



Stock symbol: 6442

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EZconn website: <http://www.ezconn.com>

# **EZconn Corporation**

## **2020 Annual Report**

Date of Publication: May 1, 2021

I. EZconn's spokesperson, deputy spokesperson, name, title, contact number and e-mail

|  |                                      |
|--|--------------------------------------|
| Spokesperson: Chuang Kuo-An                | Deputy spokesperson: Ting Hsiu-Chuan |
| Title: FA Division Chief Financial Officer | Title: Accounting Dept. Manager      |
| Tel.: (02)2808-6333#8668                   | Tel.: (02)2808-6333#8660             |
| E-mail: allen.chuang@ezconn.com            | E-mail: emma.ding@ezconn.com         |

II. Addresses and phone number of the head office and plant

|   |                     |
|---|---------------------|
| Head office: 13F., No.27-8, Sec. 2, Zhongzheng E. Rd., Tamsui District, New Taipei City | Tel.: (02)2808-6333 |
| Tamsui Shangda Plant: No.380, Section 3, Danjin Road, Tamsui District, New Taipei City  | Tel.: (02)2625-9768 |

III. Name, addresses, website and phone number of stock transfer agency

Name: Share administration agency of Taishin International Bank Corp.  
Address: B1, No. 96, Sec. 1, Jianguo N. Rd., Taipei City  
Website: [www.taishinbank.com.tw](http://www.taishinbank.com.tw)  
Tel.: (02)2504-8125

IV. Name, Accounting firm, address, website and phone number of CPA(s) for the most recent FY

Certified Public Accountant: Chen Chun-Hung, Huang Hsiu-Chun  
Accounting firm(s): Deloitte & Touche  
Address: 20F., No.100, Songren Rd., Xinyi Dist., Taipei City  
Website: [www.deloitte.com.tw](http://www.deloitte.com.tw)  
Tel.: (02)2725-9988

V. Name(s) of the exchange(s) where our securities are traded offshore, and the method(s) with which the information of the offshore securities is accessed

None.

VI. EZconn website

[www.ezconn.com](http://www.ezconn.com)

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## One. Letter to the Shareholders

Dear shareholders:

Thank you for participating in the regular shareholders' meeting of EZconn in 2021.

We briefly present the operating status in 2020 and the operational plan for 2021 as follows:

### I. Operating status in 2020

#### (I) Result of the operational plan implementation

The consolidated net operating income in 2020 is NT\$2,413,548,000, a decrease of 0.44% compared with that in 2019; the consolidated gross operating profit margin is 16.88%, an increase of 18% from that in 2019; the consolidated net operating profit is NT\$27,283,000; the consolidated net loss after tax is NT\$38,051,000; the consolidated loss per share after tax is NT\$0.57; the net value per share is NT\$25.78.

#### (II) Analysis of the financial expenses and receipts and profitability

##### 1. Financial expenses and receipts

The consolidated net operating income in 2020 is NT\$2,413,548,000, a decrease of NT\$10,610,000 from NT\$2,424,158,000 in 2019. On the earnings, the net loss after tax in 2020 is NT\$38,051,000, an increase of NT\$18,773,000 from NT\$19,278,000 in 2020.

##### 2. Analysis of profitability

| Analysis item             |                                       |                          | 2019   | 2020   |
|---------------------------|---------------------------------------|--------------------------|--------|--------|
| Analysis of profitability | Return on asset (%)                   |                          | -0.52% | -1.13% |
|                           | Return on equity (%)                  |                          | -0.95% | -2.08% |
|                           | Paid-in capital stock (%)             | Operating profit         | -2.81% | 3.94%  |
|                           |                                       | Profit (loss) before tax | -0.90% | -6.59% |
|                           | Net profit margin (%)                 |                          | -0.80% | -1.58% |
|                           | Basic Earnings (loss) per share (NTD) |                          | (0.28) | (0.57) |

Note: The calculation is based on the consolidated financial statements in 2020

### (III) R&D status:

#### 1. The business group of high-frequency connector

Most of the products developed and produced by the Company are classified as high-frequency connector, which have strict requirements for the stability and reliability of the products. The cable television and wired broadband industry are the major applications of various products. To respond to the rapid development of the industry, our technology R&D team improved the product design and development ability via utilizing the Company's resources and actively attending technology conferences held by each research institution. In addition, to be a leading company in the industry and correspond to the product demand of the global customers, we joined product standards institutes to grasp the latest standards of product specifications, planned to develop and improve various products and received the certifications of the safety standard units and the customers in each country.

As for the aspect of product expansion, we deployed the products by adding new types of crimp coaxial connector, optoelectronic integrated product, high-frequency isolator, coaxial filter, high shielding jumper and new type of high-frequency connector for cell sites. Regarding the improvement of production efficiency, we promoted lean plans in all plants and introduced intelligent manufacturing and assembly to effectively improve the production efficiency and yield rate. As for the talent cultivation, we continued to implement the education training in each department to enhance the coherence and the multi-skill training of the employees.

#### 2. Optical communication

Our research and development mainly focused on three application markets of fixed broadband, data center and 5G fronthaul and backhaul. For the application of the fixed broadband, our developed products included the XG-PON BOSA on board program, XGS-PON ONU transceiver that entered mass production and 10G-EPON/XGS-PON OLT optical transceiver module that completed the sample submission. Products expected to be developed contains the combo PON to upgrade the coexistence flexibility of GPON /XG-PON and the XGS-PON ONU mini stick applied to the fiber to the home. This mini stick also applies to a wide range of scenarios in the industrial network connection.

For the application of the Data center, the development of QSFP-SR4 AOC was completed and introduced into production due to the new standard of increasing the 25Gps Ethernet interface to 50Gps and the demand of upgrading the data center from 100Gbps to 400Gbps. As for the R&D projects under planning, we had 400G QSFP-DD SR8, SFP28-SR and QSFP56-SR AOC optical transceiver module. Concerning the transmission program of the single mode fiber for long haul, we expected to finish a DML QSFP28-LR4 product program which has a more competitive price in comparison to the traditional EML QSFP28-LR4.

For the 5G fronthaul and backhaul application, the related fronthaul products

under developing were SFP28-LR and SFP28-BiDi optical transceiver module while backhual product was the XGS-PON mini ONU stick that applies to small cell backhual. It enables the small cell to use existing passive optical network for backhual.

Besides, to fasten the development of the aforementioned products, the R&D team constantly increases the capability of high-frequency circuit design, software and firmware integration and packaging and testing as well as the enhancement of manpower to respond to the R&D demand and the challenges in the future.

## II. The outline of the operational plan in 2021

### (I) Business policies

1. Stabilizing the basis of existing customer and developing new customers in the targeted industry to expand the market share.
2. Continuing to promote standardized products and increase the commonality of each product to provide convenient designs that meets the cost benefit for customers.
3. Reinforcing the human resource cultivation and implementing the performance assessment.
4. Integrating the customer demand and the manufacturing technology of the critical part suppliers to shorten the R&D time and reduce the cost effectively during the R&D phase of new products.
5. Ensuring the product quality and promoting the service satisfaction of the customers.
6. Continuing to introduce automated equipment into the production to increase the production efficiency and decrease the human capital.

### (II) Operational objectives

1. The business group of high-frequency connector  
The goal of the sales volume is estimated to be 151,966,078.
2. Optical communication  
The goal of the sales volume is estimated to be 34,629,913.

### (III) Core policies on production and sales

1. Production policy: We continue to optimize the production process, increase the yield rate and shorten the product delivery time. We also form a manufacturing system with economies of scale and rationalized cost via the vertical integration.
2. Sales policy: We actively establish strategic alliance for marketing or partnerships with key customers to promote our core products and plan marketing project management based on the customer-oriented demand. In addition, we grasp the market dynamic messages and consumer trends to respond to the customer demand for diversified and timely products.

## III. The future development strategies of the Company

### (I) The business group of high-frequency connector

The Company has development units responsible for the design, production and the introduction of mass production for precision molds and automatic assembly equipment. We are in the leading position compared to other domestic peers in relation to the time efficiency of the product development and the self-control of the key technologies.

(II) Optical communication

In terms of long-term development strategy, the Company will improve internal technology in response to market and technology trends, develop vertical technology integration and diversify products for the market and closely follow market trends, such as the demand for high-speed optical receiver modules for 5G wireless access networks, data centers, cloud computing and edge computing applications. In addition, the Company also extends the opportunities of optoelectronic packaging technology in other application markets, such as laser scanning, the medical field, etc.. The training and acquisition of new technology capabilities are through technical cooperation with domestic and foreign customers and domestic industrial research institutions to establish stable and competitive product technologies. In terms of technical R&D personnel and organization, the Company will continue to recruit senior R&D personnel and will also conduct professional and complete on-the-job training to strengthen the professional skills and project management ability of existing R&D personnel.

IV. Impact of the external competitive environment, regulation environment and the overall business environment

Due to the intensifying Sino-US trade war and the impact of the COVID-19 epidemic, the global consumer market has undergone tremendous changes and under each country's lock-in and isolation policies, the original normal supply chain has also been reconstructed. In addition, the vertical integration of some competitors has made low-price competition increasingly fierce and the Company will continue to face severe challenges in the acquisition cost of key materials, inventory control, and production efficiency. However, the Company's management team and all employees will continue to uphold the spirit of unremitting struggle to break through the difficulties and adversity and strive to achieve the Company's annual growth mission and goal, and create the maximum profit for all shareholders and the Company.

Wish good health and all the best to every shareholder!

