

Stock Code: 3059



Altek Corporation

# 2020 Annual Report

*Notice to readers*

*This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.*

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## I. Letter to Shareholders

Dear Shareholders,

The annual business report of 2020 annual business plan overview of 2021 are as follows:

### 1. Annual Business Report 2020

#### (1) Business Performance

Last year (2020), the world was hit by the outbreak of the COVID-19 pandemic and the extended impact of the U.S.-China trade war. In spite of the drastic impact on the industry and economy, Altek Corporation has emphasized pandemic prevention to assure the safety of employees; on the other hand, the Company quickly restores production and responds to the market for clients worldwide. Moreover, Altek Corporation's competitive advantages in the active transformation in recent years are reflected under the demand for health care during the pandemic (disposable endoscope), home office, and remote teaching. Such transformation shifts the Company from a conventional digital camera factory to an artificial intelligence image solution factory, providing solutions in four industries, namely "medical care image, AIoT visual imaging, smart in-vehicle systems, and robotic vision," and strengthen four domains of core technology in "AI visual image, a semiconductor chip, smart in-vehicle system, and 3F sensor technology," which thereby upgrade Altek's core competency in providing services to clients worldwide. The consolidated revenue for the year 2020 was NT\$6,100 million, which was slightly down by 1.4%, compared with that of last year. Favored by the rise in demand during the pandemic period, the consolidated gross profit climbed to 25%, with net income of NT\$160,357 thousand and EPS of NT0.60 per shares, which demonstrates the results of Altek's continuous focus, adjustment of revenue portfolio, and upgrade of operating quality in transformation and upgrade.

#### (2) Analysis of Financial Revenue and Expenditure and Profitability

Please refer to the attached financial statements for the financial status for the Year 2020

#### (3) Research and development Status

The Company and its subsidiaries invest a total of NT\$ 1,058,505,000 in research and development expenses for the Year 2020, mainly for the development of new products and technologies.

### 2. Annual Business Plan Overview 2021

#### (1) Management guideline

Altek is one of the few solution providers in the industry with complete software/hardware system, top-notch visual image processing technology, and AI chip development and algorithm. To implement the corporate vision in “Better Vision · Better Life” in recent years, Altek projects the group operation and management with a focus on the following: semiconductor image chip, smart in-vehicle, and medical care image. As the global technology in AI and 5G development evolves, Altek continues the path to innovation and relies on its core competency in top-notch visual image processing technology and optical software/hardware system integration, continue to strengthen the product efficiency, improve the innovation capabilities in technology and incubate the excellent talents, and accelerate the commercialization schedule. In addition, the production and sales and supply chain management is strengthened, the manufacturing quality and production efficiency are improved to maintain the high flexibility in the customized production model and maintain the cost competitiveness. Meanwhile, various systems and processes are strengthened to improve the operational efficiency.

## (2) Status Prospects for Production and Sales

In 2020, Altek extends the strategy to collaborate with Tier-1 international companies and leads with its optical image technology in AIoT (Artificial Intelligence of Things) and 5G applications such as smart in-vehicle lens, AI cameras, smartphone AI ISP image processing technology and robotic vision (3D sensor solutions), so that the technological capabilities and strategic cooperation relationship will be steadily transformed into the driver of long-run growth. On the other hand, the growth of products such as blood glucose meters, insulin injection systems and disposable endoscopes of the medical electronics business will be also steady this year.

Prospect for the future. In addition to the continuous investment in the core technology in smart image and system integration capabilities to strengthen the technological energy and competitive ability of the Company, the management team and all employees will make constant efforts to continually overcome various operational challenges, enhance the executive force, and strengthen the growth force and profitability so that the higher value for shareholders is created continually. Thanks again to all shareholders for your long-term support for the Company and the Company wishes to extend our heartfelt thanks to our shareholders.

Chairman & CEO  
Alex Hsia

## II. Company Profile

### 2.1 Date of Incorporation

December 24, 1996.

### 2.2 Company History

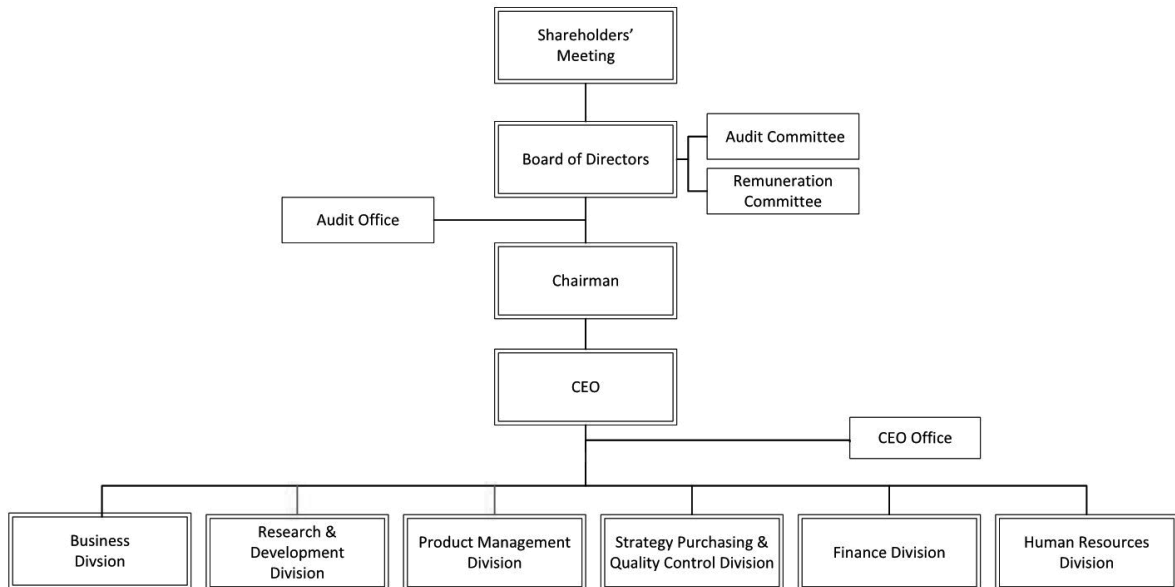
|      |   |
|------|---|
| 1996 | Founded as “Asia Imagination corporation” to engage in the design, production and sales of digital cameras.   |
| 1997 | Renamed as “Altek Corporation” and established its first corporate headquarters located in 3F, No. 10 Li-Hsin Road, Science-Based Industrial Park, Hsinchu City, Taiwan.  |
| 1998 | Introduced Taiwan’s first 1.0 million pixels autofocus fixed lens digital camera.   |
| 2002 | Listed on the Taiwan Stock Exchange.  |
| 2003 | Issued convertible bonds of US\$60,000 thousands and listed on Luxembourg Stock Exchange.   |
| 2006 | Published domestic convertible bonds of NT\$1,500,000 thousand and listed on Taiwan Stock Exchange.   |
| 2007 | Monthly DSC shipment achieved two million units, ranked No.1 in the digital camera ODM market with the 10% market share   |
| 2008 | Introduced the world's first GPS digital camera.  |
| 2010 | The first smartphone/camera featuring communication, triple zooming lens and 12.2 million pixels received CommunicAsia’s Award of Ten Best Products in Singapore Telecom Show.<br>Established the new headquarters at No.12, Li-Hsin Road, Science-Based Industrial Park, Hsinchu City, Taiwan. |
| 2013 | Transforming itself to an image solution provider with focuses on smartphone camera and consumer image products.  |
| 2014 | Image signal processor and dual-camera solutions were applied to flagship smartphones of global manufacturers.<br>Completed the capital decrease of NT\$1,182,475 thousands.  |
| 2015 | More customers in China and India launched more smart phones with Altek imaging solutions.  |
| 2016 | Altek in-depth computing chips were applied to dual-camera smartphones and tablets of global manufacturers.   |
| 2017 | State-of-the-art 3D-Depth Sensing Chip AL6100 debuted at CES 2018.<br><br>Altek became the first ODM to deliver reference designs based on the Qualcomm Vision Intelligence Platform.   |

- 2018            The vision AI solution, developed in collaboration with Microsoft, was presented at Microsoft WinHEC Taipei 2018.
- IPC603, a commercial intelligence surveillance camera prototype, was unveiled at Amazon's annual conference to support its AWS (Amazon Web Services) in the Amazon Cloud.
- Completed the development of insulin injection system and started the shipment.
- 2019            Cooperated with Qualcomm to demonstrate the latest smart security solutions of AIoT, and publish jointly "Qualcomm Vision Intelligence Platform" at ISC West.
- The AI BOX edge AI computing box imported FaceMe® facial recognition engine, global cloud service certification of Amazon (AWS) and Microsoft (Azure) that can support multiple IP cameras (ONVIF Camera).
- Launched the industry-leading artificial intelligence chip with high-efficiency, low-power consumption and completed the milestones of cross-generational transformation.
- The medical electronics business won the 6th Taiwan “National Industrial Innovation Award - Team Category, Innovative Trailblazer” for the “Design, Development and Manufacturing of High-end Medical Product”.
- 2020            The largest supplier of disposable medical endoscopes in the world.
- The world’s first supplier in the world to offer high-quality car cameras for car fleet management.
- Partner to the world’s top five Android-based smartphones, with leading ISP image processing technology.
- Cooperated with Qualcomm to build an AIoT ecosystem that offers solutions for industrial and consumer-grade AIoT 4K smart visual imaging to implement 5G generation.

### III. Corporate Governance Report

#### 3.1 Organization

##### 3.1.1 Organizational Chart



##### 3.1.2 Major Corporate Functions

| Department                                     | Functions  |
|--|--|
| Audit Office                                   | Carry out the audit operation for the implementation of the internal control system and also for the performance evaluation and decision making of management.   |
| CEO Office                                     | 1. Assist CEO in planning, integrating, and coordinating medium and long-term business and operational strategies.<br>2. Handle investors and public relationships.<br>3. Tackle legal affairs related to contracts and intellectual property right.<br>4. Information Systems Management. |
| Business Division                              | 1. Engage in sales of products and services, business development, and formulation and execution of sales strategies.<br>2. Market development trend analysis and product strategic planning.  |
| Product Management Division                    | Product project management business  |
| Research & Development Division                | Design and develop competitive technologies and products.  |
| Strategy Purchasing & Quality Control Division | 1. Engage in group procurement.<br>2. Deal with quality improvement and product test engineering.  |
| Finance Division                               | Plan, organize, and apply financial resources with business and operational goals.   |
| Human Resources Division                       | Handle human resources planning.   |

### 3.2 Directors and Management Team

#### 3.2.1 Directors

##### A. Profile of Directors

April 19, 2021

| Title                   | Nationality/<br>Country of<br>Origin | Name                               | Gender | Date<br>Elected | Term<br>(Years) | Date<br>First<br>Elected | Shareholding<br>when Elected |               | Current<br>Shareholding |               | Current<br>Shareholding of<br>Spouse or Minor<br>Children |               | Shareholding<br>by Nominee<br>Arrangement |               | Experience<br>(Education) | Other<br>Position  | Executives, Directors or<br>Supervisors Who Are<br>Spouses or within Two<br>Degrees of Kinship |               |       | Remark   |      |
|-------------------------|--------------------------------------|------------------------------------|--------|-----------------|-----------------|--------------------------|------------------------------|---------------|-------------------------|---------------|---|---------------|---|---------------|---------------------------|--|--|---------------|-------|----------|------|
|                         |                                      |                                    |        |                 |                 |                          | Shares                       | %<br>(Note 1) | Shares                  | %<br>(Note 1) | Shares  | %<br>(Note 1) | Shares                                    | %<br>(Note 1) |                           |  | Shares   | %<br>(Note 1) | Title |          | Name |
| Chairman                | R.O.C                                | Alex Hsia                          | Male   | 2020.06.12      | 3 years         | 1996.12.20               | 897,934                      | 0.32          | 1,001,934               | 0.36          | 943,051   | 0.34          | 0   | 0.00          | (Note 2)                  | Executive<br>Director of<br>Altek(Kunshan<br>) Co., Ltd.         | None   | None          | None  | (Note 9) |      |
| Director                | R.O.C                                | Yitsang International Co.,<br>Ltd. |        | 2020.06.12      | 3 years         | 2014. 06.19              | 13,956,100                   | 4.99          | 14,200,100              | 5.08          | -   | -             | -   | -             | -                         | -  | -  | -             | -     | -        | -    |
|                         | R.O.C                                | Representative:<br>Belle Liang     | Female | 2020.06.12      | 3 years         | 2017.06.16               | 0                            | 0.00          | 0                       | 0.00          | 0   | 0.00          | 0   | 0.00          | (Note 3)                  | Independent<br>Director of<br>eGalax_EMPIA<br>Technology<br>Inc. | None   | None          | None  | -        |      |
| Director                | R.O.C                                | Yitsang International Co.,<br>Ltd. |        | 2020.06.12      | 3 years         | 2014. 06.19              | 13,956,100                   | 4.99          | 14,200,100              | 5.08          | -   | -             | -   | -             | -                         | -  | -  | -             | -     | -        | -    |
|                         | R.O.C                                | Representative:<br>Vincent Kao     | Male   | 2020.07.09      | 3 years         | 2020.07.09               | 1,747                        | 0.00          | 747                     | 0.00          | 0   | 0.00          | 0   | 0.00          | (Note 4)                  | Independent<br>Director of<br>Altek Japan                        | None   | None          | None  | -        |      |
| Director                | R.O.C                                | Sophia Chen                        | Female | 2020.06.12      | 3 years         | 2017.06.16               | 0                            | 0.00          | 0                       | 0.00          | 0   | 0.00          | 0   | 0.00          | (Note 5)                  | Independent<br>Director of<br>Veden Dental<br>Group              | None   | None          | None  | -        |      |
| Independent<br>Director | Japan                                | Mori Shorei                        | Male   | 2020.06.12      | 3 years         | 2017.06.16               | 0                            | 0.00          | 0                       | 0.00          | 0   | 0.00          | 0   | 0.00          | (Note 6)                  | -  | None   | None          | None  | -        |      |
| Independent<br>Director | USA                                  | KUO HSIUNG<br>WU                   | Male   | 2020.06.12      | 3 years         | 2020.06.12               | 0                            | 0.00          | 0                       | 0.00          | 0   | 0.00          | 0   | 0.00          | (Note 7)                  | -  | None   | None          | None  | -        |      |

| Title                   | Nationality/<br>Country of<br>Origin | Name        | Gender | Date<br>Elected | Term<br>(Years) | Date<br>First<br>Elected | Shareholding<br>when Elected |               | Current<br>Shareholding |               | Current<br>Shareholding of<br>Spouse or Minor<br>Children |               | Shareholding<br>by Nominee<br>Arrangement |               | Experience<br>(Education) | Other<br>Position | Executives, Directors or<br>Supervisors Who Are<br>Spouses or within Two<br>Degrees of Kinship |      |          | Remark |
|-------------------------|--------------------------------------|-------------|--------|-----------------|-----------------|--------------------------|------------------------------|---------------|-------------------------|---------------|---|---------------|---|---------------|---------------------------|-------------------|--|------|----------|--------|
|                         |                                      |             |        |                 |                 |                          | Shares                       | %<br>(Note 1) | Shares                  | %<br>(Note 1) | Shares  | %<br>(Note 1) | Shares                                    | %<br>(Note 1) |                           |                   | Title  | Name | Relation |        |
| Independent<br>Director | R.O.C                                | Daphne Wang | Female | 2020.06.12      | 3 years         | 2020.06.12               | 805                          | 0.00          | 0                       | 0.00          | 0   | 0.00          | 0   | 0.00          | (Note 8)                  | -                 | None   | None | None     | -      |

Note 1: Shareholding when elected is calculated based on 279,633,325 shares issued on June 12, 2020. Current shareholding is calculated based on 279,497,325 shares issued on April 19, 2021.

Note 2: Alex Hsia: M.A. of Electronics Engineering, UCS; Vice President of Microtek Co.

Note 3: Belle Liang: MBA of Finance, National Taiwan University; Special Assistant to Chairman of THSR Corporation.

Note 4: Yitsang International Co., Ltd. reassigned Vincent Kao as the representative director on Jul 09, 2020. Major academic and experience: B.A. of International Trade, National Taiwan University ;

Deputy of A.V.P., of Teco Image System

Note 5: Sophia Chen: Bachelor of Rutgers University, State University of New Jersey; President of Gold Jasper Management Co., Ltd.

Note 6: Mori Shorei: Researcher of Faculty of Engineering, University of Tokyo; Director of Fuji Film Corp. Japan

Note 7: KUO HSIUNG WU: Ph.D. of Computer Science, UCLA, USA; Vice president of TSMC.

Note 8: Daphne Wang: M.A. of Business Administration, University of Pittsburgh, USA; Assistant Manager of CDIB Capital Group.

Note 9: Where the Chairman of the Board of Directors and the President or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto must be disclosed: In order to maintain operational effectiveness and efficiency, the Chairman of the Board of Directors also serves as the President (Chief Executive Officer). Hence, it is necessary to maintain this model. More than half of the board of directors of the Company have not served as employees or managers, and the function of the board has been strengthened and monitored. In the future, depending on actual requirements, the general manager position will be held by a professional manager or the number of independent directors will be increased.

B. Director that is an institutional shareholder, its main shareholders

(1) Major shareholders of the institutional shareholders

April 19, 2021

| Name of Institutional Shareholders | Major Shareholders   |
|------------------------------------|--|
| Yitsang International Co., Ltd.    | Jingcai International Investment Co., Ltd. (74.74%) and Baiying Co., Ltd. (24.97%) |

(2) Major shareholders of Altek's Major Institutional Shareholders

April 19, 2021

| Name of Institutional Shareholders         | Major Shareholders                          |
|--|---|
| Jingcai International Investment Co., Ltd. | Yun-Hsing Lin and other shareholders (100%) |
| Baiying Co., Ltd.                          | Jade Star Investment Co., Ltd (100%)        |

C. Professional Qualifications and Independence Analysis of Directors

April 19, 2021

| Criteria                              | Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience   |   | Independence Criteria (Note 1)   |   |   |   |   |   |   |   |   |   | Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director |    |    |    |   |
|---------------------------------------|--|---|--|---|---|---|---|---|---|---|---|---|---|----|----|----|---|
|                                       | An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University | A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company | Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |   | 10 | 11 | 12 |   |
| Name                                  |  |   |  |   |   |   |   |   |   |   |   |   |   |    |    |    |   |
| Chairman<br>Alex Hsia                 |  |   | ✓  |   |   | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓   | ✓  | ✓  | ✓  | 0 |
| Director<br>Belle Liang               |  |   | ✓  |   |   | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓   | ✓  | ✓  | ✓  | 1 |
| Director<br>Vincent kao               |  |   | ✓  |   |   | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓   | ✓  | ✓  | ✓  | 0 |
| Director<br>Sophia Chen               |  |   | ✓  |   |   | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓   | ✓  | ✓  | ✓  | 0 |
| Independent Director<br>Mori Shorei   |  |   | ✓  |   |   | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓   | ✓  | ✓  | ✓  | 0 |
| Independent Director<br>KUO HSIUNG WU |  |   | ✓  |   |   | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓   | ✓  | ✓  | ✓  | 0 |
| Independent Director<br>Daphne Wang   |  |   | ✓  |   |   | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓   | ✓  | ✓  | ✓  | 0 |

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

1. Not an employee of the company or any of its affiliates.
2. Not a director or supervisor of the company or any of its affiliates. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.

5. Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
6. If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: **not** a director, supervisor, or employee of that other company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
7. If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: **not** a director (or governor), supervisor, or employee of that other company or institution. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
8. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent, if the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public company.
9. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
10. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
11. Not been a person of any conditions defined in Article 30 of the Company Law.
12. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

### 3.2.2 Management Team

April 19, 2021

| Title | Nationality/<br>Country of<br>Origin | Name        | Gender | Date<br>Effective | Shareholding |               | Spouse & Minor<br>Shareholding |               | Shareholding<br>by Nominee<br>Arrangement |               | Education/Experience  | Other Position   | Managers who are Spouses<br>or within Two Degrees of<br>Kinship |      |          | Remark   |
|-------|--------------------------------------|-------------|--------|-------------------|--------------|---------------|--------------------------------|---------------|---|---------------|---|--|---|------|----------|----------|
|       |                                      |             |        |                   | Shares       | %<br>(Note 1) | Shares                         | %<br>(Note 1) | Shares                                    | %<br>(Note 1) |   |  | Title   | Name | Relation |          |
| CEO   | R.O.C.                               | Alex Hsia   | Male   | 1996.12.28        | 1,001,934    | 0.36          | 943,051                        | 0.34          | 0   | 0.00          | M.S. of Electronics Engineering, UCLA; V.P. of Microtek Co.   | Executive Director of Altek System (Kunshan) Co., Ltd. | None  | None | None     | (Note 2) |
| VP    | R.O.C.                               | Belle Liang | Female | 2017.01.25        | 0            | 0.00          | 0                              | 0.00          | 0   | 0.00          | MBA of Finance, National Taiwan University; Special Assistant to Chairman of THSR Corporation.  | Independent Director of eGalax_eMPIA Technology Inc.   | None  | None | None     | -        |
| VP    | R.O.C.                               | Vincent Kao | Male   | 2014.11.10        | 747          | 0.00          | 0                              | 0.00          | 0   | 0.00          | B.A. of International Trade, National Taiwan University; Deputy of A.V.P., of Teco Image System   | Director of Altek Japan                                | None  | None | None     | -        |
| VP    | R.O.C.                               | CC Lee      | Female | 2019.11.01        | 32,000       | 0.01          | 0                              | 0.00          | 0   | 0.00          | EMBA of National Taipei University of Technology; Assistant Manager of China Development Industrial Bank.   | None   | None  | None | None     | -        |
| VP    | R.O.C.                               | James Chien | Male   | 2020.05.12        | 6,000        | 0.00          | 0                              | 0.00          | 0   | 0.00          | MBA of Electrical and Computer Engineering, Tamkang University  | None   | None  | None | None     | -        |
| VP    | R.O.C.                               | Kenny Li    | Male   | 2014.11.10        | 2,000        | 0.00          | 0                              | 0.00          | 0   | 0.00          | Senior Manager of Rimage Corporation<br>M.S. of Telecommunications Engineering, National Chiao Tung University;<br>Special Assistant of Quanta Computer | None   | None  | None | None     | -        |

| Title                 | Nationality/<br>Country of<br>Origin | Name       | Gender | Date<br>Effective | Shareholding |               | Spouse & Minor<br>Shareholding |               | Shareholding<br>by Nominee<br>Arrangement |               | Education/Experience  | Other Position | Managers who are Spouses<br>or within Two Degrees of<br>Kinship |      |          | Remark |
|-----------------------|--------------------------------------|------------|--------|-------------------|--------------|---------------|--------------------------------|---------------|---|---------------|---|----------------|---|------|----------|--------|
|                       |                                      |            |        |                   | Shares       | %<br>(Note 1) | Shares                         | %<br>(Note 1) | Shares                                    | %<br>(Note 1) |   |                | Title   | Name | Relation |        |
| VP                    | R.O.C.                               | Leo Tseng  | Male   | 2020.03.02        | 0            | 0.00          | 0                              | 0.00          | 0   | 0.00          | Graduated from mechanical department of Nanya Institute of Technology; Mechanical Engineer of Getac Technology Corporation.     | None           | None  | None | None     | -      |
| VP                    | R.O.C.                               | Kevin Chen | Male   | 2019.05.13        | 7,537        | 0.00          | 442                            | 0.00          | 0   | 0.00          | Ph.D of Electrical and Computer Engineering, National Chiao Tung University   | None           | None  | None | None     | -      |
| VP                    | R.O.C                                | Samuel Wu  | Male   | 2021.01.01        | 102,000      | 0.04          | 0                              | 0.00          | 0   | 0.00          | Technical Manager of Aiptek International Inc.<br>MBA of Mathematic, National Taiwan University;<br>V.P. of Ulead Systems, Inc. | None           | None  | None | None     | -      |
| Accounting<br>Officer | R.O.C.                               | Peggy Hsu  | Female | 2018.02.14        | 0            | 0.00          | 0                              | 0.00          | 0   | 0.00          | B.A. of Accounting, National Chung Hsing University;<br>Finance Director and Spokesperson of Tera Xtal Technology Co., Ltd.     | None           | None  | None | None     | -      |

Note 1: Shareholding percentage is calculated based on 279,497,325 shares issued on April 19, 2021.

Note 2: Where the President or person of an equivalent post (the highest-level manager) and Chairman of the Board of Directors are the same person, spouses, or relatives within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto must be disclosed. In order to maintain operational effectiveness and efficiency, the Chairman of the Board of Directors also serves as the President (Chief Executive Officer). Hence, it is necessary to maintain this model. More than half of the board of directors of the Company have not served as employees or managers, and the function of the board has been strengthened and monitored. In the future, depending on actual requirements, the general manager position will be held by a professional manager or the number of independent directors will be increased.

### 3.3 Remuneration of Directors, , President, Independent directors and Vice Presidents

#### 3.3.1 Remuneration of Directors

Unit: NT\$ thousand; Dec. 31, 2020

| Title                   | Name                            | Remuneration of Directors |  |                   |  |                                 |  |                |  | (% )        |  |      |
|-------------------------|---------------------------------|---------------------------|--|-------------------|--|---------------------------------|--|----------------|--|-------------|--|------|
|                         |                                 | Base Compensation (A)     |  | Severance Pay (B) |  | Bonus to Directors (C) (Note 1) |  | Allowances (D) |  | The Company | All Companies in the Consolidated Financial Statements |      |
|                         |                                 | The Company               | All Companies in the Consolidated Financial Statements | The Company       | All Companies in the Consolidated Financial Statements | The Company                     | All Companies in the Consolidated Financial Statements | The Company    | All Companies in the Consolidated Financial Statements |             |  |      |
| Chairman                | Alex Hsia                       |                           |  |                   |  |                                 |  |                |  |             |  |      |
| Director                | Yitsang International Co., Ltd. |                           |  |                   |  |                                 |  |                |  |             |  |      |
| Representative Director | Simon Law (Note 3)              |                           |  |                   |  |                                 |  |                |  |             |  |      |
| Representative Director | Vincent Kao (Note 3)            |                           |  |                   |  |                                 |  |                |  |             |  |      |
| Representative Director | Belle Liang                     |                           |  |                   |  |                                 |  |                |  |             |  |      |
| Director                | Sophia Chen                     | 3,006                     | 3,006  | 0                 | 0  | 4,217                           | 4,217  | 560            | 560  | 4.85        | 4.85   | 4.85 |
| Independent Director    | Ching Jen Hu (Note 4)           |                           |  |                   |  |                                 |  |                |  |             |  |      |
| Independent Director    | Ying Chih Hsieh (Note 4)        |                           |  |                   |  |                                 |  |                |  |             |  |      |
| Independent Director    | Mori Shorei                     |                           |  |                   |  |                                 |  |                |  |             |  |      |
| Independent Director    | KUO HSIUNG WU (Note 5)          |                           |  |                   |  |                                 |  |                |  |             |  |      |
| Independent Director    | Daphne Wang (Note 5)            |                           |  |                   |  |                                 |  |                |  |             |  |      |

| Title                   | Name                            | Relevant Remuneration Received by Directors Who are Also Employees |  |                   |  |  |  | Ratio of Total Remuneration (A+B+C+D) to Net Income (%) |  | Remuneration from invested companies except for those companies in the consolidated statement |
|-------------------------|---------------------------------|--|--|-------------------|--|--|--|---|--|---|
|                         |                                 | Salary, Bonuses and Allowances (E) (Note 2)                        |  | Severance Pay (F) |  | Employees' Profit Sharing Bonus (G) (Note 1) |  | The Company   | All Companies in the Consolidated Financial Statements |   |
|                         |                                 | The Company  | All Companies in the Consolidated Financial Statements | The Company       | All Companies in the Consolidated Financial Statements | The Company                                  | All Companies in the Consolidated Financial Statements |   |  |   |
|                         |                                 | Cash   | Stock  | Cash              | Stock  | Cash   | Stock  |   |  |   |
| Chairman                | Alex Hsia                       |  |  |                   |  |  |  |   |  |   |
| Director                | Yitsang International Co., Ltd. |  |  |                   |  |  |  |   |  |   |
| Representative Director | Simon Law (Note 3)              |  |  |                   |  |  |  |   |  |   |
| Representative Director | Vincent Kao (Note 3)            |  |  |                   |  |  |  |   |  |   |
| Representative Director | Belle Liang                     |  |  |                   |  |  |  |   |  |   |
| Director                | Sophia Chen                     | 16,719   | 25,029   | 216               | 216  | 0  | 0  | 0   | 0  | 20.60   |
| Independent Director    | Ching Jen Hu (Note 4)           |  |  |                   |  |  |  |   |  |   |
| Independent Director    | Ying Chih Hsieh (Note 4)        |  |  |                   |  |  |  |   |  |   |
| Independent Director    | Mori Shorei                     |  |  |                   |  |  |  |   |  |   |
| Independent Director    | KUO HSIUNG WU (Note 5)          |  |  |                   |  |  |  |   |  |   |
| Independent Director    | Daphne Wang (Note 5)            |  |  |                   |  |  |  |   |  |   |

1. Please describe the policy, system, standard, and structure of remuneration to independent directors, and the correlation between duties, risk, and time input with the amount of remuneration: The remuneration of independent directors of the Company is conducted in accordance with the "Regulations governing the Remuneration of directors and members of other functions Committees" of the Company. Independent directors only receive the transportation allowance and quarterly fixed remuneration and do not participate in the distribution of directors' remuneration.

2. In addition to the above remuneration, director remuneration shall be disclosed as follows when received from companies included in the consolidated financial statements in the most recent year to compensate directors for their services, such as being independent contractors: None.

Note 1: Employees' Profit Sharing Bonus is estimated and will be reviewed by the remuneration committee and approved by the board of directors.

Note2: Salary, bonuses and allowances include employee stock option certificates and restricted stock award shares recognized by share-based payment in accordance with IFRS2.

Note3: The representative of Yitsang International Co., Ltd. reassigned Vincent Kao as the director on Jul. 09, 2020.

Note4: Ching Jen Hu and Ying Chih Hsieh was discharged on Jun. 12, 2020.

Note5: KUO HSIUNG WU and Daphne Wang was incharged on Jun. 12, 2020.

Range of Remuneration

| Range of Remuneration         | Name of Directors   |   |   |   |
|-------------------------------|---|---|---|---|
|                               | Total of (A+B+C+D)  | Companies in the Consolidated Financial Statements  | The Company   | Total of (A+B+C+D+E+F+G)  |
| Less than NT\$ 1,000,000      | Simon Law, Vincent Kao, Belle Liang, Sophia Chen, Ying Chih Hsieh, Ching Jen Hu, KUO HSIUNG WU, Daphne Wang | Simon Law, Vincent Kao, Belle Liang, Sophia Chen, Ying Chih Hsieh, Ching Jen Hu, KUO HSIUNG WU, Daphne Wang | Simon Law, Ching Jen Hu, Ying Chih Hsieh KUO HSIUNG WU, Daphne Wang | Simon Law, Ching Jen Hu, Ying Chih Hsieh KUO HSIUNG WU, Daphne Wang |
| NT\$1,000,000 ~ NT\$1,999,999 | Yitsang International Co., Ltd., Mori Shorei  | Yitsang International Co., Ltd., Mori Shorei  | Yitsang International Co., Ltd., Mori Shorei                        | Yitsang International Co., Ltd., Mori Shorei                        |
| NT\$2,000,000 ~ NT\$3,499,999 | Alex Hsia   | Alex Hsia   | -   | -   |
| NT\$3,500,000 ~ NT\$4,999,999 | -   | -   | -   | -   |
| NT\$5,000,000 ~ NT\$9,999,999 | -   | -   | Alex Hsia, Belle Liang, Vincent Kao                                 | Belle Liang, Vincent Kao  |
| More than NT\$10,000,000      | -   | -   | -   | Alex Hsia   |
| Total                         | 11  | 11  | 11  | 11  |

### 3.3.2 Remuneration of the President and Vice President

Unit: NT\$ thousand; Dec. 31, 2020

| Title | Name        | Salary (A) (Note 2) |  | Severance Pay (B) |  | Bonuses and Allowances (C) |  | Employees' Profit-Sharing Bonus (D) (Note 3) |  |      |       | Ratio of Total Compensation (A+B+C+D) to Net Income (%) |  | Remuneration from invested companies except for those companies in the consolidated statement |
|-------|-------------|---------------------|--|-------------------|--|----------------------------|--|--|--|------|-------|---|--|---|
|       |             | The Company         | Companies in the Consolidated Financial Statements | The Company       | Companies in the Consolidated Financial Statements | The Company                | Companies in the Consolidated Financial Statements | The Company                                  | Companies in the Consolidated Financial Statements | Cash | Stock | The Company   | Companies in the Consolidated Financial Statements |   |
| CEO   | Alex Hsia   |                     |  |                   |  |                            |  |  |  |      |       |   |  |   |
| SVP   | Rich Han    |                     |  |                   |  |                            |  |  |  |      |       |   |  |   |
| VP    | Vincent Kao |                     |  |                   |  |                            |  |  |  |      |       |   |  |   |
| VP    | Kenny Li    |                     |  |                   |  |                            |  |  |  |      |       |   |  |   |
| VP    | Belle Liang | 41,634              | 45,208   | 908               | 908  | 1,895                      | 6,895  | 0  | 0  | 0    | 0     | 27.71   | 33.06  | 0   |
| VP    | Kevin Chen  |                     |  |                   |  |                            |  |  |  |      |       |   |  |   |
| VP    | CC Lee      |                     |  |                   |  |                            |  |  |  |      |       |   |  |   |
| VP    | Leo Tseng   |                     |  |                   |  |                            |  |  |  |      |       |   |  |   |
| VP    | James Chien |                     |  |                   |  |                            |  |  |  |      |       |   |  |   |
| VP    | Jason Lin   |                     |  |                   |  |                            |  |  |  |      |       |   |  |   |

Note 1: Rick Han was discharged on Oct. 07, 2020. Leo Tseng was incharged on Mar. 2, 2020. James Chien was incharged on May. 12, 2020.

Jason Line was discharged on Jun. 10, 2020 and was discharged on Oct. 07, 2020.

Note 2: Salary includes employee stock option certificates and restricted stock award shares recognized by share-based payment in accordance with IFRS2.

Note 3: Employees' Profit-Sharing Bonus is estimated and will be reviewed by the remuneration committee and approved by the board of directors.

Range of Remuneration

| Range of Remuneration         | Name of President and Vice President |  |
|-------------------------------|--------------------------------------|--|
|                               | The Company                          | Companies in the Consolidated Financial Statements |
| Less than NT\$ 1,000,000      | -                                    | -  |
| NT\$1,000,000 ~ NT\$1,999,999 | -                                    | -  |
| NT\$2,000,000 ~ NT\$3,499,999 | Leo Tseng、James Chien、Jason Lin      | Leo Tseng、James Chien、Jason Lin                    |
| NT\$3,500,000 ~ NT\$4,999,999 | Rick Han、Kenny Li、Kevin Chen、CC Lee  | Rick Han、Kenny Li、Kevin Chen、CC Lee                |
| NT\$5,000,000 ~ NT\$9,999,999 | Alex Hsia、Vincent Kao、Belle Liang    | Vincent Kao、Belle Liang                            |
| More than NT\$10,000,000      | -                                    | Alex Hsia  |
| Total                         | 10                                   | 10   |

3.3.3 Employees' Profit-Sharing Bonus Paid to Management Team

|       |             | Unit: NT\$ thousand; Dec. 31, 2020 |                        |       |   |
|-------|-------------|------------------------------------|------------------------|-------|---|
| Title | Name        | Employee Bonus in Stock            | Employee Bonus in Cash | Total | Ratio of Total Amount to Net Income (%) |
| CEO   | Alex Hsia   |                                    |                        |       |   |
| VP    | Vincent Kao |                                    |                        |       |   |
| VP    | Kenny Li    |                                    |                        |       |   |
| VP    | Belle Liang |                                    |                        |       |   |
| VP    | Kevin Chen  | 0                                  | 0                      | 0     | 0.00%                                   |
| VP    | CC Lee      |                                    |                        |       |   |
| VP    | Leo Tseng   |                                    |                        |       |   |
| VP    | James Chien |                                    |                        |       |   |

Note: Employees' Profit-Sharing Bonus paid to management team is estimated.

3.3.4 Comparison of Remuneration for Directors, Presidents and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Presidents and Vice Presidents

A. The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, presidents and vice presidents of the Company, to the net income

| Title                         | 2019(Note 1) |  | 2020(Note 2) |  |
|-------------------------------|--------------|--|--------------|--|
|                               | The Company  | Companies in the Consolidated Financial Statements | The Company  | Companies in the Consolidated Financial Statements |
| Directors                     |              |  |              |  |
| President and Vice Presidents | 36.41%       | 40.89%   | 32.56%       | 37.91%   |

Note 1: Remuneration of Directors were not including

Note 2: Employees' Profit-Sharing Bonus paid to management team is estimated and will be reviewed by the remuneration committee and approved by the board of directors.

Explanation:

- (1). The directors remunerated according to the Company Articles and profits.
- (2). The remunerations of the directors, President and Vice Presidents were reviewed and passed by the remuneration committee and the board of directors.
- (3). The remunerations received by the Director's concurrent employee and President and Vice Presidents includes the salary costs recognized by IFRS2 "Share-based payment".

B. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with business performance

| Directors and Independent Directors   |  |  | Payment Policy for President and Vice Presidents   |
|---|--|--|--|
| Compensation Policy for Directors   | Remuneration Policy for Directors and Independent Directors  | Allowance Policy for Directors   |  |
| <p>According to the Articles of Incorporation, if the Company has earnings after the annual final accounts, after making up losses of the previous years, no more than 2% of balance of the earnings shall be distributed as compensation to the Directors.</p> | <p>The remuneration is paid for the services Directors provided to the Company subject to Article 21 of the Articles of Incorporation. The remuneration is measured based on the personal achievements, contribution and participation made to the business operation with reference to the normal standard of the industry.</p> | <p>The Company may pay the allowance with reference to the normal standard of the industry and subject to the attendance rate.</p> | <p>(1) Altek has set up the Remuneration Committee to evaluate the individual performance and enact the policies, standards and portfolios for the payments.<br/>                     (2) The payment portfolios include salary, bonus and compensation. The payment will be distributed according to the individual experience, contribution and performance as well as the liability burdened with reference to the normal standard of the industry.</p> |

### 3.4 Implementation of Corporate Governance

#### 3.4.1 Board of Directors

A total of 8 meetings of the Board of Directors were held in 2020.

The attendances of director were as follows:

| Title                | Name   | Attendance in Person | By Proxy | Attendance Rate (%) | Note   |
|----------------------|--|----------------------|----------|---------------------|--|
| Chairman             | Alex Hsia  | 8                    | 0        | 100%                | Incharged on Jun.12.2020.  |
| Director             | Yitsang International Co., Ltd.<br>Representative: Simon Law   | 2                    | 4        | 33%                 | Discharged on Jul.09.2020.<br>The meeting shall be attended:<br>6 times. |
|                      | Yitsang International Co., Ltd.<br>Representative: Vincent Kao | 2                    | 0        | 100%                | Incharged on Jul.09.2020.<br>The meeting shall be attended:<br>2 time.   |
| Director             | Yitsang International Co., Ltd.<br>Representative: Belle Liang | 8                    | 0        | 100%                | Incharged on Jun.12.2020.  |
| Director             | Sophia Chen  | 8                    | 0        | 100%                | Incharged on Jun.12.2020.  |
| Independent Director | Ching Jen Hu   | 5                    | 0        | 100%                | Discharged on Jun.12.2020.   |
| Independent Director | Ying Chih Hsieh  | 5                    | 0        | 100%                | Discharged on Jun.12.2020.   |
| Independent Director | KUO SHIUNG WU  | 3                    | 0        | 100%                | Incharged on Jun.12.2020.  |
| Independent Director | Daphne Wang  | 3                    | 0        | 100%                | Incharged on Jun.12.2020.  |
| Independent Director | Mori Shorei  | 8                    | 0        | 100%                | Incharged on Jun.12.2020.  |

Note: The term of the Eighth Board of Directors expired on June 12, 2020 and the election for all members of the Ninth Board of Directors was held.

Other mentionable items:

1.If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified:

(1) Matters referred to in Article 14-3 of the Securities and Exchange Act.

| Date of Board of Directors  | Resolutions   | Any Independent Director had Dissenting opinion or qualified opinions |
|---|---|---|
| 2020.01.20<br>13 <sup>th</sup> meeting of the 8 <sup>th</sup> Board | Approved the issuance of Restricted Stock Awards ("RSA").                                     | None  |
| 2020.01.31<br>14 <sup>th</sup> meeting of the 8 <sup>th</sup> Board | Approved to repurchased buy-back shares and transfer to employees of 1 <sup>st</sup> in 2020. | None  |

| Date of Board of Directors   | Resolutions  | Any Independent Director had Dissenting opinion or qualified opinions |
|--|--|---|
| 2020.03.20<br>15 <sup>th</sup> meeting of<br>the 8 <sup>th</sup> board | Approved the issuance of new common shares in private placement and/or issuance of domestic or overseas convertible bonds in private placement.  | None  |
|  | Approved to repurchased buy-back shares and transfer to employees of 10 <sup>th</sup> .  | None  |
| 2020.04.24<br>16 <sup>th</sup> meeting of<br>the 8 <sup>th</sup> Board | stop the issuance of new common shares in private placement and/or issuance of domestic or overseas convertible bonds in private placement approved by 2019 shareholder's meeting.                               | None  |
|  | Resolved the new restricted employee shares in 2018 and the employee roster and quantity and issuance of new shares of the new restricted employee shares in 2019 for those who are allocated in the third time. | None  |
| 2020.05.08<br>17 <sup>th</sup> meeting of<br>the 8 <sup>th</sup> Board | Approved the cancellation of restricted shares issued for employees' bonus through capital reduction.  | None  |
| 2020.08.07<br>2 <sup>nd</sup> meeting of<br>the 9 <sup>th</sup> Board  | Adopted the formulation of an internal control system for the Company with "Procedures to Repurchase Treasury Stocks" and "Repurchased Treasury Stock Management Process."                                       | None  |
|  | Approved the cancellation of restricted shares issued for employees' bonus through capital reduction.  | None  |
| 2020.10.27<br>3 <sup>rd</sup> meeting of<br>the 9 <sup>th</sup> Board  | Approved the cancellation of restricted shares issued for employees' bonus through capital reduction.  | None  |

(2) Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the board of directors: 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: Directors abstained from voting and participating in discussions about their remuneration.

| Date of board of Directors  | Directors' Name  | Resolutions  | Reason for Recusal               | Participation in Voting                     |
|---|--|--|----------------------------------|---|
| 2020.03.20<br>15 <sup>th</sup> meeting of the 8 <sup>th</sup> board | Alex Hsia<br>Sophia Chen<br>Yitsang International Co., Ltd.<br>Representative: Belle Liang                 | Approved to distribute the compensation of employees and directors of 2019.  | Related to conflict of interests | Did no participate in discussion or voting. |
| 2020.10.27<br>3 <sup>rd</sup> meeting of the 9 <sup>th</sup> Board  | Alex Hsia<br>Sophia Chen<br>Yitsang International Co., Ltd.<br>Representative: Belle Liang and Vincent Kao | Approved to distribute the compensation of 2019 directors.<br><br>Evaluation and review compensation of directors and managers |                                  |   |

3. TWSE/TPEX-listed companies are required to disclose the evaluation cycle and period, scope of evaluation, evaluation method, and evaluation items of the self (or peer) evaluations conducted by the Board of Directors, and to fill out "Implementation Status of Board Evaluations."

| Evaluation cycle | Evaluation period   | Scope of evaluation                             | Evaluation method | Evaluation item   |
|------------------|---|---|-------------------|---|
| Once a year      | evaluation of Board performance between January 1, 2020 and December 31, 2020 | the Board of Directors and individual directors | Self assessment   | Altek's Directors perform self-assessment of the overall board operation with decision-making effectiveness of the Company, professional functions, internal control and corporate social responsibility are evaluated by self-assessment and appointed external institutions. The results are consolidated by the general affair unit for the Board of Directors Meetings and submitted to the board of directors. According to the results of the overall assessment in the year of 2020, the overall operation of the board of directors of Altek is still considered to be sound and in line with corporate governance. |

4. Measures taken to strengthen the functionality of the board: The Board of Directors has established an Audit Committee and a Remuneration Committee to assist the board in carrying out its various duties.
- (1)The company has established the audit committee to assist the board of directors in performing its supervisory duties.
- (2)The company has established the remuneration committee to regularly evaluate and determine the remuneration of directors and managers, and regularly review the performance evaluation of the directors and manager officers and policies, systems, standards and structure of remuneration.

