TSMC          | TSMC is an equity-method investor of the Company | \$1,358,624    | 69            | \$ -    | -             | \$ 615,279                            | \$ -                          |

**TABLE 4****XINTEC INC.****INFORMATION OF MAJOR SHAREHOLDERS****December 31, 2020**

| Name of Major Shareholder | Shares           |                             |
|---------------------------|------------------|-----------------------------|
|                           | Number of Shares | Percentage of Ownership (%) |
| TSMC                      | 111,281,925      | 41                          |

Note 1: This table provides the information of number of ordinary shares and special shares which were delivered through non-physical registration (including treasury shares) owned by major shareholders with ownership of 5% or greater and was calculated by Taiwan Depository & Clearing Corporation on the last business day at the end of the quarter. There might be a difference between the share capital listed on the Company's financial statements and the actual number of shares delivered through non-physical registration due to different basis of calculation.

Note 2: If the shareholders delivered the shares to the trust, the above information would be revealed by the individual trust account under fiduciary account opened by the trustee. As for the shareholders' declaration of the insider ownership with shareholdings over 10% in accordance with the Securities and Exchanges Act, their shareholdings include their shares owned plus the shares delivered to the trust, of which they have the right to allocate the trust properties. Please refer to the Market Observation Post System website for information about insider ownership declaration.

E. Consolidated Financial Statements and Independent Auditors' Report: None

F. The Financial Impact to the Company due to Company or Affiliate Companies  
Financial Difficulties: None

## VII. Financial Position, Operating Results and Risk Management

### A. Financial Position

Unit: NT\$, in Thousands

| Item \ Year                   | 2020      | 2019      | Difference |          |
|-------------------------------|-----------|-----------|------------|----------|
|                               |           |           | Amount     | %        |
| Current assets                | 3,152,343 | 2,189,356 | 962,987    | 43.98    |
| Property, plant and equipment | 4,054,174 | 3,439,913 | 614,261    | 17.86    |
| Intangible assets             | 48,073    | 23,341    | 24,732     | 105.96   |
| Other assets                  | 500,596   | 516,171   | (15,575)   | (3.02)   |
| Total assets                  | 7,755,186 | 6,168,781 | 1,586,405  | 25.72    |
| Current liabilities           | 1,987,204 | 1,276,369 | 710,835    | 55.69    |
| Noncurrent liabilities        | 752,526   | 1,601,603 | (849,077)  | (53.01)  |
| Total liabilities             | 2,739,730 | 2,877,972 | (138,242)  | (4.80)   |
| Capital stock                 | 2,713,643 | 2,713,643 | -          | -        |
| Capital Surplus               | 396,424   | 396,424   | -          | -        |
| Retained earnings             | 1,905,389 | 181,206   | 1,724,183  | 951.50   |
| Other equity                  | -         | (464)     | 464        | (100.00) |
| Total equity                  | 5,015,456 | 3,290,809 | 1,724,647  | 52.41    |

Items will be analyzed and explained if ratio changed more than  $\pm 20\%$ :

1. Current assets increased were due to cash and cash equivalents increased NT\$209,599 thousands and accounts receivable from related parties increased NT\$651,658 thousands.
2. Intangible assets increased were due to patents increased NT\$31,599 thousands and special technology decreased NT\$5,666 thousands.
3. Total assets increased were mainly due to cash and cash equivalents increased NT\$209,599 thousands, accounts receivable from related parties increased NT\$651,658 thousands, property, plant and equipment increased 614,261 thousands.
4. Current liabilities increased were mainly due to accrued employees' compensation and remuneration of directors 231,893 thousands, payables to contractors and equipment suppliers increased 310,025 thousands, accrued expenses and other current liabilities increased 172,319 thousands, accounts payable increased 64,046 thousands and long-term borrowings - current portion decreased 100,000 thousands.
5. Noncurrent liabilities decreased were due to long-term borrowings decreased NT\$986,111 thousand and provisions increased 169,996 thousands.
6. Retained earnings increased were due to net income of 2020.
7. Other equity increased was mainly due to compensation cost of employee restricted stock.