EZconn Corporation

Chairman: CHEN STEVE

Managerial officer: Chang Ying-Hua

Accounting Manager: Chuang Kuo-An



## Two. Company Profile

I. Date of establishment: September 4, 1996.

II. Company history:

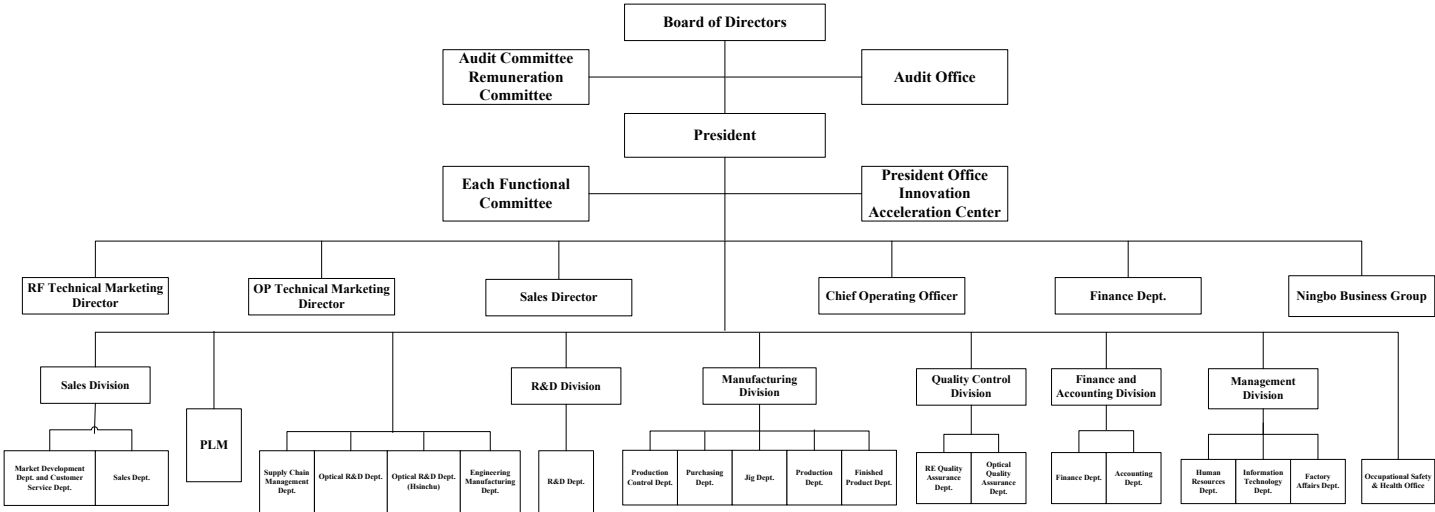
| Year | Important events   |
|------|--|
| 1996 | Set up EZconn Enterprise Inc. with a paid-up capital of NT\$25,000,000.  |
| 2001 | Passed the ISO 9001:2000 certification.  |
| 2002 | Invested and set up subsidiary, EC-Link Technology Inc. (hereinafter as EC-Link). Reinvested in Light Master Technology Inc. (hereinafter as Light-Master) in order to reinvest in Light Master Technology (Ningbo) Inc. (hereinafter as Light Master Ningbo Inc.) as China's production base. Passed the ISO 14001 Environmental Management System certification. Reinvested in EC-Optic Technology Inc. (hereinafter as EC-Optic) to reinvest in Yilikang International Trade (Shanghai) Limited Company (hereinafter as Shanghai Yilikang) and establish Shanghai marketing base. |
| 2003 | Merged and acquired Jian-Sheng Co., Ltd, and renamed it as EZconn Corporation.<br>The cash capital increased NT\$275,000,000 and the capital surplus was NT\$90,000,000. The paid-up capital was NT\$390,000,000.<br>Set up Chiayi Dalin plant to manufacture passive optical communication products.  |
| 2004 | The cash capital increased NT\$110,000,000 and the paid-up capital was NT\$500,000,000.  |
| 2005 | The cash capital increased NT\$40,000,000 and the paid-up capital was NT\$540,000,000.<br>Merged and acquired Infineon's optical communications department to obtain Infineon FTTx BIDI patent and technologies.<br>Invested and set up German subsidiary company, EZconn Europe GmbH, and took over Infineon's optical communications department.   |
| 2006 | For the purpose of international development, CabTel Corporation invested in the Company with a 100% shareholding stake and the Company became the subsidiary of eGtran Corp.<br>Invested in and set up EZconn Czech a.s. to expand the European market.   |
| 2007 | Set up Tamsui Shangda plant to produce high-frequency connectors.  |
| 2008 | Began to manufacture EP connectors.  |
| 2011 | Dissolved and liquidated Shanghai Yilikang.  |
| 2012 | To meet operations and development requirements, the Company underwent organizational restructuring. By the wholly owned subsidiary, EC-Link Technology Inc., the Company acquired 33.82% Light-Master's share from its ultimate parent company, eGTran Corp..   |

|      |  |
|------|--|
| 2013 | <p>To meet operations and development requirements, the Company underwent organizational restructuring. After the restructuring, the company share which was originally 100% owned by CabTel was now directly and indirectly owned by the shareholders having the shares of Cabtel and its parent company, eGTran Corp.</p> <p>For the purpose of business development in Europe, we set up EZconn technologies CZ s.r.o.</p> <p>The initial public offering of the Company.</p> |
| 2014 | <p>Listed on Emerging Stock Board.</p> <p>The capital increased NT\$60,000,000 by the earning and the paid-up capital was NT\$600,000,000.</p> <p>Established the Hongshulin plant.</p>  |
| 2015 | <p>Became a listed company.</p> <p>The cash capital increased by NT\$60,000,000 and the paid-up capital was NT\$660,000,000.</p>   |
| 2018 | <p>Moved the passive optical production line of Chiayi Dalin plant to Tamsui Shangda plant.</p>  |
| 2019 | <p>The capital increased NT\$33,000,000 by its earnings and the paid-up capital was NT\$693,000,000.</p> <p>Acquisition of Tamsui Hongshulin Office</p>  |
| 2020 | <p>Relocation of Business Headquarter to Tamsui Hongshulin Office</p>  |

Three. Corporate Governance

I. Organization system

(I) Organizational structure:



(II) Tasks of the main divisions:

| Department                           |  | Main Duty  |
|--------------------------------------|--|--|
| Sales Division                       | Sales Department                                   | Budget planning and implementation of the annual operating plan, orders from domestic and foreign customers and shipping matters management, customer management, accounts receivable management and new customer exploration.   |
|                                      | Market Development and Customer Service Department | Budget planning and implementation of the annual operational plan, orders from domestic and foreign customers and shipping matters management, customer management, accounts receivable management, R&D of domestic and overseas markets, new products and new applications, new market and new customer introduction, customer relationship management and strategic alliance layout. |
| Supply Chain Management Department   |  | Introduction and management of the suppliers, bargaining plans of critical materials, sourcing delivery and OTD control, planning of alternative materials and equipment procurement and planning.   |
| Optical R&D Department               |  | Product design and development of optical components and sub-module products, preparation of product operating instructions, pilot run of new products and technical support.<br>Optical packaging and manufacturing process design and development and packaging and manufacturing process assessment, design, development and transfer.  |
| Optical R&D Department (Hsinchu)     |  | Product design and development of optical signal transceiver module, preparation of product operating instructions, pilot run of new products and technical support.   |
| Engineering Manufacturing Department |  | Arrangement of the production schedule and material plans, product trial run and verification, promotion of production process yield to reach the mass production goal, product standard process and yield technology transfer to mass production bases and supporting other development projects of R&D Department.   |
| R&D Division                         |  | Product design and development, preparation of product operation instructions, new product sample trial and technical support, production equipment design planning and implementation.  |
| Manufacturing Division               | Production Dept.                                   | Manufacturing of products.   |
|                                      | Finished Product Dept.                             | Assembling, sorting and packing of products.   |
|                                      | Purchasing Dept.                                   | Supplier management, procurement of raw materials and machinery equipment and delivery control.  |
|                                      | Production Control Dept.                           | Planning and implementation of production plans, production and marketing coordination, outsourcing contractors' management, warehousing management of raw materials and receipt and dispatch of raw materials.  |

| Department                      |                              | Main Duty  |
|---------------------------------|------------------------------|--|
|                                 | Jig Dept.                    | Development and improvement of production technology, jig design, manufacturing and maintenance, and maintenance of production equipment.  |
| Quality Control Division        |                              | Quality standards, incoming quality control of raw materials, process quality control and outgoing quality control.  |
| Finance and Accounting Division | Accounting Dept.             | Establishment and implementation of the accounting system, accounting management, carry-over and analysis of costs, financial statements analysis and tax reporting management.  |
|                                 | Finance Dept.                | Fund planning and the credit line management, cashier operations and banking and the annual budget preparations.   |
| Management Division             | Human Resources Dept.        | Personnel affair and salary management, human resources planning, employee education training and occupational safety and health management.   |
|                                 | Information Technology Dept. | Maintenance of the computer equipment and systems, maintenance of the computer data and information security, maintenance and management of the company website and the maintenance and management of the ERP system.  |
|                                 | Factory Affairs Dept.        | General affairs, plant equipment and asset management.   |
| Audit Office                    |                              | Establishment of the annual internal audit plan.<br>Implementation of the annual internal audit plan and tracing the improvement of the audited units.<br>Establishment and review of internal management regulations. |

II. Information about directors, supervisors, president, vice president, assistant managers, and supervisors of the departments and branches:

(I) Name, educational background and experience, holding shares and nature of the directors and supervisors:

May 1, 2021 Unit: Share; %

| Title    | Name                        | Nationality or country of registration | Gender | Appointment (Inauguration) Date | Term    | First appointment date | Shares held at time of appointment |                    | Current shares held |                    | Current shares held by spouse or minor children |                    | Shares held in the name of others |                    | Educational background and experience         | Concurrent posts in the Company or other companies  | Other supervisors, directors or supervisors in a spousal relationship or within the second degree of kinship |      |          |
|----------|-----------------------------|--|--------|---------------------------------|---------|------------------------|------------------------------------|--------------------|---------------------|--------------------|---|--------------------|-----------------------------------|--------------------|---|---|--|------|----------|
|          |                             |  |        |                                 |         |                        | Number of shares                   | Shareholding ratio | Number of shares    | Shareholding ratio | Number of shares                                | Shareholding ratio | Number of shares                  | Shareholding ratio |   |   | Title  | Name | Relation |
| Chairman | eGtran Corporation          | British Virgin Islands                 | —      | June 24, 2020                   | 3 years | June 22, 2017          | 3,565,741                          | 5.15%              | 3,565,741           | 5.15%              | —   | —                  | —                                 | —                  | —   | —   | —  | —    | —        |
|          | Representative: Chen, Steve | Republic of China/ the United States   | Male   | June 24, 2020                   | —       | —                      | —                                  | —                  | —                   | —                  | —   | —                  | —                                 | —                  | J.D. of Harvard Law School, the United States | Chairman of the Company, Chairman of eGtran Corp., Chairman of Gtran Inc., Director of FlipChip International Inc., Director of Spatial Digital Systems Inc., Director of SHC Consolidated Investors LLC, Chairman of TriMax & Companies, LLC, Chairman of DNA Asset Management LLC, Director of StemBios Tech, and Independent Director of Sercomm Corp. | —  | —    | —        |

| Title    | Name                             | Nationality or country of registration | Gender | Appointment (Inauguration) Date | Term    | First appointment date | Shares held at time of appointment |                    | Current shares held |                    | Current shares held by spouse or minor children |                    | Shares held in the name of others |                    | Educational background and experience   | Concurrent posts in the Company or other companies  | Other supervisors, directors or supervisors in a spousal relationship or within the second degree of kinship |      |          |
|----------|----------------------------------|--|--------|---------------------------------|---------|------------------------|------------------------------------|--------------------|---------------------|--------------------|---|--------------------|-----------------------------------|--------------------|---|---|--|------|----------|
|          |                                  |  |        |                                 |         |                        | Number of shares                   | Shareholding ratio | Number of shares    | Shareholding ratio | Number of shares                                | Shareholding ratio | Number of shares                  | Shareholding ratio |   |   | Title  | Name | Relation |
| Director | SHC CONSOLIDATED INVESTORS LLC   | The United States                      | —      | June 24, 2020                   | 3 years | December 7, 2012       | 2,175,812                          | 3.14%              | 2,175,812           | 3.14%              | —   | —                  | —                                 | —                  | —   | —   | —  | —    | —        |
|          | Representative: Ko Yuan-Yu       | Republic of China                      | Male   | June 24, 2020                   | —       | —                      | 14,933                             | 0.02%              | 14,933              | 0.02%              | —   | —                  | —                                 | —                  | Department of Accounting, National Cheng Kung University<br>Founder of Ernst & Young Global Limited | Vice Chairman of the Company<br>Director of eGtran Corp<br>Supervisor of Formosan United Corporation<br>Supervisor of Knowledge Sharing Technology Inc. | —  | —    | —        |
| Director | Jia Jiu Investment Co., Ltd.     | Republic of China                      | —      | June 24, 2020                   | 3 years | June 22, 2017          | 840,000                            | 1.21%              | 840,000             | 1.21%              | —   | —                  | —                                 | —                  | —   | —   | —  | —    | —        |
|          | Representative: Chang Ying-Hua   | Republic of China                      | Female | June 24, 2020                   | —       | —                      | 45,849                             | 0.07%              | 45,849              | 0.07%              | —   | —                  | —                                 | —                  | Department of Accounting, Hsing Wu University   | President of the Company, Director of Guangsheng Technology (Ningbo) Co., Ltd.  | —  | —    | —        |
| Director | Transnational Investment Limited | British Anguilla                       | —      | June 24, 2020                   | 3 years | June 30, 2014          | 1,562,602                          | 2.25%              | 1,562,602           | 2.25%              | —   | —                  | —                                 | —                  | —   | —   | —  | —    | —        |
|          | Representative: Lan Ching-Ying   | Republic of China                      | Male   | June 24, 2020                   | —       | —                      | 992,086                            | 1.43%              | 992,086             | 1.43%              | —   | —                  | —                                 | —                  | Master Program of Optoelectronic Industry R&D, National Taipei University of Technology             | OP Technical Marketing Director of the Company  | —  | —    | —        |