### 3.4.2 Audit Committee:

A total of 7 meetings of the Audit Committee were held in 2020.

The attendances of Independent director were as follows:

| Title                | Name            | Attendance in Person | By Proxy | Attendance Rate (%) | Note                       |
|----------------------|-----------------|----------------------|----------|---------------------|----------------------------|
| Independent Director | Ching Jen Hu    | 5                    | 0        | 100%                | Discharged on Jun.12.2020. |
| Independent Director | Ying Chih Hsieh | 5                    | 0        | 100%                | Discharged on Jun.12.2020. |
| Independent Director | KUO HSIUNG WU   | 2                    | 0        | 100%                | Inchanged on Jun.12.2020.  |
| Independent Director | Daphne Wang     | 2                    | 0        | 100%                | Inchanged on Jun.12.2020.  |
| Independent Director | Mori Shorei     | 7                    | 0        | 100%                | Inchanged on Jun.12.2020.  |

Other mentionable items:

1. If any of the following circumstances occur, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified:

(1) Matters referred to in Article 14-5 of the Securities and Exchange Act.

| Date of Board of Directors  | Resolutions  | Any Audit Committee had Dissenting opinion or qualified opinions |
|---|--|--|
| 2020.01.20<br>13 <sup>th</sup> meeting of the 8 <sup>th</sup> Board | Approved the issuance of Restricted Stock Awards ("RSA").  | None   |
| 2020.01.31<br>14 <sup>th</sup> meeting of the 8 <sup>th</sup> Board | Approved to repurchased buy-back shares and transfer to employees of 1st in 2020.  | None   |
| 2020.03.20<br>15 <sup>th</sup> meeting of the 8 <sup>th</sup> Board | Approved the effectiveness statement of the 2019 internal control system.  | None   |
|   | Approved the issuance of new common shares in private placement and/or issuance of domestic or overseas convertible bonds in private placement.  | None   |
|   | Approved the purchase of the company's shares and transfer of employees for 10 <sup>th</sup> time.   | None   |
| 2020.04.24<br>16 <sup>th</sup> meeting of the 8 <sup>th</sup> Board | Stop the issuance of new common shares in private placement and/or issuance of domestic or overseas convertible bonds in private placement approved by 2019 shareholder's meeting.                               | None   |
|   | Resolved the new restricted employee shares in 2018 and the employee roster and quantity and issuance of new shares of the new restricted employee shares in 2019 for those who are allocated in the third time. | None   |
| 2020.05.08<br>17 <sup>th</sup> meeting of the 8 <sup>th</sup> Board | Approved the cancellation of restricted shares issued for employees' bonus through capital reduction.  | None   |

| Date of Board of Directors   | Resolutions   | Any Audit Committee had Dissenting opinion or qualified opinions |
|--|---|--|
| 2020.08.07<br>2 <sup>nd</sup> meeting of the 9 <sup>th</sup> Board | Approved the cancellation of restricted shares issued for employees' bonus through capital reduction. | None   |
| 2020.10.27<br>3 <sup>rd</sup> meeting of the 9 <sup>th</sup> Board | Approved the cancellation of restricted shares issued for employees' bonus through capital reduction. | None   |

(2) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors: 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 (e.g. the material items, methods and results of audits of corporate finance or operations, etc.)

(1) Other than submitting the audit reports to the independent directors every month, the Chief internal Auditor also reports to the Audit Committee in each quarter's meeting according to the annual audit plan and actual implementation.

(2) CPAs attends Board of directors and communicates and interacts with independent directors on issues relating to the review or check of financial reports or on issues related to finance, taxation or internal control.

(3) The independent directors can contact with internal audit and CPAs directly, and the communication is in good condition.

Communications of Independent Directors with Internal Audit Supervisor and CPAs in 2020:

| Date of Audit Committee   | Issue   | Result  |
|---|---|---|
| 2020.03.19<br>14 <sup>th</sup> meeting of the 1 <sup>st</sup> Audit Committee | Report and communication of internal audit business for the 4 <sup>th</sup> quarter of 2019 | Submitted to the Board of Directors after review and approval |
| 2020.05.08<br>16 <sup>th</sup> meeting of the 1 <sup>st</sup> Audit Committee | Report and communication of internal audit business for the 1 <sup>st</sup> quarter of 2020 | Submitted to the Board of Directors after review and approval |
| 2020.08.07<br>1 <sup>st</sup> meeting of the 2 <sup>nd</sup> Audit Committee  | Report and communication of internal audit business for the 2 <sup>nd</sup> quarter of 2020 | Submitted to the Board of Directors after review and approval |
| 2020.10.27<br>2 <sup>nd</sup> meeting of the 2 <sup>nd</sup> Audit Committee  | Report and communication of internal audit business for the 3 <sup>rd</sup> quarter of 2020 | Submitted to the Board of Directors after review and approval |

| Communications of Independent Directors with CPAs in 2020:          |  |   |
|---|--|---|
| Date  | Issue  | Result  |
| 2020.03.19<br>Communications with CPAs                              | The accountant explained the 2019 consolidated and individual 0 reports and communicated with the Independent Directors.                 | The accountant attended the Board of Directors in person, and answered the questions raised by the Independent Directors. |
| 2020.05.08<br>17 <sup>th</sup> meeting of the 8 <sup>th</sup> Board | The accountant explained the consolidated financial reports for the 1st quarter of 2020 and communicated with the Independent Directors. | The accountant attended the Board of Directors in person, and answered the questions raised by the Independent Directors. |
| 2020.08.07<br>2 <sup>nd</sup> meeting of the 9 <sup>th</sup> Board  | The accountant explained the consolidated financial reports for the 2nd quarter of 2020 and communicated with the Independent Directors. | The accountant attended the Board of Directors in person, and answered the questions raised by the Independent Directors. |
| 2020.10.27<br>3 <sup>rd</sup> meeting of the 9 <sup>th</sup> Board  | The accountant explained the consolidated financial reports for the 3rd quarter of 2020 and communicated with the Independent Directors. | The accountant attended the Board of Directors in person, and answered the questions raised by the Independent Directors. |

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

| Assessment Item   | Status of Operation |    |   | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|---|---------------------|----|---|--|
|   | Yes                 | No | Summary   |  |
| 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                   |    | 1. The Board of Directors has established the Code of Best Practice. All operations are performance in accordance with the Code. Up to now, there is no significant difference.   | None.  |
| 2. Shareholding Structure & Shareholders’ Rights  |                     |    |   |  |
| (1) Does Company have Internal Operation Procedures for handling shareholders’ suggestions, concerns, disputes and litigation matters. If yes, has these procedures been implemented accordingly? | V                   |    | (1) Altek has set up the spokesperson and deputy spokesperson to handle shareholders’ suggestions or concerns. Altek has entrusted the Stock Transfer Agent and has set up the website to handle shareholders’ suggestions or disputes. | None.  |

| Assessment Item  | Status of Operation |    |   | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|--|---------------------|----|---|--|
|  | Yes                 | No | Summary   |  |
| (2) Does Company possess a list of major shareholders and beneficial owners of these major shareholders?                           | V                   |    | (2) In addition analysis the shareholder status base on shareholder list after book closure stating date, Altek handle a list of major shareholders and ultimate controllers. Altek reported the changes in the data in accordance with related laws.   | None.  |
| (3) Has the Company built and executed a risk management system and “firewall” between the Company and its affiliates?             | V                   |    | (3) Altek and its affiliates perform the operations and financial affairs independently. Altek has set up the written regulations to control financial and operational information.   | None.  |
| (4) Has the Company established internal rules prohibiting insider trading on undisclosed information?                             | V                   |    | (4) Altek has set up the procedures for handling material Inside Information to avoid the improper leakage of information and to establish proper information handling and disclosure mechanisms, so as to ensure the consistence and correctness of publication. The regulations are disclosed on the Company’s website. | None.  |
| 3. Composition and Responsibilities of the Board of Directors  |                     |    |   |  |
| (1) Has the Company established a diversification policy for the composition of its Board of Directors and has it been implemented | V                   |    | (1)<br>A. Altek has specified in the “Code of Best Practice for Corporate Governance” that the composition of the board of directors should be considered diversified.  | None.  |

| Assessment Item  | Status of Operation |    |   | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|--|---------------------|----|---|--|
|  | Yes                 | No | Summary   |  |
| accordingly?   |                     |    | <p>B.The implementation of the board diversity policy of Altek is as follows:</p> <p>a.There are three females of seven directors.</p> <p>b.There is one Japanese and one American of seven directors.</p> <p>c.Among the directors, Alex Hsia and Mori shorei are specialized in business management, leadership decision-making and industry knowledge; Sophia Chen and Daphne Wang are specialized in business management, leadership decision-making and financial accounting ; Belle Liang is specialized in financial accounting. KUO HSIUNG WU is specialized in industrial knowledge. Vincent Kao is specialized in Operation management and marketing business.</p> <p>C.Altek has fully implemented the board diversity policy.</p> |  |
| (2) Other than the Compensation Committee and the Audit Committee which are required by law, does the Company plan to set up other Board committees? |                     | V  | (2) Altek has established the Compensation Committee and the Audit Committee. Other functional committees will be set up based on the scale of operations and business needs.   | Same as explanation.   |
| (3) Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis?                            | V                   |    | (3) Altek has published the Rule of Performance Assessment of Board of Directors, Altek's directors perform self-assessment every year and report to the Board, and the 2020 performance appraisal of the Board of Directors has been submitted to the Board of Directors on March 25, 2021.  | None.  |

| Assessment Item  | Status of Operation |    |   | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|--|---------------------|----|---|--|
|  | Yes                 | No | Summary   |  |
|  |                     |    | Please refer to Board of Directors for the assessment.  |  |
| (4) Does the Company regularly evaluate its external auditors’ independence?   | V                   |    | (4) Altek regularly assesses the CPA’s independence each year in accordance with the principles of “Integrity, Objectivity and Independence” in the Bulletin No.10 of “The Norm of Professional Ethics for Certified Public Accountant of the Republic of China” issued by the National Federation of Certified Public Accountant Associations of the Republic of China (NFCPAAROC) to verify whether the CPA is a Company’s director, shareholder or employee and confirm whether the CPA is a non-stakeholder, and then reports the assessment results to the Board of Directors. The results of the last two years were submitted on March 20, 2020 and March 25, 2021 respectively. | None.  |
| 4. Does the company appoint a suitable number of competent personnel and a supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, assisting directors and supervisors with compliance, handling work related to meetings of the board of directors and the shareholders’ meetings, and producing minutes of | V                   |    | Altek appointed Finance Division as the full-time corporate governance unit to tackle corporate governance affairs, protect shareholders' rights and strengthen the functions of the Board of Directors. Our corporate governance personnel have 9 years of experience in handling stock affairs for the publicly traded company. Their duties include mainly providing information required by the Directors to execute their business, organizing board meetings and shareholders’ meetings, producing minutes of board meetings and shareholders’  | None.  |

| Assessment Item                             | Status of Operation |    |   | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|---|---------------------|----|---|--|
|   | Yes                 | No | Summary   |  |
| board meetings and shareholders' meetings)? |                     |    | <p>meetings, and conducting corporate registration and registration amendment.</p> <p>In 2020, Altek's corporate governance-related affairs were handled and executed in accordance with laws. The main implementations are as follows:</p> <ol style="list-style-type: none"> <li>1. Assisting Directors and Independent Directors in performing their duties: <ol style="list-style-type: none"> <li>(1) Board members are regularly informed of the latest laws and regulations related to the Company's business areas and corporate governance.</li> <li>(2) Independent Directors conduct financial business-related communications with internal audit supervisors and accountants in accordance with the Corporate Governance Best-Practice Principles.</li> </ol> </li> <li>2. Assisting in the Board of Directors and shareholders' meeting procedures and resolutions: <ol style="list-style-type: none"> <li>(1) Following laws and regulations and implementing internal and internal control - planning appropriate corporate system and organizational structure to promote board independence and corporate transparency.</li> <li>(2) Preparing and setting an agenda before the board meeting, and informing all the Directors 7 days prior to the meeting so that they can learn about the contents of the relevant proposals; if the</li> </ol> </li> </ol> |  |

| Assessment Item   | Status of Operation |    |  | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|---|---------------------|----|--|--|
|   | Yes                 | No | Summary  |  |
|   |                     |    | <p>content of the proposal is related to the interested parties and should be appropriately avoided, a reminder will be given and the minutes of the board meeting will be completed within 20 days after the meeting.</p> <p>(3) After the meeting, major news release of important resolutions made by the Board will be inspected, ensuring that the information is legal and correct so as to protect the investor's information equality on transaction.</p> <p>(4) Revising various measures to report to the Board in accordance with the latest laws and regulations of the competent authority and the actual operational needs of the Company.</p> <p>(5) Handling the pre-registration of the date of the shareholders' meeting according to law; producing the meeting notice, annual report, meeting handbook, and proceedings in the statutory time limit; handling registration changes when the company's articles of incorporation are amended or the directors are re-elected.</p> |  |
| 5. Has the Company established a means of communicating with its Stakeholders (including but not limited to shareholders, employees, customers, | V                   |    | Depending on different situations, Altek appoints the spokesperson, deputy spokesperson, or stock transfer unit to communicate with stakeholders. The contact information of the spokesperson, deputy  | None.  |

| Assessment Item  | Status of Operation |    |  | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|--|---------------------|----|--|--|
|  | Yes                 | No | Summary  |  |
| suppliers, etc.) or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders’ questions on corporate responsibilities?  |                     |    | spokesperson, and related business units is disclosed on the Company’s website.  |  |
| 6. Has the Company appointed a professional registrar for its Shareholders’ Meetings?  | V                   |    | Altek has appointed Sinopac Securities to handle related affairs.  | None.  |
| 7. Information Disclosure  |                     |    |  |  |
| (1) Has the Company established a corporate website to disclose information regarding its financials, business and corporate governance status?  | V                   |    | (1) Altek has established a corporate website ( <a href="http://www.altek.com.tw">http://www.altek.com.tw</a> ) to disclose information regarding its financials, business and corporate governance status.  | None.  |
| (2) Does the Company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investor conference etc.)? | V                   |    | (2) Altek maintains a multi-language website (Traditional Chinese, Simplified Chinese and English), designates the staff to handle information collection and disclosure, and appoints the spokesperson. Altek also sets up its news contact and investor contact information on the website to provide the latest news and channels of communication. | None.  |
| (3) Does the company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial   | V                   |    | (3)The annual and quarterly financial reports and monthly operation status of the Company are published and declared within the prescribed time limit. However, the annual financial report cannot be published in advance.  | All are handled within the prescribed time limit.  |

| Assessment Item   | Status of Operation |   |  | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons |
|---|---------------------|---|--|--|
|   | Yes                 | No  | Summary  |  |
| statements, as well as monthly operation results, before the prescribed time limit?   |                     |   |  |  |
| 8.Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)? | V                   |   | For more information on employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ training records, and purchasing insurance for directors, please refer to Page 45~47. | None.  |
| 9.The improvement status for the result of Corporate Governance Evaluation announced by Taiwan Stock Exchange   |                     |   |  |  |
| Evaluation indicators   |                     | Priorities and measures   |  |  |
| Does the Company upload the annual financial statements disclosed in English no later than 7 days before the scheduled date of the regular shareholders meeting?  |                     | For information consistency, the Company uploads the annual financial statements disclosed in English.  |  |  |
| Does the Company appoint a chief corporate governance officer to be in charge of corporate governance affairs, in addition to describing the scope of functions and responsibilities, the key execution of operations for the current fiscal year, and advanced study on the company website and financial statements?  |                     | The Company appoints a chief corporate governance officer and discloses the scope of functions and responsibilities, key execution of operations for the current fiscal year, and advanced study. |  |  |

### 3.4.4 Composition, Responsibilities and Operations of the Remuneration Committee

#### A. Professional Qualifications and Independence Analysis of Remuneration Committee Members

| Title                | Criteria        | Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience  |   | Independence Criteria (Note 1)   |   |   |   |   |   |   |   |   |   | Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member |    |   |
|----------------------|-----------------|--|---|--|---|---|---|---|---|---|---|---|---|---|----|---|
|                      |                 | An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University | A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company | Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |   | 10 |   |
| Independent Director | Ying Chih Hsieh |  |   | ✓  | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓   | ✓  | 0 |
| Independent Director | Ching Jen Hu    |  |   | ✓  | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓   | ✓  | 0 |
| Independent Director | KUO HSIUNG WU   |  |   | ✓  | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓   | ✓  | 0 |
| Independent Director | Danphne Wang    |  |   | ✓  | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓   | ✓  | 0 |
| Independent Director | Mori Shorei     |  |   | ✓  | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓   | ✓  | 0 |

Note 1: 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 the company or any of its affiliates. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.

- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
- (6) If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: not a director, supervisor, or employee of that other company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
- (7) If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: not a director (or governor), supervisor, or employee of that other company or institution. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
- (8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent, if the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public company.
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Not been a person of any conditions defined in Article 30 of the Company Law.

B. There are 3 members in the Remuneration Committee.

C. Term of the Remuneration Committee is from Aug 7, 2020 to June 11, 2023.

D. A total of 3 meetings of the Remuneration Committee were held in 2020. The attendance record of the Remuneration Committee members was as follows:

| Title            | Name            | Attendance in Person | By Proxy | Attendance Rate (%) | Note                       |
|------------------|-----------------|----------------------|----------|---------------------|----------------------------|
| Convener         | Mori Shorei     | 1                    | 0        | 100%                | Inchanged on Aug.07.2020.  |
| Committee Member | KUO HSIUNG WU   | 1                    | 0        | 100%                | Inchanged on Aug.07.2020.  |
| Committee Member | Danphne Wang    | 1                    | 0        | 100%                | Inchanged on Aug.07.2020.  |
| Convener         | Ying Chih Hsieh | 2                    | 0        | 100%                | Discharged on Jun.12.2020. |
| Committee Member | Ching Jen Hu    | 2                    | 0        | 100%                | Discharged on Jun.12.2020. |
| Committee Member | Mori Shorei     | 2                    | 0        | 100%                | Discharged on Jun.12.2020. |

Other mentionable items:

1. If the Board of Directors declines to adopt or modifies a recommendation of the Remuneration 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 Remuneration Committee's opinion (e.g., the remuneration passed by the Board of Directors exceeds the recommendation of the Remuneration Committee, the circumstances and cause for the difference shall be specified): None.
2. Resolutions of the Remuneration Committee objected to by members or subject to a qualified opinion and recorded 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.
3. Discussion from the Remuneration Committee, resolutions, and ways the Company handled opinions from committee members:
  - (1) 6<sup>th</sup> meeting of the 3<sup>rd</sup> remuneration committee on Jan. 20, 2020:  
Approved the issuance of Restricted Stock Awards ("RSA") in 2018 to managers: Approved as proposed and reported to the Board of Directors for resolution.
  - (2) 7<sup>th</sup> meeting of the 3<sup>rd</sup> remuneration committee on Mar. 20, 2020:  
Approved to distribute the compensation of 2019 directors: Approved as proposed and reported to the Board of Directors for resolution.
  - (3) 1<sup>st</sup> meeting of the 4<sup>th</sup> remuneration committee on Oct. 27, 2020:  
Approved to distribute the compensation of 2019 directors : Approved as proposed and reported to the Board of Directors for resolution.  
Approved to distribute the compensation of directors and managers: Approved as proposed and reported to the Board of Directors for resolution.

3.4.5 Social Responsibility Implementation Status as Required by the Taiwan Financial Supervisory Commission

| Assessment Item   | Implementation Status |    |  | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|---|-----------------------|----|--|---|
|   | Yes                   | No | Summary  |   |
| 1. Does the company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies?  | V                     |    | Altek has established the Corporate Social Responsibility (CSR) Code of Practice and pays close attention to the development and changes of international CSR systems.   | In the future, the preparation schedule will be gradually planned.  |
| 2. Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board? | V                     |    | <p>The “CEO Office” is the Company’s dedicated CSR unit for promoting corporate social responsibility. Chaired by our CEO Alex Hsia, it makes proposals and implements CSR policies or systems, and reports to the Board of Directors as needed. The specific promotion plans and duties include:</p> <ol style="list-style-type: none"> <li>1. Social care: Altek upholds the principle of giving back to the society, and our objects of care range from child and adolescent welfare, welfare for the elderly, welfare for the disabled, women's welfare, and social assistance to community development, social work, volunteer service, and community development.</li> <li>2. Charitable donations: Altek Charitable Foundation has been cooperating with various public welfare organizations for charitable donations and activities over the years.</li> <li>3. Arts and culture activities: Altek participates in and sponsor various arts and cultural activities.</li> <li>4. Environmental conservation: The Company incorporates the concept of environmental</li> </ol> | None.   |
| 3. Environmentally Sustainable  |                       |    |  |   |

| Assessment Item  | Implementation Status |    |   | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|--|-----------------------|----|---|---|
|  | Yes                   | No | Summary   |   |
| Development  |                       |    |   |   |
| (1) Does the company establish proper environmental management systems based on the characteristics of their industries?   | V                     |    | Altek mainly provides customers with imaging solutions, which cause no waste or pollution. All products are manufactured and sold in accordance with environmental laws and regulations. In addition to obtaining ISO certification, Altek is the green partner of its customers.   | None.   |
| (2) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?  | V                     |    | (2)<br>A. The Group adopts the ERP system and electronic approval system to reduce printed mails and official letters. The messages and policies are announced via E-mail to reduce paper consumption.<br>B. The expansion of the production line of the Company for the Year 2020 increased the electricity consumption. After the energy-saving measures are continually implemented, the electricity consumption was 2,233KW (K), an decrease of 186KW (K) compared to 2,043KW (K) in 2019.<br>C. The operation adjustment to the employee restaurant of the Company was made in 2020, so that the volume of natural gas is 7.0KG (K), an decrease of 1KG (K) compared with 8.0KG (K) in 2019. | None.   |
| (3) Does the company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to counter climate change issues? | V                     |    | (3) Altek implements energy-saving policies and green procurement voluntarily and continuously pays close attention to its impact on environmental changes and sets up strategies for environmental   | None.   |

| Assessment Item  | Implementation Status |    |  | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|--|-----------------------|----|--|---|
|  | Yes                   | No | Summary  |   |
|  |                       |    | protection.  |   |
| (4) Does the company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on energy efficiency and carbon dioxide reduction, greenhouse gas reduction, water reduction, or waste management? | V                     |    | (4)<br>A. Altek's carbon emissions in 2020 were 1,161KG (K), which was higher than 1,108KG (K) in 2019; Altek continued to save energy and reduce carbon, in order to do its best to protect the environment's social responsibility.<br>B.The Company's water consumption in 2020 was 24 tons (K), and the water saving ratio was 2% in comparison with 24.5 tons (K) consumed in 2019.<br>C.The Company's wastewater discharge in 2020 was 19.6 tons (K), and the discharge increase ratio was 2.5% in comparison with 19.6 tons (K) produced in 2019. | None.   |
| 4. Social issues   |                       |    |  |   |
| (1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?  | V                     |    | (1)Altek follows the regulations of Labor Standards Act and adheres to international human rights conventions to execute related operations, attaching importance to labor and human rights and implementing human resources management policies without discrimination of gender, ethnicity, age, marital status, family status, etc., installing the employee mailbox, and providing generous employee benefits.   | None.   |
| (2) Does the company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries?   | V                     |    | (2)The employee mailbox is set up as a channel of communication (HRM@altek.com.tw) between the Company and employees.  | None.   |
| (3) Does the Company provide employees with a safe and healthy working environment, with regular   | V                     |    | (3)Altek holds the employee health check, occupational safety and health seminars, and fire  | None.   |

| Assessment Item  | Implementation Status |    |  | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|--|-----------------------|----|--|---|
|  | Yes                   | No | Summary  |   |
| safety and health training?  |                       |    | management training annually to improve the safety and health performance. Altek also organizes various training programs to improve employees’ response to emergency and awareness of occupational safety.  |   |
| (4) Has the Company established a mechanism for regular communication with employees and use reasonable measures to notify employees of operational changes which may cause significant impact to employees?   | V                     |    | (4)Altek has established the Working Rules based on the Labor Standards Act and reported to the Science Park Bureau. Altek also holds employee communication meetings from time to time to facilitate communication. Subsidiaries in mainland China have established mechanisms for communication with employees based on local laws and labor contracts.  | None.   |
| (5) Do the company's products and services comply with relevant laws and international standards in relation to customer health and safety, customer privacy, and marketing and labeling of products and services, and are relevant consumer protection and grievance procedure policies implemented?} | V                     |    | (5)As Altek’s customers are international manufacturers, Altek provides products and services in accordance with related international regulations and standards. The Customer Service Department has been established to provide immediate services for customers.  | None.   |
| (6) Does the company implement supplier management policies, requiring suppliers to observe relevant regulations on environmental protection, occupational health and safety, or labor and human rights? If so, describe the results.  | V                     |    | (6) Altek establishes long-term partnerships with suppliers in the supply chain. According to the Supplier Management Procedures and the Regulations Governing Management of Environmental Substances, Altek requests its partners to abide by related international laws and regulations, the requirements of the world’s top manufacturers (RoHS, and REACH annex 17), and the commitment to corporate social responsibility, so as to | None.   |

| Assessment Item   | Implementation Status |    |   | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|---|-----------------------|----|---|---|
|   | Yes                   | No | Summary   |   |
|   |                       |    | facilitate environmental protection, labor rights and ethics, health and safety, risk management, and the code of ethics. |   |
| 5. Does the company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as corporate social responsibility reports? Do the reports above obtain assurance from a third party verification unit?  |                       | V  | The Company has not yet prepared the corporate social responsibility report.  | In the future, the preparation schedule will be gradually planned.  |
| <p>5. If the company has established its corporate social responsibility code of practice according to “Listed Companies Corporate Social Responsibility Code of Practice,” please describe the operational status and differences.</p> <p>Altek has established the Corporate Social Responsibility (CSR) Code of Practice and has disclosed the Code on the website. We will implement the corporate social responsibility gradually to promote economic, social, and environmental balance and development.</p>  |                       |    |   |   |
| <p>6. Other important information to facilitate better understanding of the company’s implementation of corporate social responsibility:</p> <p>In view of the unprecedented severe impact brought by COVID-19 to the world this year (2020), and an appreciation of the joint defense, prevention, and protection by Taiwan government and the people, “Public Trust Altek Corporation Charity Funds” upholds the philosophy of “giving back to the society” by effectively utilizing group resources on the society. The Company actively devotes itself to charity works and fulfills corporate social responsibilities. In 2020, the Company divided the donations into “public health and pandemic prevention” and “medical care charity” to assist Hsinchu County Government and social welfare institute with continuous actions. In the future, the Company will pass on the legacy and extend the philosophy of charity to protect public health with force in pandemic prevention, fulfill corporate social responsibility, and commit to creating the common health of the society.</p> <p>1. Altek Corporation originated from Hsinchu Science Park and shall assist Hsinchu County Government and the society with commitment in advocating the prevention of contagious disease, public health, and pandemic prevention to this region in response to “Donation Program for Public Health and Pandemic Prevention Plan in Hsinchu and Miaoli Area.” The Company continues to assist and works with “Hsinchu County Culture Foundation” to contribute to the public health and pandemic prevention for society. This collaboration will meet the purpose of public health and social welfare, and assist the foundation to propose and promote social welfare solutions in the best interests of public health and pandemic-prevention force.</p> <p>2. The other matter initiates from the "Children and Youth Welfare", through donating the "Squash Rackets Association of Chinese Taipei" to sponsor the economically disadvantaged children funds and resources for the squash sports events, infrastructure and training for being cultivated and through the joint participation and promotion of charity funds to devote its effort on the development of children and youth squash in Taiwan.</p> |                       |    |   |   |

3.4.6 Corporate Conduct and Ethics Implementation as Required by the Taiwan Financial Supervisory Commission

| Assessment Item   | Implementation Status |    |  | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|---|-----------------------|----|--|---|
|   | Yes                   | No | Summary  |   |
| 1. Establishment of ethical corporate management policies and programs  |                       |    |  |   |
| (1) Does the company have a Board-approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the Board of Directors and management towards enforcement of such policy?   | V                     |    | (1) The Board of Directors and management perform their duties in good faith based on integrity and honesty. The related policy or system will be established depending on business needs or laws or regulations.  | None.   |
| (2) Does the company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies? | V                     |    | (2) Altek has established “Procedures for Ethical Management and Guidelines for Conduct” to prevent infidelity. Established the appeal method and if there is any violation, will be punished in accordance with the rule of rewards and penalties.  | None.   |
| (3) Does the company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the company enforce the programs above effectively and perform regular reviews and amendments?  | V                     |    | (3) Altek has established the Procedures for Acquisition or Disposal of Assets and the Procedures for Lending Funds to Other Parties and Endorsement & Guarantee against activities associated with high risks of unethical conduct. The accounting and internal control systems have also been established for internal auditors to check the compliance and prevent unethical conduct. | None.   |

| Assessment Item  | Implementation Status |    |   | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|--|-----------------------|----|---|---|
|  | Yes                   | No | Summary   |   |
| 2.Fulfill operations integrity policy  |                       |    |   |   |
| (1) Does the company evaluate business partners’ ethical records and include ethics-related clauses in business contracts?   | V                     |    | (1) Altek performs such operations in accordance with related laws and regulations.   | None.   |
| (2) Does the company have a unit responsible for ethical corporate management on a full-time basis under the Board of Directors which reports the ethical corporate management policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?                                      | V                     |    | (2) The “CEO Office” is the Company’s full-time unit dedicated to promoting corporate integrity management. It is led by the Chairman& CEO Alex Hsia, and the internal audit personnel are charged with the duties to regularly review corporate integrity management policies, prevent and supervise the implementation, promote corporate integrity management, and report to the Board of Directors as needed. | None.   |
| (3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?   | V                     |    | (3) Altek’s departments perform such operations based on their responsibilities and report to the head of the department through e-mail.  | None.   |
| (4) Does the company have effective accounting and internal control systems in place to implement ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or hire outside accountants to perform the audits? | V                     |    | (4) Altek has established effective accounting and internal control systems that are audited by internal auditors or CPA periodically. The internal audit results will be reported to the Audit Committee and the Board of Directors.   | None.   |
| (5) Does the company regularly hold internal and external educational trainings on operational integrity?  | V                     |    | (5) Altek provides training programs on its operating principles from time to time, or the employees participate in relevant educational training outside the   | None.   |

| Assessment Item  | Implementation Status |    |   | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons |
|--|-----------------------|----|---|---|
|  | Yes                   | No | Summary   |   |
|  |                       |    | Company. In 2020, employees participated in the following ethical management course outside the Company:<br>The analysis of legal responsibility and case study of “Whistleblower Protection”<br>Course Duration: 1.5 hours<br>Course Date: Nov 19, 2020  |   |
| 3. Operation of the integrity channel  |                       |    |   |   |
| (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?  | V                     |    | (1) Employees may report to the head of unit or CEO directly via e-mail.  | None.   |
| (2) Does the company have in place standard operating procedures for investigating accusation cases, as well as follow-up actions and relevant post-investigation confidentiality measures?                              | V                     |    | (2) Altek has set up a reporting mailbox and holds related documents and data confidential. If employees find any violation of ethical corporate management, they may report to internal Audit Office. If the violation is verified to be true, violators will be punished in accordance with related internal polices or laws. | None.   |
| (3) Does the company provide proper whistleblower protection?  | V                     |    | (3) Altek holds the entire reporting procedures confidential to prevent a complainant from retaliation for his/her filing a complaint.  | None.   |
| 4. Strengthening information disclosure  |                       |    |   |   |
| (1) Does the company disclose its ethical corporate management policies and the results of its implementation on the company’s website and MOPS?   | V                     |    | The rules had been disclosed on company’s website and Market Observation Post System.   | None.   |
| 5. If the company has established corporate governance policies based on TSE Corporate Conduct and Ethics Best Practice Principles, please describe any discrepancy between the policies and their implementation: None. |                       |    |   |   |

| Assessment Item   | Implementation Status |    | Summary | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|---|-----------------------|----|---------|---|
|   | Yes                   | No |         |   |
| 6. Other important information to facilitate better understanding of the company’s corporate conduct and ethics compliance practices: As disclosed above. |                       |    |         |   |

### 3.4.7 Corporate Governance Guidelines and Regulations

| Major Internal Policies   | Disclosed at   |
|---|--|
| Article of Incorporation<br>Rules of Procedure for shareholders Meeting<br>Rules for Election of Directors<br>Rules for Procedure for Board of Directors Meetings<br>Audit Committee Charter<br>Regulations Governing the Acquisition and Disposal of Assets<br>Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees<br>Procedures for Handling Material Inside Information<br>Remuneration Committee Charter<br>Corporate Governance Best Practice Principles<br>Corporate Social Responsibility Best Practice Principles<br>Rules Governing the Scope of Powers of Independent Directors<br>Self-Evaluation of the Board of Directors<br>Ethical Corporate Management Best Practice Principles<br>Ethical Corporate Management Policies and Prevention Programs | Market Observation Post System/Corporate Governance:<br><a href="http://mops.twse.com.tw/mops/web/index">http://mops.twse.com.tw/mops/web/index</a><br><br>Altek's Website/Investors:<br><a href="http://www.altek.com.tw/zh-tw/finance/detail/8">http://www.altek.com.tw/zh-tw/finance/detail/8</a> |

### 3.4.8 Other Important Information Regarding Corporate Governance

#### A. Employees' rights and cares

Based on the people-oriented management, Altek fully respects and cares for employees through providing employees' benefits, training programs, and a better working environment; the pension system is implemented based on the Labor Pension Act and the Labor Standards Act to protect employees' rights. The group insurance policies for employees and their family members are also planned. The employee health check is held on a regular basis.

#### B. Investor Service

The investor service department is set up and its contact information is disclosed on Altek's website. The investor relation department is responsible to handle shareholders' suggestions and respond to investors' questions.

#### C. Supplier relation

Altek maintains a good relationship with suppliers and takes measures to reduce carbon dioxide emissions. According to the Supplier Management Procedures and the Regulations Governing Management of Environmental Substances, Altek requests its partners to abide by related international laws and regulations, the requirements of the world's top manufacturers (RoHS, REACH, and GP) · RoHS and REACH annex 17 for environmental protection and hygiene and the commitment to corporate social responsibility, so as to facilitate environmental protection, labor rights and ethics, health and safety, risk management, and the code of ethics.

#### D. Communication channels for interested parties

| Interested parties | Communication channels  |
|--------------------|---|
| Employee           | <ul style="list-style-type: none"> <li>·CEO talk</li> <li>·Labor-management meeting</li> <li>·Health check</li> <li>·Disaster prevention drill</li> <li>·Education &amp; training</li> <li>·Confidential complaint</li> </ul> |
| Client             | <ul style="list-style-type: none"> <li>·Regular meeting</li> <li>·Satisfaction survey</li> <li>·Supplier seminar</li> <li>·Inspection</li> <li>·Online communication platform</li> </ul>                                      |
| Supplier           | <ul style="list-style-type: none"> <li>·Review meeting</li> <li>·Inspection</li> <li>·Supplier management system</li> <li>·Complaint mailbox</li> </ul>   |
| Investor           | <ul style="list-style-type: none"> <li>·Shareholders meeting</li> <li>·Investor Conference</li> </ul>   |
| Media              | <ul style="list-style-type: none"> <li>·Press conference</li> <li>·Press release</li> </ul>   |

D. Training record of directors and independent directors in 2020:

| Title                | Name          | Date       | Institute   | course   | hours   |
|----------------------|---------------|------------|---|--|---------|
| Director             | Sophia Chen   | 2020.12.23 | Securities and Futures Institute  | How to Design Equity and the Strategies of Handling Board of Directors/Shareholders' Meeting from the Case Study of Recent Ownership Contest | 3 hours |
| Director             | Belle Liang   | 2020.11.26 | Securities and Futures Institute  | 5G Key Technology and Applications   | 3 hours |
| Independent Director | KUO HSIUNG WU | 2020.08.10 | Accounting Research and Development Foundation of the Republic of China | Management of Intellectual Property and Corporate Management Risk  | 3 hours |
|                      |               | 2020.12.29 | Securities and Futures Institute  | Supervising Corporate Operation and Management Through Figures on Financial Statements   | 6 hours |
|                      |               |            |   | Sharing Corporate M&A Practice – Hostile Takeover Based  | 3 hours |

E. Liability Insurance for directors and independent directors

| Insured       | Insurance Company | Insured Amount | Period                        |
|---------------|-------------------|----------------|-------------------------------|
| All directors | Chubb             | US\$10 million | April 30, 2021~April 30, 2022 |

F. Managers' participation in training courses on corporate governance in 2020

| Title              | Name        | Date       | Institute   | course  | hours   |
|--------------------|-------------|------------|---|---|---------|
| Financial Officer  | Belle Liang | 2020.11.26 | Securities and Futures Institute  | 5G Key Technology and Applications  | 3 hours |
| Accounting Officer | Peggy Hsu   | 2020.01.07 | Accounting Research and Development Foundation of the Republic of China | Management of Intellectual Property and Corporate Management Risk   | 3 hours |
|                    |             | 2020.05.21 |   | Corporate Governance Practice: Impact and Response of "Labor Procedure Act" promulgated for enterprises           | 3 hours |
|                    |             | 2020.05.22 |   | Practical Analysis of Competent Authority Requirement for Appointment of Corporate Governance Officer / Personnel | 3 hours |
|                    |             | 2020.11.19 |   | Corporate Governance Practice: Use and Analysis of Strategies and Tools for Employee Incentive                    | 3 hours |
|                    |             |            |   | The analysis of legal responsibility and case study of "Whistleblower Protection"                                 | 3 hours |

### 3.4.9 Internal Control Systems

#### A. Internal Control Declaration

Altek Corporation  
Internal Control Declaration

Date: March 25, 2021

The declaration of the internal control system from January 1, 2020 to December 31, 2020 is made below based on the result of self-inspection.

1. The Company acknowledges that establishing, implementing, and maintain the internal control system is the responsibility of the Company's Board of Directors and management. The Company has established the internal control system for the purpose of properly assuring the achievements of operational efficacy and efficiency (including profits, performance, and guarantee of asset safety) and reporting that reflect reliability, timeliness, and transparency as well as compliance.
2. The internal control system has its congenital limitations; the effective internal control system, regardless how perfectly it is designed, may only provide proper assurance for the achievements of the above three goals; in addition, due to changes in the environment and the situation, the effectiveness of the internal control system may change as well. The Company's internal control system is designed with a self-monitoring mechanism. Once a flaw is identified, the Company will take corrective actions immediately.
3. The Company determines whether the design and implementation of the internal control system are effective based on the items stipulated in the Regulations Governing Establishment of Internal Control Systems by Public Companies (the Regulations). Items adopted by the Regulations are five components of the internal control system based on the control process: 1. Control environment; 2. Risk assessment; 3. Control operation; 4. Information and communication; and 5. Monitoring operation. Each component contains several items. For more information on the foregoing items, please refer to the Regulations.
4. The Company has adopted the abovementioned items that determine the effectiveness of the design and implementation of the internal control system.
5. Based on the result of evaluation mentioned above, the design and implementation of the internal control system (including supervision and management of the Company's subsidiaries) as of December 31, 2020, such as the level of achievement of operational efficacy and efficiency and reporting that reflect reliability, timeliness, and transparency as well as compliance, are considered effective and properly assure the achievement of the above goals.
6. The Declaration will constitute the major content of the Company's annual report and prospectus and be disclosed. Any falseness or concealment of the abovementioned content will involve legal responsibilities stipulated in Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. The Declaration has been approved by the Board of Directors on March 25, 2021. All attended directors agreed on the contents of the Declaration.