## B. Financial Performance

### 1. Financial Performance in Most Recent 2 Years:

Unit: NT\$, in Thousands

| Item \ Year  | 2020      | 2019      | Difference | %        |
|--|-----------|-----------|------------|----------|
| Operating revenues   | 7,277,589 | 4,653,180 | 2,624,409  | 56.40    |
| Operating costs  | 5,062,597 | 4,105,552 | 957,045    | 23.31    |
| Gross Profit   | 2,214,992 | 547,628   | 1,667,364  | 304.47   |
| Operating expense  | 451,364   | 376,619   | 74,745     | 19.85    |
| Other revenue and expense  | (680)     | 62,528    | (63,208)   | (101.09) |
| Income from operation  | 1,762,948 | 233,537   | 1,529,411  | 654.89   |
| Non-operating income and expense   | (35,503)  | (51,559)  | 16,056     | (31.14)  |
| Income before income tax   | 1,727,445 | 181,978   | 1,545,467  | 849.26   |
| Income tax   | -         | -         | -          | -        |
| Net Income   | 1,727,445 | 181,978   | 1,545,467  | 849.26   |
| Items will be analyzed and explained if ratio changed more than $\pm 20\%$ :<br>1. Operating revenues increased were mainly due to Wafer level CSP increased 1,417,965 thousands and Wafer testing increased 1,100,993 thousands.<br>2. Operating costs and gross profit increased were due to operating revenues increased.<br>3. Other revenue and expense decreased were mainly due to impairment loss on property, plant and equipment increased 67,676 thousands.<br>4. Income from operation, income before income tax and net Income increased were due to operating revenues increased significantly.<br>5. Non-operating income and expense increased were mainly due to finance cost decreased 11,878 thousands. |           |           |            |          |

### 2. Sales Volume Forecast and Related Information, Major Impact and Future Plan on Financial Performance

The company has been devoting itself to the development of new project sensors CSP and PPI technology. It has successfully introduced the smart mobile device brand market in the second half of 2017 and started to generate revenue and profit. The company also develops GaN high frequency power components for 5G applications for PPI technology. In response to the Group's strategic layout, it provided 12-inch wafer testing and entered mass production in 109, bringing revenue and profit growth to the company. In the future, we will actively collaborate with customer strategies to jointly develop innovative technologies, and continue to develop new sensor packages and capacity expansion to expand the application of biometric identification markets. Based on driving safety and Autonomous Driving trends, it is expected that the market demand for automotive image sensor packaging will continue to grow. With high-tech threshold, long product life, and stable revenue for the automotive packaging service, Xintec will continue to develop the automotive and monitoring image sensor customers and services.

## C. Cash Flow

### 1. Analysis of Cash Flow

Unit: NT\$, in Thousands

| Item \ Year  | 2020        | 2019      | Difference | %        |
|--|-------------|-----------|------------|----------|
| Operating activities   | 2,357,118   | 952,609   | 1,404,509  | 147.44   |
| Investing activities   | (998,558)   | (393,220) | (605,338)  | 153.94   |
| Financial activities   | (1,148,961) | (659,293) | (489,668)  | 74.27    |
| Total  | 209,599     | (99,904)  | 309,503    | (309.80) |
| <p>1. Cash flow from operating activities increased was mainly due to net income increased.</p> <p>2. Cash out flow from investing activities increased was mainly due to increase in capital expenditures.</p> <p>3. Cash out flow from financial activities increased was mainly due to decreased in long-term bank loans.</p> |             |           |            |          |

### 2. Remedial Actions for Liquidity Shortfall

Cash flow generated from operation and long term debt. Not applicable for liquidity shortfall.

### 3. Cash Flow Projection for Next Year

Unit: NT\$, in Thousands

| Cash Balance 2021/1/1   | Net cash provided by operating activities in 2021 | Net cash used in investing and financing activities in 2021 | Cash Balance 2021/12/31 | Remedy for Liquidity Shortfall |                |
|---|---|---|-------------------------|--------------------------------|----------------|
|   |   |   |                         | Investment Plan                | Financing Plan |
| 1,012,987   | 2,833,126   | (2,261,955)   | 1,584,158               | —                              | Bank loans     |
| <p>1. Analysis of cash flow for 2021:</p> <p>(1) Cash provided by operating activities was mainly from cash receipted from customers.</p> <p>(2) Cash used in investing and financing activities was mainly due to capital expenditures , pay cash dividend and repayment of bank loans.</p> <p>2. Remedial actions for cash shortfall and liquidity analysis: increase bank loans.</p> |   |   |                         |                                |                |

## D. Major Capital Expenditure

The capital expenditure was mainly used to expand the clean room and factory facilities for the 12" Wafer testing in 2020, which cash flow generated from operation and long term debt. There was no unfavorable impact on the finance and operation.