| Title                | Name          | Nationality or country of registration | Gender | Appointment (Inauguration) Date | Term    | First appointment date | Shares held at time of appointment |                    | Current shares held |                    | Current shares held by spouse or minor children |                    | Shares held in the name of others |                    | Educational background and experience  | Concurrent posts in the Company or other companies  | Other supervisors, directors or supervisors in a spousal relationship or within the second degree of kinship |      |          |
|----------------------|---------------|--|--------|---------------------------------|---------|------------------------|------------------------------------|--------------------|---------------------|--------------------|---|--------------------|-----------------------------------|--------------------|--|---|--|------|----------|
|                      |               |  |        |                                 |         |                        | Number of shares                   | Shareholding ratio | Number of shares    | Shareholding ratio | Number of shares                                | Shareholding ratio | Number of shares                  | Shareholding ratio |  |   | Title  | Name | Relation |
| Independent Director | Peng Hsieh-Ju | Republic of China                      | Male   | June 24, 2020                   | 3 years | June 10, 2019          | 9,683                              | 0.01%              | 9,683               | 0.01%              | —   | —                  | —                                 | —                  | EMBA, National Chiao Tung University   | Member of the Company's Compensation Committee, Independent Director and member of the Compensation Committee of Eurocharm Holdings Co., Ltd. and Director of Icometrue Co., Ltd.   | —  | —    | —        |
| Independent Director | Chiu Er-De    | Republic of China                      | Male   | June 24, 2020                   | 3 years | June 24, 2020          | —                                  | —                  | —                   | —                  | —   | —                  | —                                 | —                  | PhD in physics, California Institute of Technology, Professor and Director of Institute of Biomedical Optoelectronics, National Yang-Ming Institute of Medical Optoelectronics | Compensation Committee of the Company<br>Honorary Professor and Adjunct Professor at National Yang-Ming University<br>Professor at National Cheng Kung University<br>Adjunct Professor at National Taiwan Normal University | —  | —    | —        |



| Title                | Name          | Nationality or country of registration | Gender | Appointment (Inauguration) Date | Term    | First appointment date | Shares held at time of appointment |                    | Current shares held |                    | Current shares held by spouse or minor children |                    | Shares held in the name of others |                    | Educational background and experience   | Concurrent posts in the Company or other companies   | Other supervisors, directors or supervisors in a spousal relationship or within the second degree of kinship |      |          |
|----------------------|---------------|--|--------|---------------------------------|---------|------------------------|------------------------------------|--------------------|---------------------|--------------------|---|--------------------|-----------------------------------|--------------------|---|--|--|------|----------|
|                      |               |  |        |                                 |         |                        | Number of shares                   | Shareholding ratio | Number of shares    | Shareholding ratio | Number of shares                                | Shareholding ratio | Number of shares                  | Shareholding ratio |   |  | Title  | Name | Relation |
| Independent Director | Huang Hui-Wen | Republic of China                      | Female | June 24, 2020                   | 3 years | June 24, 2020          | —                                  | —                  | —                   | —                  | —   | —                  | —                                 | —                  | EMBA, National Taiwan University, Business Director of Career Development Department, Taipei Medical University, President of Bei yi Medical International Biotechnology Co., Ltd., Chairman of Jizhi Hospital Management Consulting Co., Ltd., and President of Lu Shin Business Co., Ltd. | Compensation Committee of the Company<br>President of Calgent Biotechnology Co., Ltd.<br>Special Assistant to the President of Taipei Medical University<br>President of Diligent Biotechnology Inc.<br>President of Taipei Shida Pharmaceutical Biotechnology Co., Ltd. | —  | —    | —        |

1. Major shareholders of directors and supervisors acting as the corporate shareholders

Table 1: Major shareholders of the corporate shareholders

May 1, 2021

| Name of corporate shareholders   | Major shareholders of the corporate shareholders and the shareholding ratio  |
|----------------------------------|--|
| SHC Consolidated Investors LLC   | Chen, Steve (100%)   |
| Jia Jiu Investment Co., Ltd.     | Pan Sheng-Li (100%)  |
| Transnational Investment Limited | Chen Han-Feng (35.19%), Chen Kuo-Hsing (33.45%), Luan Yu-Chia (31.36%)   |
| eGtran Corporation               | TMX Consolidated Partners LLC (8.76%)<br>SHC Consolidated Investors LLC (4.24%)<br>Lin Min-Hsiung (4.01%)<br>Weng Sheng-Chia (3.50%)<br>Andreas Bechtolsheim (3.07%)<br>Pan Sheng-Li (3.06%)<br>Transnational Investment Limited (3.05%)<br>Hung Chieh-En (3.02%)<br>Dural Holdings Limited (2.55%)<br>Chien Feng-Yi (2.39%) |

Table 2: Major shareholders of the juridical person acting as major shareholders in Table 1

May 1, 2021

| Name of the juridical person     | Major shareholders of the juridical person | Shareholding ratio |
|----------------------------------|--|--------------------|
| TMX Consolidated Partners LLC    | (Note)                                     | —                  |
| SHC Consolidated Investors LLC   | Chen, Steve                                | 100.00%            |
| Transnational Investment Limited | Chen Han-Feng                              | 35.19%             |
|                                  | Chen Kuo-Hsing                             | 33.45%             |
|                                  | Luan Yu-Chia                               | 31.36%             |
| Dural Holdings Limited           | Lan Chung-Hsiung                           | 39.00%             |
|                                  | Lan Chen-Tien                              | 33.73%             |
|                                  | Yeh Lan-Hung                               | 27.27%             |

Note: This means the trustee of the ultimate shareholder or beneficiary.

## 2. Professional knowledge and independence of directors and supervisors

| Name<br>(Note 1)                                  | Qualifications | Work experience of more than 5 years and the following professional qualification   |  |   | Independence criteria (Note 1) |   |   |   |   |   |   |   |   |    |    |    | Number of other public companies where the member also serves as an independent director |
|---|----------------|---|--|---|--------------------------------|---|---|---|---|---|---|---|---|----|----|----|--|
|   |                | Lecturer or higher position at a public or private university/college in the department of commerce, law, finance, accounting or other fields related to the business | Judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialists who have passed a national examination and received a certificate in a profession necessary for our business | Work experience in commerce, law, finance, accounting or other field necessary for our business | 1                              | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |  |
| eGtran Corporation                                | —              | —   | —  | ✓   | —                              | — | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓  | ✓  | —  | None   |
| eGtran Corporation Representative: Chen, Steve    | —              | ✓   | ✓  | ✓   | —                              | ✓ | ✓ | — | — | — | ✓ | ✓ | ✓ | ✓  | ✓  | —  | 1  |
| SHC CONSOLIDATED INVESTORS LLC                    | —              | —   | —  | ✓   | —                              | — | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓  | ✓  | —  | None   |
| SHC Representative: Ko Yuan-Yu                    | —              | ✓   | ✓  | ✓   | —                              | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓  | ✓  | —  | 1  |
| Jia Jiu Investment Co., Ltd.                      | —              | —   | —  | ✓   | ✓                              | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓  | ✓  | —  | None   |
| Jia Jiu Investment Representative: Chang Ying-Hua | —              | —   | ✓  | —   | —                              | ✓ | ✓ | ✓ | ✓ | — | ✓ | ✓ | ✓ | ✓  | ✓  | —  | None   |
| Transnational Investment Limited                  | —              | —   | —  | ✓   | ✓                              | — | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓  | ✓  | —  | None   |
| Transnational Representative: Lan Ching-Ying      | —              | —   | ✓  | ✓   | —                              | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓  | ✓  | —  | None   |
| Peng Hsieh-Ju                                     | —              | —   | ✓  | ✓   | ✓                              | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓  | ✓  | ✓  | 1  |
| Chiu Er-De  | ✓              | —   | ✓  | ✓   | ✓                              | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓  | ✓  | ✓  | None   |
| Huang Hui-Wen                                     | —              | —   | ✓  | ✓   | ✓                              | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓  | ✓  | ✓  | None   |

Note: 1. Directors and supervisors are requested to mark “✓” in the space beside the number if any of the following requirements are satisfied during the two years before being elected or during the term of office.

- (1) The member was or is not an employee of the company or any of its affiliates.
- (2) Not a director or supervisor of the company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the company, its parent company or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.
- (4) Not a manager of (1), or spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of (2) or (3).
- (5) Not a director, supervisor, or employee of an institutional shareholder that directly holds 5% or more of the

total number of issued shares of the Company, or ranks as of its top five shareholders, or was appointed pursuant to Article 27 Paragraph 1 or 2 of the Company Act. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)

- (6) 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. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)
- (7) Not the same person as the Company's Chairperson, President or person with equivalent position, or the director, supervisor or employee of company or institution of the spouse thereof. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)
- (8) Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company. (The same does not apply, however, in cases where the corporate/institution holds 20% or more and no more than 50% of the total number of issued shares of the Company, or the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company in the most recent 2 years with an accumulated service compensation of less than NTD 500 thousand, or a spouse thereof. This restriction does not apply to any member of the Remuneration Committee, public tender offers Audit Committee or mergers and acquisition special committee, who exercises powers pursuant to relative regulations of the Securities and Exchange Act and Business Mergers and Acquisitions Act.
- (10) Net income after tax refers to the net income after tax stated in the individual or standalone financial report of the most recent year.
- (11) The member did or does not meet any of the requirements specified in Article 30 of the Company Act.
- (12) The member was not, as a government agency or a juristic person or a representative of any of them, elected pursuant to Article 27 of the Company Act.