Altek Corporation

Chairman & CEO: Alex Hsia

B. CPA's Audit Report on the Company's Internal Control System to be disclosed: N/A.

3.4.10 Punishments, Major Defects, and Improvements of Violation of the Company's Internal Control System: None.

3.4.11 Major Resolutions of Shareholders' Meeting and Board Meetings

A. Resolutions of 2020 general shareholders' meeting:

| Item | Major Resolutions  | Implementation   |
|------|--|--|
| 1    | Approval of the 2019 business report and financial statements.   | Performed in accordance with relevant laws and regulations.  |
| 2    | Approval of the distribution of 2019 earnings by cash.   | Completed on Oct. 13, 2020.  |
| 3    | Approved to amend the Articles of Incorporation.   | Performed in accordance with relevant laws and regulations.  |
| 4    | Approval of the issuance of new common shares in private placement and/or issuance of domestic or overseas convertible bonds in private placement. | The Fund Raising has yet been executed and it will be due on June 11, 2021. The Board of directors held on Mar. 25, 2021 has resolved to cease the Fund Raising in the remaining period. |
| 5    | To elect the board members for the 9th term.   | Performed in accordance with relevant laws and regulations.  |
| 6    | To release the prohibition on directors from participation in competitive Business.  | Performed in accordance with relevant laws and regulations.  |

B. Resolutions of 2020 board meeting:

| Item   | Major Resolutions   | Implementation  |
|--|---|---|
| 2020.01.20<br>13 <sup>th</sup> meeting of<br>8 <sup>th</sup> Board | 1.Resolved the new restricted employee shares in 2018 and 2019 and the employee roster and quantity and issuance of new shares of the new restricted employee shares in 2019 for those who are allocated in the 2nd time. | Implemented by resolution.  |
| 2020.01.31<br>14 <sup>th</sup> meeting of<br>8 <sup>th</sup> Board | 1.Approved to repurchased buy-back shares and transfer to employees of 1 <sup>st</sup> in 2020.   | Implemented by resolution.  |
| 2020.03.20<br>15 <sup>th</sup> meeting of<br>8 <sup>th</sup> Board | 1.Approved the effectiveness statement of the 2019 internal control system.   | Implemented by resolution   |
|  | 2.Approved to distribute the compensation of 2019 employees and directors.  | Listed in the 2019 shareholders' meeting report.  |
|  | 3.Approved the 2019 annual business report and financial report.  | Listed in the 2019 shareholders' meeting recognize.   |
|  | 4. Approved to distribute 2019 earnings.  | Listed in the 2019 shareholders'meeting recognize.  |
|  | 5. Approved to amend the Articles of Incorporation.   | Has been approved by the Board of Directors; it will take effect after the 2020 shareholder resolution is passed, and the new Articles of Incorporation will officially apply to relevant operations by then. |

| Item   | Major Resolutions   | Implementation  |
|--|---|---|
| 2020.03.20<br>15 <sup>th</sup> meeting of<br>8 <sup>th</sup> Board | 6.Approved to amend the Rules of Procedure for Shareholders Meetings.   | Has been approved by the Board of Directors; it will take effect after the 2020 shareholder resolution is passed, and the new Articles of Incorporation will officially apply to relevant operations by then. |
|  | 7. Approval of the issuance of new common shares in private placement and/or issuance of domestic or overseas convertible bonds in private placement.   | Listed in the 2020 shareholders'meeting discuss.  |
|  | 8.Approved to elect the board members for the 9th term  | Listed in the 2020 shareholders' meeting elect.   |
|  | 9.Approved to release the prohibition on directors from participation in competitive Business   | Listed in the 2020 shareholders' meeting discuss.   |
|  | 10.Approved the convening of the 2020 shareholders' meeting   | Implemented by resolution   |
|  | 10.Approved the convening of the 2020 shareholders' meeting   | Implemented by resolution   |
|  | 11.Approved to the business plan in 2020.   | Implemented by resolution   |
|  | 12.Approved to change the CPA.  | Implemented by resolution   |
|  | 13.Approved to amend the 1st Rules on Transfer Repurchased Shares to Employees for 2020.  | Implemented by resolution   |
|  | 14.Approved to amend the Audit Committee Charter.   | Implemented by resolution   |
|  | 15.Approved to amend Rules of Procedure for Board of Directors Meetings.  | Implemented by resolution   |
|  | 16.Approved to repurchased buy-back shares and transfer to employees of 10 <sup>th</sup> .  | Implemented by resolution   |
| 2020.04.24<br>16 <sup>th</sup> meeting of<br>8 <sup>th</sup> Board | 1.Stop the issuance of new common shares in private placement and/or issuance of domestic or oversea convertible bonds in private placement approved by 2019 shareholder's meeting.                                       | Implemented by resolution   |
|  | 2.Resolved the qualification review of candidates for directors (including independent directors) and for independent directors recommended and listed by the Board of Directors.   | Listed in the 2020 shareholders' meeting elect.   |
|  | 3.Resolved the qualification review of candidates for directors (including independent directors) and for independent directors recommended and listed by the Board of Directors.   | Listed in the 2020 shareholders' Meeting discuss.   |
|  | 4.Resolved the new restricted employee shares in 2018 and 2019 and the employee roster and quantity and issuance of new shares of the new restricted employee shares in 2019 for those who are allocated in the 3rd time. | Implemented by resolution   |

| Item   | Major Resolutions  | Implementation                                      |
|--|--|---|
| 2020.05.08<br>17 <sup>th</sup> meeting of<br>the 8 <sup>th</sup> board | 1. Adopted the amendment of the "Remuneration Committee Charter."  | Implemented by resolution.                          |
|  | 2. Approved the cancellation of restricted shares issued for employees' bonus through capital reduction.   | Implemented by resolution.                          |
| 2020.06.12<br>1 <sup>st</sup> meeting of<br>the 9 <sup>th</sup> board  | 1. Approved to election the chairman.  | Implemented by resolution.                          |
| 2020.08.07<br>2 <sup>nd</sup> meeting of<br>the 9 <sup>th</sup> board  | 1. Appointed the members of the 4 <sup>rd</sup> term's Remuneration Committee  | Implemented by resolution.                          |
|  | 2. Approved to increase the capital of Altek International Trading Co., Ltd. through Altek International Investment Co., Ltd. within a limit of not more than US\$7 million.         | Implemented by resolution.                          |
|  | 3. Adopted the formulation of an internal control system for the Company with "Procedures to Repurchase Treasury Stocks" and "Repurchased Treasury Stock Management Process."        | Implemented by resolution.                          |
|  | 4. Approved the cancellation of restricted shares issued for employees' bonus through capital reduction.   | Implemented by resolution.                          |
| 2020.10.27<br>3 <sup>rd</sup> meeting of<br>the 9 <sup>th</sup> board  | 1. Approved to Internal audit plan in 2021   | Implemented by resolution.                          |
|  | 2. Approved the cancellation of restricted shares issued for employees' bonus through capital reduction.   | Implemented by resolution.                          |
|  | 3. Approved the distribution of directors' compensation in 2019.   | Implemented by resolution.                          |
|  | 4. Approved the remuneration of directors and managers.  | Implemented by resolution.                          |
| 2021.03.25<br>4 <sup>th</sup> meeting of<br>the 9 <sup>th</sup> board  | 1. Approved the convening of the 2021 shareholders' meeting  | Implemented by resolution.                          |
|  | 2. Approved the Internal control declaration of 2020.  | Implemented by resolution.                          |
|  | 3. Approved the 2020 annual business report and financial report. Listed in the 2020 shareholders' meeting recognize.  | Listed in the 2021 shareholders' meeting recognize. |
|  | 4. Approved to distribute 2020 earnings.   | Listed in the 2021 shareholders' meeting recognize. |
|  | 5. Stop the issuance of new common shares in private placement and/or issuance of domestic or oversea convertible bonds in private placement approved by 2020 shareholder's meeting. | Listed in the 2021 shareholders' meeting report.    |
|  | 6. Approval of the issuance of new common shares in private placement and/or issuance of domestic or overseas convertible bonds in private placement.                                | Listed in the 2021 shareholders' meeting discuss.   |
|  | 7. Approved the issuance of Restricted Stock Awards ("RSA").   | Listed in the 2021 shareholders' meeting discuss.   |
|  | 8. Approved the cancellation of restricted shares issued for employees' bonus through capital reduction.   | Implemented by resolution.                          |
|  | 9. Approved to the remuneration of CPA.  | Implemented by resolution.                          |
|  | 10. Approved to the business plan in 2021.   | Implemented by resolution.                          |

| Item  | Major Resolutions   | Implementation                                    |
|---|---|---|
| 2021.04.21<br>5 <sup>th</sup> meeting of<br>the 9 <sup>th</sup> board | 1. Approved to the change of the Remuneration Committee member.   | Implemented by resolution.                        |
| 2021.05.07<br>6 <sup>th</sup> meeting of<br>the 9 <sup>th</sup> board | 1. Approved to distribute the compensation of 2020 employees and directors.                               | Listed in the 2021 shareholders' meeting report.  |
|   | 2.Approved to amend Charter of Remuneration of Directors and Functional Committee.                        | Implemented by resolution.                        |
|   | 3. Approved the cancellation of restricted shares issued for employees' bonus through capital reduction.  | Implemented by resolution.                        |
|   | 4.The appointment of Corporate Governance Officer   | Implemented by resolution.                        |
|   | 5.The subsidiary Altek Biotechnology Holding(Cayman) Co., Ltd. to consider applying for overseas listing. | Listed in the 2021 shareholders' meeting discuss. |
|   | 6.Approved to resolved to convene the 2021 Annual General Shareholders Meeting(Add discussion matters)    | Implemented by resolution.                        |

3.4.12 Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors: None.

3.4.13 Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit and R&D : None.

### 3.5 Information of Audit Fee

#### 3.5.1 Payment to the Audit:

| Accounting Firm        | Name of CPA |                  | Period Covered by CPA's Audit | Note |
|------------------------|-------------|------------------|-------------------------------|------|
| PricewaterhouseCoopers | Tien-Yi Li  | Chiang, Tsai-Yen | 2020.01.01~<br>2020.12.31     | —    |

Unit: NT\$

| item | Range                        | Audit Fee | Non-audit Fee | Total |
|------|------------------------------|-----------|---------------|-------|
| 1    | Under NT\$ 2,000,000         |           |               |       |
| 2    | NT\$2,000,00 ~ NT\$3,999,999 | V         | V             |       |
| 3    | NT\$4,000,00 ~ NT\$5,999,999 |           |               |       |
| 4    | NT\$6,000,00 ~ NT\$7,999,999 |           |               | V     |
| 5    | NT\$8,000,00 ~ NT\$9,999,999 |           |               |       |
| 6    | NT\$10,000,000 ~             |           |               |       |

3.5.2 Non-audit fee paid to auditors, the audit firm and its affiliates accounted for more than one-fourth of total audit fee, should disclose the details:

Unit: NT\$ thousand

| Accounting Firm        | Name of CPA      | Audit Fee | Non-audit Fee    |                      |                 |               |          | Period Covered by CPA's Audit |
|------------------------|------------------|-----------|------------------|----------------------|-----------------|---------------|----------|-------------------------------|
|                        |                  |           | System of Design | Company Registration | Human Resources | Others (Note) | Subtotal |                               |
| PricewaterhouseCoopers | Tien-Yi Li       | 3,770     | 0                | 155                  | 0               | 2,209         | 2,364    | 2020.01.01~<br>2020.12.31     |
|                        | Chiang, Tsai-Yen |           |                  |                      |                 |               |          |                               |

Note: Consulting fee and Transfer Pricing Research Report.

3.5.3 Replaced the audit firm and the audit fee paid to the new audit firm was less than the payment of previous year: Not applicable.

3.5.4 Audit fee reduced more than 10% year over year: None.

### 3.6 Information of replacement of CPA:

#### 3.6.1 The former accountant

|   |  |     |                                    |
|---|--|-----|------------------------------------|
| Date of Replacement   | March 20, 2020   |     |                                    |
| Reason of Replacement   | Internal adjustment of accounting firm. Starting from 2020 Q1, CPA Tien-Yi Li and CPA Cai-Yen Jiang took over the appointment. |     |                                    |
| Describe the termination or refusal to the appointment of the appointer or CPA.   | Party  | CPA | Consignor                          |
|   | Status   |     |                                    |
|   | Voluntary termination of appointment<br>no longer accept (continue) appointment  | V   |                                    |
| Issued an audit report expressing other than an unqualified opinion during the 2 most recent years, furnish the opinion and reason. | N/A  |     |                                    |
| Holding different opinion from the issuer   | Yes  |     | Accounting principles or practice  |
|   |  |     | Disclosure of financial statements |
|   |  |     | Scope of steps of audit            |
|   |  |     | Others                             |
|   | None   | V   |                                    |
| Other disclosures (Article 10.6.1.4~10.6.1.7 of the standards should be disclosed)  | None   |     |                                    |

#### 3.6.2 The renewal of accountant

|   |  |
|---|--|
| Name of Accounting Firm   | PricewaterhouseCoopers Accounting Firm |
| Name of CPA   | CPA Tien-Yi Li and CPA Cai-Yen Jiang   |
| Date of Appointment   | March 20, 2020                         |
| The accounting processing method or accounting principles for the specific transaction prior to the appointment and the consultation and results for the possible attested opinions expressed | None                                   |
| The consent in writing with matters of different opinion between the succeeding CPA and former CPA.   | None                                   |

3.7 Altek's Chairman, President, CFO, or managers in charge of its finance and accounting operations hold any position in the Company's independent auditing firm or its affiliates in 2020: None.

### 3.8 Equity Transfer and Changes in Equity Pledge of Directors, Managers and Shareholders Holding More than 10% of the Shares

#### 3.8.1 Changes in shareholdings of directors, managers and major shareholders

| Title                | Name   | 2020.01.01~2020.12.31       |                                     | 2021.01.01~2021.04.19       |                                     |
|----------------------|--|-----------------------------|-------------------------------------|-----------------------------|-------------------------------------|
|                      |  | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) |
| Chairman & CEO       | Alex Hsia  | 0                           | 0                                   | 104,000                     | 0                                   |
| Director             | Yitsang International Co., Ltd.                                      | 244,000                     | 400,000                             | 0                           | 0                                   |
| Director & VP        | Yitsang International Co., Ltd. Representative: Vincent Kao (Note 1) | (1,000)                     | 0                                   | 0                           | 0                                   |
| Director & VP        | Yitsang International Co., Ltd. Representative: Belle Liang          | 0                           | 0                                   | 0                           | 0                                   |
| Director             | Sophia Chen  | 0                           | 0                                   | 0                           | 0                                   |
| Independent Director | KUO HSIUNG WU (Note 2)   | 0                           | 0                                   | 0                           | 0                                   |
| Independent Director | Daphne Wang (Note 2)   | 0                           | 0                                   | 0                           | 0                                   |
| Independent Director | Mori Shorei  | 0                           | 0                                   | 0                           | 0                                   |
| SVP                  | Rick Han (Note 3)  | 28,000                      | 0                                   | 0                           | 0                                   |
| VP                   | Kenny Li   | 2,000                       | 0                                   | 0                           | 0                                   |
| VP                   | Kevin Chen   | (4,000)                     | 0                                   | 7,000                       | 0                                   |
| VP                   | CC Lee   | 0                           | 0                                   | 32,000                      | 0                                   |
| VP                   | Leo Tseng (Note 4)   | (50,000)                    | 0                                   | 0                           | 0                                   |
| VP                   | James Chien (Note 5)   | 0                           | 0                                   | 6,000                       | 0                                   |
| VP                   | Jason Lin (Note 6)   | 19,000                      | 0                                   | 0                           | 0                                   |
| VP                   | Samuel Wu (Note 7)   | NA                          | NA                                  | 0                           | 0                                   |
| Accounting Officer   | Peggy Hsu  | 0                           | 0                                   | 0                           | 0                                   |

Note 1: Vincent Kao was assigned by Yitsang International Co., Ltd. as director representative on Jul 09, 2020.

Note 2: KUO HSIUNG WU and Daphne Wang was incharge as Independent Director on Jun 12, 2020; the information disclosed above is from on duty date.

Note 3: Rick Han was discharge as VP on Oct.07,2020; the information disclosed above is from on duty date.

Note 4: Leo Tseng was incharge as VP on Mar.02,2020; the information disclosed above is from on duty date.

Note 5: James Chien was incharge as VP on May.12,2020; the information disclosed above is from on duty date.

Note 6: Jason Lin was incharge as VP on Jun.10,2020 and was discharge as VP on Oct.07,2020; the information disclosed above is from on duty date.

Note 7: Samuel Wu was discharge as VP on Jan.01,2021; the information disclosed above is from on duty date.

3.8.2 Shares Trading with Related Parties: None.

3.8.3 Shares Pledge with Related Parties: None.

### 3.9 Relationship among the Top Ten Shareholders

April 19, 2021

| Name  | Current Shareholding |      | Spouse's/Minor's Shareholding |      | Shareholding by Nominee Arrangement |      | Name and Relationship between the Company's Top Ten Shareholders, or Spouses or Relatives within Two Degrees |              | Remark |
|---|----------------------|------|-------------------------------|------|-------------------------------------|------|--|--------------|--------|
|   | Shares               | %    | Shares                        | %    | Shares                              | %    | Name   | Relationship |        |
| Yitsang International Co., Ltd.<br>Representative: Yun-Hsing Lin  | 14,200,100           | 5.08 | 0                             | 0.00 | 0                                   | 0.00 | None   | None         | -      |
|   | 0                    | 0.00 | 0                             | 0.00 | 0                                   | 0.00 | None   | None         | -      |
| Altek Corporation   | 11,155,800           | 3.99 | 0                             | 0.00 | 0                                   | 0.00 | None   | None         | -      |
| Tung-Hsin Investment Corp.<br>Representative: Tong-Yi Chang   | 9,557,000            | 3.42 | 0                             | 0.00 | 0                                   | 0.00 | None   | None         | -      |
|   | 0                    | 0.00 | 0                             | 0.00 | 0                                   | 0.00 | None   | None         | -      |
| KGI Securities Under the Escrow of Standard Chartered Bank ( Taiwan) Limited-Dunhua North Branch                                      | 3,126,001            | 1.12 | 0                             | 0.00 | 0                                   | 0.00 | None   | None         | -      |
| Unique Technology Co., Ltd.<br>Representative :<br>Chin Fu Liu  | 3,097,304            | 1.11 | 0                             | 0.00 | 0                                   | 0.00 | None   | None         | -      |
|   | 300,000              | 0.11 | 0                             | 0.00 | 0                                   | 0.00 | None   | None         | -      |
| Escrow Account with HSBS (Taiwan)   | 2,887,348            | 1.03 | 0                             | 0.00 | 0                                   | 0.00 | None   | None         | -      |
| JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds | 2,882,000            | 1.03 | 0                             | 0.00 | 0                                   | 0.00 | None   | None         | -      |
| Escrow Account with HSBS (Taiwan)   | 2,849,948            | 1.02 | 0                             | 0.00 | 0                                   | 0.00 | None   | None         | -      |
| JPM Vanguard Total Stock Market ETF   | 2,514,823            | 0.90 | 0                             | 0.00 | 0                                   | 0.00 | None   | None         | -      |
| UBS Europe SE Investment Account with Citibank Taiwan   | 2,064,000            | 0.74 | 0                             | 0.00 | 0                                   | 0.00 | None   | None         | -      |

### 3.10 Ownership of Shares in Affiliated Enterprises

December 31, 2020

| Affiliated Enterprises                         | Ownership by the Company |        | Direct or Indirect Ownership by Directors, Supervisors, Managers |        | Total Ownership |        |
|--|--------------------------|--------|--|--------|-----------------|--------|
|  | Shares                   | %      | Shares   | %      | Shares          | %      |
| Altek Japan Corporation                        | 1,000                    | 100.00 | 0  | 0.00   | 1,000           | 100.00 |
| Altek International Investment Co., Ltd.       | 87,769,559               | 100.00 | 0  | 0.00   | 87,769,559      | 100.00 |
| Altek International Trading Co., Ltd.          | 0                        | 0.00   | 10,000,000   | 100.00 | 10,000,000      | 100.00 |
| Altek Lab Inc.                                 | 0                        | 0.00   | 11,311,875   | 100.00 | 11,311,875      | 100.00 |
| Altek Imaging Technology (Cayman) Co., Ltd.    | 0                        | 0.00   | 15,092,410   | 100.00 | 15,092,410      | 100.00 |
| Altek Precision (Kunshan) Co., Ltd.            | 0                        | 0.00   | (Note)   | 100.00 | (Note)          | 100.00 |
| Leading Tech. Co., Ltd.                        | 0                        | 0.00   | 45,000,000   | 100.00 | 45,000,000      | 100.00 |
| Altek (Kunshan) Co., Ltd.                      | 0                        | 0.00   | (Note)   | 100.00 | (Note)          | 100.00 |
| Toptek Investment Cayman Co., Ltd.             | 0                        | 0.00   | 1,400,000  | 100.00 | 1,400,000       | 100.00 |
| Altek EMS (Kunshan) Co., Ltd.                  | 0                        | 0.00   | (Note)   | 100.00 | (Note)          | 100.00 |
| Altek Trading (Cayman) Co., Ltd.               | 0                        | 0.00   | 8,500,000  | 100.00 | 8,500,000       | 100.00 |
| Altek Trading (Shanghai) Co., Ltd.             | 0                        | 0.00   | (Note)   | 100.00 | (Note)          | 100.00 |
| Altek Optical Technology (Cayman) Co., Ltd.    | 0                        | 0.00   | 11,200,000   | 100.00 | 11,200,000      | 100.00 |
| Altek Optical (Kunshan) Co., Ltd.              | 0                        | 0.00   | (Note)   | 100.00 | (Note)          | 100.00 |
| Altek Semiconductor (Cayman) Co., Ltd.         | 0                        | 0.00   | 20,000,000   | 50.00  | 20,000,000      | 50.00  |
| Altek Semiconductor Corp.                      | 0                        | 0.00   | 17,500,000   | 50.00  | 17,500,000      | 50.00  |
| Altek Semiconductor (Shanghai) Co., Ltd.       | 0                        | 0.00   | (Note)   | 50.00  | (Note)          | 50.00  |
| Altek Optical (Cayman) Co., Ltd.               | 0                        | 0.00   | 4,800,241  | 100.00 | 4,800,241       | 100.00 |
| Altek International Holding (BVI) Co., Ltd.    | 12,865,921               | 100.00 | 0  | 0.00   | 12,865,921      | 100.00 |
| Altek Biotechnology Holding (Cayman) Co., Ltd. | 0                        | 0.00   | 12,865,921   | 100.00 | 12,865,921      | 100.00 |
| Altek Biotechnology Corp.                      | 0                        | 0.00   | 40,100,000   | 100.00 | 40,100,000      | 100.00 |
| Altek Investment Corporation                   | 10,000,000               | 100.00 | 0  | 0.00   | 10,000,000      | 100.00 |

Note : No share was issued.

## IV. Capital Overview

### 4.1 Capital and Shares

#### 4.1.1 Source of Capital

##### A. Issued Shares

Unit: Share; NT\$ thousand

| Month/<br>Year | Par<br>Value | Authorized Capital |           | Paid-in Capital |           | Remark  |  |       |
|----------------|--------------|--------------------|-----------|-----------------|-----------|---|--|-------|
|                |              | Shares             | Amount    | Shares          | Amount    | Source of Capital                                 | Capital<br>Increased by<br>Assets Other<br>than Cash | Other |
| 2014.02        | 10           | 500,000,000        | 5,000,000 | 385,265,321     | 3,852,653 | Cancellation of<br>Treasury Stock                 | None   | -     |
| 2014.08        | 10           | 500,000,000        | 5,000,000 | 394,158,321     | 3,941,583 | Execution of ESOP                                 | None   | -     |
| 2014.10        | 10           | 500,000,000        | 5,000,000 | 275,910,825     | 2,759,108 | Cash Capital Reduction                            | None   | -     |
| 2014.10        | 10           | 500,000,000        | 5,000,000 | 270,135,825     | 2,701,358 | Cancellation of<br>Treasury Stock                 | None   | -     |
| 2015.05        | 10           | 500,000,000        | 5,000,000 | 270,253,825     | 2,702,538 | Execution of ESOP                                 | None   | -     |
| 2015.12        | 10           | 500,000,000        | 5,000,000 | 272,693,825     | 2,726,938 | Issuance of RSA                                   | None   | -     |
| 2016.03        | 10           | 500,000,000        | 5,000,000 | 273,883,825     | 2,738,838 | Issuance of RSA                                   | None   | -     |
| 2016.05        | 10           | 500,000,000        | 5,000,000 | 274,253,825     | 2,742,538 | Issuance of RSA                                   | None   | -     |
| 2016.08        | 10           | 500,000,000        | 5,000,000 | 274,063,825     | 2,740,638 | Cancellation of Issued RSA                        | None   | -     |
| 2017.04        | 10           | 500,000,000        | 5,000,000 | 273,908,825     | 2,739,088 | Cancellation of Issued RSA                        | None   | -     |
| 2017.08        | 10           | 500,000,000        | 5,000,000 | 273,738,825     | 2,737,388 | Cancellation of Issued RSA                        | None   | -     |
| 2017.11        | 10           | 500,000,000        | 5,000,000 | 273,818,825     | 2,738,188 | Cancellation of Issued RSA &<br>Execution of ESOP | None   | -     |
| 2018.04        | 10           | 500,000,000        | 5,000,000 | 273,788,825     | 2,737,888 | Cancellation of Issued RSA                        | None   | -     |
| 2018.05        | 10           | 500,000,000        | 5,000,000 | 273,728,825     | 2,737,288 | Cancellation of Issued RSA                        | None   | -     |
| 2018.08        | 10           | 500,000,000        | 5,000,000 | 273,928,825     | 2,739,288 | Execution of ESOP                                 | None   | -     |
| 2018.11        | 10           | 500,000,000        | 5,000,000 | 274,011,325     | 2,740,113 | Cancellation of Issued RSA &<br>Execution of ESOP | None   | -     |
| 2019.09        | 10           | 500,000,000        | 5,000,000 | 275,461,325     | 2,754,613 | Issuance of RSA                                   | None   | -     |
| 2019.11        | 10           | 500,000,000        | 5,000,000 | 275,361,325     | 2,753,613 | Cancellation of Issued RSA                        | None   | -     |
| 2020.03        | 10           | 500,000,000        | 5,000,000 | 279,587,325     | 2,795,873 | Issuance of RSA                                   | None   | -     |
| 2020.05        | 10           | 500,000,000        | 5,000,000 | 279,633,325     | 2,796,333 | Issuance of RSA &<br>Cancellation of Issued RSA   | None   | -     |

|         |    |             |           |             |           |                            |      |   |
|---------|----|-------------|-----------|-------------|-----------|----------------------------|------|---|
| 2020.09 | 10 | 500,000,000 | 5,000,000 | 279,543,325 | 2,795,433 | Cancellation of Issued RSA | None | - |
| 2020.12 | 10 | 500,000,000 | 5,000,000 | 279,497,325 | 2,794,973 | Cancellation of Issued RSA | None | - |
| 2021.03 | 10 | 500,000,000 | 5,000,000 | 279,341,525 | 2,793,415 | Cancellation of Issued RSA | None | - |

April 19, 2021; unit: Share

| Type of Share | Authorized Capital |                  |              | Remark       |
|---------------|--------------------|------------------|--------------|--------------|
|               | Issued Shares      | Un-issued Shares | Total Shares |              |
| Common shares | 279,497,325        | 220,502,675      | 500,000,000  | Listed stock |

Note : Issued shares include 11,000 thousand treasury shares held by Altek.

B.Information for Shelf Registration: N/A.

#### 4.1.2 Status of Shareholders

April 19, 2021

| Item                   | Government Agencies | Financial Institutions | Other Juridical Persons | Domestic Natural Persons | Foreign Institutions & Natural Persons | Total       |
|------------------------|---------------------|------------------------|-------------------------|--------------------------|--|-------------|
| Number of Shareholders | 0                   | 14                     | 176                     | 57,276                   | 122                                    | 57,588      |
| Shareholding (shares)  | 0                   | 2,672,109              | 44,778,795              | 201,167,337              | 30,879,084                             | 279,497,325 |
| Percentage             | 0                   | 0.96                   | 16.02                   | 71.97                    | 11.05                                  | 100         |

#### 4.1.3 Shareholding Distribution Status

##### A. Common Shares

April 19, 2021

| Class of Shareholding | Number of Shareholders | Shareholding (Shares) | Percentage (%) |
|-----------------------|------------------------|-----------------------|----------------|
| 1~ 999                | 24,154                 | 2,883,624             | 1.03           |
| 1,000~ 5,000          | 26,896                 | 54,716,921            | 19.58          |
| 5,001~ 10,000         | 3,559                  | 28,927,609            | 10.35          |
| 10,001~ 15,000        | 940                    | 12,045,568            | 4.31           |
| 15,001~ 20,000        | 658                    | 12,370,427            | 4.43           |
| 20,001~ 30,000        | 501                    | 13,211,512            | 4.73           |
| 30,001~ 50,000        | 414                    | 16,864,421            | 6.03           |
| 50,001~ 100,000       | 254                    | 18,564,201            | 6.64           |
| 100,001~ 200,000      | 99                     | 14,055,169            | 5.03           |
| 200,001~ 400,000      | 61                     | 17,761,110            | 6.35           |
| 400,001~ 600,000      | 15                     | 7,126,127             | 2.55           |
| 600,001~ 800,000      | 10                     | 6,921,500             | 2.48           |
| 800,001~ 1,000,000    | 6                      | 5,208,860             | 1.86           |
| 1,000,001 or above    | 21                     | 68,840,276            | 24.63          |
| Total                 | 57,588                 | 279,497,325           | 100.00         |

B. Preferred Shares: None.

4.1.4 List of Major Shareholders

April 19, 2021

| Shareholder's Name  | Shares | Shareholding (Shares) | Percentage |
|---|--------|-----------------------|------------|
| Yitsang International Co., Ltd.   |        | 14,200,100            | 5.08       |
| Altek Corporation   |        | 11,155,800            | 3.99       |
| Tung-Hsin Investment Corp.  |        | 9,557,000             | 3.42       |
| KGI Securities Under the Escrow of Standard Chartered Bank (Taiwan) Limited-Dunhua North Branch                                       |        | 3,126,001             | 1.12       |
| Unique Technology Co., Ltd.   |        | 3,097,304             | 1.11       |
| Escrow Account with HSBS (Taiwan)   |        | 2,887,348             | 1.03       |
| JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds |        | 2,882,000             | 1.03       |
| Escrow Account with HSBS (Taiwan)   |        | 2,849,948             | 1.02       |
| JPM Vanguard Total Stock Market ETF   |        | 2,514,823             | 0.90       |
| UBS Europe SE Investment Account with Citibank Taiwan   |        | 2,064,000             | 0.74       |

4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT\$

| Item                   | Year                                      | 2019    | 2020         | 2021             |
|------------------------|---|---------|--------------|------------------|
|                        |   |         |              | (as of March 31) |
| Market Price per Share | Highest Market Price                      | 30.20   | 37.00        | 40.60            |
|                        | Lowest Market Price                       | 22.30   | 14.70        | 31.00            |
|                        | Average Market Price                      | 25.32   | 24.60        | 36.50            |
| Net Worth per Share    | Before Distribution                       | 31.39   | 31.54        | 31.16            |
|                        | After Distribution                        | 30.88   | 31.04        | —                |
| Earnings per Share     | Weighted Average Shares (thousand shares) | 273,838 | 265,758      | 263,529          |
|                        | Earnings Per Share                        | 0.31    | 0.60         | 0.12             |
| Dividends per Share    | Cash Dividends                            | 0.50    | 0.50(Note 1) | —                |
|                        | Stock Dividends                           | —       | —            | —                |
|                        |   | —       | —            | —                |
|                        | Accumulated Undistributed Dividends       | —       | —            | —                |
| Return on Investment   | Price/Earnings Ratio (Note 2)             | 81.68   | 41.00        | —                |
|                        | Price/Dividend Ratio (Note 3)             | 50.64   | 49.20        | —                |
|                        | Cash Dividend Yield Rate (Note 4)         | 1.97    | 2.03         | —                |

Note 1: As of the date of this Annual Report, the earnings distribution of the Company for the Year 2020, in addition to the cash dividends resolved by the board of directors on March 25, 2021, the rest will be handled in accordance with the relevant regulations after the resolution of shareholders' meeting on June 17, 2021 is made.

Note 2: Price / Earnings Ratio = Average Market Price / Earnings per Share.

Note 3: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share.

Note 4: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price.

#### 4.1.6 Dividend Policy and Implementation Status

##### A. Dividend Policy

Based on the Article of Incorporation, the amount of dividend distributed shall consider the surplus earnings of the year, the accumulated surplus earnings of the previous years and the capital structure as well as the future operation demand. The policy of dividend distribution will take funding demand and dilution of surplus earnings per share into account, and both the stock dividend as well as the cash dividend will be distributed together. The ratio of cash dividend distributed will not be lower than twenty percent (20%) of the total dividend distributed of the year.

##### B. Proposed Distribution of Dividend

Unit: NT\$

| Year | Date for BoDs to Approve Distribution of Dividend | Shareholders' Meeting                  |                           |                        |
|------|---|--|---------------------------|------------------------|
|      |   | Cash Dividend                          | Capital Surplus (in Cash) | Share Dividend         |
| 2020 | 2021.03.25  | NT\$134,248,663<br>(NT\$0.5 per share) | 0<br>(NT\$0 per share)    | 0<br>(NT\$0 per share) |

Note: The ratio of distribution per share is calculated based on the outstanding stock on March 3, 2021. It is 268,497,325 shares in total.

##### C. Major Change in the Dividend Policy: None.

#### 4.1.7 Impact of Stock Dividend on Business Performance and Earnings per Share: N/A.

#### 4.1.8 Employee Bonus and Directors' Remuneration

##### A. Information Relating to Employee Bonus and Directors' Remuneration in the Articles of Incorporation

- (1) 10 %~20% as a bonus for employees.
- (2) Not exceeding 2% as compensation for directors.

##### B. The Estimated Basis for Calculating the Employee Bonus and Directors' Remuneration: None.

##### C. Profit Distribution for Employee Bonus and Directors' Remuneration for Approved in Board of Directors Meeting

- (1) The proposal of retained earnings distribution has been approved by the Board of Directors on May 07, 2021, and the compensation for the employees is NT\$31,623,898 and the compensation for the directors is NT\$4,216,519. It's proposed to distribute the compensation by cash after the approval of the general shareholders' meeting. The proposed amount of the compensation for the employees, directors is the same as the estimated amount of recognition fees of the year.
- (2) The Ratio of Employees' Remuneration by Stock to Net Income after Tax and Employees' remuneration in Individual financial Statements: N/A.

##### D. Information of 2019 Earnings Set Aside for Employee Bonus and Directors' Remuneration: None.

#### 4.1.9 Buyback of Treasury Stock

##### A. Repurchases already completed

April 19, 2021

| Treasury stocks: Batch Order   | The 9 <sup>th</sup> Batch<br>( 1 <sup>st</sup> of 2020) | The 10 <sup>th</sup> Batch |
|--|---|----------------------------|
| Purpose of buy-back  | Transfer to employees                                   | Transfer to employees      |
| Timeframe of buy-back  | 2020/2/3-2020/3/19                                      | 2020/4/13-2020/5/21        |
| Price range  | NT\$20-28   | NT\$18-25                  |
| Class, quantity of shares repurchased  | Common shares 8,000,000                                 | Common shares 3,000,000    |
| Value of shares repurchased<br>(in NT\$ thousands)                                   | NT\$145,952,950   | NT\$63,231,863             |
| Quantity of repurchased shares as a percentage of total shares to be repurchased (%) | 100%  | 37.5                       |
| Shares sold/transferred  | 0 share   | 0 share                    |
| Accumulated number of company shares held  | 8,000,000   | 11,000,000                 |
| Percentage of total company shares held (%)  | 2.86%   | 3.93%                      |

B. Any repurchase still in progress : None

4.2 Bonds: None.

4.3 Preferred Stock: None.

4.4 Global Depository Receipts: None.

4.5 Employee Stock Options

4.5.1 Issuance of Employee Stock Options: None

4.5.2 List of Executives Receiving Employee Stock Options and the Top Ten Employees with Stock Options: Non

## 4.6 Restricted Employee Shares

### 4.6.1 Issuance of New Restricted Employee Shares

April 19, 2021; unit: NT\$

| Type of New Restricted Employee Shares  | Issuance of 2018   | Issuance of 2019 |
|---|--|------------------|
| Date of Effective Registration  | 2019.05.27   | 2019.07.04       |
| Issue Date  | 2019.08.29 、 2020.02.25 、 2020.05.12   |                  |
| Number of New Restricted Employee Shares Issued (Thousand Shares)                                 | 2,826  | 2,936            |
| Issued Price (NT\$)   | NT\$0  | NT\$0            |
| New Restricted Employee Shares as a Percentage of Shares Issued (Note )                           | 1.01%  | 1.05%            |
| Vesting Conditions of New Restricted Employee Shares  | If the employees are still on duty and the personal performance of the year are at least B plus or more than B plus as well as the employee has followed the relevant working rules of the Company, the ratio for the employees to acquire new restricted employee shares is as follows:<br>One year after issuance: 40% of acquired shares;<br>Two years after issuance: 30% of acquired shares;<br>Three years after issuance: 30% of acquired shares. |                  |
| Restricted Rights of New Restricted Employee Shares   | 1. If the employees have acquired new restricted employee shares before the fulfillment of the conditions, new restricted employee shares are not able to sell, pledge, transfer, offer as a gift, set the mortgage or dispose in some other ways.<br>2. The attendance of shareholders' meeting, voting rights and some other rights of shareholders will be managed by the trust custodian institution.  |                  |
| Custody Status of New Restricted Employee Shares  | Trust custodian institution will take care of the shares before the fulfillment of duration mentioned above.   |                  |
| Measures to be Taken When Vesting Conditions Are Not Met  | Except the trust custodian limitation mentioned above, the rights of the new restricted employee shares are all the same as the issued common shares of the Company.   |                  |
| Number of New Restricted Employee Shares that Have Been Redeemed or Bought Back (Thousand Shares) | 170  | 262              |
| Number of Released New Restricted Employee Shares (Thousand Shares)                               | 1,062  | 1,037            |
| Number of Unreleased New Restricted Shares (Thousand Shares)                                      | 1,594  | 1,637            |
| Ratio of Unreleased New Restricted Shares to Total Issued Shares (%) (Note 1)                     | 0.57%  | 0.59%            |
| Impact on Possible Dilution of Shareholdings  | The influence on the Company's EPS is limited, hence there's no material impact on the shareholder's equity.   |                  |

Note : Calculated according to issued shares on April 19, 2021 (279,497,325 shares)

4.6.2 List of Executives Receiving New Restricted Employee Shares and the Top Ten Employees with New Restricted Employee Shares

April 19, 2021; unit: Thousand shares; NT\$ thousand

| Title            | Name      | Number of New Restricted Shares | New Restricted Shares as a Percentage of Shares Issued (Note 1) | Released         |                     |                         | Unreleased   |                  |                     | Unreleased Restricted Shares as a Percentage of Shares Issued (Note 1) |                         |       |
|------------------|-----------|---------------------------------|---|------------------|---------------------|-------------------------|--|------------------|---------------------|--|-------------------------|-------|
|                  |           |                                 |   | Number of Shares | Issued Price (NT\$) | Amount (NT\$ Thousands) | Released Restricted Shares as a Percentage of Shares Issued (Note 1) | Number of Shares | Issued Price (NT\$) |  | Amount (NT\$ Thousands) |       |
| Managers         | CEO       | 1,090                           | 0.39%   |                  |                     |                         |  |                  |                     |  |                         |       |
|                  | VP        |                                 |   | Alex Hsia        |                     |                         |  |                  |                     |  |                         |       |
|                  | VP        |                                 |   | Belle Liang      |                     |                         |  |                  |                     |  |                         |       |
|                  | VP        |                                 |   | Vincent Kao      |                     |                         |  |                  |                     |  |                         |       |
|                  | VP        |                                 |   | Kenny Li         |                     |                         |  |                  |                     |  |                         |       |
|                  | VP        |                                 |   | Kevin Chen       | 436                 | 0.16%                   | 0  | 654              | 0                   | 0  | 0                       | 0.23% |
|                  | VP        |                                 |   | CC Lee           |                     |                         |  |                  |                     |  |                         |       |
|                  | VP        |                                 |   | Leo Tseng        |                     |                         |  |                  |                     |  |                         |       |
|                  | VP        |                                 |   | James Chien      |                     |                         |  |                  |                     |  |                         |       |
|                  | VP        |                                 |   | Samuel Wu        |                     |                         |  |                  |                     |  |                         |       |
| VP               | Peggy Hsu |                                 |   |                  |                     |                         |  |                  |                     |  |                         |       |
| Top 10 Employees |           | 1,210                           | 0.43%   | 484              | 0                   | 0                       | 726  | 0                | 0                   | 0.26%  |                         |       |

Note 1: Calculated according to issued shares on April 19, 2021 (279,497,325 shares).-

Note 2: Top ten employees with new restricted employee shares are: Jia-Tzung Chiang, Hong-Long Jhou, Jie-Sheng Lin, Jin-Cheng Chiou, Tzu-Yu Shia, Shih-Syue Chen, Guo-Jhang Chen, Jheng - Dao Yang, Shih-Chang Jia, Shih-Chang Han (Arrange in last name's alphabetical order)

4.7 Status of New Shares Issuance in Connection with Mergers and Acquisitions: None.

4.8 Financing Plans and Implementation: Non

## V. Operational Highlights

### 5.1 Business Activities

#### 5.1.1 Business Scope

##### A. Main Business Operations

Altek Corporation, founded in 1996, has been deeply involved in the imaging field for more than 25 years. In the past, the Company was one of the top three digital camera manufacturers in the world, and it actively deploys the artificial intelligence vision technology (Vision AI) in recent years. The core technology of Altek Corporation is visual image technology, which integrates vision, algorithm and proprietary-developed chip hardware/software integration service, providing one-stop visual AI solution for hardware manufacturing. The product applications include fields in the multi-lens camera module, in-vehicle system, and chip design (ASIC). In recent years, Altek stepped into Artificial Intelligence of Thing, smart automobiles, medical image, 3D sensor, and AI chip technology. The Company has become one of the few solution providers in the industry with complete hardware/software systems, top-notch visual image processing technology, and AI chip development and algorithm.

##### B. Revenue Distribution

Unit: NT\$ thousand

| Major Divisions                      | Total Sales in Year 2020 | (%) of Sales |
|--------------------------------------|--------------------------|--------------|
| Digital Imaging-related Applications | 6,102,675                | 100.00%      |

##### C. New Product Development

- (1) Disposable medical endoscope and image processing system.
- (2) New-generation ultra-low power consumption deep learning AI chip, upgraded AI+ISP smart image solution.
- (3) Vehicle safety real-time monitoring system.
- (4) DMS smart driving security and control system.
- (5) Smart factory 5G mmWave safety warning system.
- (6) 5G smart safety and control system.
- (7) Advanced AI videoconference system.
- (8) New-generation smartphone ultra-wide-angle lens ISP image processing technology.
- (9) New-generation smartphone purple-fringing IPS image processing technology.
- (10) Videoconferencing ISP image processing technology for laptop computers.

### 5.1.2 Industry Overview

#### A. Current Status, Development and Competition

As the leading company in digital image, the Company actively transforms from a digital camera optical factory to an AI image solution provider in recent years. As the global 5G applications form, the ecosystem of Artificial Intelligence (AI) and Internet of Thing (IoT) integrated into the AIoT (AI + IoT) also settles. Altek Corporation applies its leading technology in the optical image into the commercial application of AIoT and 5G, with aggressive marketing in Vision AI, Smart Car, and high-end Medical imaging. The transformation significantly increases the profitability of Altek Corporation while acquiring product synergy in integration and thereby improving the overall customer experience to increase revenue.

The increasingly mature technology of artificial intelligence (AI) is not rising demand for smart homes, smart safety and control, self-driving cars, and precision medical care, compared with the previous applications in cameras and video cameras that emphasize image quality. Moreover, AIoT and 5G development, as well as Vision AI, have become popular trends, which eventually overthrow the conventional optical lens industry. The scope of innovation application expands to retail, manufacturing, medical care markets, and turning into the next new Blue Ocean.