## E. Long Term Investment: Not applicable.

## F. Risk Management

### 1. Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures:

#### (1) Interest Rate Fluctuation

The company's long-term bank borrowing rate is based on floating interest rates, and interest rate changes will affect future cash flows. The Company took attention on interest rate fluctuation and entered into interest rate swap contracts to mitigate the risk of changes in interest rates on the cash flow exposure related to the outstanding variable rate debt.

If interest rates had been 100 basis points (1%) higher and all other variables were held constant, the Company's interest expense, net of income tax, for the year of 2020 would have been higher by NT\$3,511 thousands.

The Company has no long-term debts balance as the date of the annual report printed. The Company will monitor the trend of the interest rate to lower down the uncertainty of the borrowing cost.

#### (2) Foreign Exchange Volatility

The company's operating activities are mainly in foreign currency transactions, so foreign currency exchange rate risks arise. In order to avoid the decline in the value of foreign currency assets and fluctuations in future cash flows due to exchange rate changes, the Company utilizes derivative financial instruments such as currency forward contracts, to partially hedge its currency exposure. It can help the company reduce but still can't completely rule out the impact of foreign exchange rate changes. For more derivative transactions information, please refer to pages 148 of the Annual Report.

#### (3) Inflation Volatility

The Company monitors the supply status of the raw material, seeks the second source of the both good quality and price advantage, and improves the manufacturing process and products yield, and cost reduction to reduce the impact of rising prices.

### 2. Risks Associated with High-risk/high-leveraged Investment; Lending, Endorsements, and Guarantees for Other Parties; and Financial Derivative Transactions:

The Company did not make high-risk of high-leveraged financial investments, loan to other parities, either the endorsements recently. The nature of the derivative transactions that Xintec entered into were strictly for hedging purposes to hedge foreign currency exposure. To control various types of financial

transactions, The Company has established internal policies and procedures based on sound financial and business practices, all in compliance with the relevant rules and regulations issued by the Taiwan Securities and Futures Bureau. The policies and procedures are “Procedures for Lending Funds to Other Parties”, “Procedures for Endorsement and Guarantee” and “Procedures for Acquisition or Disposal of Assets,” (“Policies and Procedures for Financial Derivative Transactions” included).

3. Future Research & Development Projects and Corresponding Budget:

In response to the needs of market and customers for sensors, we continue to provide wafer-level packaging technology such as TSV CSP and 3D IC package for applications in various sensor components. Extend the product line and services to micro-electromechanical (MEMS), power field effect transistors, power control and analog components and other products by innovative wafer-level packaging technology. The budget for R&D expense will be NT\$ 382,857 thousands in 2021.

4. Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales:

The Company consistently pays close attention to any changes in Policies and Regulations Relating to Corporate Finance and Sales. Changes in related laws during 2020 have not had a significant impact on our operations.

5. Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales:

The Company carefully monitors market trends and assesses the impact they may have on the company’s operations and attaches great importance to improvements in technology.

6. The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company’s Response Measures:

The company attaches great importance to preparing for emergency management in natural or manmade disasters (like typhoon, earthquake, environmental pollution, communication outage, labor strike, shortage of raw material and of public supplies of water, gas and electricity, etc.). A comprehensive plan of emergency response has already been formulated, which specifies relevant procedures in setting up an emergency response team to cope with disasters. In an emergency, we can follow the plan to thoroughly analyze the cause of the incident and its consequence and then explore alternative schemes and relevant solutions in different circumstances; besides, the plan will also give us guidance in

formulating appropriate precautionary measures and disaster recovery strategies. In this way, we can survive an emergency while keeping damages from personnel injury, service interruption and financial impact to a minimum and maintaining the smooth operation of the company. Up to the printing date of this Annual Report, the company has not been faced with risks which may have a major impact on the daily operation and on the corporate image.

7. Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans: None.

8. Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans: please refer to pages 164 of the Annual Report.

9. Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration:

The Company procured raw materials from different suppliers as far as possible to ensure the smooth supply of raw materials and reduce the risk of centralized purchasing. Although the Company still made part of the raw materials from a single supplier, but the Company will continue to look for other suppliers to reduce the risk of centralized purchasing.

The largest customer, TSMC Group's net sales accounted for 76% of the company's sales of 2020. The company will continue to actively develop new markets and new customers and maintain a good relationship with the existing customers continue to reduce risk.

10. Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%:

The price of the Company's stock may be impacted by possible future sales of the Company's shares owned by the major shareholders. TSMC will remain as the largest shareholder of Xintec with approximately 41% ownership. TSMC announces to continue its close collaboration with Xintec in the business areas of CMOS image sensor, MEMS, CP testing and etc.