## (II) Information of the President, Vice President, Assistant Manager, and Supervisors of departments and branches:

May 1, 2021 Unit: Share; %

| Title  | Name               | Nationality       | Gender | Inauguration date | No. of shares held |                    | Shares held by spouse or minor children |                    | Shares held in the name of others |                    | Educational background and experience  | Concurrent posts in other companies                      | Managerial officers in a spousal relationship or within the second degree of kinship |      |          | Remarks |
|--|--------------------|-------------------|--------|-------------------|--------------------|--------------------|---|--------------------|-----------------------------------|--------------------|--|--|--|------|----------|---------|
|  |                    |                   |        |                   | Number of shares   | Shareholding ratio | Number of shares                        | Shareholding ratio | Number of shares                  | Shareholding ratio |  |  | Title  | Name | Relation |         |
| President  | Chang Ying-Hua     | Republic of China | Female | April 1, 2019     | 45,849             | 0.07%              | —                                       | —                  | —                                 | —                  | Department of Accounting, Hsing Wu University  | Director of Light Master Technology (Ningbo) Inc.        | —  | —    | —        | —       |
| Chief Operating Officer  | Hsiao Chung-Chiang | Republic of China | Male   | August 10, 2018   | —                  | —                  | —                                       | —                  | —                                 | —                  | Ph.D. in Consumer Sciences & Retailing, Purdue University  | Associate Professor of National Taiwan Normal University | —  | —    | —        | —       |
| Director of Manufacturing Division                             | Kao Yueh-Hui       | Republic of China | Female | May 1, 2007       | 6,065              | 0.01%              | —                                       | —                  | —                                 | —                  | Shixin High School<br>Tatung Electronics/Philco Electronics  | —  | —  | —    | —        | —       |
| Director of Research & Sales Division (Note 1)                 | Chien Ming-Feng    | Republic of China | Male   | June 1, 2011      | 899                | 0.00%              | —                                       | —                  | —                                 | —                  | Mechanical and Electro-Mechanical Engineering, Tamkeng University<br>R & D Engineer of Sun Race Sturmey-Archer Inc.  | —  | —  | —    | —        | —       |
| OP Technical Marketing Director (note 1)                       | Lan Ching-Ying     | Republic of China | Male   | March 9, 2018     | 992,086            | 1.43%              | —                                       | —                  | —                                 | —                  | R & D Graduate Program in Electro-Optional Engineering, National Taiwan University of Science and Technology, Department of Engineering and IT, University of Sydney | —  | —  | —    | —        | —       |
| Business Manager (note 1)                                      | Lo Sheng-Hsin      | Republic of China | Male   | February 1, 2021  | —                  | —                  | 18,900                                  | 0.03%              | —                                 | —                  | National Taipei University of Technology   | —  | —  | —    | —        | —       |
| Director of Quality Control Division                           | Li Yung-Chuan      | Republic of China | Male   | October 20, 2010  | 116                | 0.00%              | —                                       | —                  | —                                 | —                  | M.B.A., Department of Mechanical Engineering, National Taiwan University   | —  | —  | —    | —        | —       |
| Director of Management Division (note 1)                       | Kuo Mei-Lan        | Republic of China | Female | February 1, 2021  | 1,283              | 0.00%              | —                                       | —                  | —                                 | —                  | Special Assistant to the President of the Company  | —  | —  | —    | —        | —       |
| Chief Financial Officer of the Finance and Accounting Division | Chuang Kuo-An      | Republic of China | Male   | August 14, 2014   | 8,984              | 0.01%              | —                                       | —                  | —                                 | —                  | M.B.A., EMBA, National Chengchi University<br>CFO of Universal Vision Biotechnology<br>Assistant Manager of Audit Division, Ernst & Young/Diwan & Company            | Supervisor of Guang-Li Biomedicine                       | —  | —    | —        | —       |

| Title                                   | Name          | Nationality       | Gender | Inauguration date | No. of shares held |                    | Shares held by spouse or minor children |                    | Shares held in the name of others |                    | Educational background and experience  | Concurrent posts in other companies                     | Managerial officers in a spousal relationship or within the second degree of kinship |      |          | Remarks |
|---|---------------|-------------------|--------|-------------------|--------------------|--------------------|---|--------------------|-----------------------------------|--------------------|--|---|--|------|----------|---------|
|   |               |                   |        |                   | Number of shares   | Shareholding ratio | Number of shares                        | Shareholding ratio | Number of shares                  | Shareholding ratio |  |   | Title  | Name | Relation |         |
| Senior Manager (note 2)                 | Chen Suu-Ming | Republic of China | Male   | May 7, 2020       | —                  | —                  | 2,000                                   | 0.00%              | —                                 | —                  | Institute of Mechanical Engineering, Tatung University   | Vice President of Light Master Technology (Ningbo) Inc. | —  | —    | —        | —       |
| Chief Auditor                           | Huang Ssu-Fen | Republic of China | Female | March 20, 2020    | 5,250              | 0.01%              | 2,100                                   | 0.00%              | —                                 | —                  | B.B.A. in Business Administration, St. John's University   | —   | —  | —    | —        | —       |
| Chief Technology Officer (CTO) (Note 3) | Hsu Mao-Chieh | Republic of China | Male   | March 9, 2018     | —                  | —                  | —                                       | —                  | —                                 | —                  | Ph.D. In Graduate Institute of Photonics and Optoelectronics, National Taiwan University, Manager of Technology Division, Walsin Lihwa   | —   | —  | —    | —        | —       |
| Chief Auditor (Note 4)                  | Chen Lai-En   | Republic of China | Male   | November 6, 2012  | —                  | —                  | —                                       | —                  | —                                 | —                  | Department of Tourism Management, Chinese Culture University<br>Audit Manager of Champion Building Materials Co., Ltd., Chief Audit Executive of Fusheng Co., Ltd., Audit Manager of Profound Material Technology, Chief Audit Executive of International CSRC Investment Holdings Co., Ltd. | —   | —  | —    | —        | —       |

Note 1: In line with the organizational adjustment of the Company's departments on February 1, 2021.

Note 2: Taking office on May 7, 2020.

Note 3: Resigned on March 15, 2020.

Note 4: Retired on January 1, 2020.

### III. Remuneration for directors, supervisors, President and Vice President in the most recent year:

#### (I) Remuneration for directors

Units: NTD 1,000; %

| Title                                   | Name  | Remuneration                 |  |                              |  |                              |  |                              |  | The total amount of<br>A, B, C and D in net<br>income after tax (%)<br>(Note 10) |  | Remuneration for part-time employees                   |  |                           |  |                                       |                 |  |                 | Remuneration |   | Remuneration<br>from invested<br>businesses<br>other than<br>subsidiaries<br>or the parent<br>company<br>(Note 11)<br>Director<br>remuneration<br>(C) (Note 3)<br>EZconn |
|---|---|------------------------------|--|------------------------------|--|------------------------------|--|------------------------------|--|--|--|--|--|---------------------------|--|---------------------------------------|-----------------|--|-----------------|--------------|---|--|
|   |   | Remuneration (A)<br>(Note 2) |  | Remuneration (A)<br>(Note 2) |  | Remuneration (A)<br>(Note 2) |  | Remuneration (A)<br>(Note 2) |  |  |  | Salary, bonus and<br>special allowance<br>(E) (Note 5) |  | Retirement<br>pension (F) |  | Employee remuneration (G)<br>(Note 6) |                 |  |                 |              |   |  |
|   |   | EZconn                       | All companies<br>in financial<br>report (Note 7) | EZconn                       | All companies<br>in financial<br>report (Note 7) | EZconn                       | All companies<br>in financial<br>report (Note 7) | EZconn                       | All companies<br>in financial<br>report (Note 7) | EZconn   | All companies<br>in financial<br>report (Note 7) | EZconn   | All companies<br>in financial<br>report (Note 7) | EZconn                    | All companies<br>in financial<br>report (Note 7) | EZconn                                |                 | All companies<br>in financial<br>report (Note 7) |                 |              |   |  |
|   |   |                              |  |                              |  |                              |  |                              |  |  |  |  |  |                           |  | Cash<br>amount                        | Share<br>amount | Cash<br>amount                                   | Share<br>amount |              |   |  |
| Chairman                                | eGtran Corporation                          | 84                           | 84   | —                            | —  | —                            | —  | —                            | —  | -0.22%   | -0.22%   | —  | —  | —                         | —  | —                                     | —               | —  | -0.22%          | -0.22%       | — |  |
| Chairman’s<br>representative            | eGtran Corporation                          | —                            | —  | —                            | —  | —                            | —  | 56                           | 56   | -0.15%   | -0.15%   | —  | —  | —                         | —  | —                                     | —               | -0.15%   | -0.15%          | —            |   |  |
|   | Corporate<br>representative:<br>Chen, Steve |                              |  |                              |  |                              |  |                              |  |  |  |  |  |                           |  |                                       |                 |  |                 |              |   |  |
| Director                                | SHC Consolidated Investors LLC              | 156                          | 156  | —                            | —  | —                            | —  | —                            | —  | -0.41%   | -0.41%   | —  | —  | —                         | —  | —                                     | —               | —  | -0.41%          | -0.41%       | — |  |
| Corporate<br>director<br>representative | SHC   | —                            | —  | —                            | —  | —                            | —  | 24                           | 24   | -0.06%   | -0.06%   | —  | —  | —                         | —  | —                                     | —               | -0.06%   | -0.06%          | —            |   |  |
|   | Corporate<br>representative: Ko<br>Yuan-Yu  |                              |  |                              |  |                              |  |                              |  |  |  |  |  |                           |  |                                       |                 |  |                 |              |   |  |
| Director                                | Jia Jiu Investment Co., Ltd.                | 156                          | 156  | —                            | —  | —                            | —  | —                            | —  | -0.41%   | -0.41%   | —  | —  | —                         | —  | —                                     | —               | —  | -0.41%          | -0.41%       | — |  |
| Director’s<br>Representative            | Jia Jiu Investment                          | —                            | —  | —                            | —  | —                            | —  | 56                           | 56   | -0.15%   | -0.15%   | 3,220  | 3,220  | —                         | —  | —                                     | —               | —  | -8.61%          | -8.61%       | — |  |
|   | Representative:<br>Chang Ying-Hua           |                              |  |                              |  |                              |  |                              |  |  |  |  |  |                           |  |                                       |                 |  |                 |              |   |  |
| Director                                | Transnational Investment Limited            | 156                          | 156  | —                            | —  | —                            | —  | —                            | —  | -0.41%   | -0.41%   | —  | —  | —                         | —  | —                                     | —               | —  | -0.41%          | -0.41%       | — |  |
| Director’s<br>Representative            | Transnational                               | —                            | —  | —                            | —  | —                            | —  | 24                           | 24   | -0.06%   | -0.06%   | 1,398  | 1,398  | —                         | —  | —                                     | —               | —  | -3.74%          | -3.74%       | — |  |
|   | Representative:<br>Lan Ching-Ying           |                              |  |                              |  |                              |  |                              |  |  |  |  |  |                           |  |                                       |                 |  |                 |              |   |  |
| Independent<br>Director                 | Peng Hsieh-Ju                               | 156                          | 156  | —                            | —  | —                            | —  | 56                           | 56   | -0.56%   | -0.56%   | —  | —  | —                         | —  | —                                     | —               | —  | -0.56%          | -0.56%       | — |  |
| Independent<br>Director                 | Chiu Er-De                                  | 84                           | 84   | —                            | —  | —                            | —  | 24                           | 24   | -0.28%   | -0.28%   | —  | —  | —                         | —  | —                                     | —               | —  | -0.28%          | -0.28%       | — |  |



|                           |  |    |    |   |   |   |   |    |    |        |        |       |       |   |   |   |   |   |   |        |        |   |
|---------------------------|--|----|----|---|---|---|---|----|----|--------|--------|-------|-------|---|---|---|---|---|---|--------|--------|---|
| Independent Director      | Huang Hui-Wen                          | 84 | 84 | — | — | — | — | 24 | 24 | -0.28% | -0.28% | —     | —     | — | — | — | — | — | — | -0.28% | -0.28% | — |
| Director's Representative | Transnational                          |    |    |   |   |   |   |    |    |        |        |       |       |   |   |   |   |   |   |        |        |   |
|                           | Representative: Chou Wan-Shun (note 2) | —  | —  | — | — | — | — | 24 | 24 | -0.06% | -0.06% | —     | —     | — | — | — | — | — | — | -0.06% | -0.06% | — |
| Director                  | Dural Holdings Limited                 | 72 | 72 | — | — | — | — | —  | —  | -0.19% | -0.19% | —     | —     | — | — | — | — | — | — | -0.19% | -0.19% | — |
| Director's Representative | Dural Holdings                         |    |    |   |   |   |   |    |    |        |        |       |       |   |   |   |   |   |   |        |        |   |
|                           | Representative: Li Shih-Cheng (note 2) | —  | —  | — | — | — | — | 24 | 24 | -0.06% | -0.06% | 1,658 | 1,658 | — | — | — | — | — | — | -4.42% | -4.42% | — |
| Director                  | Chen Hsiao-Yun (note 2)                | 72 | 72 | — | — | — | — | 24 | 24 | -0.25% | -0.25% | —     | —     | — | — | — | — | — | — | -0.25% | -0.25% | — |
| Director                  | Li Chien-Ping (note 2)                 | 72 | 72 | — | — | — | — | 24 | 24 | -0.25% | -0.25% | —     | —     | — | — | — | — | — | — | -0.25% | -0.25% | — |

Note 1: Pursuant to the Company's Article of Incorporation, the Board shall not distribute the 2020 remuneration to employees and directors.