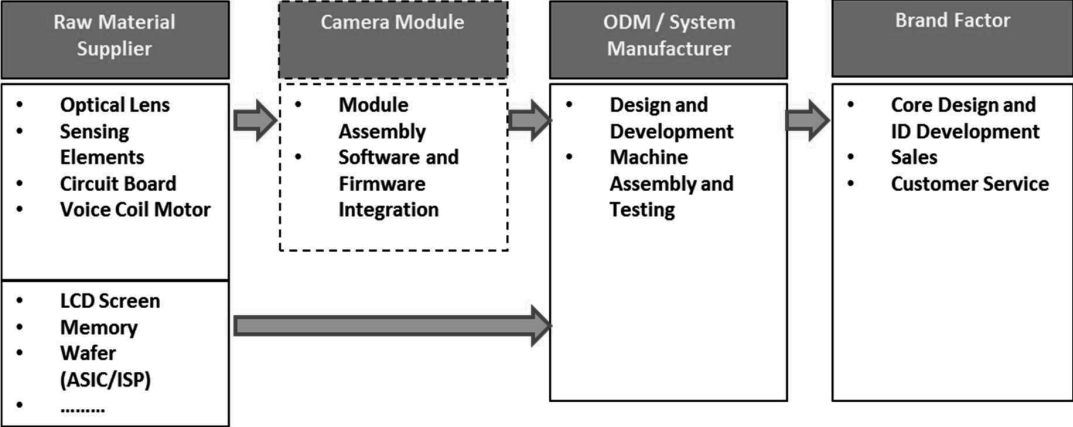
According to the prediction made by Frost & Sullivan, there will be about 50 billion networking devices in the world by 2025, including wearable devices, smart homes, smart factories, smart cities, and other applications of IoT, and due to the 5G features high-speed, low latency, and broadband, which open network architecture drives the reform in global industries and momentum in innovation and R&D, accelerating the transformation of industry digitalization with the total upgrade.

Altek has been constantly transforming and upgrading in recent years. As the partner to the global wireless technology innovator of the 5g ecosystem-Qualcomm, Altek Corporation provides high-quality 4K visual image processing capacity with powerful AI to play the key role in AIoT. The products can satisfy 5G generation AIoT devices with the rigorous requirement in chipsets, platform, and visual image hardware solutions, so that customer products can be applied vertically with relevant technology under 5G environment through seamless integration, which will upgrade products faster and satisfy global clients in terms of AI image demand, thereby creating a win-win situation and grasping the opportunity to take share in global 5G market.

Looking around the market, the Company is one of the few providers for clients in multiple domains, from upstream to downstream industries including IP licensing, algorithm software, chip design, multi-lens camera module, 3D sensor module, system product ODM, and other total solutions. Nonetheless, due to the increasing importance of digital image, other competitors are also drawn to this market. Apart from an algorithm company with the independent operation and chip developers, other brand companies of larger size also join the industry to develop proprietary technology.

**B. Relevance of Upstream, Midstream, and Downstream**

The application of digital imaging products is diversified, and it is gradually developing towards multi-lens and artificial intelligence. Some end products, such as smart phones, are equipped with photographing feature because of camera lens modules. The following figure illustrates how the digital imaging industry operates in overall:



**C. Product Development Trend**

With the evolution of consumer lifestyle, digital imaging has already penetrated into everyone's daily life. From smart phones owned by individuals to cars found in every household, and from home and business surveillance to professional medical diagnosis, digital imaging is everywhere and its applications are springing up. The overall product trend is changed from viewing function that emphasized image quality in the early days to sensing that can make intelligent judgment of various facets such as shape, volume, color, moving speed and distance. Altek is the leader of AI visual imaging and plays the eyes of AIoT (Artificial Intelligence Internet of Things). To respond the upcoming 5G widespread will promote the key technology of AIoT popularization. In the Internet of Vehicles section, AIoT will be applied to products related to AI DMS & AI Dash Cam. In terms of Cloud and Edge computing and the "edge layout", VR / AR / XR killer

application key-3D sensing technology of three giants, Altek AI BOX, Azure and AWS , Altek independently develops key technologies of the AI chip edge computing with ultra-lowconsumption and that of the 3D sensing, applying the Altek AI CAM and smartphone camera modules and algorithms that enables the AIoT to realize the application specific scenarios on the smartphones, smart homes and smart factories.

### 5.1.3 Research and Development.

#### A. Research and Development Expenses

Unit: NT\$ thousand

| Item              | 2020      | 2021 (as of March 31) |
|-------------------|-----------|-----------------------|
| Total R&D Expense | 1,058,505 | 306,793               |
| % to Revenue      | 17%       | 15%                   |

- (1) Disposable medical endoscope and image processing system.
- (2) Ultra-low power consumption deep learning AI chip.
- (3) Advanced commercial AI car fleet management system (ADAS/DMS).
- (4) Front-rear dual-lens vehicle monitoring system.
- (5) New-generation smartphone AI +ISP image processing chip and algorithm.
- (6) New-generation smartphone ultra-wide-angle lens ISP image processing technology.
- (7) New-generation smartphone purple-fringing IPS image processing technology.
- (8) 4K AI Webcam.

#### C. Ongoing Research and Development Projects and Expenses

In addition to developing extended products, Altek will constantly pay close attention to the industrial trend and increase the investment in technologies and applications with potential for development. If there is no significant change, it is estimated that the annual consolidated R&D expenses will account for more than 10% of the consolidated turnover.

The major R&D projects and progress for 2021 are described as follows:

| Ongoing R&D Project   | Expected Completion time   |
|---|----------------------------|
| Ultra-low power consumption deep learning AI chip solution.   | Before the end of Q3, 2021 |
| New-generation advanced smartphone ISP image processing chip. | Before the end of Q1, 2021 |

| Ongoing R&D Project   | Expected Completion time   |
|---|----------------------------|
| New-generation advanced smartphone ultra-wide-angle lens image processing algorithm.                          | Before the end of Q3, 2021 |
| New-generation advanced smartphone ultra-wide-angle lens image processing algorithm.                          | Before the end of Q3, 2021 |
| New-generation advanced smartphone purple-fringing image processing algorithm solution.                       | Before the end of Q3, 2021 |
| Laptop video image processing algorithm solution.   | Before the end of 2021     |
| LTE vehicle AI monitoring   | Before the end of 2021     |
| 5G AI factory security and control system.  | Before the end of Q3, 2021 |
| IoV Real-time warning.  | Before the end of 2021     |
| AI Webcam System.   | Before the end of Q2, 2021 |
| The New Generation of Medical surgical high-precision endoscopes for single use and image processing systems. | Before the end of Q2, 2022 |

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

##### A. Short-term Business Development Plan

- (1) Strengthen partnership with existing customers, ensure product quality and delivery, and expand product lines
- (2) Continue to form a strategic alliance with international companies and jointly expand into new clients worldwide.
- (3) Actively participate in important international exhibitions to enhance company visibility and exposure.
- (4) Continue to cooperate closely with supply chain and jointly develop cost-improving solutions.
- (5) Strengthen industry connection and supply chain to optimize material supply management.
- (6) Integrate internal resources and R&D resources to maintain advantages in technical competitiveness.
- (7) Key account management and maintain cooperation with industry indicator customers.

## B. Mid and Long-term Business Development Plan

- (1) Continue to innovate and develop more competitive new- generation products.
- (2) Strengthen strategic alliances with top manufacturers worldwide to develop various business opportunities.
- (3) Develop advanced products and technologies to increase differentiation and barriers to entry.
- (4) Strengthen strategies for international development and increase market visibility and market share.
- (5) Recruit and retain outstanding talents actively to reserve the capacity for product research and business development.
- (6) Expand the cooperation with major car manufacturers and Tier 1 suppliers.
- (7) Upgrade upstream/downstream industry alliance and associate relations.

## 5.2 Market and Sales Overview

### 5.2.1 Market Analysis

#### A. Major Sales Region

In 2020, Altek's major sales region is Asia, accounting for 58% of the consolidated sales, followed by America (25%) and Europe (17%).

#### B. Market Share

Altek offers a full range of digital imaging solutions (including IP licensing, algorithm software, chip design, dual (multi-) lens camera modules, and ODM for system products), and there is no data available to estimate the market share by now.

#### C. Market Supply/Demand and Growth in the Future

Due to the increasing importance of digital imaging, it has attracted competitors such as algorithm software companies and chip developers to join the market and top brands to develop their own technologies. On the other hand, the authorities in China are supporting their local manufacturers, so the competition among the suppliers of key components such as chips, software and lens modules, is also intense. In the future, Altek has to not only make continuous improvement in product specifications and technology, but increase competitiveness in technical services and cost control as well.

#### D. Competitive Niche

##### (1) In-depth algorithm software

Altek has invested in in-depth algorithm software for many years and obtained various patents in Taiwan, China, and the U.S. Our in-depth imaging technology has won recognition and cooperation from mobile phone manufacturers in China, American semiconductors and major technology manufacturers.

## (2) Imaging chips

Altek's chip design team has developed more than 10 generation imaging chips successfully, including the 3D sensing depth chips commissioned by the US semiconductor manufacturers, and more than 200 million end products have been equipped with our imaging chips.

## (3) Optical processing technology and system integration

Altek has developed and produced cameras for international customers for over 20 years. Having been the world's largest DSC ODM and owning an optical team, Altek provides customized design with strong technical development, system integration and mass production capabilities.

## (4) Complete digital imaging solution

Altek offers one-stop shopping customized service and quickly responds to customers' needs, from product development to mass production, in a timely manner. Altek effectively assists customers to get ahead of the market.

## E. Advantages, Disadvantages and Countermeasures for Prospects

### (1) Advantages

- a. Digital imaging is playing an increasingly important role in various fields, so the industry outlook is promising.
- b. The digital image is developing towards 3D sensing and AI in vision applications, and the technical level is improved. Altek's depth images computing technology is in the leading position in the industry and owns excellent competitiveness.
- c. Altek offers a full range of digital imaging solutions and assists customers, from product development to mass production, to lead in the market in a timely manner.

### (2) Disadvantages and Countermeasures

- a. With the ever-changing development of technology, requirements for specifications and functions are getting higher and higher, causing the pressure to cut down prices from time to time and shorter life cycles of products.

#### Countermeasure:

Altek will actively recruit and retain outstanding talents, enhance its capacities for product R&D and market resilience, and actively develop new technologies and new products with longer life cycles and higher barriers to entry.

- b. Intense industry competition

As the importance of digital images is increasing, it also attracts other competitors to join the market. In addition to some major European and American manufacturers, China is fostering its local enterprises at the same time, making the competition much more intense.

#### Countermeasure:

Altek will develop advanced products and technologies to increase differentiation and barriers to entry.

## 5.2.2 Purpose and Production Process of Major Products

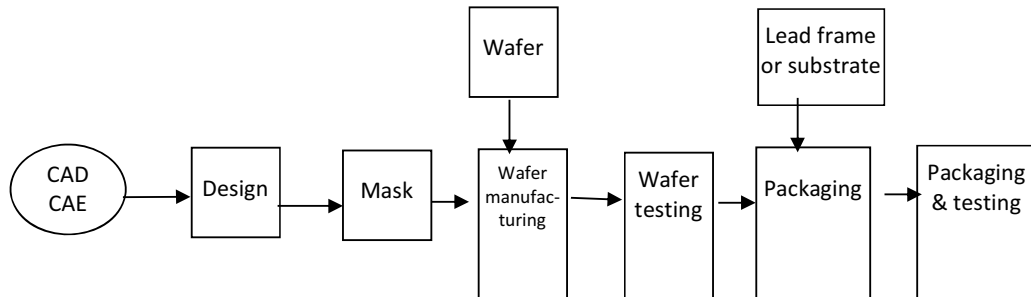
### A. Digital Imaging Chip

#### (1) Major purpose

Digital imaging chips can be applied to general consumer products, smartphone imaging, safety control products, automotive electronics and medical electronics. They have features such as face detection/tracking, face recognition, anti-shake, lens compensation, etc., and will be equipped with deep learning capacities to provide a combination of entry-level to high-end multi-image chips.

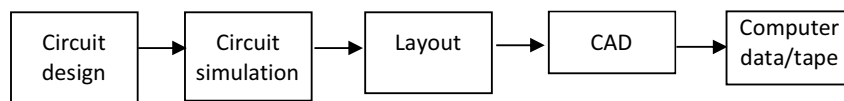
#### (2) Production process

The process of developing each chip from design to finished product is as follows:



##### a. Design procedure

The IC design process is based on product specifications, and the design engineer will convert the circuits into drawings for mass production by means of CAD and other auxiliary tools, which then will be produced by the wafer foundry.



##### b. Mask procedure

Circuits completed by IC designers are saved in tapes through database and delivered to the mask manufacturers. The production process composes of four stages: Glass Process, Cr Film Coating, Resist Coating and Shipping. Completed masks will be delivered to the wafer foundry for production.

##### c. Wafer production procedure

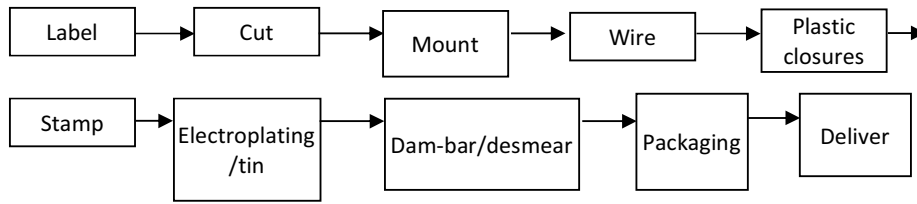
Wafer manufacturing is entrusted to professional foundries. After being taken offline, wafers are processed through etching, photo, thin film, and diffusion process areas in the module with masks to complete the fabrication. Completed wafers will be electrically tested, and qualified wafers will then be delivered.

##### d. Wafer testing procedure

Wafer testing is required for the finished wafer, which mainly tests whether the electrical function is normal, and wafers of good quality or of poor quality will be marked respectively.

##### e. Packaging procedure

The good-quality tested wafers will be sent for IC packaging. The packaging procedure is as follows:

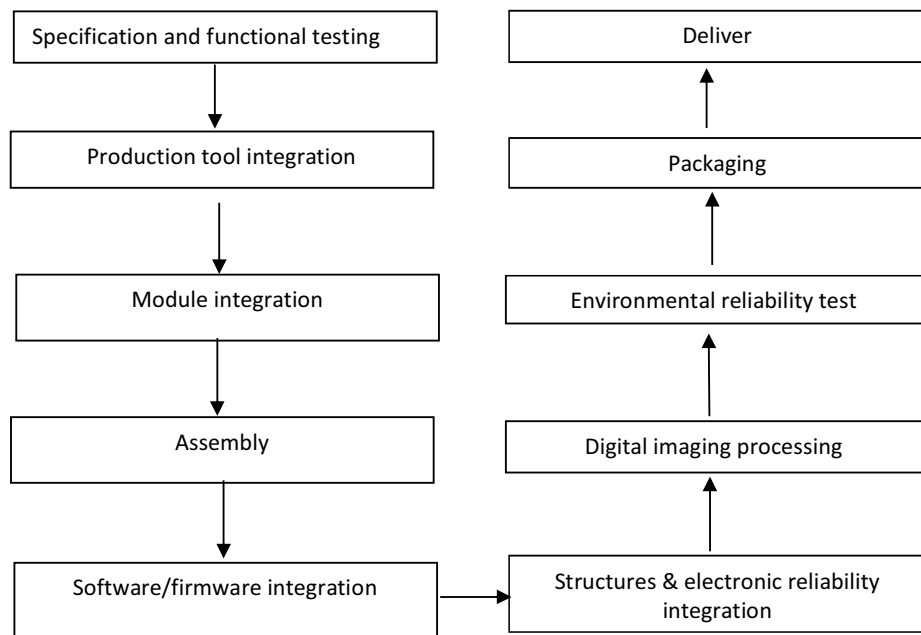


## B. Digital Imaging Solution

### (1) Major purpose

Images recording, information sharing on social media, webcast, virtual reality, face recognition, security monitoring, etc.

### (2) Production process



### 5.2.3 Major Suppliers

Altek has maintained a good relationship with major suppliers to control sources of materials, shorten delivery, improve material quality, and reduce risks. Altek also reaches an agreement with major suppliers and according the market supply and demand to review price in order to establish safe inventory for the optimization of quality, delivery, and cost.

5.2.4 Major Customers

A. Major Suppliers in the Last Two Calendar Years

Unit: NT\$ thousand

| Name  | 2019      |                |                      | 2020  |           |                | 2021 (as of March 31) |       |           |                |                      |
|-------|-----------|----------------|----------------------|-------|-----------|----------------|-----------------------|-------|-----------|----------------|----------------------|
|       | Amount    | Percentage (%) | Relation with Issuer | Name  | Amount    | Percentage (%) | Relation with Issuer  | Name  | Amount    | Percentage (%) | Relation with Issuer |
| A     | 578,020   | 12.15          | None                 | A     | 503,916   | 11.76          | None                  | A     | 164,436   | 10.90          | None                 |
| B     | 339,795   | 7.15           | None                 | B     | 382,283   | 8.92           | None                  | B     | 166,044   | 11.01          | None                 |
| Other | 3,838,034 | 80.70          | None                 | Other | 3,399,118 | 79.32          | None                  | Other | 1,177,564 | 78.09          | None                 |
| Total | 4,755,849 | 100.00         | —                    | Total | 4,285,317 | 100.00         | —                     | Total | 1,508,044 | 100.00         | —                    |

The reason for the change: Altek is actively transforming and developing new suppliers by investing in new products.

B. Major Customers in the Last Two Calendar Years

Unit: NT\$ thousand

| Name  | 2019      |                |                      | 2020  |           |                | 2021 (as of March 31) |       |           |                |                      |
|-------|-----------|----------------|----------------------|-------|-----------|----------------|-----------------------|-------|-----------|----------------|----------------------|
|       | Amount    | Percentage (%) | Relation with Issuer | Name  | Amount    | Percentage (%) | Relation with Issuer  | Name  | Amount    | Percentage (%) | Relation with Issuer |
| a     | 2,260,160 | 36.52          | None                 | a     | 1,847,986 | 30.28          | None                  | a     | 676,833   | 34.17          | None                 |
| b     | 1,456,770 | 23.54          | None                 | b     | 1,475,849 | 24.18          | None                  | b     | 532,280   | 26.87          | None                 |
| c     | 824,539   | 13.32          | None                 | c     | 788,395   | 12.92          | None                  | c     | 253,683   | 12.81          | None                 |
| d     | 319,398   | 5.16           | None                 | d     | 573,397   | 9.40           | None                  | d     | 213,647   | 10.78          | None                 |
| Other | 1,328,485 | 21.46          | None                 | Other | 1,417,048 | 23.22          | None                  | Other | 304,420   | 15.37          | None                 |
| Total | 6,189,352 | 100.00         | —                    | Total | 6,102,675 | 100.00         | —                     | Total | 1,980,863 | 100.00         | —                    |

The reason for the change: Altek has been actively transitioning; due to different sales of products, the customer's ranking has changed slightly.

### 5.2.5 Production in the Last Two Years

Unit: Thousand; NT\$ thousand

| Year                                 | 2019     |          |           | 2020     |          |           |
|--------------------------------------|----------|----------|-----------|----------|----------|-----------|
|                                      | Capacity | Quantity | Value     | Capacity | Quantity | Value     |
| Major Products                       |          |          |           |          |          |           |
| Digital Imaging-related Applications | 7,200    | 5,177    | 5,078,508 | 7,300    | 5,106    | 4,986,785 |

Note: Due to variety kinds of products in various forms and the various sizes, the comparison in quantity has no significant meanings.

### 5.2.6 Shipments and Sales in the Last Two Years

Unit: Thousand; NT\$ thousand

| Year                                 | 2019     |        |          |           | 2020     |         |          |           |
|--------------------------------------|----------|--------|----------|-----------|----------|---------|----------|-----------|
|                                      | Local    |        | Export   |           | Local    |         | Export   |           |
|                                      | Quantity | Amount | Quantity | Amount    | Quantity | Amount  | Quantity | Amount    |
| Major Products                       |          |        |          |           |          |         |          |           |
| Digital Imaging-related Applications | 13       | 46,824 | 5,024    | 6,142,528 | 19       | 123,074 | 4,903    | 5,979,601 |

Note: Due to variety kinds of products in various forms and the various sizes, the comparison in quantity has no significant meanings.

### 5.3 Human Resources

| Year                     |                          | 2019 | 2020 | March 31, 2021 |
|--------------------------|--------------------------|------|------|----------------|
| Number of Employees      | Direct and Indirect      | 424  | 463  | 449            |
|                          | Management               | 8    | 8    | 9              |
|                          | Total                    | 432  | 471  | 458            |
| Average Age              |                          | 41.7 | 41.7 | 42.7           |
| Average Years of Service |                          | 8.1  | 8.1  | 8.0            |
| Education (%)            | Ph.D.                    | 3.7  | 3.4  | 3.5            |
|                          | Master                   | 58.2 | 56.1 | 55.4           |
|                          | Bachelor's Degree        | 35.6 | 37.6 | 38.7           |
|                          | Senior High School       | 2.3  | 2.5  | 2.0            |
|                          | Below Senior High School | 0.2  | 0.4  | 0.4            |

### 5.4 Environmental Protection Expenditure

#### 5.4.1 Total Losses and Penalties

The loss or penalty caused by environmental pollution during the latest year and up to the printing date of this annual report: None.

#### 5.4.2 Countermeasures and Possible Expenditure

Altek is a high-tech company located in Hsinchu Science Park, consuming very limited pollution. Altek strictly obeys environmental protection regulations. No environmental protection and safety penalty occurred from Altek and its subsidiaries.

### 5.5 Labor Relations

#### 5.5.1 Implementation and Maintenance of Employee Benefits, Training, and Pension System and Labor Agreements

##### A. Employee benefits

Since its establishment, Altek has implemented the people-oriented management by valuing and caring for employees and continuously providing comprehensive benefits based on the Labor Pension Act and the Labor Standards Act.

Altek employees enjoy a comprehensive benefits package and annual sick and maternity leave terms and flexible vacation rights that are significantly above the standard set in the Labor Law. Employees enjoy coverage under national Labor and Health Insurance schemes as well as group insurance coverage – well above Labor Law requirements.

Employees work flexible hours that fit in with their priorities and needs. Altek schedules regular employee health check and provides special monetary disbursements for weddings, births, hospitalization and funerals. Altek employees are also entitled to join in annually organized company outings, sports events and athletic competitions.

Special gifts or 'red envelopes' find their way to every employee to help celebrate his or her birthday. Special birthday discounts and awards are also provided by specially designated retailers.

##### B. Employee Training

Talents are the most important assets of the Company. Thus, developing employees' knowledge and skills through properly planned resources and improving their productivity is the crucial task for the Company. Altek arranges annual training plans to address the professional needs of its employees, the professional skills training targets of management and the overall strategic objectives of the organization. Training for individuals, jobs and the organization strikes an optimal balance that gives every employee a tailored training schedule that is solid, well-rounded and targeted on enhancing and expanding skill sets. To provide better training quality, a feedback survey is conducted for the reference to subsequent training planning. Meanwhile, Altek also encourages employees to participate in external training programs, such as seminars, professional courses, and advanced study, by providing subsidies, so as to expand employees' self-development and work potential.

The number of training programs held in 2020 totaled 2,725 hours, with 1,018 trainees and at the cost of NT\$202,329. The results of training programs are shown below:

Unit: NT\$

| Item                                | Number of Trainees | Hours | Expense |
|-------------------------------------|--------------------|-------|---------|
| Professional Training               | 464                | 1,492 | 202,329 |
| Employee Safety and Health Training | 143                | 429   |         |
| Quality Training                    | 231                | 360   |         |
| Generic Training                    | 84                 | 107   |         |
| New Employee Orientation            | 76                 | 246   |         |
| External Training                   | 20                 | 91    |         |
| Total                               | 1,018              | 2,725 |         |

Training programs are divided into:

(1) Professional Training

Professional training courses are held to improve employee's professional skills, productivity, and performance.

(2) Employee Safety and Health Training

Employee safety and health training courses are held in accordance with national industrial safety and health regulations to safeguard employees' health and safety at workplaces.

(3) Quality Training

The quality training courses are held to improve all employees' awareness of quality and promote the provision of products of the best quality that meets customers' needs.

(4) Generic Training

The generic training courses are held to improve employees' language and computer skills and develop their potentials for the purpose of achieving the Company's overall business objectives.

(5) New Employee Orientation

The new employee orientation is held by Human Resource Division to help new recruits adapt to the Company's systems, environment, and information security.

### C. Pension System

The pension system is implemented in accordance with the Labor Pension Act and the Labor Standards Act. The labor retirement reserve is appropriated monthly. The pension systems of subsidiaries are implemented according to related local laws and regulations.

| Pension System          | Old System  | New System  |
|-------------------------|---|---|
| Applicable Law          | Labor Standards Act   | Labor Pension Act   |
| Method of Appropriation | 2% of the monthly salary is appropriated and deposited in the Bank of Taiwan in the name of the Supervisory Committee of Business Entities' Labor Retirement Reserve. | At least 6% of the monthly salary is appropriated to the employee's personal account in Bureau of Labor Insurance, Ministry of Labor. |
| Amount of Appropriation | The balance of the labor retirement reserve is NT\$44,573 thousand.   | The pension recognized in 2020 was NT\$13,806 thousand.   |

### D. Labor Agreement

The Company and its subsidiaries have established mechanisms and channels of regular communication with employees and hold employee communication meetings from time to time to ensure smooth communication. No labor-related dispute occurs.

The Company has established the Working Rules based on the Labor Standards Act and the Working Rules have been approved by the Hsinchu Science Park Bureau.

### E. Code of Conduct or Code of Ethics

- (1) Employees shall work in accordance with the Company's policies and regulations, abide by supervisors' proper guidance, and have strong willingness to work and deliver good quality; supervisors shall provide guidance for employees in a cordial manner. Employees shall report their duties to their superiors.
- (2) Employees shall hold an active, gregarious, and enterprising attitude toward work with a proactive point of view. Employees shall perform their duties reliably without any delay or procrastination. During working hours, employees are not allowed to leave their posts without permission.
- (3) Employees shall take self-esteem, self-respect, and self-discipline seriously, act honestly, thriftily, and politely, and show respect to others.
- (4) Employees are not allowed to browse documents, letters, technologies, and business that are not under their management without permission.
- (5) Employees shall not disclose, tell, deliver, or transfer, or publish or release trade secrets known or held by themselves at their posts; without the Company's written consent, employees are not allowed to operate or participate in business of their

own or any third party that is related or similar to the Company's business. Rights and liabilities of employment and confidentiality are governed by the Company's Employment Contract and Confidentiality Contract separately.

- (6) Employees shall not accept rebate or other illegal benefits due to convenience of duties or take advantage of their duties to make profit for themselves or others.
- (7) Employees shall not disclose confidential information on personal salaries on purpose or inquire about salaries of others.
- (8) Employees shall not bring ammunition, swords, and guns, dangerous goods, contraband or objects irrelevant to the public goods of production to the workplaces or carry away any public goods from the Company without permission.
- (9) Employees shall keep the workplace and the surroundings safe and clean in accordance with the occupational safety and health laws and regulations and the Company's policies and prevent burglary, fire, or other natural disasters from happening.

#### F. Safeguard for the Workplace and Employees' Safety

- (1) Environmental improvement and maintenance of environmental conditions  
The maintenance of the facilities and equipment at the workplace will be designed from time to time to create a comfortable and safe working environment.
- (2) Safety training  
The training course on fire and emergency drills will be carried out annually to minimize the loss of property in case of emergency.
- (3) Health management  
Cleaning, disinfection, and garbage recycling are carried out at the workplace to avoid the growth of mosquitos and bacteria.
- (4) Environment and safety management:  
The visitor needs the ID card issued by the company in order to access the control door. The security guard will check the ID card then the visitor is able to enter the Company.

5.5.2 Loss Caused by Labor-related Disputes, Estimations and Countermeasures: None.

## 5.6 Important Contracts

| Agreement  | Counterparty   | Period                    | Major Contents               | Restrictions  |
|------------|--|---------------------------|------------------------------|---|
| Land Lease | Hsinchu Science Park Bureau,<br>Ministry of Science and Technology | 2019.08.01~<br>2027.12.31 | Renting Scientific Park Land | Need to comply with related management Regulations. |

## VI. Financial Information

### 6.1 Five-Year Financial Summary

#### 6.1.1 Condensed Balance Sheet

##### A. Consolidated Condensed Balance Sheet – Based on IFRS

Unit: NT\$ thousand

| Year  |                     | 2016       | 2017       | 2018       | 2019       | 2020       | March 31, 2021<br>(Note 1) |
|---|---------------------|------------|------------|------------|------------|------------|----------------------------|
| Current Assets                              |                     | 10,051,522 | 10,213,502 | 11,685,441 | 9,242,393  | 8,825,232  | 9,035,214                  |
| Property, Plant and Equipment               |                     | 4,657,848  | 4,426,156  | 4,146,896  | 3,899,427  | 3,827,322  | 3,810,361                  |
| Intangible Assets                           |                     | 92,917     | 121,538    | 100,142    | 153,541    | 215,261    | 192,022                    |
| Other Assets                                |                     | 424,845    | 287,775    | 337,991    | 790,073    | 1,850,331  | 1,770,137                  |
| Total Assets                                |                     | 15,227,132 | 15,048,971 | 16,270,470 | 14,085,434 | 14,718,146 | 14,807,734                 |
| Current Liabilities                         | Before Distribution | 5,613,869  | 5,042,892  | 5,420,670  | 4,157,293  | 4,937,281  | 4,906,819                  |
|   | After Distribution  | 5,829,465  | 5,178,070  | 5,557,675  | 4,297,087  | 5,071,530  | 4,906,819                  |
| Non-current Liabilities                     |                     | 580,270    | 520,854    | 1,188,219  | 711,415    | 757,012    | 775,730                    |
| Total Liabilities                           | Before Distribution | 6,194,139  | 5,563,746  | 6,608,889  | 4,868,708  | 5,694,293  | 5,682,549                  |
|   | After Distribution  | 6,409,735  | 5,698,924  | 6,745,894  | 5,008,502  | 5,828,542  | 5,682,549                  |
| Share Capital                               |                     | 2,739,788  | 2,738,188  | 2,740,113  | 2,753,613  | 2,794,973  | 2,793,415                  |
| Capital Reserve                             | Before Distribution | 1,862,914  | 2,256,692  | 2,262,397  | 2,280,487  | 2,335,226  | 2,347,461                  |
|   | After Distribution  | 1,862,914  | 2,256,692  | 2,262,397  | 2,280,487  | 2,335,226  | 2,347,461                  |
| Retained Earnings                           | Before Distribution | 4,462,922  | 4,259,236  | 4,278,647  | 4,224,806  | 4,244,447  | 4,140,064                  |
|   | After Distribution  | 4,247,326  | 4,124,058  | 4,141,642  | 4,085,012  | 4,110,198  | 4,140,064                  |
| Other Equity Interest                       |                     | (25,521)   | (302,339)  | (294,938)  | (615,359)  | (697,698)  | (710,154)                  |
| Treasury Stock                              |                     | (129,393)  | (96,138)   | –          | –          | (209,287)  | (209,287)                  |
| Equity Attributable to Owners of the Parent | Before Distribution | 8,910,710  | 8,855,639  | 8,986,219  | 8,643,547  | 8,467,661  | 8,361,499                  |
|   | After Distribution  | 8,695,114  | 8,720,461  | 8,849,214  | 8,503,753  | 8,333,412  | 8,361,499                  |
| Non-controlling Interests                   |                     | 122,283    | 629,586    | 675,362    | 573,179    | 556,192    | 763,686                    |
| Total Equity                                | Before Distribution | 9,032,993  | 9,485,225  | 9,661,581  | 9,216,726  | 9,023,853  | 9,125,185                  |
|   | After Distribution  | 8,817,397  | 9,350,047  | 9,524,576  | 9,076,932  | 8,889,604  | 9,125,185                  |

Note 1: The annual financial statements have been audited by CPAs; financial statements as of March 31, 2021 have been reviewed by CPAs.

Note 2: As of the date of this Annual Report, the earnings distribution of the Company for the Year 2020, in addition to the cash dividends resolved by the board of directors on March 25, 2021, the rest will be handled in accordance with the relevant regulations after the resolution of shareholders' meeting on June 17, 2021 is made.

B. Individual Condensed Balance Sheet – Based on IFRS

Unit: NT\$ thousand

| Year                          |                     | 2016       | 2017       | 2018       | 2019       | 2020       |
|-------------------------------|---------------------|------------|------------|------------|------------|------------|
| Item                          |                     |            |            |            |            |            |
| Current Assets                |                     | 2,545,463  | 1,710,815  | 1,620,586  | 1,490,928  | 1,370,057  |
| Property, Plant and Equipment |                     | 2,133,095  | 2,179,758  | 2,141,996  | 2,098,771  | 2,062,118  |
| Intangible Assets             |                     | 2,505      | 1,754      | 1,943      | 1,182      | 5,618      |
| Other Assets                  |                     | 9,766,424  | 9,630,848  | 9,771,378  | 9,522,625  | 9,703,656  |
| Total Assets                  |                     | 14,447,487 | 13,523,175 | 13,535,903 | 13,113,506 | 13,141,449 |
| Current Liabilities           | Before Distribution | 4,989,428  | 4,195,351  | 3,425,543  | 3,847,649  | 4,039,923  |
|                               | After Distribution  | 5,205,024  | 4,330,529  | 3,562,548  | 3,987,443  | 4,174,172  |
| Non-current Liabilities       |                     | 547,349    | 472,185    | 1,124,141  | 622,310    | 633,865    |
| Total Liabilities             | Before Distribution | 5,536,777  | 4,667,536  | 4,549,684  | 4,469,959  | 4,673,788  |
|                               | After Distribution  | 5,752,373  | 4,802,714  | 4,686,689  | 4,609,753  | 4,808,037  |
| Share Capital                 |                     | 2,739,788  | 2,738,188  | 2,740,113  | 2,753,613  | 2,794,973  |
| Capital Reserve               | Before Distribution | 1,862,914  | 2,256,692  | 2,262,397  | 2,280,487  | 2,335,226  |
|                               | After Distribution  | 1,862,914  | 2,256,692  | 2,262,397  | 2,280,487  | 2,335,226  |
| Retained Earnings             | Before Distribution | 4,462,922  | 4,259,236  | 4,278,647  | 4,224,806  | 4,244,447  |
|                               | After Distribution  | 4,247,326  | 4,124,058  | 4,141,642  | 4,085,012  | 4,110,198  |
| Other Equity Interest         |                     | (25,521)   | (302,339)  | (294,938)  | (615,359)  | (697,698)  |
| Treasury Stock                |                     | (129,393)  | (96,138)   | —          | —          | (209,287)  |
| Total shareholders' Equity    | Before Distribution | 8,910,710  | 8,855,639  | 8,986,219  | 8,643,547  | 8,467,661  |
|                               | After Distribution  | 8,695,114  | 8,720,461  | 8,849,214  | 8,503,753  | 8,333,412  |

Note 1: The financial data have been audited by CPAs.

Note 2: As of the date of this Annual Report, the earnings distribution of the Company for the Year 2020, in addition to the cash dividends resolved by the board of directors on March 25, 2021, the rest will be handled in accordance with the relevant regulations after the resolution of shareholders' meeting on June 17, 2021 is made.

Note 3: Altek made a simple merger with its subsidiary, Altek Autotronics, on June 30, 2017. The foregoing transaction belongs to the structural reorganization within the Group, where Altek Autotronics should be considered to be possessed by Altek from the very beginning and was consolidated. The 2017 individual financial statements were retrospectively renumbered when Altek prepared the 2018 individual financial statements. The 2017 financial ratio was calculated based on the reconstructed one.

## 6.1.2 Condensed Statement of Comprehensive Income/Condensed Statement of Income

### A. Consolidated Condensed Statement of Comprehensive Income—Based on IFRS

Unit: NT\$ thousand

| Item \ Year  | 2016       | 2017       | 2018       | 2019      | 2020      | March 31,<br>2021 |
|--|------------|------------|------------|-----------|-----------|-------------------|
| Operating Revenue  | 11,577,046 | 10,552,773 | 11,193,569 | 6,189,352 | 6,102,675 | 1,980,863         |
| Gross Profit from Operations                                   | 1,555,744  | 1,435,042  | 1,318,548  | 1,014,415 | 1,521,930 | 455,691           |
| Net Operating Income (Loss)                                    | 45,759     | 159,446    | 91,257     | (156,670) | 85,469    | 28,097            |
| Non-operating Income and Expense                               | 144,816    | (21,884)   | 209,763    | 188,092   | 155,968   | 39,689            |
| Income (Loss) before Tax                                       | 190,575    | 137,562    | 301,020    | 31,422    | 241,437   | 67,786            |
| Income (Loss) for Continued Operations                         | 100,108    | 49,587     | 173,150    | (3,853)   | 161,508   | 40,803            |
| Income (Loss) from Discontinued Operations                     | —          | —          | —          | —         | —         | —                 |
| Net Income (Loss)  | 100,108    | 49,587     | 173,150    | (3,853)   | 161,508   | 40,803            |
| Other Comprehensive Income (Income after Tax)                  | (438,440)  | (326,910)  | 27,123     | (314,268) | (78,291)  | (9,486)           |
| Total Comprehensive Income                                     | (338,332)  | (277,323)  | 200,273    | (318,121) | 83,217    | 31,317            |
| Net Income Attributable to Owners of the Parent                | 53,800     | 13,402     | 130,562    | 84,308    | 160,357   | 31,438            |
| Net Income Attributable to Non-controlling Interests           | 46,308     | 36,185     | 42,588     | (88,161)  | 1,151     | 9,365             |
| Comprehensive Income Attributable to Owners of the Parent      | (382,446)  | (306,223)  | 144,490    | (215,938) | 100,204   | 5,212             |
| Comprehensive Income Attributable to Non-controlling Interests | 44,114     | 28,900     | 55,783     | (102,183) | (16,987)  | 26,105            |
| Earnings (Loss) per Share (NT\$)                               | 0.20       | 0.05       | 0.48       | 0.31      | 0.60      | 0.12              |

Note: The annual financial statements have been audited by CPAs; financial statements as of March 31, 2021 have been reviewed by CPAs.

## B. Individual Condensed Statement of Comprehensive Income–Based on IFRS

Unit: NT\$ thousand

| Item \ Year                                   | 2016      | 2017      | 2018      | 2019      | 2020      |
|---|-----------|-----------|-----------|-----------|-----------|
| Operating Revenue                             | 4,239,343 | 4,459,078 | 3,902,992 | 3,967,656 | 3,241,557 |
| Gross Profit from Operations                  | 686,164   | 438,319   | 434,572   | 386,420   | 358,523   |
| Net Operating Income (Loss)                   | (327)     | (193,822) | (96,122)  | (115,844) | (196,872) |
| Non-operating Income and Expense              | 72,282    | 211,304   | 260,519   | 205,596   | 371,858   |
| Income (Loss) before Tax                      | 71,955    | 17,482    | 164,397   | 89,752    | 174,986   |
| Income (Loss) for Continued Operations        | 53,800    | 13,402    | 130,562   | 84,308    | 160,357   |
| Income (Loss) from Discontinued Operations    | —         | —         | —         | —         | —         |
| Net Income (Loss)                             | 53,800    | 13,402    | 130,562   | 84,308    | 160,357   |
| Other Comprehensive Income (Income after Tax) | (436,246) | (319,625) | 13,928    | (300,246) | (60,153)  |
| Total Comprehensive Income                    | (382,446) | (306,223) | 144,490   | (215,938) | 100,204   |
| Earnings (Loss) per Share (NT\$)              | 0.20      | 0.05      | 0.48      | 0.31      | 0.60      |

Note 1: The financial data have been audited by CPAs.

Note 2: Altek made a simple merger with its subsidiary, Altek Autotronics, on June 30, 2017. The foregoing transaction belongs to the structural reorganization within the Group, where Altek Autotronics should be considered to be possessed by Altek from the very beginning and was consolidated. The 2017 individual financial statements were retrospectively renumbered when Altek prepared the 2018 individual financial statements. The 2017 financial ratio was calculated based on the reconstructed one.

### 6.1.3 Auditors' Opinions from 2016 to 2020

| Year | CPA                                   | Accounting Firm        | Audit Opinion       |
|------|---------------------------------------|------------------------|---------------------|
| 2016 | Tien-Yi Li and Yu-Kuan Lin            | PricewaterhouseCoopers | Unqualified opinion |
| 2017 | Tien-Yi Li and Yu-Kuan Lin            | PricewaterhouseCoopers | Unqualified opinion |
| 2018 | Kwok-Wah Tsang and Tien-Yi Li (Note)  | PricewaterhouseCoopers | Unqualified opinion |
| 2019 | Tien-Yi Li and Kwok-Wah Tsang         | PricewaterhouseCoopers | Unqualified opinion |
| 2020 | Tien-Yi Li and Tsai-Yen Chiang (Note) | PricewaterhouseCoopers | Unqualified opinion |

Note: CPAs have been changed based on the job rotation of PricewaterhouseCoopers.