11. Effects of, Risks Relating to and Response to the Changes in Management Rights: None

12. Litigation or Non-litigation Matters

(1) Major ongoing lawsuits, non-lawsuits or administrative lawsuit:

a. Major ongoing civil lawsuit relating to land occupancy compensation:

In October 2019, the Ministry of Economic Affairs filed a lawsuit against the

company for land occupancy compensation in the Taoyuan District Court, claiming that the company had no right to use the land No. 3744, located at Zhongli Industrial Zone. The Taoyuan District Court judge the company won. In the term of appeal, the Ministry of Economic Affairs submits an appeal. The company has appointed a lawyer to represent the company in the matter. The preliminary assessment is that the matter will not significantly impact the company's finances or business.

b. Major non-lawsuits or administrative lawsuits: None.

(2) Major ongoing lawsuits, non-lawsuits or administrative lawsuits caused by directors, supervisors or shareholders with over 10% shareholdings

Major ongoing lawsuits, non-lawsuits or administrative lawsuit by the director of the company, TSMC:

On September 28, 2017, TSMC was contacted by the European Commission (the "Commission"), which asked us for information and documents concerning alleged anti-competitive practices in relation to semiconductor sales. We cooperated continuously with the Commission to provide the requested information and documents. The Commission subsequently decided to close the investigation in May 2020.

Other than the matters described above, as of the date of this Annual Report, TSMC is not currently a party to any other material legal proceedings.

As described above, TSMC's litigations are causing from commercial acts and there is no relationship with us, it has no materially affect shareholders' equity or the prices of the company's securities.

13. Other Major Risks and Countermeasures:

Information security policy and specific management plan:

In order to protect the confidential information of the company and its customers, the company set up the "Confidential Information Protection Committee" in January 1997 to be responsible for information security management and supervision. And formulate "Proprietary Information Protection Policy" and "Proprietary Information Protection Operation Management Measures" to clearly define the company's procedures and specifications of confidential information protection management. The committee holds a meeting every quarter to review information security policies and results of implementation, and report the overview of information security management to the board of directors every year. An independent and dedicated Information Security Unit which was newly added in January 2017, "Corporate Security Department" (Now renamed as "Employee Service and Security Department"),

was responsible for information security governance, planning, supervision and implementation.

Cooperate with Information Technology Units to build a comprehensive range of security defense capabilities, and improve employees' correct attitude and alertness to information security protection, to reduce the risk of leakage of confidential information.

PIP Committee has formulated five guidelines to implement the PDCA cycle:

1. Establish and implement proprietary information and information security management system.
2. Follow the laws and contracts of proprietary information and meet the requirement of information security.
3. Implement education and publicity of proprietary information and information security on employees and related groups.
4. Assess and identify risks, and set goals and control measure.
5. Improve proprietary information and information security management systems through internal audit activities continuously.

According with the information security policy of company and referring to the event which related to information security, the following works are strengthened recently.

1. Strengthen information system security protection:

Import system which can check legality of both hardware and software, to avoid files, programs and devices with no source from causing computer viruses to spread or making company to take legal responsibility. Ensure that information devices have a work flow of scanning viruses when get in/out of the factory. Ensure that company's network is anti-free.

2. Prevent leakage of proprietary information:

Check the permission of R&D unit and access authority of other proprietary information. Ensure that the proprietary information is authorized by its level and employee's duty.

3. Risk/ Hazard factor improvement:

Scan and examine the weakness of extranet information system through the third-party internet service company which has credibility. Solving and improving the weakness and mistakes continuously, to reduce the risk of being hacked. Evaluating and improving risks and hazard factors of information room, to ensure that the information system is operating normally.

4. Advocating and training the knowledge of information security:

Holding training and advocating information security measures regularly. Strengthen employee and vendors' awareness of protecting proprietary information. Ensure that company can exert the adaptability when a disaster

occurs, and deal with the events of information security in time.

5. Master emerging trends in information security:

Join the seminar about information security, and communicate with vendors.

Pay attention to information security issues regularly, and plan the countermeasures in time.

G. Other Important Matters: None

## VIII. Special Notes

A. Affiliated Information: None.

B. Private Placements Securities: None.

C. Common Shares Acquired, Disposed of and Held by Subsidiaries: Not applicable.

D. Any Events in Y2020 That Had Significant Impacts on Shareholders' Right or Security Prices as Started in Item 2 paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan: None.

E. Other Necessary Supplement: None.

Xintec Inc.

Chairman : CH Chen