Note 2: Leaving office on June 21, 2021.

Remuneration Range Table

| Remuneration range for directors of EZconn           | Director name  |  |   |   |
|--|--|--|---|---|
|  | The total amount of the first four remuneration items (A+B+C+D)  |  | The total amount of the first seven remuneration items (A+B+C+D+E+F+G)  |   |
|  | EZconn (Note 8)  | All companies in financial report (Note 9) H   | EZconn (Note 8)   | All companies in financial report (Note 9) I  |
| Under NT\$1,000,000                                  | eGtran Corporation<br>SHC Consolidated<br>Investors LLC<br>Chen, Steve<br>Jia Jiu Investment<br>Co., Ltd.<br>Transnational<br>Investment Limited<br>Dural Holdings<br>Limited<br>Peng Hsieh-Ju<br>Chiu Er-De<br>Huang Hui-Wen<br>Chou Wan-Shun<br>Chen Hsiao-Yun<br>Li Chien-Ping<br>Chang Ying-Hua<br>Lan Ching-Ying<br>Li Shih-Cheng | eGtran Corporation<br>SHC Consolidated<br>Investors LLC<br>Chen, Steve<br>Jia Jiu Investment<br>Co., Ltd.<br>Transnational<br>Investment Limited<br>Dural Holdings<br>Limited<br>Peng Hsieh-Ju<br>Chiu Er-De<br>Huang Hui-Wen<br>Chou Wan-Shun<br>Chen Hsiao-Yun<br>Li Chien-Ping<br>Chang Ying-Hua<br>Lan Ching-Ying<br>Li Shih-Cheng | eGtran Corporation<br>SHC Consolidated<br>Investors LLC<br>Chen, Steve<br>Jia Jiu Investment<br>Co., Ltd.<br>Transnational<br>Investment Limited<br>Dural Holdings<br>Limited<br>Peng Hsieh-Ju<br>Chiu Er-De<br>Huang Hui-Wen<br>Chou Wan-Shun<br>Chen Hsiao-Yun<br>Li Chien-Ping | eGtran Corporation<br>SHC Consolidated<br>Investors LLC<br>Chen, Steve<br>Jia Jiu Investment<br>Co., Ltd.<br>Transnational<br>Investment Limited<br>Dural Holdings<br>Limited<br>Peng Hsieh-Ju<br>Chiu Er-De<br>Huang Hui-Wen<br>Chou Wan-Shun<br>Chen Hsiao-Yun<br>Li Chien-Ping |
| NT\$1,000,000 (incl.) ~ NT\$2,000,000 (not incl.)    | —  | —  | Lan Ching-Ying, Li<br>Shih-Cheng  | Lan Ching-Ying, Li<br>Shih-Cheng  |
| NT\$2,000,000 (incl.) ~ NT\$3,500,000 (not incl.)    | —  | —  | Chang Ying-Hua  | Chang Ying-Hua  |
| NT\$3,500,000 (incl.) ~ NT\$5,000,000 (not incl.)    | —  | —  | —   | —   |
| NT\$5,000,000 (incl.) ~ NT\$10,000,000 (not incl.)   | —  | —  | —   | —   |
| NT\$10,000,000 (incl.) ~ NT\$15,000,000 (not incl.)  | —  | —  | —   | —   |
| NT\$15,000,000 (incl.) ~ NT\$30,000,000 (not incl.)  | —  | —  | —   | —   |
| NT\$30,000,000 (incl.) ~ NT\$50,000,000 (not incl.)  | —  | —  | —   | —   |
| NT\$50,000,000 (incl.) ~ NT\$100,000,000 (not incl.) | —  | —  | —   | —   |
| Over NT\$100,000,000                                 | —  | —  | —   | —   |
| Total  | 15   | 15   | 15  | 15  |

- Note 1: The names of the directors must be listed receptively (for the corporate shareholders, their names and the representatives must be receptively listed), directors and independent directors shall be listed separately and each payment amount must be disclosed by summarization. The director serving as the president or vice president should fill in this table and the table below (3-1) or the table below (3-2-1) and (3-2-2).
- Note 2: This refers to the remuneration for the directors in the most recent year (including the directors' salary, differential pay, severance pay, various bonuses and incentive payment).
- Note 3: This refers to the distribution of remuneration for directors approved by the Board of Directors in the most recent year.
- Note 4: This refers to the related business execution fee of the directors in the most recent year (including traveling expenses, special allowance, various allowances and dormitories and cars in kind). If houses, cars and other transportation or personal expenses are provided, the nature and cost of the provided assets, the actual rental or the rental calculated based on the fair value, fuel expense and other payment must be disclosed. If the driver is also provided, please specify the related payment for the driver paid by the Company. This is not included in the remuneration.
- Note 5: This refers to the remuneration for directors serving as the part-time employees (including part-time president, vice president, other managerial officers and employees) in the most recent year, including the salary, differential pay, severance pay, various bonuses, incentive payment, traveling expenses, special allowance, various allowances and dormitories and cars in kind. If houses, cars and other transportation or personal expenses are provided, the nature and cost of the provided assets, the actual rental or the rental calculated based on the fair value, fuel expense and other payment must be disclosed. If the driver is also provided, please specify the related payment for the driver paid by the Company. This is not included in the remuneration. In addition, according to the salaries expense listed in the "Share-Based Payment" of IFRS2, expenses including the employee stock option certificate acquirement, employee restricted stock and employee participation in cash capital increase and stock subscription must be counted in the remuneration.
- Note 6: This means the directors serving as the part-time employees (including part-time president, vice president, other managerial officers and employees) and receiving the employee remuneration (including shares and cash) must disclose the distribution amount of remuneration for employees approved by the Board of Directors. If the amount cannot be estimated, the proposed distribution amount of this year should be calculated based on the actual distribution ratio last year. The attached table 1-3 should also be filled out.

- Note 7: The total amount of each remuneration paid by all companies (including EZconn) to the Company's directors in the consolidated report must be disclosed.
- Note 8: Regarding the total amount of each remuneration paid by EZconn to each director, the names of the paid directors must be disclosed based on the remuneration range in which the remuneration belongs.
- Note 9: The total amount of each remuneration paid by all companies (including EZconn) to each director of the Company in the consolidated report must be disclosed. The names of the paid directors must be disclosed based on the remuneration ranges in which the remuneration belongs.
- Note 10: The net income after tax refers to the net income after tax of EZconn or individual financial reports in the most recent year.
- Note 11: a. This column must clearly specify the related remuneration amount paid to the Company's directors from invested businesses other than subsidiaries or the parent company. (If none, please fill in "None.")
- b. The directors of the Company who receive Parent related remuneration from invested businesses other than subsidiaries or the parent company must include the remuneration acquired from such businesses to column I in the remuneration range table and the name of this column should be change to "The parent company and all invested businesses."
- c. The remuneration refers to the received remuneration (including the remuneration of employees, directors and supervisors) of the Company's directors serving as the directors, supervisors or managerial officers in the invested businesses other than subsidiaries or the parent company and the related remuneration of the business execution fee.
- \* The remuneration disclosed in this table is different from the concept of income in the Income Tax Act. Therefore, this table is used for information disclosure instead of taxation.

## (II) Remuneration for supervisors

Units: NTD 1,000; %

| Title                       | Name  | Supervisor remuneration   |  |                           |  |                                     |  | The total amount of A, B and C in net income after tax (%) (Note 8) |  | Remuneration from invested businesses other than the subsidiaries or parent company (Note 9) |
|-----------------------------|---|---------------------------|--|---------------------------|--|-------------------------------------|--|---|--|--|
|                             |   | Remuneration (A) (Note 2) |  | Remuneration (B) (Note 3) |  | Business execution fee (C) (Note 4) |  |   |  |  |
|                             |   | EZconn                    | All companies in financial report (Note 5) | EZconn                    | All companies in financial report (Note 5) | EZconn                              | All companies in financial report (Note 5) | EZconn  | All companies in financial report (Note 5) |  |
| Supervisor                  | Ko Yuan-Yu  | 72                        | 72   | —                         | 32   | 32                                  | -0.27%                                     | -0.27%  | -0.27                                      | —  |
| Supervisor                  | Lai Wen-Hsien                                       | 72                        | 72   | —                         | 32   | 32                                  | -0.27%                                     | -0.27%  | -0.27                                      | —  |
| Supervisor                  | eGtran Corporation                                  | 72                        | 72   | —                         | —  | —                                   | -0.19%                                     | -0.19%  | -0.19%                                     | —  |
| Supervisor's Representative | eGtran Corporation Representative: Chien Chih-Cheng | —                         | —  | —                         | 32   | 32                                  | -0.08%                                     | -0.08%  | -0.08%                                     | —  |

Note 1: Pursuant to the Company's Article of Incorporation, the Board shall not distribute the 2020 remuneration to employees and directors.

Note 2: It was changed to the Audit Committee in June 2020, and the supervisors were dismissed.

Remuneration Range Table

| Remuneration range for supervisors of EZconn         | Supervisor name   |   |
|--|---|---|
|  | Total amount of the first three remuneration items (A+B+C)            |   |
|  | EZconn (Note 6)   | All companies in financial report (Note 7) D                          |
| Under NT\$1,000,000                                  | Ko Yuan-Yu<br>Lai Wen-Hsien<br>eGtran Corporation<br>Chien Chih-Cheng | Ko Yuan-Yu<br>Lai Wen-Hsien<br>eGtran Corporation<br>Chien Chih-Cheng |
| NT\$1,000,000 (incl.) ~ NT\$2,000,000 (not incl.)    | —   | —   |
| NT\$2,000,000 (incl.) ~ NT\$3,500,000 (not incl.)    | —   | —   |
| NT\$3,500,000 (incl.) ~ NT\$5,000,000 (not incl.)    | —   | —   |
| NT\$5,000,000 (incl.) ~ NT\$10,000,000 (not incl.)   | —   | —   |
| NT\$10,000,000 (incl.) ~ NT\$15,000,000 (not incl.)  | —   | —   |
| NT\$15,000,000 (incl.) ~ NT\$30,000,000 (not incl.)  | —   | —   |
| NT\$30,000,000 (incl.) ~ NT\$50,000,000 (not incl.)  | —   | —   |
| NT\$50,000,000 (incl.) ~ NT\$100,000,000 (not incl.) | —   | —   |
| Over NT\$100,000,000                                 | —   | —   |
| Total  | 4   | 4   |

Note 1: The names of the supervisors must be listed receptively (for the corporate shareholders, their names and the representatives must be receptively listed) and each payment amount must be disclosed by summarization.