## 6.2 Five-Year Financial Analysis

### A. Consolidated Financial Analysis – Based on IFRS

| Item                    |   | Year   |        |        |        |        | March 31,<br>2021 |
|-------------------------|---|--------|--------|--------|--------|--------|-------------------|
|                         |   | 2016   | 2017   | 2018   | 2019   | 2020   |                   |
| Financial Structure (%) | Debt Ratio  | 40.68  | 36.97  | 40.62  | 34.57  | 38.69  | 38.38             |
|                         | Ratio of Long-term Capital to Property, Plant and Equipment | 206.39 | 226.07 | 261.64 | 254.61 | 255.55 | 259.84            |
| Solvency (%)            | Current Ratio (%)   | 179.05 | 202.53 | 215.57 | 222.32 | 178.75 | 184.14            |
|                         | Quick Ratio (%)   | 149.10 | 175.91 | 195.49 | 192.66 | 151.92 | 154.59            |
|                         | Interest Earned Ratio (Times)                               | 8.39   | 6.12   | 13.93  | 2.35   | 11.60  | 14.02             |
| Operating Performance   | Accounts Receivable Turnover (Times)                        | 4.57   | 4.08   | 3.61   | 2.61   | 5.54   | 5.87              |
|                         | Average Collection Period                                   | 79.86  | 89.46  | 101.10 | 139.84 | 65.88  | 62.18             |
|                         | Inventory Turnover (Times)                                  | 6.88   | 6.46   | 8.65   | 4.82   | 4.09   | 5.23              |
|                         | Accounts Payable Turnover (Times)                           | 4.14   | 4.01   | 3.91   | 2.62   | 3.96   | 4.76              |
|                         | Average Days in Sales                                       | 53.05  | 56.50  | 42.19  | 75.72  | 89.24  | 69.79             |
|                         | Property, Plant and Equipment Turnover (Times)              | 2.35   | 2.32   | 2.61   | 1.54   | 1.58   | 0.52              |
|                         | Total Assets Turnover (Times)                               | 0.76   | 0.70   | 0.71   | 0.41   | 0.42   | 0.13              |
| Profitability           | Return on Total Assets (%)                                  | 0.80   | 0.47   | 1.24   | 0.11   | 1.26   | 0.31              |
|                         | Return on Stockholders' Equity (%)                          | 1.07   | 0.54   | 1.81   | (0.04) | 1.77   | 0.45              |
|                         | Pre-tax Income to Paid-in Capital (%)                       | 6.96   | 5.02   | 10.99  | 1.14   | 8.64   | 2.43              |
|                         | Profit Ratio (%)  | 0.86   | 0.47   | 1.55   | (0.06) | 2.65   | 2.06              |
|                         | Earnings per Share (NT\$)                                   | 0.20   | 0.05   | 0.48   | 0.31   | 0.60   | 0.12              |
| Cash Flow               | Cash Flow Ratio (%)   | —      | 16.29  | 12.98  | 24.78  | 5.76   | —                 |
|                         | Cash Flow Adequacy Ratio (%)                                | —      | 36.79  | 114.82 | 95.71  | 104.90 | 253.70            |
|                         | Cash Reinvestment Ratio (%)                                 | —      | 4.96   | 4.40   | 7.61   | 1.23   | —                 |
| Leverage                | Operating Leverage  | 44.05  | 11.65  | 18.57  | —      | 19.29  | 16.05             |
|                         | Financial Leverage  | 2.33   | 1.20   | 1.39   | 0.86   | 1.42   | 1.29              |

The 20% changes in various financial ratios in recent two years:

1. Reduced current ratio and quick ratio: Due to decrease in 2020 current assets and increase in current liabilities (loans from the bank).
2. Increase in Times Interest Earned: Due to increase in 2020 profit before tax.
3. Increase in accounts receivable turnover ratio and reduced days sales in account receivables: Due to decrease in the average account receivables in 2020.
4. Increase in Accounts Payable Turnover Ratio: Due to decrease in 2020 operating costs.
5. Increase in profitability and EPS: Due to increase in 2020 net income.
6. Reduced cash flow: Due to reduced net cash inflow from 2020 operations.
7. Reduced cash reinvestment rate: Due to reduced net cash inflow from 2020 operations.
8. Increase in the degree of operating leverage and financial leverage: Due to increase in 2020 operating profits.

Note: The annual financial statements have been audited by CPAs; financial statements as of March 31, 2021 have been reviewed by CPAs.

## B. Individual Financial Analysis – Based on IFRS

| Item   |   | Year   |        |        |        |        |
|--|---|--------|--------|--------|--------|--------|
|  |   | 2016   | 2017   | 2018   | 2019   | 2020   |
| Financial Structure (%)  | Debt Ratio  | 38.32  | 34.52  | 33.61  | 34.09  | 35.57  |
|  | Ratio of Long-term Capital to Property, Plant and Equipment | 443.40 | 427.93 | 472.01 | 441.49 | 441.37 |
| Solvency (%)   | Current Ratio (%)   | 51.02  | 40.78  | 47.31  | 38.75  | 33.91  |
|  | Quick Ratio (%)   | 49.91  | 40.30  | 46.78  | 36.25  | 31.79  |
|  | Interest Earned Ratio (Times)                               | 3.80   | 1.64   | 8.10   | 4.84   | 8.79   |
| Operating Performance  | Accounts Receivable Turnover (Times)                        | 3.48   | 5.31   | 5.25   | 6.25   | 5.27   |
|  | Average Collection Period                                   | 104.89 | 68.74  | 69.52  | 58.40  | 69.26  |
|  | Inventory Turnover (Times)                                  | 57.29  | 87.23  | 129.94 | 54.89  | 31.35  |
|  | Accounts Payable Turnover (Times)                           | 1.30   | 2.07   | 2.22   | 2.69   | 2.64   |
|  | Average Days in Sales                                       | 6.37   | 4.18   | 2.81   | 6.65   | 11.64  |
|  | Property, Plant and Equipment Turnover (Times)              | 1.98   | 2.07   | 1.81   | 1.87   | 1.56   |
|  | Total Assets Turnover (Times)                               | 0.28   | 0.32   | 0.29   | 0.30   | 0.25   |
| Profitability  | Return on Total Assets (%)                                  | 0.50   | 0.25   | 1.12   | 0.78   | 1.37   |
|  | Return on Stockholders' Equity (%)                          | 0.58   | 0.15   | 1.46   | 0.96   | 1.87   |
|  | Pre-tax Income to Paid-in Capital (%)                       | 2.63   | 0.64   | 6.00   | 3.26   | 6.26   |
|  | Profit Ratio (%)  | 1.27   | 0.30   | 3.35   | 2.12   | 4.95   |
|  | Earnings per Share (NT\$)                                   | 0.20   | 0.05   | 0.48   | 0.31   | 0.60   |
| Cash Flow  | Cash Flow Ratio (%)   | —      | —      | —      | 1.48   | —      |
|  | Cash Flow Adequacy Ratio (%)                                | —      | —      | 27.99  | —      | —      |
|  | Cash Reinvestment Ratio (%)                                 | —      | —      | —      | —      | —      |
| Leverage   | Operating Leverage  | —      | —      | —      | —      | —      |
|  | Financial Leverage  | 0.01   | 0.88   | 0.79   | 0.82   | 0.89   |
| <p>The 20% changes in various financial ratios in recent two years:</p> <ol style="list-style-type: none"> <li>1. Increase in times interest earned: Due to increase in 2020 profit before tax.</li> <li>2. Reduced inventory turnover and increase in days' sales in inventory: Due to decrease in 2020 operating costs.</li> <li>3. Increase in profitability and EPS: Due to increase in 2020 net income.</li> <li>4. Reduced cash flow ratio: Due to increase in net cash outflow from 2020 operations.</li> </ol> |   |        |        |        |        |        |

Note 1: Annual financial information is certified by accountants

Note 2: Altek made a simple merger with its subsidiary, Altek Autotronics, on June 30, 2017. The foregoing transaction belongs to the structural reorganization within the Group, where Altek Autotronics should be considered to be possessed by Altek from the very beginning and was consolidated. The 2017 individual financial statements were retrospectively renumbered when Altek prepared the 2018 individual financial statements. The 2017 financial ratio was calculated based on the reconstructed one.

## International Financial Reporting Standards (IFRS)

### Formula for Financial Ratios:

#### 1. Financial Structure

(1) Debt Ratio = Total Liabilities / Total Assets.

(2) Ratio of Long-term Capital to Property, Plant and Equipment = (Total Shareholders' Equity + Non-current Liabilities) / Net Property, Plant and Equipment.

#### 2. Solvency

(1) Current Ratio = Current Assets / Current Liabilities.

(2) Quick Ratio = (Current Assets – Inventory – Prepaid Expenses) / Current Liabilities.

(3) Interest Earned Ratio = Net Profit before Income Tax and Interest Expenses / Current Interest Expenses.

#### 3. Operating Performance

(1) Accounts Receivable Turnover (including Accounts Receivable and Notes Receivable arising from Business) = Net Sales / Average Accounts Receivable Balance (including Accounts Receivable and Notes Receivable arising from Business) in Each Period.

(2) Average Collection Period = 365 / Accounts Receivable Turnover.

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

(4) Accounts Payable Turnover (including Accounts Payable and Notes Payable arising from Business) = Cost of Sales / Average Accounts Payable Balance (including Accounts Payable and Notes Payable arising from Business) in Each Period.

(5) Average Days in Sales = 365 / Inventory Turnover.

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

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

#### 4. Profitability

(1) Return on Total Assets = [ Net Income + Interest Expenses × (1 – Tax Rate) ] / Average Total Assets.

(2) Return on Stockholders' Equity = Net Income / Average Total Shareholders' Equity.

(3) Profit Ratio = Net Income / Net Sales.

(4) Earnings per Share = (Profits and Losses Attributable to the Owners of the Parent Company – Preferred Dividend) / Weighted Average Number of Shares Issued.

#### 5. Cash Flow

(1) Cash Flow Ratio = Net Cash Flow from Operating Activities / Current Liabilities.

(2) Cash Flow Adequacy Ratio = Net Cash Flow from Operating Activities over the Last Five Years / (Capital Expenditures + Increase in Inventory + Cash Dividend) over the Last Five Years.

(3) Cash Reinvestment Ratio = (Net Cash Flow from Operating Activities – Cash Dividends) / (Gross Property, Plant and Equipment + Long-term Investment + Other Non-current Assets + Working Capital).

#### 6. Leverage

(1) Operating Leverage = (Net Operating Income – Variable Operating Costs and Expenses) / Operating Income.

(2) Financial Leverage = Operating Income / (Operating Income – Interest Expenses).

### 6.3 Audit Committee's Review Report for the Most Recent Year

#### Audit Committee's Review Report

To: The 2021 Annual General Shareholders' Meeting

The Board of Directors has prepared the Company's 2020 Business Report, Financial Statements and proposal for allocation of earnings. The CPA firm of PricewaterhouseCoopers was retained to audit Altek's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and earnings allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of Altek Corporation. According to relevant requirements of the Securities Exchange Act and the Company Law, we hereby submit this report.

Altek Corporation

Chairman of the Audit Committee  
MORI SHOREI

March 25, 2021

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR 20000187

To the Board of Directors and Shareholders of ALTEK CORPORATION

***Opinion***

We have audited the accompanying consolidated balance sheets of ALTEK CORPORATION AND SUBSIDIARIES (the "Group") as of December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

***Basis for opinion***

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountants 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 Group's 2020 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2020 consolidated financial statements are stated as follows:

### **Allowance for inventory valuation losses**

#### Description

Please refer to Note 4(14) for description of accounting policy on inventory valuation. Please refer to Note 5(2) for accounting estimates and assumption uncertainty in relation to inventory valuation. Please refer to Note 6(6) for the details of inventories.

The Group is primarily engaged in manufacturing and sales of digital image application products. As the Group is in a rapidly changing industry and the short life cycle of electronic products and the highly competitive nature of the market, there is a higher risk of incurring inventory valuation losses or having obsolete inventory. The Group measures inventories sold at the lower of cost and net realisable value. For inventory that is over a certain age and individually identified obsolete or damaged inventory, the Group recognises losses at net realisable value. Aforementioned allowance for inventory valuation losses mainly arises from individually identified obsolete or damaged inventory. Since the value of inventories is significant, involves various types of inventory, and the individual identification of inventory usually involves management judgement which is an area that also needs to be assessed using our judgement during the audit process. Thus, we identified valuation of allowance for inventory losses as one of the key audit matters.

#### How our audit addressed the matter

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

- A. Obtained an understanding and assessed the provision policy on inventory valuation losses.
- B. Obtained the statement of individually identified obsolete inventory prepared by management and checked the accuracy of stock age analysis report and relevant information.
- C. Checked the accuracy of net realisable value of inventory, assessed the consistency between valuation of market value decline and its provision policy, and assessed the reasonableness of allowance for valuation losses determined by the Group.

## **Timing of sales revenue recognition**

### Description

Please refer to Note 4(29) for accounting policies of revenue recognition. The Group's revenue mainly arises from export sales and the cash amounts are material. As the sales terms vary from customers who are located in Mainland China, Europe and America, the terms in customer orders and contracts needs to be properly assessed. Since this involves judgement in the determination of timing of control transfer, we consider the timing of revenue recognition as a key audit matter.

### How our audit addressed the matter

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

- A. Assessed the appropriation of policies on sales revenue recognition.
- B. Assessed and tested the design of internal controls that are relevant to sales revenue recognition and the effectiveness of execution.
- C. Performed cut-off test on sales revenue in specific period around balance sheet date.
- D. Performed confirmation and substantive test on the balance of accounts receivable at the end of period to confirm accounts receivable and that relevant sales revenue have been recorded in the proper period.

### ***Other matter – Parent company only financial reports***

We have audited and expressed an unqualified opinion on the parent company only financial statements of Altek Corporation as at and for the years ended December 31, 2020 and 2019.

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

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

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

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

### ***Auditors' responsibilities for the audit of the consolidated financial statements***

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

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

- A. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and

obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- E. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

safeguards.

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

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Li, Tien-Yi

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Chiang, Tsai-Yen

For and on behalf of PricewaterhouseCoopers, Taiwan

March 25, 2021

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The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

ALTEK CORPORATION AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

|                           | Assets  | Notes      | December 31, 2020    |            | December 31, 2019    |            |
|---------------------------|---|------------|----------------------|------------|----------------------|------------|
|                           |   |            | AMOUNT               | %          | AMOUNT               | %          |
| <b>Current assets</b>     |   |            |                      |            |                      |            |
| 1100                      | Cash and cash equivalents   | 6(1)       | \$ 5,373,406         | 37         | \$ 6,666,055         | 47         |
| 1110                      | Current financial assets at fair value through profit or loss                 | 6(2)       | 349,664              | 2          | -                    | -          |
| 1136                      | Current financial assets at amortised cost                                    | 6(4)       | 423,387              | 3          | 371,900              | 3          |
| 1140                      | Current contract assets   |            | 4,414                | -          | -                    | -          |
| 1170                      | Accounts receivable, net  | 6(5)       | 1,273,383            | 9          | 918,019              | 7          |
| 1200                      | Other receivables   |            | 68,825               | -          | 42,095               | -          |
| 1220                      | Current income tax assets   |            | 3,292                | -          | 5,481                | -          |
| 130X                      | Inventories, net  | 6(6)       | 1,106,726            | 8          | 1,038,629            | 8          |
| 1410                      | Prepayments   |            | 217,600              | 1          | 194,345              | 1          |
| 1470                      | Other current assets  |            | 4,535                | -          | 5,869                | -          |
| 11XX                      | <b>Current Assets</b>   |            | <u>8,825,232</u>     | <u>60</u>  | <u>9,242,393</u>     | <u>66</u>  |
| <b>Non-current assets</b> |   |            |                      |            |                      |            |
| 1510                      | Non-current financial assets at fair value through profit or loss             | 6(2)       | 48,229               | -          | 40,156               | -          |
| 1517                      | Non-current financial assets at fair value through other comprehensive income | 6(3)       | 43,130               | -          | 50,644               | -          |
| 1535                      | Non-current financial assets at amortised cost                                | 6(4)       | 1,419,002            | 10         | 365,285              | 3          |
| 1600                      | Property, plant and equipment   | 6(7) and 8 | 2,420,736            | 17         | 3,135,694            | 22         |
| 1755                      | Right-of-use assets   | 6(8)       | 122,863              | 1          | 131,950              | 1          |
| 1760                      | Investment property   | 6(9) and 8 | 1,406,586            | 10         | 763,733              | 6          |
| 1780                      | Intangible assets   | 6(10)      | 215,261              | 1          | 153,541              | 1          |
| 1840                      | Deferred income tax assets  | 6(28)      | 182,361              | 1          | 161,572              | 1          |
| 1900                      | Other non-current assets  |            | 34,746               | -          | 40,466               | -          |
| 15XX                      | <b>Non-current assets</b>   |            | <u>5,892,914</u>     | <u>40</u>  | <u>4,843,041</u>     | <u>34</u>  |
| 1XXX                      | <b>Total assets</b>   |            | <u>\$ 14,718,146</u> | <u>100</u> | <u>\$ 14,085,434</u> | <u>100</u> |

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**ALTEK CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars)

| Liabilities and Equity                         | Notes  | December 31, 2020 |                      | December 31, 2019 |                      |            |
|--|--|-------------------|----------------------|-------------------|----------------------|------------|
|  |  | AMOUNT            | %                    | AMOUNT            | %                    |            |
| <b>Current liabilities</b>                     |  |                   |                      |                   |                      |            |
| 2100   | Short-term borrowings                              | 6(11)             | \$ 2,330,000         | 16                | \$ 2,200,000         | 16         |
| 2110   | Short-term notes and bills payable                 | 6(12)             | 299,798              | 2                 | 229,962              | 2          |
| 2130   | Current contract liabilities                       |                   | 32,568               | -                 | 34,096               | -          |
| 2150   | Notes payable                                      |                   | -                    | -                 | 4,316                | -          |
| 2170   | Accounts payable                                   |                   | 1,296,475            | 9                 | 1,010,670            | 7          |
| 2200   | Other payables                                     |                   | 485,953              | 4                 | 424,512              | 3          |
| 2230   | Current income tax liabilities                     |                   | 36,763               | -                 | 39,762               | -          |
| 2250   | Provisions for liabilities - current               | 6(16)             | 9,295                | -                 | 5,823                | -          |
| 2280   | Current lease liabilities                          |                   | 9,336                | -                 | 7,274                | -          |
| 2300   | Other current liabilities                          | 6(13)             | 437,093              | 3                 | 200,878              | 2          |
| 21XX   | <b>Current Liabilities</b>                         |                   | <u>4,937,281</u>     | <u>34</u>         | <u>4,157,293</u>     | <u>30</u>  |
| <b>Non-current liabilities</b>                 |  |                   |                      |                   |                      |            |
| 2550   | Provisions for liabilities - non-current           | 6(16)             | 160,395              | 1                 | 136,568              | 1          |
| 2570   | Deferred income tax liabilities                    | 6(28)             | 464,691              | 3                 | 449,924              | 3          |
| 2580   | Non-current lease liabilities                      |                   | 95,176               | 1                 | 95,531               | 1          |
| 2600   | Other non-current liabilities                      |                   | 36,750               | -                 | 29,392               | -          |
| 25XX   | <b>Non-current liabilities</b>                     |                   | <u>757,012</u>       | <u>5</u>          | <u>711,415</u>       | <u>5</u>   |
| 2XXX   | <b>Total Liabilities</b>                           |                   | <u>5,694,293</u>     | <u>39</u>         | <u>4,868,708</u>     | <u>35</u>  |
| <b>Equity attributable to owners of parent</b> |  |                   |                      |                   |                      |            |
| Share capital                                  |  |                   |                      |                   |                      |            |
| 3110   | Common stock                                       | 6(17)             | 2,794,973            | 19                | 2,753,613            | 19         |
| Capital surplus                                |  |                   |                      |                   |                      |            |
| 3200   | Capital surplus                                    | 6(18)             | 2,335,226            | 16                | 2,280,487            | 16         |
| Retained earnings                              |  |                   |                      |                   |                      |            |
| 3310   | Legal reserve                                      | 6(19)             | 1,402,467            | 9                 | 1,394,151            | 10         |
| 3320   | Special reserve                                    |                   | 592,325              | 4                 | 435,679              | 3          |
| 3350   | Unappropriated retained earnings                   |                   | 2,249,655            | 15                | 2,394,976            | 17         |
| Other equity interest                          |  |                   |                      |                   |                      |            |
| 3400   | Other equity interest                              | 6(20)             | ( 697,698)           | ( 5)              | ( 615,359)           | ( 4)       |
| 3500   | Treasury stocks                                    | 6(17)             | ( 209,287)           | ( 1)              | -                    | -          |
| 31XX   | <b>Equity attributable to owners of the parent</b> |                   | <u>8,467,661</u>     | <u>57</u>         | <u>8,643,547</u>     | <u>61</u>  |
| 36XX   | Non-controlling interest                           |                   | <u>556,192</u>       | <u>4</u>          | <u>573,179</u>       | <u>4</u>   |
| 3XXX   | <b>Total equity</b>                                |                   | <u>9,023,853</u>     | <u>61</u>         | <u>9,216,726</u>     | <u>65</u>  |
| 3X2X   | <b>Total liabilities and equity</b>                |                   | <u>\$ 14,718,146</u> | <u>100</u>        | <u>\$ 14,085,434</u> | <u>100</u> |

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

**ALTEK CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

| Items | Notes                                   | Year ended December 31 |                      |               |                      |               |
|-------|---|------------------------|----------------------|---------------|----------------------|---------------|
|       |   | 2020                   |                      | 2019          |                      |               |
|       |   | AMOUNT                 | %                    | AMOUNT        | %                    |               |
| 4000  | Operating revenue                       | 6(21)                  | \$ 6,102,675         | 100           | \$ 6,189,352         | 100           |
| 5000  | Operating costs                         | 6(6)(26)(27)           | ( 4,580,745)         | ( 75)         | ( 5,174,937)         | ( 84)         |
| 5900  | Net operating margin                    |                        | <u>1,521,930</u>     | <u>25</u>     | <u>1,014,415</u>     | <u>16</u>     |
|       | Operating expenses                      | 6(26)(27)              |                      |               |                      |               |
| 6100  | Selling expenses                        |                        | ( 50,790)            | ( 1)          | ( 57,328)            | ( 1)          |
| 6200  | General and administrative expenses     |                        | ( 327,897)           | ( 6)          | ( 335,763)           | ( 5)          |
| 6300  | Research and development expenses       |                        | ( 1,058,505)         | ( 17)         | ( 787,765)           | ( 13)         |
| 6450  | Expected credit gains                   | 12(2)                  | <u>731</u>           | -             | <u>9,771</u>         | -             |
| 6000  | Total operating expenses                |                        | ( <u>1,436,461</u> ) | ( <u>24</u> ) | ( <u>1,171,085</u> ) | ( <u>19</u> ) |
| 6900  | Operating profit (loss)                 |                        | <u>85,469</u>        | <u>1</u>      | ( <u>156,670</u> )   | ( <u>3</u> )  |
|       | Non-operating income and expenses       |                        |                      |               |                      |               |
| 7100  | Interest income                         | 6(22)                  | 103,379              | 2             | 143,999              | 2             |
| 7010  | Other income                            | 6(23)                  | 49,171               | 1             | 45,845               | 1             |
| 7020  | Other gains and losses                  | 6(24)                  | 28,613               | -             | 23,951               | -             |
| 7050  | Finance costs                           | 6(25)                  | ( 25,195)            | -             | ( 25,703)            | -             |
| 7000  | Total non-operating income and expenses |                        | <u>155,968</u>       | <u>3</u>      | <u>188,092</u>       | <u>3</u>      |
| 7900  | <b>Profit before income tax</b>         |                        | 241,437              | 4             | 31,422               | -             |
| 7950  | Income tax expense                      | 6(28)                  | ( 79,929)            | ( 2)          | ( 35,275)            | -             |
| 8200  | <b>Profit (loss) for the year</b>       |                        | <u>\$ 161,508</u>    | <u>2</u>      | ( <u>\$ 3,853</u> )  | -             |

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**ALTEK CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

| Items   | Notes  | Year ended December 31 |                    |             |                     |             |
|---|--|------------------------|--------------------|-------------|---------------------|-------------|
|   |  | 2020                   |                    | 2019        |                     |             |
|   |  | AMOUNT                 | %                  | AMOUNT      | %                   |             |
| <b>Other comprehensive income</b>   |  |                        |                    |             |                     |             |
| <b>Components of other comprehensive income that will not be reclassified to profit or loss</b> |  |                        |                    |             |                     |             |
| 8311  | Losses on remeasurements of defined benefit plans  | 6(14)                  | (\$ 1,153)         | -           | (\$ 1,430)          | -           |
| 8316  | Unrealised losses from financial assets measured at fair value through other comprehensive income              | 6(3)                   | ( 3,787)           | -           | ( 61,872)           | ( 1)        |
| 8349  | Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | 6(28)                  | 988                | -           | 558                 | -           |
| 8310  | Components of other comprehensive (loss) income that will not be reclassified to profit or loss                |                        | ( 3,952)           | -           | ( 62,744)           | ( 1)        |
| <b>Components of other comprehensive income that will be reclassified to profit or loss</b>     |  |                        |                    |             |                     |             |
| 8361  | Currency translation differences of foreign operations   |                        | ( 88,390)          | ( 1)        | ( 310,899)          | ( 5)        |
| 8399  | Income tax relating to the components of other comprehensive income  | 6(28)                  | 14,051             | -           | 59,375              | 1           |
| 8360  | Components of other comprehensive loss that will be reclassified to profit or loss                             |                        | ( 74,339)          | ( 1)        | ( 251,524)          | ( 4)        |
| 8300  | <b>Total other comprehensive loss for the year</b>   |                        | <b>(\$ 78,291)</b> | <b>( 1)</b> | <b>(\$ 314,268)</b> | <b>( 5)</b> |
| 8500  | <b>Total comprehensive income (loss) for the year</b>  |                        | <b>\$ 83,217</b>   | <b>1</b>    | <b>(\$ 318,121)</b> | <b>( 5)</b> |
| Profit (loss), attributable to:   |  |                        |                    |             |                     |             |
| 8610  | Owners of the parent   |                        | \$ 160,357         | 2           | \$ 84,308           | 1           |
| 8620  | Non-controlling interest   |                        | 1,151              | -           | ( 88,161)           | ( 1)        |
|   | Profit (loss) for the year   |                        | <u>\$ 161,508</u>  | <u>2</u>    | <u>(\$ 3,853)</u>   | <u>-</u>    |
| Comprehensive (loss) income attributable to:  |  |                        |                    |             |                     |             |
| 8710  | Owners of the parent   |                        | \$ 100,204         | 1           | (\$ 215,938)        | ( 3)        |
| 8720  | Non-controlling interest   |                        | ( 16,987)          | -           | ( 102,183)          | ( 2)        |
|   | Total comprehensive income (loss) for the year   |                        | <u>\$ 83,217</u>   | <u>1</u>    | <u>(\$ 318,121)</u> | <u>( 5)</u> |
| 9750  | Basic earnings per share   | 6(29)                  | <u>\$ 0.60</u>     |             | <u>\$ 0.31</u>      |             |
| 9850  | Diluted earnings per share   | 6(29)                  | <u>\$ 0.59</u>     |             | <u>\$ 0.31</u>      |             |

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

**ALTEK CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars)

| Notes             | Equity attributable to owners of the parent    |                            |               |                 |                                  |  |            |                 |              |                          | Total        | Non-controlling interest | Total equity |  |
|-------------------|--|----------------------------|---------------|-----------------|----------------------------------|--|------------|-----------------|--------------|--------------------------|--------------|--------------------------|--------------|--|
|                   | Retained earnings                              |                            |               |                 | Other equity interest            |  |            | Treasury stocks | Total        | Non-controlling interest |              |                          |              |  |
|                   | Common stock                                   | Additional paid-in capital | Legal reserve | Special reserve | Unappropriated retained earnings | Currency translation differences of foreign operations | Other      |                 |              |                          |              |                          |              |  |
| 2019              |  |                            |               |                 |                                  |  |            |                 |              |                          |              |                          |              |  |
|                   | Balance at January 1, 2019                     | \$ 2,740,113               | \$ 2,262,397  | \$ 1,381,094    | \$ 425,580                       | \$ 2,471,973   | \$ 256,833 | \$ 38,105       | \$ 84,308    | \$ 8,986,219             | \$ 675,362   | \$ 9,661,581             |              |  |
| 6(20)             | Profit (loss) for the year                     | -                          | -             | -               | -                                | 84,308   | -          | -               | -            | -                        | (88,161)     | (3,853)                  |              |  |
|                   | Other comprehensive loss for the year          | -                          | -             | -               | -                                | (1,144)  | (237,502)  | (61,600)        | (300,246)    | (14,022)                 | (14,022)     | (314,268)                |              |  |
|                   | Total comprehensive income (loss)              | -                          | -             | -               | -                                | 83,164   | (237,502)  | (61,600)        | (215,938)    | (102,183)                | (102,183)    | (318,121)                |              |  |
| 6(19)             | Appropriation of 2018 earnings                 | -                          | -             | -               | -                                | -  | -          | -               | -            | -                        | -            | -                        |              |  |
|                   | Legal reserve                                  | -                          | -             | 13,057          | -                                | (13,057)   | -          | -               | -            | -                        | -            | -                        |              |  |
|                   | Special reserve                                | -                          | -             | -               | 10,099                           | (10,099)   | -          | -               | -            | -                        | -            | -                        |              |  |
|                   | Cash dividends                                 | -                          | -             | -               | (137,005)                        | (137,005)  | -          | -               | (137,005)    | -                        | -            | (137,005)                |              |  |
| 6(15)(20)         | Share-based payment transactions               | -                          | -             | -               | -                                | -  | -          | 10,271          | 10,271       | -                        | -            | 10,271                   |              |  |
| 6(15)(17)(18)(20) | Retirement of employee restricted shares       | 14,500                     | 19,430        | -               | -                                | -  | -          | (33,930)        | -            | -                        | -            | -                        |              |  |
| 6(15)(17)(18)(20) | Retirement of employee restricted shares       | (1,000)                    | (1,340)       | -               | -                                | -  | -          | 2,340           | -            | -                        | -            | -                        |              |  |
|                   | Balance at December 31, 2019                   | \$ 2,753,613               | \$ 2,280,487  | \$ 1,394,151    | \$ 435,679                       | \$ 2,394,976   | \$ 494,335 | \$ 121,024      | \$ 8,643,547 | \$ 573,179               | \$ 9,216,726 |                          |              |  |
| 2020              |  |                            |               |                 |                                  |  |            |                 |              |                          |              |                          |              |  |
|                   | Balance at January 1, 2020                     | \$ 2,753,613               | \$ 2,280,487  | \$ 1,394,151    | \$ 435,679                       | \$ 2,394,976   | \$ 494,335 | \$ 121,024      | \$ 8,643,547 | \$ 573,179               | \$ 9,216,726 |                          |              |  |
| 6(20)             | Profit for the year                            | -                          | -             | -               | -                                | 922  | (56,201)   | (3,030)         | (60,153)     | (18,138)                 | (16,987)     | (83,217)                 |              |  |
|                   | Other comprehensive loss for the year          | -                          | -             | -               | -                                | (159,435)  | (56,201)   | (3,030)         | (100,204)    | -                        | -            | -                        |              |  |
|                   | Total comprehensive income (loss)              | -                          | -             | -               | -                                | (158,513)  | (112,402)  | (6,060)         | (160,357)    | -                        | -            | -                        |              |  |
| 6(19)             | Appropriation of 2019 earnings                 | -                          | -             | -               | -                                | -  | -          | -               | -            | -                        | -            | -                        |              |  |
|                   | Legal reserve                                  | -                          | -             | 8,316           | -                                | (8,316)  | -          | -               | -            | -                        | -            | -                        |              |  |
|                   | Special reserve                                | -                          | -             | -               | 156,646                          | (156,646)  | -          | -               | -            | -                        | -            | -                        |              |  |
|                   | Cash dividends                                 | -                          | -             | -               | (139,794)                        | (139,794)  | -          | -               | (139,794)    | -                        | -            | (139,794)                |              |  |
| 6(15)(20)         | Share-based payment transactions               | -                          | -             | -               | -                                | -  | -          | 70,856          | 70,856       | -                        | -            | 70,856                   |              |  |
| 6(15)(17)(18)(20) | Retirement of employee restricted shares       | 43,120                     | 54,798        | -               | -                                | -  | -          | (97,918)        | -            | -                        | -            | -                        |              |  |
| 6(15)(17)(18)(20) | Retirement of employee restricted shares       | (1,760)                    | (2,194)       | -               | -                                | -  | -          | 3,954           | -            | -                        | -            | -                        |              |  |
| 6(18)             | Changes in ownership interests in subsidiaries | -                          | 2,135         | -               | -                                | -  | -          | -               | -            | 2,135                    | -            | 2,135                    |              |  |
| 6(17)             | Treasury shares repurchased                    | -                          | -             | -               | -                                | -  | -          | (209,287)       | (209,287)    | -                        | -            | (209,287)                |              |  |
|                   | Balance at December 31, 2020                   | \$ 2,794,973               | \$ 2,335,226  | \$ 1,402,467    | \$ 592,325                       | \$ 2,249,655   | \$ 550,536 | \$ 147,162      | \$ 8,467,661 | \$ 556,192               | \$ 9,023,853 |                          |              |  |

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

ALTEK CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

|  | Notes          | Year ended December 31 |                  |
|--|----------------|------------------------|------------------|
|  |                | 2020                   | 2019             |
| <b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>                               |                |                        |                  |
| Profit before tax  |                | \$ 241,437             | \$ 31,422        |
| Adjustments  |                |                        |                  |
| Adjustments to reconcile profit (loss)   |                |                        |                  |
| Depreciation   | 6(7)(8)(9)(26) | 182,683                | 196,903          |
| Amortisation   | 6(10)(26)      | 88,966                 | 29,352           |
| Expected credit gains  | 12(2)          | ( 731 )                | ( 9,771 )        |
| Net gain on financial assets at fair value through profit                        | 6(2)(24)       | ( 8,541 )              | ( 16,710 )       |
| Interest expense   | 6(25)          | 25,195                 | 25,703           |
| Interest income  | 6(22)          | ( 103,379 )            | ( 143,999 )      |
| Dividend income  | 6(23)          | ( 1,526 )              | ( 763 )          |
| Share-based payment compensation cost  | 6(15)          | 72,991                 | 10,271           |
| Reversal of impairment loss on investments accounted for under the equity method | 6(24)          | -                      | ( 649 )          |
| Gain on disposal of property, plant and equipment                                | 6(24)          | ( 17 )                 | ( 1,922 )        |
| Changes in operating assets and liabilities                                      |                |                        |                  |
| Changes in operating assets  |                |                        |                  |
| Financial assets at fair value through profit or loss                            |                | -                      | 237              |
| Current contract asset   |                | ( 4,415 )              | -                |
| Notes receivable   |                | -                      | 1,389,593        |
| Accounts receivable  |                | ( 352,778 )            | 1,506,379        |
| Other receivables  |                | ( 199 )                | 21,074           |
| Inventories  |                | ( 51,772 )             | ( 78,118 )       |
| Prepayments  |                | ( 119,323 )            | ( 107,492 )      |
| Other current assets   |                | 1,370                  | 91               |
| Changes in operating liabilities   |                |                        |                  |
| Current contract liabilities   |                | ( 1,574 )              | 34,228           |
| Notes payable  |                | ( 4,294 )              | ( 1,046,737 )    |
| Accounts payable   |                | 265,644                | ( 829,267 )      |
| Other payables   |                | 56,294                 | 15,079           |
| Provisions for liabilities   |                | 27,284                 | ( 6,108 )        |
| Other current liabilities  |                | ( 13,759 )             | ( 21,651 )       |
| Other non-current liabilities  |                | 51                     | 64               |
| Cash inflow generated from operations  |                | 299,607                | 997,209          |
| Interest received  |                | 77,946                 | 111,086          |
| Dividends received   |                | 1,526                  | 763              |
| Interest paid  |                | ( 22,980 )             | ( 24,258 )       |
| Income tax paid  |                | ( 71,795 )             | ( 54,691 )       |
| Net cash flows from operating activities   |                | <u>284,304</u>         | <u>1,030,109</u> |

(Continued)

**ALTEK CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars)

|  | Notes | Year ended December 31 |                     |
|--|-------|------------------------|---------------------|
|  |       | 2020                   | 2019                |
| <b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>   |       |                        |                     |
| Acquisition of financial assets at amortised cost  |       | (\$ 1,084,605 )        | (\$ 769,005 )       |
| Proceeds from repayments of financial assets at amortised cost                                       |       | 13,421                 | 262,533             |
| Acquisition of financial asset at fair value through profit or loss                                  |       | ( 344,683 )            | -                   |
| Proceeds from capital reduction of financial assets at fair value through other comprehensive income |       | 4,364                  | -                   |
| Proceeds from capital reduction of investments accounted for under the equity method                 |       | -                      | 27,529              |
| Acquisition of property, plant and equipment   | 6(30) | ( 61,226 )             | ( 17,948 )          |
| Proceeds from disposal of property, plant and equipment  |       | 311                    | 4,076               |
| Acquisition of intangible assets   | 6(30) | ( 55,852 )             | ( 85,612 )          |
| Increase (decrease) in guarantee deposits paid   |       | <u>5,713</u>           | <u>( 2,347 )</u>    |
| Net cash flows used in investing activities  |       | <u>( 1,522,557 )</u>   | <u>( 580,774 )</u>  |
| <b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>   |       |                        |                     |
| Increase in short-term borrowings  | 6(31) | 130,000                | 440,000             |
| Proceeds from issuance of short-term notes and bills payable   | 6(31) | 1,158,741              | 709,203             |
| Repayment of short-term notes and bills payable  | 6(31) | ( 1,090,000 )          | ( 480,000 )         |
| Increase in long-term borrowings   | 6(31) | 250,000                | -                   |
| Repayment of long-term borrowings  | 6(31) | -                      | ( 600,000 )         |
| Decrease in guarantee deposits received  | 6(31) | 5,816                  | 424                 |
| Repayment of principal portion of lease liabilities  | 6(31) | ( 9,615 )              | ( 7,966 )           |
| Acquisition of treasury stocks   | 6(17) | ( 209,287 )            | -                   |
| Cash dividends paid  | 6(19) | ( 139,794 )            | ( 137,005 )         |
| Net cash flows from (used in) financing activities   |       | <u>95,861</u>          | <u>( 75,344 )</u>   |
| Effect of exchange rate  |       | <u>( 150,257 )</u>     | <u>( 202,953 )</u>  |
| Net (decrease) increase in cash and cash equivalents   |       | ( 1,292,649 )          | 171,038             |
| Cash and cash equivalents at beginning of year   | 6(1)  | <u>6,666,055</u>       | <u>6,495,017</u>    |
| Cash and cash equivalents at end of year   | 6(1)  | <u>\$ 5,373,406</u>    | <u>\$ 6,666,055</u> |

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

ALTEK CORPORATION AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019

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

1. HISTORY AND ORGANIZATION

Altek Corporation (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.). The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the development, manufacturing and sale of digital image technology application, and related export and import trade.

The Company was listed in the Taiwan Stock Exchange on December 24, 2002, as approved by the Tai-Tz (91) Letter No. 024976 of the former Securities and Futures Commission, Ministry of Finance, R.O.C., dated September 27, 2002.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on March 25, 2021.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

| <u>New Standards, Interpretations and Amendments</u>                          | <u>Effective date by<br/>International Accounting<br/>Standards Board</u> |
|---|---|
| Amendments to IAS 1 and IAS 8, ‘Disclosure initiative-definition of material’ | January 1, 2020   |
| Amendments to IFRS 3, ‘Definition of a business’                              | January 1, 2020   |
| Amendments to IFRS 9, IAS 39 and IFRS7 , ‘Interest rate benchmark             | January 1, 2020   |
| Amendment to IFRS 16, ‘Covid-19-related rent concessions’                     | June 1, 2020 (Note)   |

Note : Earlier application from January 1, 2020 is allowed by FSC.

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

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

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

| <u>New Standards, Interpretations and Amendments</u>  | <u>Effective date by International Accounting Standards Board</u> |
|---|---|
| Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'                   | January 1, 2021   |
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform— Phase 2' | January 1, 2021   |

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

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

| <u>New Standards, Interpretations and Amendments</u>  | <u>Effective date by International Accounting Standards Board</u> |
|---|---|
| Amendments to IAS 3, 'Reference to the conceptual framework'  | January 1, 2022   |
| Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture' | To be determined by International Accounting Standards Board      |
| IFRS 17, 'Insurance contracts'  | January 1, 2023   |
| Amendments to IFRS 17, 'Insurance contracts'  | January 1, 2023   |
| Amendments to IAS 1, 'Classification of liabilities as current or non-current'  | January 1, 2023   |
| Amendments to IAS 1, 'Disclosure of accounting policies'  | January 1, 2023   |
| Amendments to IAS 8, 'Definition of accounting estimates'   | January 1, 2023   |
| Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'                                       | January 1, 2022   |
| Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'   | January 1, 2022   |
| Annual improvements to IFRS Standards 2018–2020   | January 1, 2022   |

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

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

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

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

(e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

(Blank below)

B. Subsidiaries included in the consolidated financial statements:

|   | Name of Investor                         | Name of Subsidiaries                         | Main Business Activities  | Ownership (%)     |                   | Note   |
|---|--|--|---|-------------------|-------------------|--------|
|   |  |  |   | December 31, 2020 | December 31, 2019 |        |
|   | Altek Corporation                        | Altek International Investment Co., Ltd.     | Investments   | 100               | 100               | -      |
|   | "  | Altek Japan Corporation                      | Sales of optical instruments  | 100               | 100               | -      |
|   | "  | Altek International Holding (BVI) Co., Ltd.  | Investments   | 100               | 100               | -      |
|   | "  | Altek Investment Corporation                 | Investments   | 100               | -                 | Note 3 |
|   | Altek International Investment Co., Ltd. | Altek Lab Inc.                               | Design service  | 100               | 100               | -      |
|   | "  | Altek Optical (Cayman) Co., Ltd.             | Investments   | 100               | 100               | -      |
|   | "  | Altek Semiconductor (Cayman) Co., Ltd.       | Investments   | 50                | 50                | -      |
|   | "  | Altek International Trading Co., Ltd.        | Intercompany transactions   | 100               | 100               | Note 4 |
| Note 1  |  | Altek (Kunshan) Co., Ltd.                    | Manufacture and sales of digital still camera and its accessories                               | 100               | 100               | -      |
| Note 1  |  | Altek EMS (Kunshan) Co., Ltd.                | Manufacture and sales of related engineering services   | 100               | 100               | -      |
| Note 1  |  | Altek Precision (Kunshan) Co., Ltd.          | Manufacture and sales of digital camera parts   | 100               | 100               | Note 5 |
| Note 1  |  | Altek Trading (Shanghai) Limited             | Wholesale, import and export of related electronic and their associated accessories             | 100               | 100               | -      |
| Note 1  |  | Altek Optical Technology (Kunshan) Co., Ltd. | Manufacture and sales of related electronic services and its accessories and optical components | 100               | 100               | -      |
| Note 2  |  | Altek Biotechnology Corporation              | Research and development, manufacture and sales of medical electronic equipments                | 100               | 100               | -      |
| Altek Semiconductor (Cayman) Co., Ltd.  |  | Altek Semiconductor Corporation              | Research design and sales of ASIC   | 100               | 100               | -      |
| "   |  | Altek Semiconductor (Shanghai) Co., Ltd.     | Research design and sales of imaging technologies, electronic software and hardware             | 100               | 100               | -      |
| Note 1: Invested by Leading Tech. Co., Ltd., Toptek Investment Cayman Co., Ltd., Altek Imaging Technology (Cayman) Co., Ltd., Altek Trading (Cayman) Co., Ltd., Altek Optical Technology (Cayman) Co., Ltd., which are wholly owned by Altek International Investment Co., Ltd. |  |  |   |                   |                   |        |
| Note 2: Invested by Altek Biotechnology Holding (Cayman) Co., Ltd., which is wholly owned by Altek International Holding (BVI) Co., Ltd.  |  |  |   |                   |                   |        |
| Note 3: Invested by Altek Corporation and established on September, 2020.   |  |  |   |                   |                   |        |
| Note 4: Invested by Altek International Investment Co., Ltd. and established on July, 2019.   |  |  |   |                   |                   |        |
| Note 5: From January 6, 2020, the investor of Altek Precision (Kunshan) Co., Ltd. adjusted from Altek Imaging Technology (Cayman) Co., Ltd. to Leading Tech. Co., Ltd   |  |  |   |                   |                   |        |

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

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

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

- (b) When the foreign operation partially disposed of or sold is an associate or joint arrangement, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even when the Group retains partial interest in the former foreign associate or joint arrangement after losing significant influence over the former foreign associate, or losing joint control of the former joint arrangement, such transactions should be accounted for as disposal of all interest in these foreign operations.
- (c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.
- (d) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
  - (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
  - (b) Assets held mainly for trading purposes;
  - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
  - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
  - (a) Liabilities that are expected to be settled within the normal operating cycle;
  - (b) Liabilities arising mainly from trading activities;
  - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
  - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using settlement date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using settlement date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:  
The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(9) Financial assets at amortised cost

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

(10) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(11) Impairment of financial assets

For financial assets at amortised cost at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that does not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(12) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

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

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

(13) Leasing arrangements (lessor) – operating leases

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

(14) Inventories

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

(15) Investments accounted for using equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- F. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss.
- G. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- H. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss proportionately.

(16) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

|                          |              |
|--------------------------|--------------|
| Buildings and structures | 3 ~ 40 years |
| Machinery and equipment  | 3 ~ 10 years |
| Utility equipment        | 3 ~ 6 years  |
| Other equipment          | 2 ~ 11 years |

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

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.  
The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
  - (a) The amount of the initial measurement of lease liability
  - (b) Any initial direct costs incurred by the lessee

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(18) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 10 ~ 46 years.

(19) Intangible assets

Computer software, reticle and patent rights are stated at cost and amortised on a straight-line basis over their estimated useful lives of 1 ~ 5 years.

(20) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(21) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred.

(22) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The Group initially measures notes and accounts payable at fair value and subsequently amortises the interest expense in profit or loss over the period of circulation using the effective interest method.

(23) Provisions

Provisions (warranties) are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date.

(24) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.
- ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognised immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

#### D. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

#### (25) Employee share-based payment

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

#### B. Restricted stocks:

(a) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period.

(b) For restricted stocks where those stocks do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Group recognises the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the date of dividends declared.

(c) For restricted stocks where employees have to pay to acquire those stocks, if employees resign during the vesting period, they must return the stocks to the Group and the Group must refund their payments on the stocks, the Group recognises the payments from the employees who are expected to resign during the vesting period as liabilities at the grant date, and recognises the payments from the employees who are expected to be eventually vested with the stocks in 'capital surplus – others'.

#### (26) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(27) Share capital

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

(28) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities.

(29) Revenue recognition

A. Sales of goods

- (a) The Group manufactures and sells digital image technology application products. Sales are recognised when control of the products has transferred, being when the products are delivered to the buyer, the buyer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- (b) Revenue from these sales is recognised based on the price specified in the contract, net of the value-added tax, sales return, volume discounts, sales discounts and allowances.
- (c) The Group's obligation to provide a repair for faulty products under the standard warranty terms is recognised as a provision.
- (d) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Technical service revenue

The Group provides technical support services. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the number of delivered report relative to the total number of committed report.

### C. Royalty income

- (a) The Group entered into a contract with a customer to grant a licence of patented technology to the customer. Given the licence is distinct from other promised goods or services in the contract, the Group recognises the revenue from licencing when the licence transfer to a customer either at a point in time or over time based on the nature of the licence granted. The nature of the Group's promise in granting a licence is a promise to provide a right to access the Group's intellectual property if the Group undertakes activities that significantly affect the patents to which the customer has rights, the customer is affected by the Group's activities and those activities do not result in the transfer of a good or a service to the customer as they occur. The royalties are recognised as revenue on a straight-line basis throughout the licencing period. In case the abovementioned conditions are not met, the nature of the Group's promise in granting a licence is a promise to provide a right to use the Group's intellectual property and therefore the revenue is recognised when transferring the licence to a customer at a point in time.
- (b) Some contracts require a usage-based royalty in exchange for a licence of intellectual property. The Group recognises revenue when the performance obligation has been satisfied and the subsequent usage occurs. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

### (30) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

### 5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

#### (a) Critical judgements in applying the Group's accounting policies

None.

(b) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2020, the carrying amount of inventories was \$1,106,726.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

|                                       | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---------------------------------------|--------------------------|--------------------------|
| Cash on hand revolving funds          | \$ 1,052                 | \$ 901                   |
| Checking accounts and demand deposits | 1,260,822                | 252,974                  |
| Time deposits                         | 4,111,532                | 6,412,180                |
| Total                                 | <u>\$ 5,373,406</u>      | <u>\$ 6,666,055</u>      |

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Group has no cash and cash equivalents pledged to others.

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

| <u>Items</u>   | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|--------------------------|--------------------------|
| Current items:   |                          |                          |
| Financial assets mandatorily measured at fair value through profit or loss |                          |                          |
| Structured deposits  | \$ 349,186               | \$ -                     |
| Valuation adjustment   | 478                      | -                        |
| Total  | <u>\$ 349,664</u>        | <u>\$ -</u>              |
| Non-current items:   |                          |                          |
| Financial assets mandatorily measured at fair value through profit or loss |                          |                          |
| Unlisted stocks  | \$ 10,312                | \$ 10,312                |
| Valuation adjustment   | 37,917                   | 29,844                   |
| Total  | <u>\$ 48,229</u>         | <u>\$ 40,156</u>         |

A. Amounts recognised in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

|                    | For the year ended<br>December 31, 2020 | For the year ended<br>December 31, 2019 |
|--------------------|---|---|
| Equity instruments | \$ 8,073                                | \$ 16,710                               |
| Structured deposit | 468                                     | -                                       |
| Total              | <u>\$ 8,541</u>                         | <u>\$ 16,710</u>                        |

B. The Group has no financial assets at fair value through profit or loss pledged to others as at December 31, 2020 and 2019.

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

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

| Items                | December 31, 2020 | December 31, 2019 |
|----------------------|-------------------|-------------------|
| Non-current items:   |                   |                   |
| Equity instruments   |                   |                   |
| Unlisted stocks      | \$ 144,405        | \$ 148,132        |
| Valuation adjustment | ( 101,275)        | ( 97,488)         |
| Total                | <u>\$ 43,130</u>  | <u>\$ 50,644</u>  |

A. The Group has elected to classify equity instruments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$43,130 and \$50,644 as at December 31, 2020 and 2019, respectively.

B. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income amounted to (\$3,787) and (\$61,872) for the years ended December 31, 2020 and 2019, respectively.

C. The Group has no financial assets at fair value through profit or loss as at December 31, 2020 and 2019 pledged to others.

(4) Financial assets at amortised cost

| Items  | December 31, 2020   | December 31, 2019 |
|--|---------------------|-------------------|
| Current items:   |                     |                   |
| Time deposit with maturity from three months to one year | <u>\$ 423,387</u>   | <u>\$ 371,900</u> |
| Non-current items:                                       |                     |                   |
| Time deposit with maturity over one year                 | <u>\$ 1,419,002</u> | <u>\$ 365,285</u> |

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

|                 | For the year ended<br>December 31, 2020 | For the year ended<br>December 31, 2019 |
|-----------------|---|---|
| Interest income | <u>\$ 46,323</u>                        | <u>\$ 17,989</u>                        |

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

C. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(5) Accounts receivable

|  | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|--------------------------|--------------------------|
| Accounts receivable                        | \$ 1,273,648             | \$ 923,301               |
| Less: Allowance for uncollectible accounts | ( 265)                   | ( 5,282)                 |
|  | <u>\$ 1,273,383</u>      | <u>\$ 918,019</u>        |

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

|                 | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|-----------------|--------------------------|--------------------------|
| Not past due    | \$ 1,257,413             | \$ 874,130               |
| Up to 30 days   | 8,351                    | 38,011                   |
| 31 to 90 days   | 7,884                    | 2,798                    |
| 91 to 180 days  | -                        | 3,568                    |
| 180 to 360 days | -                        | 337                      |
| Over 361 days   | -                        | 4,457                    |
|                 | <u>\$ 1,273,648</u>      | <u>\$ 923,301</u>        |

The above ageing analysis was based on past due date.

B. As of December 31, 2020 and 2019, accounts receivable was all from contracts with customers.

And as of January 1, 2019, the balance of accounts receivable and notes receivable from contracts with customers amounted to \$3,801,997.

C. The Group's accounts receivable does not hold any collateral provided by customers.

D. As at December 31, 2020 and 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable was \$1,273,383 and \$918,019, respectively.

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

(6) Inventories

|                  | <u>December 31, 2020</u> |   |                     |
|------------------|--------------------------|---|---------------------|
|                  | <u>Cost</u>              | <u>Allowance for<br/>valuation loss</u> | <u>Book value</u>   |
| Raw materials    | \$ 771,902               | (\$ 26,938)                             | \$ 744,964          |
| Work in progress | 165,380                  | ( 3,468)                                | 161,912             |
| Finished goods   | 208,592                  | ( 8,742)                                | 199,850             |
| Total            | <u>\$ 1,145,874</u>      | <u>(\$ 39,148)</u>                      | <u>\$ 1,106,726</u> |

|                  | December 31, 2019   |                                 |                     |
|------------------|---------------------|---------------------------------|---------------------|
|                  | Cost                | Allowance for<br>valuation loss | Book value          |
| Raw materials    | \$ 627,464          | (\$ 34,134)                     | \$ 593,330          |
| Work in progress | 180,747             | ( 5,317)                        | 175,430             |
| Finished goods   | 285,494             | ( 15,625)                       | 269,869             |
| Total            | <u>\$ 1,093,705</u> | <u>(\$ 55,076)</u>              | <u>\$ 1,038,629</u> |

The cost of inventories recognised as expense for the period:

|                                    | For the year ended<br>December 31, 2020 | For the year ended<br>December 31, 2019 |
|------------------------------------|---|---|
| Cost of goods sold and others      | \$ 4,596,673                            | \$ 5,173,793                            |
| (Reversal of) loss in market value | ( 15,928)                               | 1,144                                   |
| Total                              | <u>\$ 4,580,745</u>                     | <u>\$ 5,174,937</u>                     |

For the year ended December 31, 2020, the Group reversed from a previous inventory write-down and accounted for as reduction of cost of goods sold because inventory that has been appropriated as loss on decline in market value was partially sold.

(Blank below)

(7) Property, plant and equipment

2020

|                          | Land              | Buildings and structures | Machinery         | Test equipment  | Construction in progress and prepayment for equipment | Others           | Total               |
|--------------------------|-------------------|--------------------------|-------------------|-----------------|---|------------------|---------------------|
| At January 1             |                   |                          |                   |                 |   |                  |                     |
| Cost                     | \$ 468,684        | \$ 3,243,125             | \$ 901,360        | \$ 153,649      | \$ 3,901  | \$ 406,631       | \$ 5,177,350        |
| Accumulated depreciation | -                 | ( 832,133)               | ( 665,486)        | ( 147,799)      | -   | ( 396,238)       | ( 2,041,656)        |
|                          | <u>\$ 468,684</u> | <u>\$ 2,410,992</u>      | <u>\$ 235,874</u> | <u>\$ 5,850</u> | <u>\$ 3,901</u>                                       | <u>\$ 10,393</u> | <u>\$ 3,135,694</u> |
| Opening net book amount  | \$ 468,684        | \$ 2,410,992             | \$ 235,874        | \$ 5,850        | \$ 3,901  | \$ 10,393        | \$ 3,135,694        |
| Additions                | -                 | 11,670                   | 17,727            | 2,955           | 25,559  | 6,620            | 64,531              |
| Disposals                | -                 | -                        | ( 128)            | ( 157)          | -   | ( 9)             | ( 294)              |
| Reclassifications        | -                 | ( 629,294)               | 2,447             | -               | ( 3,901)  | 1,129            | ( 629,619)          |
| Depreciation charge      | -                 | ( 82,533)                | ( 72,619)         | ( 2,901)        | -   | ( 5,004)         | ( 163,057)          |
| Net exchange differences | -                 | 10,225                   | 2,581             | 4               | 499   | 172              | 13,481              |
| Closing net book amount  | <u>\$ 468,684</u> | <u>\$ 1,721,060</u>      | <u>\$ 185,882</u> | <u>\$ 5,751</u> | <u>\$ 26,058</u>                                      | <u>\$ 13,301</u> | <u>\$ 2,420,736</u> |
| At December 31           |                   |                          |                   |                 |   |                  |                     |
| Cost                     | \$ 468,684        | \$ 2,478,439             | \$ 928,643        | \$ 148,613      | \$ 26,058   | \$ 384,141       | \$ 4,434,578        |
| Accumulated depreciation | -                 | ( 757,379)               | ( 742,761)        | ( 142,862)      | -   | ( 370,840)       | ( 2,013,842)        |
|                          | <u>\$ 468,684</u> | <u>\$ 1,721,060</u>      | <u>\$ 185,882</u> | <u>\$ 5,751</u> | <u>\$ 26,058</u>                                      | <u>\$ 13,301</u> | <u>\$ 2,420,736</u> |

2019

|                          | Land              | Buildings and structures | Machinery         | Test equipment  | Construction in progress and prepayment for equipment | Others           | Total               |
|--------------------------|-------------------|--------------------------|-------------------|-----------------|---|------------------|---------------------|
| At January 1             |                   |                          |                   |                 |   |                  |                     |
| Cost                     | \$ 468,684        | \$ 3,316,999             | \$ 1,089,739      | \$ 157,605      | \$ 10,459   | \$ 461,630       | \$ 5,505,116        |
| Accumulated depreciation | -                 | ( 765,750)               | ( 768,358)        | ( 151,959)      | -   | ( 442,704)       | ( 2,128,771)        |
|                          | <u>\$ 468,684</u> | <u>\$ 2,551,249</u>      | <u>\$ 321,381</u> | <u>\$ 5,646</u> | <u>\$ 10,459</u>                                      | <u>\$ 18,926</u> | <u>\$ 3,376,345</u> |
| Opening net book amount  | \$ 468,684        | \$ 2,551,249             | \$ 321,381        | \$ 5,646        | \$ 10,459   | \$ 18,926        | \$ 3,376,345        |
| Additions                | -                 | 2,535                    | 6,958             | 2,630           | 4,055   | 1,439            | 17,617              |
| Disposals                | -                 | -                        | ( 2,021)          | ( 53)           | -   | ( 80)            | ( 2,154)            |
| Reclassifications        | -                 | 9,094                    | -                 | 983             | ( 10,459)   | 382              | -                   |
| Depreciation charge      | -                 | ( 87,683)                | ( 80,811)         | ( 3,296)        | -   | ( 10,061)        | ( 181,851)          |
| Net exchange differences | -                 | ( 64,203)                | ( 9,633)          | ( 60)           | ( 154)  | ( 213)           | ( 74,263)           |
| Closing net book amount  | <u>\$ 468,684</u> | <u>\$ 2,410,992</u>      | <u>\$ 235,874</u> | <u>\$ 5,850</u> | <u>\$ 3,901</u>                                       | <u>\$ 10,393</u> | <u>\$ 3,135,694</u> |
| At December 31           |                   |                          |                   |                 |   |                  |                     |
| Cost                     | \$ 468,684        | \$ 3,243,125             | \$ 901,360        | \$ 153,649      | \$ 3,901  | \$ 406,631       | \$ 5,177,350        |
| Accumulated depreciation | -                 | ( 832,133)               | ( 665,486)        | ( 147,799)      | -   | ( 396,238)       | ( 2,041,656)        |
|                          | <u>\$ 468,684</u> | <u>\$ 2,410,992</u>      | <u>\$ 235,874</u> | <u>\$ 5,850</u> | <u>\$ 3,901</u>                                       | <u>\$ 10,393</u> | <u>\$ 3,135,694</u> |

A. For the years ended December 31, 2020 and 2019, there was no capitalisation of borrowing interests attributable to the property, plant and equipment.

B. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.

(8) Leasing arrangements — lessee

- A. The Group leases various assets including land, buildings, business vehicles. Rental contracts are typically made for periods of 1 to 49 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. Short-term leases with a lease term of 12 months or less comprise buildings and equipment. Low-value assets comprise printers.
- C. The carrying amount of the depreciation charge are as follows:

|  | Carrying amount   |                   |
|--|-------------------|-------------------|
|  | December 31, 2020 | December 31, 2019 |
| Land   | \$ 110,455        | \$ 123,882        |
| Buildings                                    | 1,421             | 3,264             |
| Transportation equipment (Business vehicles) | 10,987            | 4,804             |
|  | <u>\$ 122,863</u> | <u>\$ 131,950</u> |

|  | Depreciation charge                     |   |
|--|---|---|
|  | For the year ended<br>December 31, 2020 | For the year ended<br>December 31, 2019 |
| Land   | \$ 3,949                                | \$ 4,040                                |
| Buildings                                    | 1,701                                   | 1,777                                   |
| Transportation equipment (Business vehicles) | 4,142                                   | 2,417                                   |
|  | <u>\$ 9,792</u>                         | <u>\$ 8,234</u>                         |

- D. For the years ended December 31, 2020 and 2019, the additions to right-of-use assets were \$10,325 and \$2,191, respectively.
- E. The information on profit and loss accounts relating to lease contracts is as follows:

|                                       | For the year ended<br>December 31, 2020 | For the year ended<br>December 31, 2019 |
|---------------------------------------|---|---|
| <u>Items affecting profit or loss</u> |   |   |
| Interest expense on lease liabilities | \$ 1,139                                | \$ 1,170                                |
| Expense on short-term lease contracts | 7,846                                   | 8,475                                   |
| Expense on leases of low-value assets | 137                                     | 114                                     |

- F. For the years ended December 31, 2020 and 2019, the Group's total cash outflow for leases were \$17,598 and \$16,555, respectively.
- G. Extension and termination options

In determining the lease term, the Group takes into consideration all facts and circumstances that create an economic incentive to exercise an extension option. The assessment of lease period is reviewed if a significant event occurs which affects the assessment.

(9) Investment property

|                          | 2020              |                          |                     |
|--------------------------|-------------------|--------------------------|---------------------|
|                          | Land              | Buildings and structures | Total               |
| At January 1             |                   |                          |                     |
| Cost                     | \$ 573,532        | \$ 245,710               | \$ 819,242          |
| Accumulated depreciation | -                 | ( 55,509)                | ( 55,509)           |
|                          | <u>\$ 573,532</u> | <u>\$ 190,201</u>        | <u>\$ 763,733</u>   |
| At January 1             | \$ 573,532        | \$ 190,201               | \$ 763,733          |
| Reclassifications        | 9,722             | 629,619                  | 639,341             |
| Depreciation charge      | ( 49)             | ( 9,785)                 | ( 9,834)            |
| Net exchange differences | 202               | 13,144                   | 13,346              |
| At December 31           | <u>\$ 583,407</u> | <u>\$ 823,179</u>        | <u>\$ 1,406,586</u> |
| At December 31           |                   |                          |                     |
| Cost                     | \$ 587,286        | \$ 1,054,765             | \$ 1,642,051        |
| Accumulated depreciation | ( 3,879)          | ( 231,586)               | ( 235,465)          |
|                          | <u>\$ 583,407</u> | <u>\$ 823,179</u>        | <u>\$ 1,406,586</u> |
|                          | 2019              |                          |                     |
|                          | Land              | Buildings and structures | Total               |
| At January 1             |                   |                          |                     |
| Cost                     | \$ 573,532        | \$ 245,710               | \$ 819,242          |
| Accumulated depreciation | -                 | ( 48,691)                | ( 48,691)           |
|                          | <u>\$ 573,532</u> | <u>\$ 197,019</u>        | <u>\$ 770,551</u>   |
| At January 1             | \$ 573,532        | \$ 197,019               | \$ 770,551          |
| Depreciation charge      | -                 | ( 6,818)                 | ( 6,818)            |
| At December 31           | <u>\$ 573,532</u> | <u>\$ 190,201</u>        | <u>\$ 763,733</u>   |
| At December 31           |                   |                          |                     |
| Cost                     | \$ 573,532        | \$ 245,710               | \$ 819,242          |
| Accumulated depreciation | -                 | ( 55,509)                | ( 55,509)           |
|                          | <u>\$ 573,532</u> | <u>\$ 190,201</u>        | <u>\$ 763,733</u>   |

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

|   | For the year ended<br>December 31, 2020 | For the year ended<br>December 31, 2019 |
|---|---|---|
| Rental income from investment property  | \$ 37,690                               | \$ 26,127                               |
| Direct operating expenses arising from the investment property that generated rental income during the year | \$ 12,828                               | \$ 8,250                                |

B. The fair value of the investment property held by the Group as at December 31, 2020 and 2019 all amounted to \$1,632,152 and \$870,022, which were valued by independent valuers. Valuations were made using the comparative method and income approach to perform evaluation capitalization.

C. There was no capitalization of borrowing interests attributable to investment property.

D. Information about the investment property that was pledged to others as collaterals is provided in Note 8.

(10) Intangible assets

|                          | 2020              | 2019              |
|--------------------------|-------------------|-------------------|
| At January 1             |                   |                   |
| Cost                     | \$ 245,090        | \$ 168,707        |
| Accumulated amortisation | ( 91,549)         | ( 68,565)         |
|                          | <u>\$ 153,541</u> | <u>\$ 100,142</u> |
| At January 1             | \$ 153,541        | \$ 100,142        |
| Additions                | 56,130            | 84,378            |
| Adjustments              | 97,837            | -                 |
| Amortisation charge      | ( 88,966)         | ( 29,352)         |
| Net exchange differences | ( 3,281)          | ( 1,627)          |
| At December 31           | <u>\$ 215,261</u> | <u>\$ 153,541</u> |
| At December 31           |                   |                   |
| Cost                     | \$ 380,197        | \$ 245,090        |
| Accumulated amortisation | ( 164,936)        | ( 91,549)         |
|                          | <u>\$ 215,261</u> | <u>\$ 153,541</u> |

A. Details of amortisation on intangible assets are as follows:

|                   | For the year ended<br>December 31, 2020 | For the year ended<br>December 31, 2019 |
|-------------------|---|---|
| Operating costs   | \$ 144                                  | \$ 170                                  |
| Operating expense | 88,822                                  | 29,182                                  |
|                   | <u>\$ 88,966</u>                        | <u>\$ 29,352</u>                        |

B. The Group has no intangible assets pledged to others.

(11) Short-term borrowings

| <u>Type of borrowings</u> | <u>December 31, 2020</u> | <u>Interest rate range</u> | <u>Collateral</u> |
|---------------------------|--------------------------|----------------------------|-------------------|
| Bank borrowings           |                          |                            |                   |
| Unsecured borrowings      | <u>\$ 2,330,000</u>      | 0.82%~0.94%                | None              |
| <u>Type of borrowings</u> | <u>December 31, 2019</u> | <u>Interest rate range</u> | <u>Collateral</u> |
| Bank borrowings           |                          |                            |                   |
| Unsecured borrowings      | <u>\$ 2,200,000</u>      | 0.9% ~1%                   | None              |

(12) Short-term notes and bills payable

|   | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|--------------------------|--------------------------|
| Commercial paper payable                                | \$ 300,000               | \$ 230,000               |
| Less: Discount on short-term notes<br>and bills payable | ( 202)                   | ( 38)                    |
|   | <u>\$ 299,798</u>        | <u>\$ 229,962</u>        |
| Interest rate ranges                                    | <u>0.85%~0.87%</u>       | <u>0.997%</u>            |

(13) Long-term borrowings

| <u>Type of borrowings</u>  | <u>Borrowing period<br/>and repayment term</u>   | <u>Interest rate<br/>range</u> | <u>Collateral</u> | <u>December 31, 2020</u> |
|--|--|--------------------------------|-------------------|--------------------------|
| Secured borrowings   | Borrowing period is<br>from August 24, 2018 to<br>May 8, 2021. Revolving<br>credit facility. | 0.8%~1%                        | Yes<br>(Note)     | \$ 250,000               |
| Less: Current portion (classified under other current liabilities) |  |                                |                   | ( 250,000)               |
|  |  |                                |                   | <u>\$ -</u>              |

As at December 31, 2019 : None

During the terms of the unsecured borrowing, in accordance with the unsecured borrowing agreements contracted with bank, the Group is required to maintain the consolidated net value over \$8 billion and the debt ratio under 100% based on the annual consolidated financial statements and the semi-annual consolidated financial statements.

Note: Information about collateral for long-term borrowings is provided in Note 8.

(14) Pensions

A. (a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Group contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee.

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

|  | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|--------------------------|--------------------------|
| Present value of defined benefit obligations | (\$ 54,843)              | (\$ 52,536)              |
| Fair value of plan assets                    | <u>44,573</u>            | <u>43,470</u>            |
| Net defined benefit liability                | <u>(\$ 10,270)</u>       | <u>(\$ 9,066)</u>        |

(c) Movements in net defined benefit liabilities are as follows:

|  | <u>2020</u>   |                                      |  |
|--|---|--------------------------------------|--|
|  | <u>Present value of<br/>defined benefit<br/>obligations</u> | <u>Fair value<br/>of plan assets</u> | <u>Net defined<br/>benefit liability</u> |
| At January 1   | (\$ 52,536)   | \$ 43,470                            | (\$ 9,066)                               |
| Interest (expense) income  | ( 368)  | 305                                  | ( 63)                                    |
|  | <u>( 52,904)</u>  | <u>43,775</u>                        | <u>( 9,129)</u>                          |
| Remeasurements:  |   |                                      |  |
| Return on plan assets<br>(excluding amounts included in<br>interest income or expense) | -   | 1,514                                | 1,514                                    |
| Change in financial assumptions  | ( 1,954)  | -                                    | ( 1,954)                                 |
| Experience adjustments   | ( 713)  | -                                    | ( 713)                                   |
|  | <u>( 2,667)</u>   | <u>1,514</u>                         | <u>( 1,153)</u>                          |
| Pension fund contribution  | -   | 12                                   | 12                                       |
| Paid pension   | 728   | ( 728)                               | -  |
| At December 31   | <u>(\$ 54,843)</u>  | <u>\$ 44,573</u>                     | <u>(\$ 10,270)</u>                       |

|  | 2019   |                              |                                  |
|--|--|------------------------------|----------------------------------|
|  | Present value of<br>defined benefit<br>obligations | Fair value<br>of plan assets | Net defined<br>benefit liability |
| At January 1   | (\$ 49,943)  | \$ 42,370                    | (\$ 7,573)                       |
| Interest (expense) income  | ( 499)   | 424                          | ( 75)                            |
|  | <u>( 50,442)</u>                                   | <u>42,794</u>                | <u>( 7,648)</u>                  |
| Remeasurements:  |  |                              |                                  |
| Return on plan assets<br>(excluding amounts included in<br>interest income or expense) | -  | 1,498                        | 1,498                            |
| Change in financial assumptions  | ( 1,492)   | -                            | ( 1,492)                         |
| Experience adjustments   | ( 1,436)   | -                            | ( 1,436)                         |
|  | <u>( 2,928)</u>                                    | <u>1,498</u>                 | <u>( 1,430)</u>                  |
| Pension fund contribution  | -  | 12                           | 12                               |
| Paid pension   | 834  | ( 834)                       | -                                |
| At December 31   | <u>(\$ 52,536)</u>                                 | <u>\$ 43,470</u>             | <u>(\$ 9,066)</u>                |

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Group's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Group's and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Group's and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(f) The principal actuarial assumptions used were as follows:

|                         | For the year ended<br>December 31, 2020 | For the year ended<br>December 31, 2019 |
|-------------------------|---|---|
| Discount rate           | 0.30%                                   | 0.70%                                   |
| Future salary increases | 3.00%                                   | 3.00%                                   |

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

|  | Discount rate  |                | Future salary increases |                |
|--|----------------|----------------|-------------------------|----------------|
|  | Increase 0.25% | Decrease 0.25% | Increase 0.25%          | Decrease 0.25% |
| <u>December 31, 2020</u>                               |                |                |                         |                |
| Effect on present value of defined benefit obligations | (\$ 1,234)     | \$ 1,277       | \$ 1,123                | (\$ 1,093)     |
| <u>December 31, 2019</u>                               |                |                |                         |                |
| Effect on present value of defined benefit obligations | (\$ 1,248)     | \$ 1,294       | \$ 1,150                | (\$ 1,117)     |

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(g) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2021 amount to \$12.

(h) As of December 31, 2020, the weighted average duration of the retirement plan is 9 years. The analysis of timing of the future pension payment was as follows:

|               |    |               |
|---------------|----|---------------|
| Within 1 year | \$ | 9,017         |
| 2-5 years     |    | 6,389         |
| Over 5 years  |    | 16,249        |
|               | \$ | <u>31,655</u> |

B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2020 and 2019, were \$29,910 and \$28,907, respectively, under the above pension scheme.

(b) The foreign subsidiaries provided defined contribution plans for its employees. Pursuant to local regulations, such employees and the subsidiaries each make contributions based on a certain percentage based of the salaries and wages to the pension funds. The subsidiaries had recognised pension costs of \$1,994 and \$19,597 for the years ended December 31, 2020 and 2019, respectively.

(15) Share-based payment

A. For the years ended December 31, 2020 and 2019, the Group’s share-based payment arrangements were as follows:

| Type of arrangement                               | Grant date        | Quantity<br>granted<br>(share in<br>thousands) | Contract<br>period | Vesting<br>conditions |
|---|-------------------|--|--------------------|-----------------------|
| Employee stock options                            | October 28, 2011  | 3,000  | 9.2 years          | Note 1                |
| "   | March 21, 2012    | 3,000  | 8.9 years          | Note 1                |
| Plan for restricted shares to<br>employee(2015-1) | November 13, 2015 | 2,440  | 3 years            | Note 2, Note 4        |
| "   | March 18, 2016    | 1,190  | 3 years            | Note 2, Note 4        |
| "   | May 5, 2016       | 370  | 3 years            | Note 2, Note 4        |
| Plan for restricted shares to<br>employee(2018-1) | August 12, 2019   | 630  | 3 years            | Note 3, Note 4        |
| "   | January 20, 2020  | 2,196  | 3 years            | Note 3, Note 4        |
| Plan for restricted shares to<br>employee(2019-1) | August 12, 2019   | 820  | 3 years            | Note 3, Note 4        |
| "   | January 20, 2020  | 2,030  | 3 years            | Note 3, Note 4        |
| "   | April 24, 2020    | 86   | 3 years            | Note 3, Note 4        |

Note 1: 2 years’ service vest 40%, 3 years’ service vest 70%, 4 years’ service vest 100%.

Note 2: The restricted shares were issued at no consideration to the Company's existing employees whose service years have reached 2 years and 3 years and who achieved the performance requirement. The vested ratio is 50% and 50%, respectively. If employees who are entitled to receive restricted stocks do not meet the vesting conditions, the Company will redeem at no consideration and retire those shares.

Note 3: The restricted shares were issued at no consideration to the Company's existing employees whose service years have reached 1 year, 2 years and 3 years and who achieved the performance requirement. The vested ratio is 40%, 30% and 30%, respectively. If employees who are entitled to receive restricted stocks do not meet the vesting conditions, the Company will redeem at no consideration and retire those shares.

Note 4: The stocks and dividends distributed to employees during the vesting period shall be given by the Company at no consideration. Employees are not required to return the stocks and dividends if they resign during the vesting period.

B. Details of the share-based payment arrangements are as follows:

(a) For the years ended December 31, 2020 and 2019, the information on the share options and the weighted number of average exercise price of compensation plan employee stock options are as follows:

|  | For the year ended<br>December 31, 2020 |   | For the year ended<br>December 31, 2019 |   |
|--|---|---|---|---|
|  | No. of options                          | Weighted-average<br>exercise price<br>(in NT dollars)(Note) | No. of options                          | Weighted-average<br>exercise price<br>(in NT dollars)(Note) |
| Options outstanding at beginning of the period | 1,701                                   | \$ 29.81  | 1,941                                   | \$ 30.61  |
| Option expired                                 | (1,701)                                 | 29.81   | (240)                                   | 29.85   |
| Options outstanding at end of the period       | -                                       | -   | 1,701                                   | 29.81   |
| Options exercisable at end of the period       | -                                       | -   | 1,701                                   | 29.81   |

Note: The exercise price of stock options was adjusted based on the cash dividends, stock dividends and cash capital reduction per share distributed.

(b) No stock options were exercised during the years ended December 31, 2020 and 2019.

(c) The expiry date and exercise price of stock options outstanding at balance sheet date are as follows:

| Issue date approved | Expiry date       | December 31, 2020               |   | December 31, 2019               |   |
|---------------------|-------------------|---------------------------------|---|---------------------------------|---|
|                     |                   | No. of shares<br>(in thousands) | Exercise price<br>(in NT dollars)<br>(Note) | No. of shares<br>(in thousands) | Exercise price<br>(in NT dollars)<br>(Note) |
| October 28, 2011    | December 31, 2020 | -                               | \$ 28.8                                     | 920                             | \$ 29.9                                     |
| March 21, 2012      | December 31, 2020 | -                               | \$ 28.7                                     | 781                             | \$ 29.7                                     |

Note: The exercise price of stock options was adjusted based on the cash dividends, stock dividends and cash capital reduction per share distributed.

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

| Type of arrangement    | Grant date       | Stock price (in NT dollars) | Exercise price (Note) (in NT dollars) | Expected price volatility | Expected option life | Expected dividends | Risk-free interest rate | Fair value per unit (in NT dollars) |
|------------------------|------------------|-----------------------------|---------------------------------------|---------------------------|----------------------|--------------------|-------------------------|-------------------------------------|
| Employee stock options | October 28, 2011 | \$ 30.65                    | \$ 28.8                               | 30.27%                    | 5 years              | 1.4%               | 1.18%                   | \$ 7.42                             |
| "                      | March 21, 2012   | 27.85                       | \$ 28.7                               | 33.54%                    | 4.9 years            | 1.4%               | 1.08%                   | 7.35                                |

Note: The exercise price of stock options was adjusted based on the cash dividends, stock dividends and cash capital reduction per share distributed.

C. Restricted shares to employees:

(a) The information on restricted shares to employees is as follows (share in thousands):

|                                    | For the year ended<br>December 31, 2020 | For the year ended<br>December 31, 2019 |
|------------------------------------|---|---|
| Shares ungranted beginning balance | 1,350                                   | 715                                     |
| Given at period (Note 1 and 2)     | 4,312                                   | 1,450                                   |
| Shares exercised                   | ( 518)                                  | ( 715)                                  |
| Shares forfeited - retired         | ( 176)                                  | ( 100)                                  |
| Shares ungranted ending balance    | <u>4,968</u>                            | <u>1,350</u>                            |

Note 1: For the restricted stocks granted with the compensation cost accounted for using the fair value method, the fair values on the grant date are calculated based on the closing price on the grant date.

Note 2: The fair value of restricted stocks granted in January 20, April 24, 2020 and August 12, 2019 was \$22.8 (in NT dollars), \$18.2 (in NT dollars) and \$23.4 (in NT dollars).

(b) As of December 31, 2020, the Company collected 176 thousand shares of restricted shares because certain employees did not meet the vesting condition, and the change of registration has been completed.

D. Expenses incurred on share-based payment transactions are shown below:

|                | For the year ended<br>December 31, 2020 | For the year ended<br>December 31, 2019 |
|----------------|---|---|
| Equity-settled | <u>\$ 72,991</u>                        | <u>\$ 10,271</u>                        |

(16) Provisions

|                            | <u>Warranty</u>          |                          |
|----------------------------|--------------------------|--------------------------|
| At January 1, 2020         | \$                       | 142,391                  |
| Additional provisions      |                          | 34,606                   |
| Used during the period     | (                        | 11)                      |
| Reversed during the period | (                        | 7,311)                   |
| Exchange differences       |                          | 15                       |
| At December 31, 2020       | \$                       | <u>169,690</u>           |
|                            | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
| Current                    | \$                       | <u>9,295</u>             |
| Non-current                | \$                       | <u>160,395</u>           |
|                            | \$                       | <u>136,568</u>           |

The Group gives warranties on digital image technology application products sold. Provision for warranty is estimated based on historical warranty data of digital image technology application products.

(17) Share capital

As of December 31, 2020, the Company's authorized capital was \$5,000,000, consisting of 500,000 thousand shares of ordinary stock, and the paid-in capital was \$2,794,973 with a par value of \$10 (in NT dollars) per share.

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

|   | <u>2020</u>    | <u>2019</u>    |
|---|----------------|----------------|
| At January 1  | 275,361        | 274,011        |
| Establish employee restricted shares  | 4,312          | 1,450          |
| Retired restricted shares to employees that did not meet the vesting conditions | ( 176)         | ( 100)         |
| Shares repurchases  | ( 11,000)      | -              |
| At December 31  | <u>268,497</u> | <u>275,361</u> |

B. Treasury shares

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

|                                    |                             | <u>December 31, 2020</u>              |                   |
|------------------------------------|-----------------------------|---------------------------------------|-------------------|
| Name of company holding the shares | Reason for reacquisition    | Number of shares (share in thousands) | Carrying amount   |
| The Company                        | To be reissued to employees | <u>11,000</u>                         | <u>\$ 209,287</u> |

December 31, 2019 : None.

- (b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.
- (c) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.
- (d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within five years from the reacquisition date and shares not reissued within the five-year period are to be retired.

(18) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

|   | 2020                |                              |   |   |   |                                      |                    |
|---|---------------------|------------------------------|---|---|---|--------------------------------------|--------------------|
|   | Share<br>premium    | Employee<br>stock<br>options | Difference<br>between<br>consideration and<br>carrying amount<br>of subsidiaries<br>acquired or<br>disposed | Changes in<br>ownership<br>interests in<br>subsidiaries | Proceeds<br>from sales<br>of treasury<br>shares | Restricted<br>shares to<br>employees | Total              |
| At January 1                                      | \$ 1,814,532        | \$ 49,102                    | \$ 1,534  | \$ 395,774  | \$ 1,455  | \$ 18,090                            | \$2,280,487        |
| Changes in ownership<br>interests in subsidiaries | -                   | -                            | -   | 2,135   | -   | -                                    | 2,135              |
| Issuance of restricted<br>shares to employees     | -                   | -                            | -   | -   | -   | 54,798                               | 54,798             |
| Employee restricted share<br>granted              | 6,941               | -                            | -   | -   | -   | ( 6,941)                             | -                  |
| Retirement of employee<br>restricted shares       | -                   | -                            | -   | -   | -   | ( 2,194)                             | ( 2,194)           |
| At December 31                                    | <u>\$ 1,821,473</u> | <u>\$ 49,102</u>             | <u>\$ 1,534</u>   | <u>\$ 397,909</u>                                       | <u>\$ 1,455</u>                                 | <u>\$ 63,753</u>                     | <u>\$2,335,226</u> |

|   | Share<br>premium    | Employee<br>stock<br>options | Difference<br>between<br>consideration and<br>carrying amount<br>of subsidiaries<br>acquired or<br>disposed | Changes in<br>ownership<br>interests in<br>subsidiaries | Proceeds<br>from sales<br>of treasury<br>shares | Restricted<br>shares to<br>employees | Total               |
|---|---------------------|------------------------------|---|---|---|--------------------------------------|---------------------|
| At January 1                                  | \$ 1,802,659        | \$ 49,102                    | \$ 1,534  | \$ 395,774  | \$ 1,455  | \$ 11,873                            | \$ 2,262,397        |
| Issuance of restricted<br>shares to employees | -                   | -                            | -   | -   | -   | 19,430                               | 19,430              |
| Employee restricted<br>share granted          | 11,873              | -                            | -   | -   | -   | ( 11,873)                            | -                   |
| Retirement of employee<br>restricted shares   | -                   | -                            | -   | -   | -   | ( 1,340)                             | ( 1,340)            |
| At December 31                                | <u>\$ 1,814,532</u> | <u>\$ 49,102</u>             | <u>\$ 1,534</u>   | <u>\$ 395,774</u>                                       | <u>\$ 1,455</u>                                 | <u>\$ 18,090</u>                     | <u>\$ 2,280,487</u> |

(19) Retained earnings

A. According to the Company's Articles of Incorporation, the annual earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. Special reserve shall be set aside in accordance with the rules. The remaining amount plus the unappropriated earnings of prior years were distributed in new shares, which were proposed by the Board of Directors and resolved at the shareholders' meeting.

All or some of the dividends and bonus could, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, be distributed in the form of cash and reported at the shareholders' meeting.

B. The amount of dividends appropriated is based on the Company's current year's net income and prior years' retained earnings, taking into account the Company's financial structure and future operating plans. The distribution ratio of cash dividends to stock dividends is based on the Company's funding status, diluted earnings per share and other factors. According to the dividend policy adopted by the Board of Directors, cash dividends shall account for at least 20% of the total dividends distributed.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.

D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Order No. Financial-Supervisory-Securities-Corporate-1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.

E. The appropriation of 2019 and 2018 earnings had been resolved at the stockholders' meeting on June 12, 2020 and June 13, 2019, respectively. Details are summarized below:

|                 | 2019              |  | 2018              |  |
|-----------------|-------------------|--|-------------------|--|
|                 | Amount            | Dividends per share<br>(in NT dollars) | Amount            | Dividends per share<br>(in NT dollars) |
| Legal reserve   | \$ 8,316          |  | \$ 13,057         |  |
| Special reserve | 156,646           |  | 10,099            |  |
| Cash dividends  | <u>139,794</u>    | \$ 0.5                                 | <u>137,005</u>    | \$ 0.5                                 |
|                 | <u>\$ 304,756</u> |  | <u>\$ 160,161</u> |  |

The appropriation of 2019 and 2018 earnings were the same as that approved by the Board of Directors on March 20, 2020 and March 15, 2019, respectively.

F. The appropriation of 2020 earnings had been proposed at the Board of Directors on March 25, 2021. Details are summarized below:

|                 | 2020              |  |
|-----------------|-------------------|--|
|                 | Amount            | Dividends per share<br>(in NT dollars) |
| Legal reserve   | \$ 15,943         |  |
| Special reserve | 59,231            |  |
| Cash dividends  | <u>134,249</u>    | \$ 0.5                                 |
|                 | <u>\$ 209,423</u> |  |

Aforementioned distribution of 2020 earnings, except cash dividends were resolved and approved by the Board of Directors on March 25, 2021, others were pending for approval from the shareholders.