Note 2: This refers to the remuneration for the supervisors in the most recent year (including the supervisors' salary, differential pay, severance pay, various bonuses and incentive payment).

Note 3: This refers to the distribution of remuneration for supervisors approved by the Board of Directors in the most recent year.

Note 4: This refers to the related business execution fee of the supervisors in the most recent year (including traveling expenses, special allowance, various allowances and dormitories and cars in kind). If houses, cars and other transportation or personal expenses are provided, the nature and cost of the provided assets, the actual rental or the rental calculated based on the fair value, fuel expense and other payment must be disclosed. If the driver is also provided, please specify the related payment for the driver paid by the Company. This is not included in the remuneration.

Note 5: The total amount of each remuneration paid by all companies (including EZconn) to the Company's supervisors in the consolidated report must be disclosed.

Note 6: Regarding the total amount of each remuneration paid by EZconn to each supervisor, the names of the paid supervisors must be disclosed in the remuneration ranges in which the remuneration belongs.

Note 7: The total amount of each remuneration paid by all companies (including EZconn) to each supervisor of the Company in the consolidated report must be disclosed. The names of the paid supervisors must be disclosed in the remuneration ranges in which the remuneration belongs.

Note 8: The net income after tax refers to the net income after tax of EZconn or individual financial reports in the most recent year.

Note 9: a. This column must clearly specify the related remuneration amount paid to the Company's Supervisors from invested businesses other than subsidiaries or the parent company. (If none, please fill in "None.")  
b. The Supervisors of the Company who receive Parent related remuneration from invested businesses other than subsidiaries or the parent company must include the remuneration acquired from such businesses to column I in the remuneration range table and the name of this column should be change to "The parent company and all invested businesses."  
c. The remuneration refers to the received remuneration (including the remuneration of employees, directors and supervisors) of the Company's Supervisors serving as the directors, supervisors or managerial officers in the invested businesses other than subsidiaries or the parent company and the related remuneration of the business execution fee.

\* The remuneration disclosed in this table is different from the concept of income in the Income Tax Act. Therefore, this table is used for information disclosure instead of taxation.

### (III) Remuneration for President and Vice President

Units: NTD 1,000; %

| Title     | Name           | Remuneration (A)<br>(Note 2) |  | Retirement pension (B) |  | Bonus and special allowance (C)<br>(Note 3) |  | Employee remuneration (D)<br>(Note 4) |              |  |              | The total amount of A, B, C and D in net income after tax (%) (Note 8) |  | Remuneration from invested businesses other than the subsidiaries or the parent company (Note 9) |   |
|-----------|----------------|------------------------------|--|------------------------|--|---|--|---------------------------------------|--------------|--|--------------|--|--|--|---|
|           |                | EZconn                       | All companies in financial report (Note 5) | EZconn                 | All companies in financial report (Note 5) | EZconn                                      | All companies in financial report (Note 5) | EZconn                                |              | All companies in financial report (Note 5) |              | EZconn   | All companies in financial report (Note 5) |  |   |
|           |                |                              |  |                        |  |   |  | Cash amount                           | Share amount | Cash amount                                | Share amount |  |  |  |   |
| President | Chang Ying-Hua | 2,231                        | 2,231                                      | —                      | —  | 989   | 989  | —                                     | —            | —  | —            | -8.46%   | -8.46%                                     | —  | — |

Note 1: Pursuant to the Company's Article of Incorporation, the Board shall not distribute the 2020 remuneration to employees.

Remuneration Range Table

| Remuneration range for the President and Vice President of EZconn | President and Vice President name |  |
|---|-----------------------------------|--|
|   | EZconn (Note 6)                   | All companies in financial report (Note 7) E |
| Under NT\$1,000,000   | —                                 | —  |
| NT\$1,000,000 (incl.) ~ NT\$2,000,000 (not incl.)                 | —                                 | —  |
| NT\$2,000,000 (incl.) ~ NT\$3,500,000 (not incl.)                 | Chang Ying-Hua                    | Chang Ying-Hua                               |
| NT\$3,500,000 (incl.) ~ NT\$5,000,000 (not incl.)                 | —                                 | —  |
| NT\$5,000,000 (incl.) ~ NT\$10,000,000 (not incl.)                | —                                 | —  |
| NT\$10,000,000 (incl.) ~ NT\$15,000,000 (not incl.)               | —                                 | —  |
| NT\$15,000,000 (incl.) ~ NT\$30,000,000 (not incl.)               | —                                 | —  |
| NT\$30,000,000 (incl.) ~ NT\$50,000,000 (not incl.)               | —                                 | —  |
| NT\$50,000,000 (incl.) ~ NT\$100,000,000 (not incl.)              | —                                 | —  |
| Over NT\$100,000,000  | —                                 | —  |
| Total   | 1                                 | 1  |

The name of the president and vice president must be listed receptively and each payment amount must be disclosed by summarization. The director serving as the president or vice president should fill in this table and the table above (1-1) or (1-2-1) and (1-2-2).

Note 2: This refers to the salary, differential pay and severance pay for the president and vice president in the most recent year.

Note 3: This refers to the various bonuses, incentive payment, traveling expenses, special allowance, various allowances, dormitories and cars in kind and other remuneration for the president and vice president in the most recent year. If houses, cars and other transportation or personal expenses are provided, the nature and cost of the provided assets, the actual rental or the rental calculated based on the fair value, fuel expense and other payment must be disclosed. If the driver is also provided, please specify the related payment for the driver paid by the Company. This is not included in the remuneration. In addition, according to the salaries expense listed in the "Share-Based Payment" of IFRS2, expenses including the employee stock option certificate acquirement, employee restricted stock and employee participation in cash capital increase and stock subscription must be counted in the remuneration.

Note 4: This refers to the distribution of the employee remuneration (including shares and cash) for the president and vice president approved by the Board of Directors in the most recent year. If the amount cannot be estimated, the proposed distribution amount of this year should be calculated based on the actual distribution ratio last year. The attached table 1-3 should also be filled out.

Note 5: The total amount of each remuneration paid by all companies (including EZconn) to the president and vice president of the Company in the consolidated report must be disclosed.

Note 6: Regarding the total amount of each remuneration paid by EZconn to the presidents and vice presidents, the names of the paid president and vice president must be disclosed in the remuneration ranges in which the remuneration belongs.

Note 7: The total amount of each remuneration paid by all companies (including EZconn) to the presidents and vice presidents of the Company in the consolidated report must be disclosed. The names of the paid president and vice president must be disclosed in the remuneration ranges in which the remuneration belongs.

Note 8: The net income after tax refers to the net income after tax of EZconn or individual financial reports in the most recent year.

Note 9: a. This column must clearly specify the related remuneration amount paid to the Company's President and Vice President from invested businesses other than subsidiaries or the parent company. (If none, please fill in "None.")

b. President and Vice President of the Company who receive Parent related remuneration from invested businesses other than subsidiaries or the parent company must include the remuneration acquired from such businesses to column I in the remuneration range table and the name of this column should be change to "The parent company and all invested businesses."

c. The remuneration refers to the received remuneration (including the remuneration of employees, directors and supervisors) of the Company's president and vice president serving as the directors, supervisors or managerial officers in the invested businesses other than subsidiaries or the parent company and the related remuneration of the business execution fee.

\* The remuneration disclosed in this table is different from the concept of income in the Income Tax Act. Therefore, this table is used for information disclosure instead of taxation.

(IV) Remuneration paid to each of the top five management personnel

Units: NTD 1,000; %

| Title  | Name               | Salary (A)<br>(Note 2) |   | Pension (B) |   | Bonus and special allowance (C)<br>(Note 3) |   | Remuneration to employees (D)<br>(Note 4) |                 |   |                 | The total amount of A, B, C and D in net income after tax (%)<br>(Note 6) |   | Remuneration from invested businesses other than the subsidiaries or the parent company<br>(Note 7) |   |
|--|--------------------|------------------------|---|-------------|---|---|---|---|-----------------|---|-----------------|---|---|---|---|
|  |                    | EZconn                 | All companies in financial report<br>(Note 5) | EZconn      | All companies in financial report<br>(Note 5) | EZconn                                      | All companies in financial report<br>(Note 5) | EZconn                                    |                 | All companies in financial report<br>(Note 5) |                 | EZconn  | All companies included into the financial |   |   |
|  |                    |                        |   |             |   |   |   | Cash dividends                            | Stock dividends | Cash dividends                                | Stock dividends |   |   |   |   |
| President  | Chang Ying-Hua     | 2,231                  | 2,231   | —           | —   | 989   | 989   | —   | —               | —   | —               | -8.46%  | -8.46%                                    | —   | — |
| Chief Financial Officer of the Finance and Accounting Division | Chuang Kuo-An      | 1,392                  | 1,392   | —           | —   | 466   | 466   | —   | —               | —   | —               | -4.88%  | -4.88%                                    | —   | — |
| RF Technical Marketing Director                                | Chien Ming-Feng    | 1,320                  | 1,320   | —           | —   | 443   | 443   | —   | —               | —   | —               | -4.63%  | -4.63%                                    | —   | — |
| Chief Operating Officer  | Hsiao Chung-Chiang | 1,530                  | 1,530   | —           | —   | 175   | 175   | —   | —               | —   | —               | -4.48%  | -4.48%                                    | —   | — |
| OP Technical Marketing Director                                | Lan Ching-Ying     | 1,289                  | 1,289   | —           | —   | 109   | 109   | —   | —               | —   | —               | -3.67%  | -3.67%                                    | —   | — |

Note 1: The aforementioned “the top five management personnel” are the Company’s managers meeting certain identification standards of the scope identified in “Manager” stipulated by Tai-Cai-Zheng-San Letter No. 0920001301 dated Mar. 27, 2003, Securities and Futures Commission, Ministry of Finance. The calculation and determination principle of “the highest five remuneration” is based on the salaries, retirement pensions, bonuses and special expenses and total remuneration to employees (that is the total of A + B + C + D) stated in the consolidated financial report. The sums are ranked, of which the top five are listed. For directors serving as the aforementioned managers, they should fill in this table and the above table (1-1).

Note 2: This refers to the salary, differential pay and severance pay for the five managers of the highest amount of remuneration in the most recent year.

Note 3: This refers to the various bonuses, incentive payment, traveling expenses, special allowance, various allowances, dormitories and cars in kind and other remuneration for the five managers of the highest amount of remuneration in the most recent year. If houses, cars and other transportation or personal expenses are provided, the nature and cost of the provided assets, the actual rental or the rental calculated based on the fair value, fuel expense and other payment must be disclosed. If the driver is also provided, please specify the related payment for the driver paid by the Company. This is not included in the remuneration. In addition, according to the salaries expense listed in the “Share-Based Payment” of 2, expenses including the employee stock option certificate acquirement, employee restricted stock and employee participation in cash capital increase and stock subscription must be counted in the remuneration.

Note 4: This refers to the distribution of the employee remuneration (including shares and cash) for the five managers of the highest amount of remuneration approved by the Board of Directors in the most recent year. If the amount cannot be estimated, the proposed distribution amount of this year should be calculated based on the actual distribution ratio last year. The attached table 1-3 should also be filled out.

Note 5: The total amount of each remuneration paid to the managers of the highest amount of remuneration by all companies (including EZconn) to the Company' before in the consolidated report must be disclosed.

Note 6: Net income after tax refers to the net income after tax of EZconn or individual financial reports in the most recent year.

Note 7: a. This column must clearly specify the related remuneration amount paid to the Company's directors from invested businesses other than subsidiaries or the parent company. (If none, please fill in "None".)

b. The remuneration refers to the received remuneration (including the remuneration of employees, directors and supervisors) of the Company's directors serving as the directors, supervisors or managerial officers in the invested businesses other than subsidiaries or the parent company and the related remuneration of the business execution fee.

Note 8: Pursuant to the Company's Article of Incorporation, the Board shall not distribute the 2020 remuneration to employees.

\* The remuneration disclosed in this table is different from the concept of income in the Income Tax Act. Therefore, this table is used for information disclosure instead of taxation.



(V) Names of the managerial officers distributing employee remunerations and the distributing status

Pursuant to the Company's Article of Incorporation, the Board shall not distribute the 2020 remuneration to employees.

(VI) Comparison and analysis of the total remuneration as a percentage of net income stated in the financial report of EZconn or individual financial reports and paid by EZconn and all the companies in the consolidated report to each of EZconn's directors, supervisors, President, and Vice President in the most recent 2 fiscal years, and description of the policies, standards, and portfolios for payment of the remuneration, the procedures for determining the remuneration, and the association with the operation performance and future risk exposure

- (1) Analysis of the total remuneration as a percentage of net income paid by EZconn and all the companies in the consolidated report to each of EZconn's directors, supervisors, President, and Vice President in the most recent 2 fiscal years:

| Title                           | The total amount of 2020 remuneration<br>in net income after tax (%) |   | The total amount of 2019 remuneration<br>in net income after tax (%) |   |
|---------------------------------|--|---|--|---|
|                                 | EZconn   | All companies in the<br>consolidated report | EZconn   | All companies in the<br>consolidated report |
| Director                        | -20.30%  | -20.30%                                     | -31.25%  | -31.25%                                     |
| Supervisor                      | -0.81%   | -0.81%                                      | -2.95%   | -2.95%                                      |
| President and Vice<br>President | -8.46%   | -8.46%                                      | -24.84%  | -24.84%                                     |

- (2) The policies, standards, and portfolios for payment of the remuneration, the procedures for determining the remuneration, and the association with the operation performance and future risk exposure of EZconn and all the companies in the consolidated report:
- (a) The presidents and vice presidents are appropriated pursuant to our personnel regulations.
  - (b) Remuneration for the directors and supervisors is based on regulations set forth in our articles of incorporation.
  - (c) The remuneration paid by EZconn to the president and vice president in the most recent 2 fiscal years refers to the salary. The salary and employee remuneration is in compliance with the Company Act, our personnel regulations and related regulations of the employee remuneration. Besides, the Remuneration Committee was established by the Company on December 27, 2013. According to the articles, suggestions are proposed by the Committee and submitted to the Board of Directors for discussion.

#### IV. Corporate governance:

##### (I) Operation status of the Board of Directors:

1. The board meeting was held 6 times in the most recent (2020) year (A) and the attendance of the directors is as follows:

| Title                | Name   | Number of presence (attendance) (B) | Number of meetings presented by proxy | Actual presence (attendance) rate (%) [B/A] | Remarks  |
|----------------------|--|-------------------------------------|---------------------------------------|---|--|
| Chairman             | SHC Consolidated Investors LLC<br>Representative: Chen, Steve      | 3                                   | 0                                     | 100%  | Re-appointed representative of corporate director on June 24, 2020 |
| Chairman             | eGtran Corporation<br>Representative: Chen, Steve                  | 3                                   | 0                                     | 100%  | Re-elected director on June 24, 2020                               |
| Director             | SHC Consolidated Investors LLC<br>Representative: Ko Yuan-Yu       | 3                                   | 0                                     | 100%  | Re-appointed representative of corporate director on June 24, 2020 |
| Director             | Jia Jiu Investment Co., Ltd.<br>Representative: Chang Ying-Hua     | 6                                   | 0                                     | 100%  | Taking office on June 24, 2020                                     |
| Director             | Transnational Investment Limited<br>Representative: Chou Wan-Shun  | 3                                   | 0                                     | 100%  | Re-appointed representative of corporate director on June 24, 2020 |
| Director             | Transnational Investment Limited<br>Representative: Lan Ching-Ying | 3                                   | 0                                     | 100%  | Re-appointed representative of corporate director on June 24, 2020 |
| Independent Director | Peng Hsieh-Ju  | 6                                   | 0                                     | 100%  | Taking office on June 24, 2020                                     |
| Independent Director | Chiu Er-De   | 3                                   | 0                                     | 100%  | Re-elected director on June 24, 2020                               |
| Independent Director | Huang Hui-Wen  | 3                                   | 0                                     | 100%  | Re-elected director on June 24, 2020                               |
| Director             | Chen Hsiao-Yun   | 3                                   | 0                                     | 100%  | Leaving office on June 21, 2020                                    |
| Director             | Dural Holdings Limited<br>Representative: Li Shih-Cheng            | 3                                   | 0                                     | 100%  | Leaving office on June 21, 2020                                    |
| Independent Director | Li Chien-Ping  | 3                                   | 0                                     | 100%  | Leaving office on June 21, 2020                                    |

Other matters to be recorded:

- I. Where any of the following circumstances occurs to the meeting of the Board of Directors, the date, term and proposal of the meeting as well as the opinions of all the independent directors and EZconn's action on these opinions shall be described:
  - (I) The matters referred to in Article 14-3 of the Securities and Exchange Act: None of our independent directors has dissent or reservation.
  - (II) In addition to the matters mentioned above, any independent director expresses dissent or

reservation with respect to a resolution of the Board of Directors, and such dissent or reservation is recorded in the minutes or a written statement: None of our independent directors has dissent or reservation.

- II. Where the implementation status of recusal bearing on the interest of a director is involved, the name of the director, proposal, reasons for the recusal, and participation in the voting shall be described:

| Proposal   | Name of the Director  | Reason for the recusal                             | Voting participation |
|--|---|--|----------------------|
| Proposal for the remuneration for the directors, supervisors and managerial officers | Director recusal due to self-related proposal: Chang Ying-Hua | The director also served as the managerial officer | No                   |

- III. A listed or OTC company shall disclose the evaluation cycle, period, scope and method and the content of the board of directors' self- (or peer) evaluation.

| Evaluation cycle | Evaluation period                   | Evaluation scope   | Evaluation method | Evaluation content |
|------------------|-------------------------------------|--|-------------------|--------------------|
| Once a year      | January 1, 2020 ~ December 31, 2020 | 1. Board of directors<br>2. Individual directors<br>3. Functional committees | Self-evaluation   | Detailed in note 1 |

- IV. Evaluation of the goal (such as the establishment of the Audit Committee and promotion of the information transparency) and implementation status with respect to enhancement of the function of the Board of Directors in the current and most recent years:

- EZconn continued to implement further education for directors and passed related proposals of “Corporate Governance Best Practice Principles”, “Rules Governing the Scope of Responsibilities of Independent Directors,” and “Code of Ethical Conduct for the Directors and Managerial Officers” to enhance the function of the Board of Directors.
- The Company established an audit committee in June 2020.

Note 1:

#### Performance evaluation results of the board of directors for 2020

The performance evaluation of the Company's board of directors in 2020 covers the performance evaluation of the overall board of directors, individual directors and functional committees

The evaluation report is as follows:

- Evaluation period: January 1, 2020 to December 31, 2020.
- The performance evaluation indicators of the board of directors cover the following five aspects:
  - Degree of participation in the operation of the Company
  - Improvement of the decision quality of the board meeting
  - Composition and structure of the board of directors
  - Election and continuing study of directors
  - Internal control
- The performance evaluation indicators of the members of the board of directors cover the following six aspects:
  - Mastery of company objectives and tasks
  - Awareness of directors' responsibilities
  - Degree of participation in the operation of the Company

- D. Internal relationship management and communication
- E. Election and continuing study of directors
- F. Internal control

- The performance evaluation indicators of the Audit Committee cover the following five aspects:
  - A. Degree of participation in the operation of the Company
  - B. Awareness of the functional committee's responsibilities
  - C. Improvement of the decision quality of the functional committee
  - D. Composition and election of functional committee members
  - E. Internal control
- The performance evaluation indicators of the Compensation Committee cover the following four aspects:
  - A. Degree of participation in the operation of the Company
  - B. Awareness of the functional committee's responsibilities
  - C. Improvement of the decision quality of the functional committee
  - D. Composition and election of functional committee members
- The performance of the board of directors and the functional committees is evaluated respectively, and the results of the performance evaluation are divided into five grades:
  - 5 = compliant all the time
  - 4 = compliant most of the time (above average)
  - 3 = compliant sometimes (average)
  - 2 = occasionally compliant (below average)
  - 1 = almost non-compliant
- Results of the performance evaluation in 2020 are as follows:
 

The results of the performance evaluation items of the board of directors and functional committees are all above 4 out of 5 points and there are no major items for improvement. The results have been reported to the first board meeting in 2021 and serve as a reference for the performance, salary and nomination and renewal of the members of the board of directors and functional committees.