(20) Other equity items

|   | 2020                            |                                      |                          |                     |
|---|---------------------------------|--------------------------------------|--------------------------|---------------------|
|   | Foreign currency<br>translation | Unrealized<br>losses on<br>valuation | Unearned<br>compensation | Total               |
| At January 1                                    | (\$ 494,335)                    | (\$ 97,990)                          | (\$ 23,034)              | (\$ 615,359)        |
| Valuation adjustment                            | -                               | ( 3,030)                             | -                        | ( 3,030)            |
| Currency translation differences:               |                                 |                                      |                          |                     |
| -Group  | ( 56,201)                       | -                                    | -                        | ( 56,201)           |
| Issuance of restricted shares<br>to employees   | -                               | -                                    | ( 97,918)                | ( 97,918)           |
| Retirement of restricted shares<br>to employees | -                               | -                                    | 3,954                    | 3,954               |
| Share-based payment transactions                | -                               | -                                    | 70,856                   | 70,856              |
| At December 31                                  | <u>(\$ 550,536)</u>             | <u>(\$ 101,020)</u>                  | <u>(\$ 46,142)</u>       | <u>(\$ 697,698)</u> |

|   | 2019                            |                                      |                          |                     |
|---|---------------------------------|--------------------------------------|--------------------------|---------------------|
|   | Foreign currency<br>translation | Unrealized<br>losses on<br>valuation | Unearned<br>compensation | Total               |
| At January 1                                    | (\$ 256,833)                    | (\$ 36,390)                          | (\$ 1,715)               | (\$ 294,938)        |
| Valuation adjustment                            | -                               | ( 61,600)                            | -                        | ( 61,600)           |
| Currency translation differences:               |                                 |                                      |                          |                     |
| -Group  | ( 237,502)                      | -                                    | -                        | ( 237,502)          |
| Issuance of restricted shares to<br>employees   | -                               | -                                    | ( 33,930)                | ( 33,930)           |
| Retirement of restricted shares<br>to employees | -                               | -                                    | 2,340                    | 2,340               |
| Share-based payment transactions                | -                               | -                                    | 10,271                   | 10,271              |
| At December 31                                  | <u>(\$ 494,335)</u>             | <u>(\$ 97,990)</u>                   | <u>(\$ 23,034)</u>       | <u>(\$ 615,359)</u> |

(21) Operating revenue

|                                       | For the year ended<br>December 31, 2020 | For the year ended<br>December 31, 2019 |
|---------------------------------------|---|---|
| Revenue from contracts with customers | <u>\$ 6,102,675</u>                     | <u>\$ 6,189,352</u>                     |

Disaggregation of revenue from contracts with customers

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

| <u>For the year ended<br/>December 31, 2020</u> | <u>Asia</u>         | <u>Europe</u>       | <u>America</u>      | <u>Taiwan</u>     | <u>Total</u>        |
|---|---------------------|---------------------|---------------------|-------------------|---------------------|
| Revenue from external customer contracts        | <u>\$ 3,415,337</u> | <u>\$ 1,041,331</u> | <u>\$ 1,522,933</u> | <u>\$ 123,074</u> | <u>\$ 6,102,675</u> |
| Timing of revenue recognition                   |                     |                     |                     |                   |                     |
| At a point in time                              | \$ 3,323,127        | \$ 1,041,331        | \$ 1,522,933        | \$ 123,074        | \$ 6,010,465        |
| Over time                                       | <u>92,210</u>       | <u>-</u>            | <u>-</u>            | <u>-</u>          | <u>92,210</u>       |
| Total   | <u>\$ 3,415,337</u> | <u>\$ 1,041,331</u> | <u>\$ 1,522,933</u> | <u>\$ 123,074</u> | <u>\$ 6,102,675</u> |
| <u>For the year ended<br/>December 31, 2019</u> | <u>Asia</u>         | <u>Europe</u>       | <u>America</u>      | <u>Taiwan</u>     | <u>Total</u>        |
| Revenue from external customer contracts        | <u>\$ 3,508,238</u> | <u>\$ 1,226,724</u> | <u>\$ 1,407,566</u> | <u>\$ 46,824</u>  | <u>\$ 6,189,352</u> |
| Timing of revenue recognition                   |                     |                     |                     |                   |                     |
| At a point in time                              | \$ 3,415,594        | \$ 1,226,724        | \$ 1,407,566        | \$ 46,824         | \$ 6,096,708        |
| Over time                                       | <u>92,644</u>       | <u>-</u>            | <u>-</u>            | <u>-</u>          | <u>92,644</u>       |
| Total   | <u>\$ 3,508,238</u> | <u>\$ 1,226,724</u> | <u>\$ 1,407,566</u> | <u>\$ 46,824</u>  | <u>\$ 6,189,352</u> |

(22) Interest income

|  | <u>For the year ended<br/>December 31, 2020</u> | <u>For the year ended<br/>December 31, 2019</u> |
|--|---|---|
| Interest income from bank deposits                               | \$ 57,016                                       | \$ 125,984                                      |
| Interest income from financial assets measured at amortised cost | 46,323  | 17,989  |
| Other interest income  | <u>40</u>                                       | <u>26</u>                                       |
|  | <u>\$ 103,379</u>                               | <u>\$ 143,999</u>                               |

(23) Other income

|                       | <u>For the year ended<br/>December 31, 2020</u> | <u>For the year ended<br/>December 31, 2019</u> |
|-----------------------|---|---|
| Rent income           | \$ 36,185                                       | \$ 31,479                                       |
| Dividend income       | 1,526   | 763   |
| Other income - others | <u>11,460</u>                                   | <u>13,603</u>                                   |
|                       | <u>\$ 49,171</u>                                | <u>\$ 45,845</u>                                |

(24) Other gains and losses

|  | <u>For the year ended<br/>December 31, 2020</u> | <u>For the year ended<br/>December 31, 2019</u> |
|--|---|---|
| Gains on disposal of property, plant and equipment                               | \$ 17   | \$ 1,922  |
| Net currency exchange gains  | 21,723  | 5,737   |
| Net gains on financial assets at fair value through profit                       | 8,541   | 16,710  |
| Reversal of impairment loss of investments accounted for under the equity method | -   | 649   |
| Other expenses   | ( 1,668)  | ( 1,067)  |
| Total  | <u>\$ 28,613</u>                                | <u>\$ 23,951</u>                                |

(25) Finance costs

|                    | <u>For the year ended<br/>December 31, 2020</u> | <u>For the year ended<br/>December 31, 2019</u> |
|--------------------|---|---|
| Interest expense : |   |   |
| Bank loan          | \$ 22,961                                       | \$ 23,774                                       |
| Lease liabilities  | 1,139   | 1,170   |
| Other              | 1,095   | 759   |
|                    | <u>\$ 25,195</u>                                | <u>\$ 25,703</u>                                |

(26) Expenses by nature

|   | <u>For the year ended<br/>December 31, 2020</u> | <u>For the year ended<br/>December 31, 2019</u> |
|---|---|---|
| Employee benefit expenses                             | \$ 1,195,937                                    | \$ 1,102,313                                    |
| Depreciation charges on property, plant and equipment | 163,057   | 181,851   |
| Depreciation charges on right-of-use assets           | 9,792   | 8,234   |
| Depreciation charges on investment property           | 9,834   | 6,818   |
| Amortisation charges on intangible assets             | 88,966  | 29,352  |

(27) Employee benefit expenses

|                                  | <u>For the year ended<br/>December 31, 2020</u> | <u>For the year ended<br/>December 31, 2019</u> |
|----------------------------------|---|---|
| Wages and salaries               | \$ 1,080,574                                    | \$ 969,326                                      |
| Labour and health insurance fees | 51,533  | 52,122  |
| Pension costs                    | 31,967  | 48,579  |
| Other personnel expenses         | 31,863  | 32,286  |
| Total                            | <u>\$ 1,195,937</u>                             | <u>\$ 1,102,313</u>                             |

A. According to the Articles of Incorporation of the Company, when distributing earnings, the Company shall distribute compensation to the employees and pay remuneration to the directors that account for 10% to 20% and no higher than 2%, respectively, of distributable profit of the current period. If a company has accumulated deficit, earnings should be channeled to cover losses. Employees' compensation can be distributed in the form of shares or in cash. Employees of subsidiaries that the Company holds more than 50% shareholding are entitled to receive aforementioned stock or cash.

Abovementioned distributable profit of the current period refers to the pre-tax profit before deduction of employees' compensation and directors' remuneration. A company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributed as employees' compensation and directors' remuneration; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

B. For the years ended December 31, 2020 and 2019, employees' compensation was accrued at \$31,624 and \$16,220, respectively; directors' remuneration was accrued at \$4,217 and \$2,163, respectively. The aforementioned amounts were recognised in salary expenses.

Employees' compensation and directors' and supervisors' remuneration for 2019 amounting to \$16,220 and \$2,163, respectively, as resolved at the meeting of Board of Directors were in agreement with those amounts recognized in the 2019 financial statements.

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

(28) Income tax

A. Income tax expense

(a) Components of income tax expense:

|   | <u>For the year ended<br/>December 31, 2020</u> | <u>For the year ended<br/>December 31, 2019</u> |
|---|---|---|
| Current tax:  |   |   |
| Current tax on profits for the period                         | \$ 60,287                                       | \$ 47,675                                       |
| Charge on unassigned retained earnings                        | 7,315   | 4,759   |
| Tax paid outside of the territory of<br>the Republic of China | 3,293   | 1,026   |
| Prior year income tax under(over)estimation                   | <u>17</u>                                       | <u>(22,105)</u>                                 |
| Total current tax   | <u>70,912</u>                                   | <u>31,355</u>                                   |
| Deferred tax:   |   |   |
| Origination and reversal of<br>temporary differences          | <u>9,017</u>                                    | <u>3,920</u>                                    |
| Income tax expense  | <u>\$ 79,929</u>                                | <u>\$ 35,275</u>                                |

(b) The income tax charged to other comprehensive income is as follows:

|  | <u>For the year ended<br/>December 31, 2020</u> | <u>For the year ended<br/>December 31, 2019</u> |
|--|---|---|
| Changes in fair value of financial assets at fair value through other comprehensive income | (\$ 757)  | (\$ 272)  |
| Translation differences of foreign operations  | ( 14,051)                                       | ( 59,375)                                       |
| Benefit obligations revaluation  | ( 231)  | ( 286)  |
|  | <u>(\$ 15,039)</u>                              | <u>(\$ 59,933)</u>                              |

B. Reconciliation between income tax expense and accounting profit :

|  | <u>For the year ended<br/>December 31, 2020</u> | <u>For the year ended<br/>December 31, 2019</u> |
|--|---|---|
| Tax calculated based on profit before tax and statutory tax rate       | \$ 153,035                                      | \$ 33,409                                       |
| Expenses disallowed by tax regulation                                  | ( 66,521)                                       | ( 7,538)  |
| Tax on undistributed earnings  | 7,315   | 4,759   |
| Change in assessment of realisation of deferred tax assets             | ( 3,748)  | 4,683   |
| Effect from investment tax credits                                     | ( 4,537)  | ( 9,022)  |
| Loss deducted not recognised as deferred tax assets                    | ( 8,925)  | 30,063  |
| Prior year income tax under(over)estimation                            | 17  | ( 22,105)                                       |
| Effect of different tax rates in countries in which the group operates | <u>3,293</u>                                    | <u>1,026</u>                                    |
| Income tax expense   | <u>\$ 79,929</u>                                | <u>\$ 35,275</u>                                |

C. Amounts of deferred tax assets or liabilities as a result of temporary differences, tax losses and investment tax credits are as follows:

|   | 2020                |                                 |   |                     |
|---|---------------------|---------------------------------|---|---------------------|
|   | January 1           | Recognised in<br>profit or loss | Recognised<br>in other<br>comprehensive<br>income | December 31         |
| <u>Deferred tax assets:</u>                                 |                     |                                 |   |                     |
| Temporary differences:                                      |                     |                                 |   |                     |
| Cost of after-sales service<br>and other estimated expenses | \$ 46,238           | \$ 5,364                        | \$ -  | \$ 51,602           |
| Currency translation<br>differences                         | 94,092              | -                               | 14,051  | 108,143             |
| Others  | -                   | -                               | 255   | 255                 |
| Tax losses  | 10,351              | 5,996                           | -   | 16,347              |
| Investment tax credits                                      | 10,891              | (4,877)                         | -   | 6,014               |
| Subtotal  | <u>\$ 161,572</u>   | <u>\$ 6,483</u>                 | <u>\$ 14,306</u>                                  | <u>\$ 182,361</u>   |
| <u>Deferred tax liabilities:</u>                            |                     |                                 |   |                     |
| Temporary differences:                                      |                     |                                 |   |                     |
| Gain on foreign investment<br>under equity method           | (\$ 441,904)        | (\$ 19,349)                     | \$ -  | (\$ 461,253)        |
| Pension expenses  | ( 1,130)            | 10                              | 231   | ( 889)              |
| Others  | ( 6,890)            | 3,839                           | 502   | ( 2,549)            |
| Subtotal  | <u>(\$ 449,924)</u> | <u>(\$ 15,500)</u>              | <u>\$ 733</u>                                     | <u>(\$ 464,691)</u> |
| Total   | <u>(\$ 288,352)</u> | <u>(\$ 9,017)</u>               | <u>\$ 15,039</u>                                  | <u>(\$ 282,330)</u> |

|  | 2019                |                                 |   |                     |
|--|---------------------|---------------------------------|---|---------------------|
|  | January 1           | Recognised in<br>profit or loss | Recognised<br>in other<br>comprehensive<br>income | December 31         |
| <u>Deferred tax assets:</u>                              |                     |                                 |   |                     |
| Temporary differences:                                   |                     |                                 |   |                     |
| Cost of after-sales service and other estimated expenses | \$ 45,464           | \$ 774                          | \$ -  | \$ 46,238           |
| Currency translation differences                         | 34,717              | -                               | 59,375  | 94,092              |
| Others   | 235                 | ( 235)                          | -   | -                   |
| Tax losses   | -                   | 10,351                          | -   | 10,351              |
| Investment tax credits                                   | 22,280              | ( 11,389)                       | -   | 10,891              |
| Subtotal   | <u>\$ 102,696</u>   | <u>(\$ 499)</u>                 | <u>\$ 59,375</u>                                  | <u>\$ 161,572</u>   |
| <u>Deferred tax liabilities:</u>                         |                     |                                 |   |                     |
| Temporary differences:                                   |                     |                                 |   |                     |
| Gain on foreign investment under equity method           | (\$ 444,069)        | \$ 2,165                        | \$ -  | (\$ 441,904)        |
| Pension expenses   | ( 1,429)            | 13                              | 286   | ( 1,130)            |
| Others   | ( 1,563)            | ( 5,599)                        | 272   | ( 6,890)            |
| Subtotal   | <u>(\$ 447,061)</u> | <u>(\$ 3,421)</u>               | <u>\$ 558</u>                                     | <u>(\$ 449,924)</u> |
| Total  | <u>(\$ 344,365)</u> | <u>(\$ 3,920)</u>               | <u>\$ 59,933</u>                                  | <u>(\$ 288,352)</u> |

D. Details of the amount the Company is entitled as investment tax credit and unrecognised deferred tax assets are as follows:

|                          | December 31, 2020  |                                     |             |
|--------------------------|--------------------|-------------------------------------|-------------|
| Qualifying items         | Unused tax credits | Unrecognised<br>deferred tax assets | Expiry year |
| Research and development | \$ 16,014          | \$ 12,457                           | 2021        |
| Research and development | 2,457              | -                                   | 2022        |
|                          | <u>\$ 18,471</u>   | <u>\$ 12,457</u>                    |             |
|                          | December 31, 2019  |                                     |             |
| Qualifying items         | Unused tax credits | Unrecognised<br>deferred tax assets | Expiry year |
| Research and development | \$ 14,469          | \$ 6,418                            | 2020        |
| Research and development | 2,840              | -                                   | 2021        |
|                          | <u>\$ 17,309</u>   | <u>\$ 6,418</u>                     |             |

E. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

| December 31, 2020 |                           |                   |                                     |             |
|-------------------|---------------------------|-------------------|-------------------------------------|-------------|
| Year incurred     | Amount filed/<br>assessed | Unused amount     | Unrecognised<br>deferred tax assets | Expiry year |
| 2018              | \$ 17,466                 | \$ 12,168         | \$ -                                | 2028        |
| 2019              | 187,895                   | 175,178           | 150,611                             | 2029        |
| 2020              | 79                        | 79                | 79                                  | 2030        |
|                   | <u>\$ 205,440</u>         | <u>\$ 187,425</u> | <u>\$ 150,690</u>                   |             |

| December 31, 2019 |                           |                   |                                     |             |
|-------------------|---------------------------|-------------------|-------------------------------------|-------------|
| Year incurred     | Amount filed/<br>assessed | Unused amount     | Unrecognised<br>deferred tax assets | Expiry year |
| 2018              | \$ 18,382                 | \$ 14,173         | \$ -                                | 2028        |
| 2019              | 187,895                   | 187,895           | 150,316                             | 2029        |
|                   | <u>\$ 206,277</u>         | <u>\$ 202,068</u> | <u>\$ 150,316</u>                   |             |

F. The amounts of deductible temporary difference that are not recognised as deferred tax assets are as follows: None.

G. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

(29) Earnings per share

|  | For the year ended December 31, 2020 |   |                                    |
|--|--------------------------------------|---|------------------------------------|
|  | Amount after tax                     | Weighted average number of<br>ordinary shares outstanding<br>(share in thousands) | Earnings per share<br>(in dollars) |
| <u>Basic earnings per share</u>  |                                      |   |                                    |
| Profit attributable to ordinary<br>shareholders of the parent  | <u>\$ 160,357</u>                    | 265,758   | <u>\$ 0.60</u>                     |
| <u>Diluted earnings per share</u>  |                                      |   |                                    |
| Profit attributable to ordinary<br>shareholders of the parent  | \$ 160,357                           |   |                                    |
| Assumed conversion of all dilutive<br>potential ordinary shares  |                                      |   |                                    |
| Restricted shares to employees   |                                      | 3,458   |                                    |
| Employees' bonus   |                                      | 1,156   |                                    |
| Profit attributable to ordinary<br>shareholders of the parent<br>plus assumed conversion of<br>all dilutive potential ordinary<br>shares | <u>\$ 160,357</u>                    | <u>270,372</u>  | <u>\$ 0.59</u>                     |

|  | For the year ended December 31, 2019 |   |                                    |
|--|--------------------------------------|---|------------------------------------|
|  | Amount after tax                     | Weighted average number of<br>ordinary shares outstanding<br>(share in thousands) | Earnings per share<br>(in dollars) |
| <u>Basic earnings per share</u>  |                                      |   |                                    |
| Profit attributable to ordinary shareholders of the parent   | \$ 84,308                            | 273,838   | \$ 0.31                            |
| <u>Diluted earnings per share</u>  |                                      |   |                                    |
| Profit attributable to ordinary shareholders of the parent   | \$ 84,308                            |   |                                    |
| Assumed conversion of all dilutive potential ordinary shares   |                                      |   |                                    |
| Restricted shares to employees   |                                      | 170   |                                    |
| Employees' bonus   |                                      | 894   |                                    |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | \$ 84,308                            | 274,902   | \$ 0.31                            |

(30) Supplemental cash flow information

Investing activities with partial cash payments :

|  | For the year ended<br>December 31, 2020 | For the year ended<br>December 31, 2019 |
|--|---|---|
| Acquisitions of property, plant, and equipment                                     | \$ 64,531                               | \$ 17,617                               |
| Add: Property and equipment and construction billings payable at beginning of year | 898                                     | 1,229                                   |
| Less: Property and equipment and construction billings payable at end of year      | ( 4,203)                                | ( 898)                                  |
| Cash paid  | <u>\$ 61,226</u>                        | <u>\$ 17,948</u>                        |
|  | For the year ended<br>December 31, 2020 | For the year ended<br>December 31, 2019 |
| Acquisitions of intangible assets  | \$ 56,130                               | \$ 84,378                               |
| Add: Payables at beginning of period   | -                                       | 1,234                                   |
| Less: Payables at end of period  | ( 278)                                  | -                                       |
| Cash paid  | <u>\$ 55,852</u>                        | <u>\$ 85,612</u>                        |

(31) Changes in liabilities from financing activities

|  | Short-term borrowings | Short-term notes and bills payable | Long-term borrowings (Note) | Guarantee deposits received | Lease liabilities | Total               |
|--|-----------------------|------------------------------------|-----------------------------|-----------------------------|-------------------|---------------------|
| January 1, 2020                                | \$ 2,200,000          | \$ 229,962                         | \$ -                        | \$ 20,326                   | \$ 102,805        | \$ 2,553,093        |
| Changes in cash flow from financing activities | 130,000               | 68,741                             | 250,000                     | 5,816                       | ( 9,615)          | 444,942             |
| Impact of changes in foreign exchange rate     | -                     | -                                  | -                           | 338                         | 12                | 350                 |
| Changes in other non-cash items                | -                     | 1,095                              | -                           | -                           | 11,310            | 12,405              |
| December 31, 2020                              | <u>\$ 2,330,000</u>   | <u>\$ 299,798</u>                  | <u>\$ 250,000</u>           | <u>\$ 26,480</u>            | <u>\$ 104,512</u> | <u>\$ 3,010,790</u> |

|  | Short-term borrowings | Short-term notes and bills payable | Long-term borrowings | Guarantee deposits received | Lease liabilities | Total               |
|--|-----------------------|------------------------------------|----------------------|-----------------------------|-------------------|---------------------|
| January 1, 2019                                | \$ 1,760,000          | \$ -                               | \$ 600,000           | \$ 20,470                   | \$ 107,196        | \$ 2,487,666        |
| Changes in cash flow from financing activities | 440,000               | 229,203                            | ( 600,000)           | 424                         | ( 7,966)          | 61,661              |
| Impact of changes in foreign exchange rate     | -                     | -                                  | -                    | ( 568)                      | ( 132)            | ( 700)              |
| Changes in other non-cash items                | -                     | 759                                | -                    | -                           | 3,707             | 4,466               |
| December 31, 2019                              | <u>\$ 2,200,000</u>   | <u>\$ 229,962</u>                  | <u>\$ -</u>          | <u>\$ 20,326</u>            | <u>\$ 102,805</u> | <u>\$ 2,553,093</u> |

Note: The loan will be due within 1 year, and it classified under other current liabilities.

7. RELATED PARTY TRANSACTIONS

- (1) Names of related parties and relationship: None.
- (2) Significant transactions and balances with related parties:  
No significant related party transactions.
- (3) Key management compensation

|   | For the year ended<br>December 31, 2020 | For the year ended<br>December 31, 2019 |
|---|---|---|
| Salaries and other short-term employee benefits | \$ 41,659                               | \$ 37,151                               |
| Post-employment benefits                        | 908                                     | 783                                     |
| Share-based payments                            | 15,619                                  | 3,019                                   |
| Total   | <u>\$ 58,186</u>                        | <u>\$ 40,953</u>                        |

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

| Pledged asset                  | Purpose              | Book value          |                     |
|--------------------------------|----------------------|---------------------|---------------------|
|                                |                      | December 31, 2020   | December 31, 2019   |
| Land, buildings and structures | Long-term borrowings | \$ 734,116          | \$ 745,589          |
| Investment property            | Long-term borrowings | 756,915             | 763,733             |
|                                |                      | <u>\$ 1,491,031</u> | <u>\$ 1,509,322</u> |

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENT

None.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends, return capital or issue new shares to achieve the optimal capital structure.

(2) Financial instruments

A. Financial instruments by category

|   | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|--------------------------|--------------------------|
| <u>Financial assets</u>   |                          |                          |
| Financial assets measured at fair value through profit or loss    | \$ 397,893               | \$ 40,156                |
| Financial assets at fair value through other comprehensive income | \$ 43,130                | \$ 50,644                |
| Financial assets at amortised cost                                |                          |                          |
| Cash and cash equivalents   | \$ 5,373,406             | \$ 6,666,055             |
| Current financial assets at amortised cost                        | 1,842,389                | 737,185                  |
| Current contract assets   | 4,414                    | -                        |
| Accounts receivable   | 1,273,383                | 918,019                  |
| Other accounts receivable   | 68,825                   | 42,095                   |
| Guarantee deposit paid  | 34,746                   | 40,466                   |
|   | <u>\$ 8,597,163</u>      | <u>\$ 8,403,820</u>      |

|   | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|--------------------------|--------------------------|
| <u>Financial liabilities</u>                        |                          |                          |
| Financial liabilities at amortised cost             |                          |                          |
| Short-term borrowings                               | \$ 2,330,000             | \$ 2,200,000             |
| Short-term notes and bills payable                  | 299,798                  | 229,962                  |
| Notes payable                                       | -                        | 4,316                    |
| Accounts payable                                    | 1,296,475                | 1,010,670                |
| Other accounts payable                              | 485,953                  | 424,512                  |
| Long-term borrowings<br>(including current portion) | 250,000                  | -                        |
| Guarantee deposits received                         | 26,480                   | 20,326                   |
|   | <u>\$ 4,688,706</u>      | <u>\$ 3,889,786</u>      |
| Lease liabilities                                   | <u>\$ 104,512</u>        | <u>\$ 102,805</u>        |

## B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimize any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts and foreign currency option contracts are used to hedge certain exchange rate risk, and interest rate swaps are used to fix variable future cash flows. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

## C. Significant financial risks and degrees of financial risks

### (a) Market risk

#### Foreign exchange risk

- i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Exchange rate risk arises from future commercial transactions and recognised assets and liabilities.

- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. Exchange rate risk is measured through a forecast of highly probable USD and RMB expenditures. Forward foreign exchange contracts are adopted to minimize the volatility of the exchange rate affecting cost of forecast inventory purchases.
- iii. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.
- iv. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

| December 31, 2020                       |     |             |              |                             |               |                      |      |
|---|-----|-------------|--------------|-----------------------------|---------------|----------------------|------|
|   |     |             |              | <u>Sensitivity Analysis</u> |               |                      |      |
| Foreign Currency                        |     |             |              |                             |               | Effect on            |      |
| Amount                                  |     | Exchange    | Book Value   | Extent of                   | Effect on     | Other                |      |
| <u>(In thousands)</u>                   |     | <u>Rate</u> | <u>(NTD)</u> | <u>Variation</u>            | <u>(Loss)</u> | <u>Comprehensive</u> |      |
|   |     |             |              |                             |               | <u>Income (Loss)</u> |      |
| (Foreign currency: functional currency) |     |             |              |                             |               |                      |      |
| <u>Financial assets</u>                 |     |             |              |                             |               |                      |      |
| <u>Monetary items</u>                   |     |             |              |                             |               |                      |      |
| USD:NTD                                 | USD | 60,233      | 28.480       | \$ 1,715,436                | 1%            | \$ 17,154            | \$ - |
| USD:RMB                                 | USD | 42,521      | 6.5249       | 1,210,998                   | 1%            | 12,110               | -    |
| <u>Financial liabilities</u>            |     |             |              |                             |               |                      |      |
| <u>Monetary items</u>                   |     |             |              |                             |               |                      |      |
| USD:NTD                                 | USD | 50,084      | 28.480       | \$ 1,426,392                | 1%            | (\$ 14,264)          | \$ - |
| USD:RMB                                 | USD | 40,800      | 6.5249       | 1,161,984                   | 1%            | ( 11,620)            | -    |

December 31, 2019

|   | Foreign Currency |          | Sensitivity Analysis |              |               |             |           |
|---|------------------|----------|----------------------|--------------|---------------|-------------|-----------|
|   |                  |          | Book Value           | Extent of    | Effect on     | Effect on   |           |
|   | Amount           | Exchange |                      |              | (NTD)         | Variation   | Profit or |
| (In thousands)                          | Rate             |          |                      | (Loss)       | Comprehensive |             |           |
| (Foreign currency: functional currency) |                  |          |                      |              |               |             |           |
| <u>Financial assets</u>                 |                  |          |                      |              |               |             |           |
| <u>Monetary items</u>                   |                  |          |                      |              |               |             |           |
| USD:NTD                                 | USD              | 56,893   | 29.980               | \$ 1,705,652 | 1%            | \$ 17,057   | \$ -      |
| USD:RMB                                 | USD              | 61,047   | 6.9762               | 1,830,189    | 1%            | 18,302      | -         |
| <u>Financial liabilities</u>            |                  |          |                      |              |               |             |           |
| <u>Monetary items</u>                   |                  |          |                      |              |               |             |           |
| USD:NTD                                 | USD              | 53,500   | 29.980               | \$ 1,603,930 | 1%            | (\$ 16,039) | \$ -      |
| USD:RMB                                 | USD              | 29,564   | 6.9762               | 886,329      | 1%            | ( 8,863)    | -         |

- v. Total exchange (loss)gain including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2020 and 2019 amounted to \$21,723 and \$5,737, respectively.

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.
- ii. The Group's investments in equity securities comprise shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 10% with all other variables held constant, post-tax profit for the years ended December 31, 2020 and 2019 would have increased/decreased by \$4,823 and \$4,016, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$4,313 and \$5,064, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

Interest risk arises from the changes of market interest rate causing fluctuation in financial instruments' fair value or cash received and paid in the future.

The Group raised short-term and long-term borrowings at fixed rates during the years ended December 31, 2020 and 2019, and thus had no significant cash flow interest rate risk.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. The Group manages their credit risk taking into consideration the entire group's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. The Group measured internal operating procedures, past experience of trading customers, and actual transaction status. If the contract payments were past due over 90 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition. If the contract payments were past due over 360 days based on the term, the default has occurred.
- iv. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
  - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
  - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
  - (iii) Default or delinquency in interest or principal repayments;
  - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- v. The Group classifies customers' accounts receivable and contract asset in accordance with customer types. The Group applies the simplified approach using loss provision matrix to estimate expected credit loss under the provision matrix basis.
- vi. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.

vii. The Group used the forecastability to adjust historical and timely information to access the default possibility of contract assets and accounts receivable. As of December 31, 2020 and 2019, respectively, the provision matrix is as follows:

|                          | Up to 90 days<br>past due | 91~180 days<br>past due | 181 to 360 days<br>past due | Up to 361 days | Total        |
|--------------------------|---------------------------|-------------------------|-----------------------------|----------------|--------------|
| <u>December 31, 2020</u> |                           |                         |                             |                |              |
| Expected loss rate       | 0.02%~0.03%               | 15%~20%                 | 30%~40%                     | 100%           |              |
| Total book value         | \$ 1,278,063              | \$ -                    | \$ -                        | \$ -           | \$ 1,278,063 |
| Loss allowance           | \$ 266                    | \$ -                    | \$ -                        | \$ -           | \$ 266       |

|                          | Up to 90 days<br>past due | 91~180 days<br>past due | 181 to 360 days<br>past due | Up to 361 days | Total      |
|--------------------------|---------------------------|-------------------------|-----------------------------|----------------|------------|
| <u>December 31, 2019</u> |                           |                         |                             |                |            |
| Expected loss rate       | 0.02%~0.03%               | 15%~20%                 | 30%~40%                     | 100%           |            |
| Total book value         | \$ 914,939                | \$ 3,568                | \$ 337                      | \$ 4,457       | \$ 923,301 |
| Loss allowance           | \$ 189                    | \$ 535                  | \$ 101                      | \$ 4,457       | \$ 5,282   |

viii. Movements in relation to the group applying the simplified approach to provide loss allowance for contract assets and accounts receivable are as follows:

|                             | 2020            |                     |
|-----------------------------|-----------------|---------------------|
|                             | Contract assets | Accounts receivable |
| At January 1                | \$ -            | \$ 5,282            |
| Provision for impairment    | 1               | -                   |
| Reversal of impairment loss | - (             | 732)                |
| Write-offs                  | - (             | 4,285)              |
| Effect of foreign exchange  | -               | -                   |
| At December 31              | <u>\$ 1</u>     | <u>\$ 265</u>       |
|                             | 2019            |                     |
|                             | Contract assets | Accounts receivable |
| At January 1                | \$ -            | \$ 15,879           |
| Reversal of impairment loss | - (             | 9,771)              |
| Write-offs                  | - (             | 835)                |
| Effect of foreign exchange  | -               | 9                   |
| At December 31              | <u>\$ -</u>     | <u>\$ 5,282</u>     |

ix. The Group's recorded financial assets at amortized cost include time deposits with contract period over three months, restricted bank deposits and structured deposits of guaranteed floating revenue of financial assets at fair value through profit or loss. Because of the low credit risk, expected credit losses for the period are measured through a loss allowance at an amount equal to the 12-month expected credit losses. There is no significant provision for the losses.

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, and compliance with internal balance sheet ratio targets.

ii. Surplus cash held by the operating entities over and above the balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts, time deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts.

iii. The Group has following undrawn borrowing facilities:

|                          | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--------------------------|--------------------------|--------------------------|
| Fixed rate:              |                          |                          |
| Expiring within one year | \$ 2,814,256             | \$ 2,814,000             |
| Expiring beyond one year | <u>950,000</u>           | <u>1,200,000</u>         |
|                          | <u>\$ 3,764,256</u>      | <u>\$ 4,014,000</u>      |

iv. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

| <u>December 31, 2020</u>                            | <u>Less than 1 year</u> | <u>Over 1 year</u> |
|---|-------------------------|--------------------|
| <u>Non-derivative financial liabilities:</u>        |                         |                    |
| Short-term borrowings                               | \$ 2,330,000            | \$ -               |
| Short-term notes and bills payable                  | 299,798                 | -                  |
| Accounts payable                                    | 1,296,475               | -                  |
| Other payables                                      | 485,953                 | -                  |
| Lease liabilities                                   | 10,443                  | 111,661            |
| Long-term borrowings<br>(including current portion) | 250,000                 | -                  |
| Guarantee deposits received                         | -                       | 26,480             |

| December 31, 2019                            | <u>Less than 1 year</u> | <u>Over 1 year</u> |
|--|-------------------------|--------------------|
| <u>Non-derivative financial liabilities:</u> |                         |                    |
| Short-term borrowings                        | \$ 2,200,000            | \$ -               |
| Short-term notes and bills payable           | 229,962                 | -                  |
| Notes payable                                | 4,316                   | -                  |
| Accounts payable                             | 1,010,670               | -                  |
| Other payables                               | 424,512                 | -                  |
| Lease liabilities                            | 8,632                   | 112,904            |
| Guarantee deposits received                  | -                       | 20,326             |

(3) Fair value estimation

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market, structured deposits and investment property are included in Level 3.

B. Fair value information of investment property at cost is provided in Note 6(9).

C. Financial instruments was not measured at fair value, including the carrying amounts of cash and cash equivalents, financial assets at amortized cost, accounts receivable, other receivables, deposits paid, long-term borrowings, short-term borrowings, short-term bills payable, notes payable, accounts payable, other payables, deposit received and lease liabilities are approximate to their fair values.

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

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

| <u>December 31, 2020</u>  | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u>    | <u>Total</u>      |
|---|----------------|----------------|-------------------|-------------------|
| Assets  |                |                |                   |                   |
| <u>Recurring fair value measurements</u>                          |                |                |                   |                   |
| Financial assets at fair value through profit or loss             |                |                |                   |                   |
| Structured deposits   | \$ -           | \$ -           | \$ 349,664        | \$ 349,664        |
| Unlisted stocks   | \$ -           | \$ -           | \$ 48,229         | \$ 48,229         |
| Financial assets at fair value through other comprehensive income |                |                |                   |                   |
| Unlisted stocks   | -              | -              | 43,130            | 43,130            |
|   | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ 441,023</u> | <u>\$ 441,023</u> |
| <br>  |                |                |                   |                   |
| <u>December 31, 2019</u>  | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u>    | <u>Total</u>      |
| Assets  |                |                |                   |                   |
| <u>Recurring fair value measurements</u>                          |                |                |                   |                   |
| Financial assets at fair value through profit or loss             |                |                |                   |                   |
| Unlisted stocks   | \$ -           | \$ -           | \$ 40,156         | \$ 40,156         |
| Financial assets at fair value through other comprehensive income |                |                |                   |                   |
| Unlisted stocks   | -              | -              | 50,644            | 50,644            |
|   | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ 90,800</u>  | <u>\$ 90,800</u>  |

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

- i. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.
- ii. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs.

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

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

|   | <u>2020</u>       | <u>2019</u>      |
|---|-------------------|------------------|
| At January 1                                    | \$ 90,800         | \$ 77,676        |
| Purchases in the period                         | 344,683           | \$ -             |
| Gains recognised in profit or loss              | 8,541             | 16,710           |
| Losses recognised in other comprehensive income | ( 3,787)          | ( 1,357)         |
| Sold in the period                              | -                 | ( 237)           |
| Capital reduction in the period                 | ( 4,364)          | -                |
| Effect of exchange rate changes                 | 5,150             | ( 1,992)         |
| At December 31                                  | <u>\$ 441,023</u> | <u>\$ 90,800</u> |

G. For the years ended December 31, 2020 and 2019, there was no transfer of Level 3.

H. Accounting Department segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

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

|   | Fair value at<br>December 31,<br>2020 | Valuation<br>technique            | Significant<br>unobservable input  | Relationship of<br>inputs to<br>fair value  |
|---|---------------------------------------|-----------------------------------|--|---|
| Financial assets at<br>fair value through<br>profit or loss             |                                       |                                   |  |   |
| Unlisted shares   | \$ 48,229                             | Market<br>comparable<br>companies | Price to<br>earnings ratio<br>multiple, price<br>to book ratio<br>multiple, discount<br>for lack of<br>marketability,<br>control premium | The higher the<br>multiple and<br>control<br>premium, the<br>higher the fair<br>value |
| Structured deposit  | 349,664                               | Depend on<br>individual contract  | Depend on<br>individual contract   | Depend on<br>individual contract  |
| Financial assets at<br>fair value through other<br>comprehensive income |                                       |                                   |  |   |
| Unlisted shares   | 43,130                                | Net asset value                   | Not applicable   | Not applicable  |

|   | Fair value at<br>December 31,<br>2019 | Valuation<br>technique            | Significant<br>unobservable input  | Relationship of<br>inputs to<br>fair value  |
|---|---------------------------------------|-----------------------------------|--|---|
| Financial assets at<br>fair value through<br>profit or loss             |                                       |                                   |  |   |
| Unlisted shares   | \$ 40,156                             | Market<br>comparable<br>companies | Price to<br>earnings ratio<br>multiple, price<br>to book ratio<br>multiple, discount<br>for lack of<br>marketability,<br>control premium | The higher the<br>multiple and<br>control<br>premium, the<br>higher the fair<br>value |
| Financial assets at<br>fair value through other<br>comprehensive income |                                       |                                   |  |   |
| Unlisted shares   | 50,644                                | Net asset value                   | Not applicable   | Not applicable  |

(4) The impact of the COVID-19 pandemic to the Group's operation

The Company's significant subsidiary, Altek (Kunshan) Co., Ltd., located in a region in Mainland China where a lockdown was implemented, was affected by restrictions that prevented most people from entering and exiting the region in January 2020 due to the COVID-19 pandemic. Consequently, employees outside of the region were unable to return to work after the Lunar New Year holiday as planned. The Group has taken countermeasures to adjust the delivery schedules for goods from suppliers or to customers as well as the number of working days for employees. As Mainland China gradually eased the restrictions in February 2020 and the pandemic started to slow down, the Group assessed that the COVID-19 pandemic had no significant impact to its overall operating activities and financial statements as of December 31, 2020.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures) : Please refer to table 2.
- D. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.

- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 3.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 4.
- I. Trading in derivative financial instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 5.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 6.

(3) Information on investments in Mainland China

A. The related information of investments in Mainland China: Please refer to table 7.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area:

For the significant purchases, sales, accounts payable and accounts receivable transactions between the Company and the investee companies in Mainland China through its subsidiaries, please refer to table 3 ~ table 5.

(4) Major shareholders information

Please refer to table 8.

14. SEGMENT INFORMATION

(1) General information

The Group mainly operates in one segment. The Chief Operating Decision-Maker reviews the Group's reporting to assess performance and allocate resources. The Group mainly has a single reportable segment.

(2) Measurement of segment information

The Group evaluates performance based on profit or loss by using sales revenue and operation profit measurements. The accounting policies of the Group's operating segments are the same as the significant accounting policies summarized in Note 4.

(3) Information about segment profit or loss, assets and liabilities

The Group has a single reportable segment. The revenue from external customers, the related gain or loss, and the assets correspond with the consolidated revenue, consolidated operating income, and consolidated assets.

(4) Reconciliation for segment income (loss)

The amounts provided to the chief operating decision-maker with respect to department assets, liabilities and profit are measured in a manner consistent with that of the financial statements.

(5) Information on products and services

The revenue from external customers are mainly derived from the sales of digital related products and related export and import trade.

(6) Geographical information

Geographical information for the years ended December 31, 2020 and 2019 is as follows:

|         | <u>Year ended December 31, 2020</u> |                               | <u>Year ended December 31, 2019</u> |                               |
|---------|-------------------------------------|-------------------------------|-------------------------------------|-------------------------------|
|         | <u>Revenue</u>                      | <u>Non-current<br/>assets</u> | <u>Revenue</u>                      | <u>Non-current<br/>assets</u> |
| Asia    | \$ 3,415,337                        | \$ 1,844,374                  | \$ 3,508,238                        | \$ 1,898,765                  |
| Europe  | 1,041,331                           | -                             | 1,226,724                           | -                             |
| America | 1,522,933                           | -                             | 1,407,566                           | -                             |
| Taiwan  | 123,074                             | 2,321,072                     | 46,824                              | 2,286,153                     |
|         | <u>\$ 6,102,675</u>                 | <u>\$ 4,165,446</u>           | <u>\$ 6,189,352</u>                 | <u>\$ 4,184,918</u>           |

Note: Financial instruments and deferred income tax assets are excluded from Non-current assets.

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2020 and 2019 is as follows:

|   | <u>Revenue</u>                      |                                     |
|---|-------------------------------------|-------------------------------------|
|   | <u>Year ended December 31, 2020</u> | <u>Year ended December 31, 2019</u> |
| A | \$ 1,847,986                        | \$ 2,260,160                        |
| B | 1,475,849                           | 1,456,770                           |
| C | 788,395                             | 824,539                             |

Altek Corporation and subsidiaries  
Loans to other  
For the year ended December 31, 2020

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 1

| No. | Creditor                               | Borrower                        | General ledger account          | Is a related party | Maximum outstanding balance during the year | December 31, 2020 | Balance at December 31, 2020 | Actual drawn down | Interest rate | Nature of loan                  | Amount of transactions with the borrower | Reason term financing | Allowance for doubtful accounts | Collateral |       | Limit on loans granted to a single party (Note) | Ceiling on total loans granted (Note) |
|-----|--|---------------------------------|---------------------------------|--------------------|---|-------------------|------------------------------|-------------------|---------------|---------------------------------|--|-----------------------|---------------------------------|------------|-------|---|---------------------------------------|
|     |  |                                 |                                 |                    |   |                   |                              |                   |               |                                 |  |                       |                                 | Item       | Value |   |                                       |
| 1   | Altek Semiconductor (Cayman) Co., Ltd. | Altek Semiconductor Corporation | Other receivables-related party | Yes                | \$ 105,875                                  | \$ -              | \$ -                         | -                 | 0%            | Reason for short-term financing | \$ -                                     | \$ -                  | \$ -                            | \$ -       | \$ -  | \$ 1,089,001                                    | \$ 1,089,001                          |

Note 1: The "Procedure for Provision of Loans" policy for loans granted by Altek Semiconductor (Cayman) Co., Ltd. is as follows: the ceiling on total loans is 100% of the net assets value of lender. For the short-term financing, the ceiling on loans is 40% of the net assets value of lender.

Note 2: If the amount of NTD in this Note relates to foreign currencies, it is converted to NTD at the exchange rate at the end of the financial reporting period.

Altek Corporation and subsidiaries

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

December 31, 2020

Table 2  
Expressed in thousands of NTD  
(Except as otherwise indicated)

| Securities held by        | Marketable securities   | Relationship with the securities issuer | December 31, 2020  |                  | As of December 31, 2020 |               | Fair value |
|---------------------------|---|---|--|------------------|-------------------------|---------------|------------|
|                           |   |   | General ledger account   | Number of shares | Book value              | Ownership (%) |            |
| Altek Corporation         | Gianta Co., Ltd. - Common stock   | Director                                | Financial assets at fair value through profit or loss - non-current                      | 762,876          | \$ 48,229               | 14.55%        | \$ 48,229  |
| "                         | Hua-chuang Automobile Information Technical Center Co., Ltd. - Common stock | None                                    | Financial assets measured at fair value through other comprehensive income - non-current | 2                | -                       | 0.00%         | -          |
| Altek (Kunshan) Co., Ltd. | Guangdong Kingding Optical Technology Co., Ltd.                             | None                                    | "  | 1,200,000        | 3,666                   | 6.45%         | 3,666      |
| "                         | CPEC Huachuang Private Equity (Kunshan) Enterprise (Limited Partnership)    | None                                    | "  | N/A              | 39,464                  | (Note)        | 39,464     |

Note : 1% of CPEC Huachuang Private Equity (Kunshan) Enterprise (Limited Partnership)'s capital contribution.

Aitek Corporation and subsidiaries

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

For the year ended December 31, 2020

Table 3

Expressed in thousands of NTD  
(Except as otherwise indicated)

| Purchaser/seller   | Counterparty                          | Relationship with the counterparty | Purchases (sales) | Transaction  |                                       |              | Differences in transaction terms compared to third party transactions |             |              | Notes/accounts receivable (payable) | Percentage of total notes/accounts receivable (payable) |
|--|---------------------------------------|------------------------------------|-------------------|--------------|---------------------------------------|--------------|---|-------------|--------------|-------------------------------------|---|
|  |                                       |                                    |                   | Amount       | Percentage of total purchases (sales) | Credit term  | Unit price  | Credit term | Balance      |                                     |   |
| Altek Corporation  | Altek International Trading Co., Ltd. | The same ultimate parent company   | Purchases         | \$ 2,657,515 | 93%                                   | Net 120 days | Approximately the same price with third parties                       | Note        | (\$ 895,635) | 97%                                 |   |
| Altek International Trading Co., Ltd.                        | Altek (Kunshan) Co., Ltd.             | "                                  | Purchases         | 4,509,644    | 100%                                  | Net 75 days  | "   | "           | ( 1,195,251) | 99%                                 |   |
| Altek Biotechnology Corporation                              | Altek International Trading Co., Ltd. | "                                  | Purchases         | 1,277,385    | 100%                                  | "            | "   | "           | ( 392,271)   | 99%                                 |   |
| Altek Biotechnology Holding (Cayman) Co., Ltd. Taiwan Branch | "                                     | "                                  | Purchases         | 283,334      | 100%                                  | "            | "   | "           | ( 146,342)   | 100%                                |   |
| Altek (Kunshan) Co., Ltd.                                    | "                                     | "                                  | Purchases         | 195,172      | 5%                                    | "            | "   | "           | -            | 0%                                  |   |

Note: The payment term with third parties was net 60~120 days.

Aitek Corporation and subsidiaries

Receivables from related parties reaching NTS100 million or 20% of paid-in capital or more

December 31, 2020

Table 4

| Creditor                              | Counterparty   | Relationship with the counterparty | Balance as at December 31, 2020 |           | Turnover rate | Overdue receivables |              | Amount collected subsequent to the balance sheet date | Allowance for doubtful accounts |
|---------------------------------------|--|------------------------------------|---------------------------------|-----------|---------------|---------------------|--------------|---|---------------------------------|
|                                       |  |                                    | Balance as at December 31, 2020 | Amount    |               | Amount              | Action taken |   |                                 |
| Altek International Trading Co., Ltd. | Altek Corporation  | The same ultimate parent company   | \$                              | 895,635   | 4.03          | \$                  | -            | 817,425   | \$ -                            |
| "                                     | Altek Biotechnology Corporation                              | "                                  |                                 | 392,271   | 4.30          |                     | -            | 382,354   | -                               |
| "                                     | Altek Biotechnology Holding (Cayman) Co., Ltd. Taiwan Branch | "                                  |                                 | 146,342   | 5.64          |                     | -            | 127,036   |                                 |
| Altek (Kunshan) Co., Ltd.             | Altek International Trading Co., Ltd.                        | "                                  |                                 | 1,195,251 | 4.90          |                     | -            | 1,111,498   | -                               |

Expressed in thousands of NTD  
(Except as otherwise indicated)

Altek Corporation and subsidiaries

Significant inter-company transactions during the reporting periods

For the year ended December 31, 2020

Table 5

Expressed in thousands of NTD  
(Except as otherwise indicated)

| Company name  | Counterparty                          | Relationship<br>(Note 1) | Transaction            |              |                   | Percentage of consolidated total operating<br>revenues or total assets (Note 2) |
|---|---------------------------------------|--------------------------|------------------------|--------------|-------------------|---|
|   |                                       |                          | General ledger account | Amount       | Transaction terms |   |
| Altek Corporation   | Altek International Trading Co., Ltd. | (1)                      | Purchases              | \$ 2,657,515 | Net 120 days      | 44%   |
| "   | "                                     | (1)                      | Accounts payable       | 895,635      | "                 | 6%  |
| Altek International Trading Co., Ltd.                           | Altek (Kunshan) Co., Ltd.             | (3)                      | Purchases              | 4,509,664    | Net 75 days       | 74%   |
| "   | "                                     | (3)                      | Accounts payable       | 1,195,251    | "                 | 8%  |
| Altek Semiconductor Corporation                                 | Altek International Trading Co., Ltd. | (3)                      | Sales                  | 12,614       | "                 | 0%  |
| "   | "                                     | (3)                      | Purchases              | 17,801       | Net 120 days      | 0%  |
| "   | "                                     | (3)                      | Accounts payable       | 19,301       | "                 | 0%  |
| "   | Altek Corporation                     | (3)                      | Purchases              | 14,025       | Net 75 days       | 0%  |
| "   | "                                     | (3)                      | Accounts payable       | 13,136       | "                 | 0%  |
| Altek Biotechnology Corporation                                 | Altek International Trading Co., Ltd. | (3)                      | Purchases              | 1,277,385    | "                 | 21%   |
| "   | "                                     | (3)                      | Accounts payable       | 392,271      | "                 | 3%  |
| Altek Biotechnology Holding (Cayman) Co.,<br>Ltd. Taiwan Branch | "                                     | (3)                      | Purchases              | 283,334      | "                 | 5%  |
| "   | "                                     | (3)                      | Accounts payable       | 146,342      | "                 | 1%  |
| Altek (Kunshan) Co., Ltd.                                       | "                                     | (3)                      | Purchases              | 195,172      | "                 | 3%  |
| Altek Trading (Shanghai) Limited                                | Altek (Kunshan) Co., Ltd.             | (3)                      | Purchases              | 20,171       | "                 | 0%  |

Note 1: Relationship between transaction and counterparty is classified into the following categories:

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

Note 2: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 3: The Company may decide to disclose or not to disclose transaction details in this table based on the Materiality Principle.

Atek Corporation and subsidiaries  
Information on investees  
For the year ended December 31, 2020

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 6

| Investor                                       | Investee                                       | Location               | Main business activities   | Initial investment amount       |                                 | Shares held as at December 31, 2020 |               | Book value   | Net profit (loss) of the investee for the year ended December 31, 2020 | Investment income(loss) recognised by the Company for the year ended December 31, 2020 | Footnote Note |
|--|--|------------------------|--|---------------------------------|---------------------------------|-------------------------------------|---------------|--------------|--|--|---------------|
|  |  |                        |  | Balance as at December 31, 2020 | Balance as at December 31, 2019 | Number of shares                    | Ownership (%) |              |  |  |               |
| Altek Corporation                              | Altek International Investment Co., Ltd.       | British Virgin Islands | Investment   | \$ 2,882,512                    | \$ 2,882,512                    | 87,769,559                          | 100           | \$ 8,369,784 | \$ 194,555   | \$ 194,977   |               |
| "  | Altek Japan Corporation                        | Japan                  | Sale of optical optical instruments  | 2,869                           | 2,869                           | 1,000                               | 100           | 11,223       | ( 218)   | ( 218)   | 218)          |
| "  | Altek International Holding (BVI) Co., Ltd.    | British Virgin Islands | Investment   | 415,376                         | 415,376                         | 12,865,921                          | 100           | 906,110      | 153,756  | 153,756  | 153,756       |
| "  | Altek Investment Corporation                   | Republic of China      | Investment   | 100,000                         | -                               | 10,000,000                          | 100           | 99,921       | ( 79)  | ( 79)  | 79)           |
| Altek International Investment Co., Ltd.       | Altek Lab Inc.                                 | U.S.A.                 | Design service   | 104,799                         | 104,799                         | 11,311,875                          | 100           | 59,104       | ( 77)  | ( 77)  | 77)           |
| "  | Altek Semiconductor (Cayman) Co., Ltd.         | Cayman Islands         | Investment   | 175,073                         | 175,073                         | 20,000,000                          | 50            | 555,723      | 2,303  | 1,299  | 1,299         |
| "  | Altek International Trading Co., Ltd.          | Republic of Seychelles | Intercompany transactions  | 284,800                         | 85,440                          | 10,000,000                          | 100           | 253,643      | ( 18,969)  | ( 18,969)  | 18,969)       |
| Altek International Holding (BVI) Co., Ltd.    | Altek Biotechnology Holding (Cayman) Co., Ltd. | Cayman Islands         | Investment   | 415,376                         | 415,376                         | 12,865,921                          | 100           | 906,110      | 153,756  | 153,756  | 153,756       |
| Altek Semiconductor (Cayman) Co., Ltd.         | Altek Semiconductor Corporation                | Republic of China      | Research design and sales of ASIC  | 350,000                         | 200,000                         | 35,000,000                          | 100           | 251,526      | 7,133  | 3,567  | 3,567         |
| Altek Biotechnology Holding (Cayman) Co., Ltd. | Altek Biotechnology Corporation                | Republic of China      | Research and development, manufacture and sales of medical electronic equipments | 415,376                         | 415,376                         | 40,100,000                          | 100           | 756,980      | 75,957   | 75,957   | 75,957        |

Note: The difference between the profit or loss of the investee for the current period and the investment profit or loss recognized in the current period is the unrealized profit and loss adjustments for countercurrent transactions between subsidiaries.

Aitek Corporation and subsidiaries  
Information on investments in Mainland China  
For the year ended December 31, 2020

Table 7

Expressed in thousands of NTD  
(Except as otherwise indicated)

| Investee in Mainland China  | Main business activities  | Paid-in capital | Investment method (Note 1) | Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2020 |                         | Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020               | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020 | Net profit (loss) of investee for the year ended December 31, 2020                    | Ownership held by the Company (direct or indirect) | Investment income (loss) recognised by the Company for the year ended December 31, 2020 (Note 4) | Book value of investments in Mainland China as of December 31, 2020 | Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020 |
|---|---|-----------------|----------------------------|---|-------------------------|--|--|---|--|--|---|---|
|   |   |                 |                            | Remitted to Mainland China  | Remitted back to Taiwan |  |  |   |  |  |   |   |
| Aitek (Kunshan) Co., Ltd. (Note 2)  | Manufacture and sale of digital still cameras and its accessories                                       | \$ 1,412,608    | 2                          | \$ 1,281,600  | \$ -                    | \$ 1,281,600   | \$ 270,691   | 100   | \$ 270,691   | \$ 4,256,503   | \$ -  |   |
| Aitek EMS (Kunshan) Co., Ltd. (Note 3)  | Manufacture and sale of related engineering services  | 142,400         | 2                          | 258,684   | -                       | 258,684  | 14,892   | 100   | 14,892   | 784,704  | -   |   |
| Aitek Trading (Shanghai) Limited  | Wholesale, import and export of digital cameras, digital video cameras and their associated accessories | 242,080         | 2                          | 242,080   | -                       | 242,080  | 7,877  | 100   | 7,877  | 309,227  | -   |   |
| Aitek Precision (Kunshan) Co., Ltd.   | Design, manufacture and sales of digital camera parts   | 393,024         | 2                          | 393,024   | -                       | 393,024  | 1,941  | 100   | 1,941  | 151,127  | -   |   |
| Aitek Optical Technology (Kunshan) Co., Ltd.  | Manufacture and sales of digital camera and its accessories and optical components                      | 318,976         | 2                          | 318,976   | -                       | 318,976  | 127  | 100   | ( 127)   | 6,001  | -   |   |
| Aitek Semiconductor (Shanghai) Co., Ltd.  | Research, design and sales of imaging technologies, electronic software and hardware                    | 42,720          | 2                          | -   | -                       | -  | 9,845  | 50  | ( 4,923)   | 117,371  | -   |   |
| <p>Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:<br/> (1) Directly invest in a company in Mainland China.<br/> (2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.<br/> (3) Others.</p> <p>Note 2: Including retained earnings capitalized of US\$4,600 (In thousand of US dollars).<br/> Note 3: Including retained earnings capitalized of US\$3,600 (In thousand of US dollars).<br/> Note 4: Investment income or loss was recognised in the financial statements that are audited by the R.O.C. parent company's independent accountants.</p> |   |                 |                            |   |                         |  |  |   |  |  |   |   |
| Company name  |   |                 |                            | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020                            |                         | Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) |  | Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA |  |  |   |   |
| Aitek Corporation   |   |                 |                            | \$2,494,364   |                         | \$2,863,717  |  | \$5,080,597   |  |  |   |   |

Aitek Corporation and subsidiaries  
 Information of major shareholders  
 December 30, 2020

Table 8

| Name of major shareholders      | Shares                |                    |
|---------------------------------|-----------------------|--------------------|
|                                 | Number of shares held | Holding percentage |
| Yitsang International Co., Ltd. | 14,200,100            | 5.08%              |

## 6.5 Separate Financial Statements for the Years Ended December 31, 2020 and 2019

Please refer to page 142~204 of the 2020 Chinese Annual Report.

6.6 Difficulty in Financial Turnover of the Company and its Affiliated Companies: None

## VII. Review of Financial Conditions, Financial Performance, and Risk Management

### 7.1 Analysis of Financial Status IFRS & Consolidated Base

Unit: NT\$ thousand

| Item                          | Year | December 31, 2019 | December 31, 2020 | Difference |          |
|-------------------------------|------|-------------------|-------------------|------------|----------|
|                               |      |                   |                   | Amount     | %        |
| Current Assets                |      | 9,242,393         | 8,825,232         | (417,161)  | (4.51)   |
| Property, Plant and Equipment |      | 3,899,427         | 3,827,322         | (72,105)   | (1.85)   |
| Intangible Assets             |      | 153,541           | 215,261           | 61,720     | 40.20    |
| Other Assets                  |      | 790,073           | 1,850,331         | 1,060,258  | 134.20   |
| Total Assets                  |      | 14,085,434        | 14,718,146        | 632,712    | 4.49     |
| Current Liabilities           |      | 4,157,293         | 4,937,281         | 779,988    | 18.76    |
| Non-current Liabilities       |      | 711,415           | 757,012           | 45,597     | 6.41     |
| Total Liabilities             |      | 4,868,708         | 5,694,293         | 825,585    | 16.96    |
| Share Capital                 |      | 2,753,613         | 2,794,973         | 41,360     | 1.50     |
| Capital Reserve               |      | 2,280,487         | 2,335,226         | 54,739     | 2.40     |
| Retained Earnings             |      | 4,224,806         | 4,244,447         | 19,641     | 0.46     |
| Other Equity Interest         |      | (615,359)         | (697,698)         | (82,339)   | 13.38    |
| Treasury Stocks               |      | —                 | (209,287)         | (209,287)  | (100.00) |
| Non-controlling Interests     |      | 573,179           | 556,192           | (16,987)   | (2.96)   |
| Total Shareholders' Equity    |      | 9,216,726         | 9,023,853         | (192,873)  | (2.09)   |

#### 7.1.1 Analysis of the percentage of change exceeding 20%

A. The increase in intangible assets is mainly due to the development of new projects to increase the cost of masks and IP authorization.

B. The increase in other assets is mainly due to the increase in financial asset that is measured at amortized cost.

C. The increase in treasury stock due to the buyback of previously outstanding stock.

#### 7.1.2 Effect of changes on the Company's financial condition: No significant effect.

#### 7.1.3 Future response actions: N/A.

7.2 Analysis of Financial Performance  
IFRS & Consolidated Base

Unit: NT\$ thousand

| Item                              | Year      |           | Amount of Increase (Decrease) | Percentage of Change (%) |
|-----------------------------------|-----------|-----------|-------------------------------|--------------------------|
|                                   | 2019      | 2020      |                               |                          |
| Operating Revenue                 | 6,189,352 | 6,102,675 | (86,677)                      | (1.40)                   |
| Cost of Sales                     | 5,174,937 | 4,580,745 | (594,192)                     | (11.48)                  |
| Gross Profit from Operations      | 1,014,415 | 1,521,930 | 507,515                       | 50.03                    |
| Operating Expenses                | 1,171,085 | 1,436,461 | 265,376                       | 22.66                    |
| Net Operating Income (Loss)       | (156,670) | 85,469    | 242,139                       | (154.55)                 |
| Non-operating Income and Expenses | 188,092   | 155,968   | (32,124)                      | (17.08)                  |
| Income before Tax                 | 31,422    | 241,437   | 210,015                       | 668.37                   |
| Income Tax Expense                | 35,275    | 79,929    | 44,654                        | 126.59                   |
| Income after Tax                  | (3,853)   | 161,508   | 165,361                       | (4,291.75)               |

7.2.1 Analysis of the percentage of change exceeding 20%

Decrease in operating revenue, cost of sales, gross profit from operations and net income are mainly due to group transformation and adjustment of product mix.

7.2.2 Potential effects on the company's future business finance brought about by expected sales volume and its reference and the countermeasures

Altek cooperates with major domestic and foreign companies to provide edge vision AI solutions for various industries. This year, Altek is expected to launch commercial and home AI security control systems, new generation webcam, 3D sensing solutions and other products. In the field of medical electronics, there are already products such as blood glucose meters, insulin injection systems and disposable endoscopes, which will grow steadily this year. In the future, Altek will constantly work on the field of smart imaging and enhance the value of our solutions by mastering core technologies and system integration capabilities to improve the company's technical energy and competitiveness.

### 7.3 Analysis of Cash Flow

#### 7.3.1 Analysis of changes in cash flow in 2020

Unit: NT\$ thousand

| Cash and Cash Equivalents, Beginning of Year<br>(a) | Net Cash Flow from Operating Activities<br>(b) | Cash Inflows<br>(c) | Cash Surplus (Deficit)<br>(a)+(b)+(c) | Leverage of Cash Deficit |                |
|---|--|---------------------|---------------------------------------|--------------------------|----------------|
|   |  |                     |                                       | Investment Plan          | Financing Plan |
| 6,666,055   | 284,304  | (1,576,953)         | 5,373,406                             | —                        | —              |

A. Operating activities: Net cash inflows from the business cycle.

B. Investment activities: Net cash outflow from time deposits of more than 3 months.

C. Financing activities: Net cash inflows from long-term bank borrowing.

#### 7.3.2 The Improvement Program of Liquidity Insufficiency

Altek has no lack of liquidity. The financing activities will be organized based on the business needs.

#### 7.3.3 Analysis of cash flow for the coming year:

According to the balance of cash and the cash flows from operating activities, Altek has conducted prudent assessments, plans and controls related operating and investment cash expenses. The mandate is that Altek presupposes maintaining stable cash liquidity.

#### 7.4 Major Capital Expenditure Items and Impact on Finance and Business: None.

#### 7.5 Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year

Altek's investments in joint ventures are mostly strategic. For some non-core investments or the transfer investments that have completed the phased tasks, Altek will gradually dispose of shares or withdraw from them.

#### 7.6 Analysis of Risk Management

##### 7.6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

###### A. the change of interest rate:

Altek's financial status is good, and it has close relationship with the banks for a long time. We will be able to obtain better interest rate conditions to meet the needs of its operations, regularly assess the status of the cost of funding and pay attention to the trend of market interest rates, so it is estimated that the fluctuations of interest rate will have no major impact to us.

###### B. Change of Exchange rate:

Altek's purchases and sales of goods major quoted by the currency in US dollars, through the balance of assets and liabilities, will be able to significantly reduce exchange rate risk and achieve a neutral hedge effect.

According to the procedures for acquisition or disposal of derivatives stipulated in the Procedures for Acquisition or Disposal of Assets, Altek collects information on interest rates and foreign exchange rates on a daily basis and refers to the opinions of experts in foreign exchange to reduce the effect of changes in foreign exchange rates on profit.

C. inflation effect:

Altek's quotations for customers and suppliers are adjusted by the market rates, and inflation has little effect for Altek. However, Altek will commit to the transformation of better production process and continue to save money to meet the uncertainty of inflation.

7.6.2 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

Altek did not engage in any high-risk or high-leveraged investments or any lending or endorsement to others. Altek has established the Procedures for Lending Funds to Other Parties and Endorsement & Guarantee and the Procedures for Acquisition or Disposal of Assets (including regulations for derivative transactions). The loans are mainly to the subsidiaries and 100% owned subsidiaries of the Company.

7.6.3 Future Research & Development Projects and Corresponding Budget

Please refer to page 68~69 "Ongoing Research and Development Projects and Expenses"

7.6.4 Effects of and Response to Changes in Major Policies and Laws Relating to Corporate Finance and Sales

Altek consistently pays close attention to any changes in local and foreign policies and makes appropriate amendments to our systems when necessary. Changes in related laws have not had a significant impact on our operations.

7.6.5 Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales

The rapid development of science and technology and the application and service innovation have led to dramatic changes in consumer behavior and business models. Altek will pay close attention to market demand and trends, constantly invest in research and development resources, and improve organizational efficiency to enhance the company's competitiveness.

7.6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures

Altek adheres to the principle of integrity in running business, and no risky incidents that affect the corporate image have been reported in the most recent year and as of the printing date of the annual report.

7.6.7 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans

Altek has no plans for mergers and acquisitions in the near future.

7.6.8 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans

In order to reduce the impact of tariff of the China-US trade war, the Company establishes the MIT factory in Taiwan . In the future, the factory expansion will

depend on the actual operation requirements, which will disperse the risks of the mainland production base.

#### 7.6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration

##### A. Purchase

In addition to maintaining a good relationship with major suppliers, Altek has consistently worked to diversify its supplier base in order to reduce the concentration of purchase. For example, due to the recent impact of the pandemic situation, the suppliers located outside mainland regions are actively explored to avoid the risk of supply interruption.

##### B. Sales

Altek provides a wide variety of products, and our customers can be found in Europe, the United States, Japan, China and other areas, so there is no risk of sales concentration. In addition to constantly strengthen the relationship with existing customers, Altek will strive to find more new customers in the future.

#### 7.6.10 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%

As of the date of this Annual Report, there have been no major transfers of shares.

#### 7.6.11 Effects of, Risks Relating to and Response to the Changes in Management Rights

There was no change in management rights.

7.6.12 Litigation or Non-litigation Matter : None

7.6.13 Other Major Risks:

A complete network and computer system security protection mechanism has been installed in the company's information system to ensure the company's R&D, operations, manufacturing, and accounting will not be affected by the external environment factors, including:

A. During the pandemic prevention period, the cloud video and remote connections is increased to provide an instant communication platform for employee teamwork, to maintain the efficiency and productivity of the original communication, and the enterprise operations are not interrupted during such period.

B. The information emergency response plan is established providing the rapid responds that can be taken for any emergency event, so that the information system and data of enterprises have the best protection measures, and the risk is reduced to the minimum level, and a simulation exercise is conducted annually to ensure the system backup mechanism meeting the expectations.

C. Outbound and received email backup: The external email is perfectly archived for future access to reduce operational risks. There is also a complete security privilege control to ensure privacy and legality of data usage, as well as traceable access records.

D. Anti-virus and network security threat protection: The latest anti-virus software is regularly updated to the computer, and a network anti-intrusion mechanism is established to block network attacks to reduce operational risks.

E. Strengthening the application of SAP, PLM, BPM and cloud IaaS, Paas, Saas, integration of software and hardware drives the turnover and profits of the Company.

F. Due to the new hacker attacks beyond the old one advancing with time, we still cannot guarantee that any third-party conducts the cyber attacks paralyzing the systems, and any malicious hackers implants the computer viruses, destructive software or ransomware into the network system of the Company for asking for ransoms or snooping the confidential information. As of the date of the annual report, the Company has not found any material cyber attacks or incidents that have or may have a significant adverse impact on the business and operations of the Company, and have not been involved in any legal matters or regulatory investigations related to this instance.

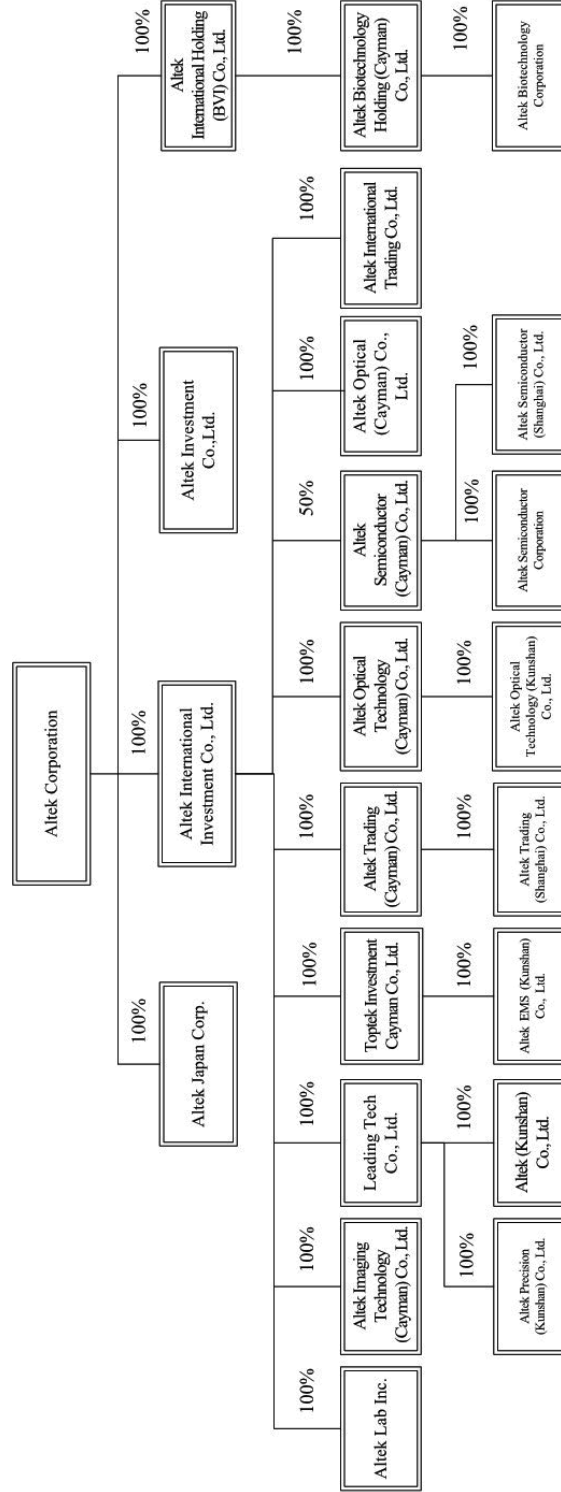
7.7 Other Important Items: None.

## VIII. Special Disclosure

### 8.1 Profile of Affiliated Companies

#### 8.1.1 Organizational Structure of Affiliated Companies

December 31, 2020



#### 8.1.2 Scope of Business Engaged by Affiliated Companies

The scope of business engaged by affiliated companies is research, development, manufacturing and sale of digital imaging-related applications.

### 8.1.3 Profile of Affiliated Companies

Unit: NT\$ (foreign currency) thousand; December 31, 2020

| Name of Company                             | Date of Establishment | Address                | Paid-in Capital | Main Business or Production   | Division of Work                                       |
|---|-----------------------|------------------------|-----------------|---|--|
| Altek Japan Corporation                     | July 5, 2005          | Japan                  | JPY 10,000      | Buying and selling of electronic components   | Buying and selling of electronic components            |
| Altek International Investment Co., Ltd.    | February 2, 2000      | British Virgin Islands | USD 87,770      | Business investment   | Business investment                                    |
| Altek Investment Corporation                | Sep 10, 2020          | Taipei City, Taiwan    | NTD 100,000     | Investment  | Investment   |
| Altek International Trading Co., Ltd.       | May 14, 2019          | Seychelles             | USD 10,000      | Business operation and investment   | Business operation and investment                      |
| Altek Lab Inc.                              | July 15, 2000         | U.S.A.                 | USD 1,005       | Design Service  | Design Service   |
| Altek Imaging Technology (Cayman) Co., Ltd. | April 19, 2005        | Cayman Islands         | USD 15,092      | Business operation and investment   | Holding company indirectly investing in mainland China |
| Altek Precision (Kunshan) Co., Ltd.         | October 27, 2010      | Kunshan, China         | USD 13,800      | Production/sales of plastic and metal parts   | Component supplier                                     |
| Leading Tech. Co., Ltd.                     | May 15, 2002          | Cayman Islands         | USD 45,000      | Business operation and investment   | Holding company indirectly investing in mainland China |
| Altek (Kunshan) Co., Ltd.                   | July 23, 2001         | Kunshan, China         | USD 49,600      | Production services for digital imaging applications                                    | Manufacturing and sales of digital imaging production  |
| Toptek Investment Cayman Co., Ltd.          | March 3, 2004         | Cayman Islands         | USD 1,400       | Business operation and investment   | Holding company indirectly investing in mainland China |
| Altek EMS (Kunshan) Co., Ltd.               | March 3, 2004         | Kunshan, China         | USD 5,000       | Production/sales of electronic product components                                       | Component supplier                                     |
| Altek Trading (Cayman) Co., Ltd.            | June 7, 2005          | Cayman Islands         | USD 8,500       | Business operation and investment   | Holding company indirectly investing in mainland China |
| Altek Trading(Shanghai) Co., Ltd.           | December 7, 2005      | Shanghai, China        | USD 8,500       | Wholesale and import/export of electronic products and accessories and package products | Import/export of electronic products                   |

| Name of Company                                | Date of Establishment | Address                | Paid-in Capital |         | Main Business or Production   | Division of Work  |
|--|-----------------------|------------------------|-----------------|---------|---|---|
| Altek Optical Technology (Cayman) Co., Ltd.    | November 21, 2011     | Cayman Islands         | USD             | 11,200  | Business operation and investment   | Holding company indirectly investing in mainland China                        |
| Altek Optical (Kunshan) Co., Ltd.              | November 21, 2011     | Kunshan, China         | USD             | 11,200  | Production/sales of electronic product components                             | Production/sales of electronic product components                             |
| Altek Semiconductor (Cayman) Co., Ltd.         | November 26, 2009     | Cayman Islands         | USD             | 100     | Business operation and investment   | Holding company indirectly investing in subsidiaries in Taiwan                |
| Altek Semiconductor Corp.                      | November 26, 2009     | Hsinchu City, Taiwan   | NTD             | 350,000 | R&D and sales of integrated circuits with special applications                | Development and design of integrated circuits with special applications       |
| Altek Semiconductor (Shanghai) Co., Ltd.       | November 21, 2016     | Shanghai, China        | USD             | 1,500   | Imaging technology and electronic hardware and software development and sales | Imaging technology and electronic hardware and software development and sales |
| Altek Optical (Cayman) Co., Ltd.               | May 19, 2006          | Cayman Islands         | USD             | 4,800   | Business operation and investment   | Holding company indirectly investing in mainland China                        |
| Altek International Holding (BVI) Co., Ltd.    | May 17, 2016          | British Virgin Islands | USD             | 12,866  | Business operation and investment   | Holding company indirectly investing in subsidiaries in Taiwan                |
| Altek Biotechnology Holding (Cayman) Co., Ltd. | May 23, 2016          | Cayman Islands         | USD             | 12,866  | Business operation and investment   | Holding company indirectly investing in subsidiaries in Taiwan                |
| Altek Biotechnology Corp.                      | December 11, 2014     | Hsinchu City, Taiwan   | NTD             | 401,000 | R&D, manufacturing, and sales of medical electronic equipment                 | R&D of medical electronic equipment   |

8.1.4 The Same Shareholders of Companies Controlled by or Subordinate to the Company: None.

8.1.5 Directors, Supervisors and Presidents of Affiliated Companies

December 31, 2020

| Name of Company                             | Title              | Name or Representative                   |                          | Shareholding     |                    |
|---|--------------------|--|--------------------------|------------------|--------------------|
|   |                    | Name                                     | Corporate Representative | Number of Shares | Shareholding Ratio |
| Altek Japan Corporation                     | Chairman           | Altek Corporation                        | Alex Hsia                | 1,000            | 100.00%            |
|   | Director           |  | David Lin                |                  |                    |
| Altek International Investment Co., Ltd.    | Director           | Altek Corporation                        | Vincent Kao              | 87,769,559       | 100.00%            |
|   | Supervisor         |  | Sophia Chen              |                  |                    |
| Altek Investment Corporation                | Director           | Altek Corporation                        | Alex Hsia                | 10,000,000       | 100.00%            |
|   | Chairman           |  | Alex Hsia                |                  |                    |
| Altek International Trading Co., Ltd.       | Director           | Altek International Investment Co., Ltd. | Alex Hsia                | 10,000,000       | 100.00%            |
|   | Director           |  | Alex Hsia                |                  |                    |
| Altek Lab Inc.                              | Director           | Altek International Investment Co., Ltd. | Alex Hsia                | 11,311,875       | 100.00%            |
|   | Director           |  | Alex Hsia                |                  |                    |
| Altek Imaging Technology (Cayman) Co., Ltd. | Director           | Altek International Investment Co., Ltd. | Alex Hsia                | 15,092,410       | 100.00%            |
|   | Director           |  | Alex Hsia                |                  |                    |
| Leading Tech. Co., Ltd.                     | Director           | Altek International Investment Co., Ltd. | Alex Hsia                | 45,000,000       | 100.00%            |
|   | Executive Director |  | Alex Hsia                |                  |                    |
| Altek Precision (Kunshan) Co., Ltd.         | Supervisor         | Leading Tech. Co., Ltd.                  | Steven Su                | N/A              | 100.00%            |
|   | Executive Director |  | Alex Hsia                |                  |                    |
| Altek (Kunshan) Co., Ltd.                   | Supervisor         | Leading Tech. Co., Ltd.                  | Steve Chou               | N/A              | 100.00%            |
|   | Director           |  | Alex Hsia                |                  |                    |
| Toptek Investment Cayman Co., Ltd.          | Director           | Altek International Investment Co., Ltd. | Alex Hsia                | 1,400,000        | 100.00%            |
|   | Executive Director |  | Alex Hsia                |                  |                    |
| Altek EMS (Kunshan) Co., Ltd.               | Supervisor         | Toptek Investment Cayman Co., Ltd.       | Belle Liang              | N/A              | 100.00%            |
|   | Director           |  | Alex Hsia                |                  |                    |
| Altek Trading (Cayman) Co., Ltd.            | Director           | Altek International Investment Co., Ltd. | Alex Hsia                | 8,500,000        | 100.00%            |
|   | Executive Director |  | Alex Hsia                |                  |                    |
| Altek Trading(Shanghai) Co., Ltd.           | Supervisor         | Altek Trading (Cayman) Co., Ltd.         | Steven Su                | N/A              | 100.00%            |
|   | Director           |  | Alex Hsia                |                  |                    |

| Name of Company                               | Title  | Name or Representative                      |  | Shareholding     |                    |
|---|--|---|--|------------------|--------------------|
|   |  | Name  | Corporate Representative                           | Number of Shares | Shareholding Ratio |
| Altek Optical Technology (Cayman) Co., Ltd.   | Director                                       | Altek International Investment Co., Ltd.    | Alex Hsia  | 11,200,000       | 100.00%            |
| Altek Optical (Kunshan) Co., Ltd.             | Chairman<br>Director<br>Director<br>Supervisor | Altek Optical Technology (Cayman) Co., Ltd. | Alex Hsia<br>Vicent Kao<br>Chao peng Ma<br>Wade Wu | N/A              | 100.00%            |
| Altek Semiconductor (Cayman) Co., Ltd.        | Chairman<br>Director<br>Director               | Altek International Investment Co., Ltd.    | Alex Hsia<br>Jye-Sheng Lin<br>Tat On Lo            | 20,000,000       | 50.00%             |
| Altek Semiconductor Corp.                     | Chairman                                       | Altek Semiconductor (Cayman) Co., Ltd.      | Alex Hsia  | 35,000,000       | 50.00%             |
| Altek Semiconductor(Shanghai) Co., Ltd.       | Executive Director<br>Supervisor               | Altek Semiconductor (Cayman) Co., Ltd.      | Alex Hsia<br>Jonathan Shaw                         | N/A              | 50.00%             |
| Altek Optical (Cayman) Co., Ltd.              | Director                                       | Altek International Investment Co., Ltd.    | Alex Hsia  | 4,800,241        | 100.00%            |
| Altek International Holding (BVI) Co., Ltd.   | Director                                       | Altek Corporation                           | Alex Hsia  | 12,865,921       | 100.00%            |
| Altek Biotechnology Holding(Cayman) Co., Ltd. | Director                                       | Altek International Holding(BVI) Co., Ltd.  | Alex Hsia  | 12,865,921       | 100.00%            |
| Altek Biotechnology Corp.                     | Chairman                                       | Altek Biotechnology (Cayman) Co., Ltd.      | Alex Hsia  | 40,100,000       | 100.00%            |

### 8.1.6 Operation of Affiliated Companies

Unit: NT\$ (foreign currency) thousand; December 31, 2020

| Name of Company                                | Capital |     | Total Assets |     | Total Liabilities |     | Net Value |     |
|--|---------|-----|--------------|-----|-------------------|-----|-----------|-----|
|  | JPY     | USD | JPY          | USD | JPY               | USD | JPY       | USD |
| Altek Japan Corporation                        | 10,000  |     | 40,705       |     | 87                |     | 40,618    |     |
| Altek International Investment Co., Ltd.       | 87,770  | USD | 295,521      | USD | 1,635             | USD | 293,886   | USD |
| Altek Investment Corporation                   | 100,000 | NTD | 99,977       | NTD | 56                | NTD | 99,921    | NTD |
| Altek International Trading Co., Ltd.          | 10,000  | USD | 51,596       | USD | 42,690            | USD | 8,906     | USD |
| Altek Lab Inc.                                 | 1,005   | USD | 2,104        | USD | 29                | USD | 2,075     | USD |
| Altek Imaging Technology (Cayman) Co., Ltd.    | 15,092  | USD | 5,371        | USD | 0                 | USD | 5,371     | USD |
| Altek Precision (Kunshan) Co., Ltd.            | 45,000  | USD | 154,763      | USD | 5,371             | USD | 149,392   | USD |
| Leading Tech. Co., Ltd.                        | 13,800  | USD | 5,306        | USD | 0                 | USD | 5,306     | USD |
| Altek (Kunshan) Co., Ltd.                      | 49,600  | USD | 198,014      | USD | 48,558            | USD | 149,456   | USD |
| Toptek Investment Cayman Co., Ltd.             | 1,400   | USD | 27,554       | USD | 0                 | USD | 27,554    | USD |
| Altek EMS (Kunshan) Co., Ltd.                  | 5,000   | USD | 27,606       | USD | 53                | USD | 27,553    | USD |
| Altek Trading (Cayman) Co., Ltd.               | 8,500   | USD | 10,858       | USD | 0                 | USD | 10,858    | USD |
| Altek Trading(Shanghai) Co., Ltd.              | 8,500   | USD | 11,141       | USD | 283               | USD | 10,858    | USD |
| Altek Optical Technology (Cayman) Co., Ltd.    | 11,200  | USD | 211          | USD | 0                 | USD | 211       | USD |
| Altek Optical (Kunshan) Co., Ltd.              | 11,200  | USD | 211          | USD | 0                 | USD | 211       | USD |
| Altek Semiconductor (Cayman) Co., Ltd.         | 100     | USD | 39,058       | USD | 0                 | USD | 39,058    | USD |
| Altek Semiconductor Corp.                      | 350,000 | NTD | 445,360      | NTD | 193,834           | NTD | 251,526   | NTD |
| Altek Semiconductor(Shanghai) Co., Ltd.        | 1,500   | USD | 4,257        | USD | 136               | USD | 4,121     | USD |
| Altek Optical (Cayman) Co., Ltd.               | 4,800   | USD | 0            | USD | 0                 | USD | 0         | USD |
| Altek International Holding (BVI) Co., Ltd.    | 12,866  | USD | 31,816       | USD | 0                 | USD | 31,816    | USD |
| Altek Biotechnology Holding (Cayman) Co., Ltd. | 12,866  | USD | 28,911       | USD | 0                 | USD | 28,911    | USD |
| Altek Biotechnology Corp.                      | 401,000 | NTD | 1,559,127    | NTD | 802,146           | NTD | 756,981   | NTD |

Note: Altek is the headquarters of the Group. Operating revenue and operating income of subsidiaries are trade secrets. To protect shareholders' equity, such information will not be disclosed. The current investment gain and loss has been disclosed in the notes of the financial statements.

#### 8.1.7 Declaration of Consolidated Financial Statements of Affiliated Companies

Altek Corporation

##### Declaration of Consolidated Financial Statements of Affiliated Companies

In 2020 (January 1, 2020 to December 31, 2020), companies that shall be included in the consolidated financial statements of affiliated companies in accordance with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same companies that shall be included in the consolidated financial statements of the parent company and subsidiaries in accordance with IFRS 10. In addition, the related information that shall be disclosed in the consolidated financial statements of affiliated companies has been disclosed in the abovementioned consolidated financial statements of the parent company and subsidiaries. Accordingly, the consolidated financial statements of affiliated companies are not compiled separately.

Sincerely,

Altek Corporation

Chairman: Alex Hsia

March 25, 2021

#### 8.1.8 Affiliation Report

Altek is not the affiliated company of other companies as stipulated in “Chapter VI-I Affiliated Enterprises” of the Company Act, so no affiliation report is compiled.

## 8.2 Private Placement of Securities in the Most Recent Years

To invest the high-end technologies, enrich working capital, repay borrowings, reinforce financial structures, invite strategic investors and support the Company's development funding needs, the 4<sup>th</sup> meeting of 9<sup>th</sup> Board of Directors approved raising funds through private placement within the limit of 60,000,000 common shares, and will proposed to the 2021 shareholders meeting.

8.3 Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years: None

8.4 Other Mentionable Items: None

8.5 Any Event Having a Material Impact on Shareholders' Rights and Interests or Securities Prices stipulated in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act: None