(II) Operation status of the Audit Committee or participation of supervisors in the Board of Directors:

1. Operation status of the Audit Committee:

(1) The Audit Committee held 2 meetings (A) in the most recent (2020) year, and the attendance of the independent directors is as follows:

| Position             | Name          | Actual attendance (B) | Actual attendance rate (%) (B/A) | Remarks                  |
|----------------------|---------------|-----------------------|----------------------------------|--------------------------|
| Independent Director | Peng Hsieh-Ju | 2                     | 100%                             | Established in June 2020 |
| Independent Director | Chiu Er-De    | 2                     | 100%                             | Established in June 2020 |
| Independent Director | Huang Hui-Wen | 2                     | 100%                             | Established in June 2020 |

Other items needed to be recorded:

- I. In case of any of the following circumstances in the operation of the Audit Committee, the date, period and proposal content of the board meeting, the resolution result of the Audit Committee and the Company's handling of the opinions of the Audit Committee shall be stated:
  - (I) Matters listed in Article 14-5 of the Securities and Exchange Act: The independent directors of the Company have no circumstances of objections or reservations.
  - (II) Except for the matters previously mentioned, other matters that have not been approved by the Audit Committee but approved by more than two thirds of all directors: None.
- II. On the implementation of avoidance by independent directors on proposals with personal interests, state the names of the independent directors, proposal contents, reasons for avoidance and status of participation in the voting conditions: None.
- III. Communication between independent directors and head of audit and accountants (state the major matters, methods and results of the communication on the finance and business conditions of the Company):
  1. The accountants shall report to the independent directors at the audit committee meeting at least twice a year on the audit status of the financial condition of the Company, the financial condition and overall operations of the subsidiaries at home and abroad and internal control, and fully communicate on whether or not there are any significant adjustment entries or amendments to the laws and regulations affecting the accounting presentation:

| Audit committee meeting date | Matters communicated   | Independent director's recommendation |
|------------------------------|--|---------------------------------------|
| August 13, 2020              | 1. Explanation of the reviewed contents, scope and adjustment entries of the financial statements for the second quarter of 2020.<br>2. Introduction of recently updated laws and regulations.<br>3. The accountant answered the questions of Audit Committee members. | None                                  |
| November 12, 2020            | 1. Explanation of the reviewed contents, scope and adjustment entries of the financial statements for the third quarter of 2020.<br>2. Introduction of recently updated laws and regulations.<br>3. The accountant answered the questions of Audit Committee members.  | None                                  |

2. The audit unit of the Company shall regularly send all internal audit reports to the independent directors, and shall meet with the Audit Committee members at least once a quarter and report the resolutions at the board meeting:

| Audit committee meeting date | Matters communicated  | Independent director's recommendation |
|------------------------------|---|---------------------------------------|
| August 13, 2020              | 1. Implementation progress of the 2020 audit plan.<br>2. Internal audit summary report from May to June, 2020.  | None                                  |
| November 12, 2020            | 1. Implementation progress of the 2020 audit plan.<br>2. Internal audit summary report from July to September, 2020.<br>3. Revision of the 2020 audit plan.<br>4. Formulation of the 2021 audit plan. | None                                  |

2. Operation status of supervisors participating in the Board of Directors:

- (1) The Audit Committee held 3 meetings (A) in the most recent (2020) year, and the attendance of the supervisors is as follows:

| Title      | Name   | Number of persons attended (B) | Actual presence rate (%) (B/A) | Remarks                         |
|------------|--|--------------------------------|--------------------------------|---------------------------------|
| Supervisor | Ko Yuan-Yu   | 3                              | 100%                           | Leaving office on June 21, 2020 |
| Supervisor | Lai Wen-Hsien  | 3                              | 100%                           | Leaving office on June 21, 2020 |
| Supervisor | eGtran Corporation Representative:<br>Chien Chih-Cheng | 3                              | 100%                           | Leaving office on June 21, 2020 |

Other matters to be recorded:

I. Responsibilities and formation of the supervisors:

Formation: The Company has appointed 3 supervisors at the shareholders' meeting. At least one of the supervisors must have a domestic dwelling.

Responsibilities: The supervisors are responsible for supervising the implementation of corporate business. They should always investigate the corporate business and financial status, audit books and documents and request the Board of Directors or managerial officers to submit reports. The supervisors must attend the meetings of the Board of Directors and provide comments.

(I) Communication of supervisors with the employees and shareholders of the Company:

1. Communication can be done by telephone, e-mail or other written information. Face-to-face communication is required when necessary.
2. We have smooth and good communication channels.

(II) Communication of supervisors with the chief internal auditor and CPA (including the important matters, methods and results with respect to communication of the company finances and operation status).

1. The chief auditor reports the audit affairs regularly to the supervisors and submits the audit report and follow-up report of the previous month to the supervisors for reference.
  2. If any material violation is discovered or the Company may suffer from serious damage, the chief auditor shall immediately make reports for review and notify the supervisors.
  3. The supervisors shall require the chief auditor to execute project audit and reports at all times.
  4. The accountant shall hold audit meeting for communication with the governing body after the audit is completed every year.
- II. Where any supervisors attending the Board of Directors meetings have comments, the date, term and proposal and the resolution of the Board of Directors and EZconn's action on these opinions: None.

(III) Corporate governance and differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons:

| Item for evaluation   | Status of implementation (Note 1) |    |   | Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons                 |
|---|-----------------------------------|----|---|---|
|   | Yes                               | No | Summary   |   |
| I. Does the Company establish and disclose the corporate governance practices pursuant to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies? | ✓                                 |    | The BoD of EZconn has established the “Corporate Governance Best Practice Principles” pursuant to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.   | In compliance with the regulations of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.       |
| II. Shareholding structure and shareholder’s equity   | ✓                                 |    |   |   |
| (I) Does the Company have an internal procedure and act accordingly for handling of the suggestions, doubts, disputes, and lawsuits of the shareholders?                    |                                   |    | (I) EZconn have a spokesperson, a deputy spokesperson and the shareholder service agent is responsible for managing the problems of the shareholders. In addition, EZconn’s website has the “Stakeholder Relations” and the “Investor Relations” area to disclose the contact number and e-mail of the spokesperson, the deputy spokesperson and the shareholder service agent. | (I) No material differences. We will review and establish related procedure in the future.                                    |
| (II) Does the Company have the lists of major shareholders who actually control the company and the ultimate controller list of major shareholders?                         |                                   |    | (II) EZconn has the roster of shareholders provided by the shareholder service agent and regularly discloses major shareholders and the ultimate controller list of major shareholders in accordance with the laws.   | (II) In compliance with the regulations of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.  |
| (III) Does the Company establish and implement a firewall mechanism to control the risks between the Company and the affiliates?  |                                   |    | (III) For affiliates having a business relationship with EZconn, we have the price terms and payment based on the principles of fairness and reasonableness and established the “Regulations Governing the Supervision and Management of Subsidiaries” to control all the trading with the affiliates.  | (III) In compliance with the regulations of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies. |
| (IV) Does the Company have internal regulations to prohibit insiders from using undisclosed information in the market for securities trading?                               |                                   |    | (IV) EZconn has an “Internal Important Information Handling Operation Procedures” and “Integrity Code of Conduct” to prohibit insiders from using undisclosed information in the market for securities  | (IV) In compliance with the regulations of the Corporate Governance Best Practice Principles for TWSE/TPEX                    |



| Item for evaluation   | Status of implementation (Note 1) |    |   | Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons |
|---|-----------------------------------|----|---|---|
|   | Yes                               | No | Summary   |   |
|   |                                   |    | trading and personal interest.  | Listed Companies.   |
| <p>III. Responsibilities of the Board of Directors and its formation</p> <p>(I) Does the Company have a policy of diversity for the formation of the Board of Directors and implement it thoroughly?</p>  | ✓                                 |    | <p>(I) The Company has a diverse members of the Board. The members generally possess the knowledge, skills and profession necessary to perform their duties. It is stipulated in the company's "Corporate Governance Code" that the Board shall disclose the diversified policies on the composition of its members on the Company's website and MOPS.</p> <p>There are currently 7 members in the Board:</p> <ol style="list-style-type: none"> <li>1. Three of the independent directors have majors in business, finance, science and technology and biotechnology, with the professional background, professional skills and industrial experience of EMBA of National Chiao Tung University and Taiwan University and PhD. in physics of California Institute of technology.</li> <li>2. Four of the general board members have the academic background of PhD. in Law, Harvard University of Law and Master's Program of Optoelectronic Industry R&amp;D, National Taipei University of Technology.</li> <li>3. The Board of Director has 2 female member.</li> </ol> | <p>(I) No material differences. We will review and establish related procedure in the future.</p>             |
| <p>(II) Does the Company voluntarily form other functional committees similar to the Remuneration Committee and Audit Committee set up pursuant to relevant laws and regulations?</p>   |                                   |    | <p>(II) EZconn has not set up other functional committees.</p>  | <p>(II) We will establish the committees according to the needs of corporate governance in the future.</p>    |
| <p>(III) Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis? Are the results of the evaluation reported at the Board Meeting and used as reference for remuneration and the nomination for re-election?</p> |                                   |    | <p>(III) The board meeting of the Company has adopted the "Measures for Performance Evaluation of the Board of Directors", and the overall operation of the board of directors has been evaluated by all the members of the board since 2020. The Company also evaluates</p>  | <p>(III) No material differences.</p>   |

| Item for evaluation   | Status of implementation (Note 1) |    |   | Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons |
|---|-----------------------------------|----|---|---|
|   | Yes                               | No | Summary   |   |
| (IV) Does the Company assess the CPAs for their independence on a regular basis?  |                                   |    | <p>individual directors in addition to the overall willingness of the board of directors.</p> <p>(IV) The Company assesses the independence and suitability of CPA at least once a year. The Company asks accountants and firms to provide relevant indicators and declarations, to be evaluated by the Board of Directors. Such information includes: the scale and reputation of the accounting firm, the number of years of seniority in audit services, the nature and degree of non-audit services provided, audit fees, peer assessment on whether there are no legal proceedings or cases adjusted or investigated by the competent authority, audit service quality, whether they receive regular trainings, interaction with the Company's management and internal audit supervisors. The assessment results of the most recent two years were completed on March 20, 2020 and March 18, 2021, respectively.</p> | (IV) No material differences.   |
| IV. Does the TWSE/TPEX listed company set up a full/part-time corporate governance unit or personnel to be in charge of corporate governance affairs including, but not limited to, providing directors and supervisors with required information for business execution, handling relevant matters with board meetings and shareholders meetings according to the laws, processing corporate registration and amendment registration, and preparing minutes of board meetings and shareholders meetings? | ✓                                 |    | The President Office of EZconn is responsible for related corporate governance matters.   | No material differences.  |

| Item for evaluation   | Status of implementation (Note 1) |    |  | Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons                |
|---|-----------------------------------|----|--|--|
|   | Yes                               | No | Summary  |  |
| V. Does the Company establish channels for communication with stakeholders (including but not limited to shareholders, employees, customers, and suppliers), design special web pages for the stakeholders on the website, and appropriately respond to important CSR issues concerned about by the stakeholders? | ✓                                 |    | EZconn has established service line for customers and suppliers and the employee complaint system and spokesperson system as the channels of communication. We have Stakeholder Relations area on the company website with contact method for the stakeholders to keep contact with the Company at all times and have CSR area on the website.   | No material differences.   |
| VI. Does the Company commission a professional registrar to deal with the affairs of the shareholders' meeting?   | ✓                                 |    | EZconn has commissioned the share administration agency of Taishin International Bank Corp to deal the affairs of the shareholders' meeting.   | In compliance with the regulations of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.      |
| VII. Information disclosure   | ✓                                 |    |  |  |
| (I) Does the Company have a website to disclose the financial and corporate governance information of the Company?  |                                   |    | (I) EZconn has established a Company website and designated personnel for maintenance to disclose the financial and corporate governance information of the Company. EZconn's website: <a href="http://www.ezconn.com">http://www.ezconn.com</a> .   | (I) In compliance with the regulations of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.  |
| (II) Does the Company adopt other information disclosure methods (such as setting up an English website, designating a person for collection and disclosure of information, implementing a spokesperson system, and publishing the process of investor conferences on the website)?                               |                                   |    | (II) EZconn has established the spokesperson and deputy spokesperson system and designated personnel for the regular and irregular reporting of each financial information on the Market Observation Post System.  | (II) In compliance with the regulations of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies. |
| (III) Does the company announce and report the annual financial report within two months after the end of the fiscal year, and announce and report Q1, Q2, Q3 financial reports and the operating status of each month in advance of the prescribed deadline?   |                                   |    | (III) The Company announced and reported the annual financial report after the end of the fiscal year, and announced and reported Q1, Q2, Q3 financial reports and the operating status of each month before prescribed deadline. Please inquire the relevant information on MOPS of TWSE, at: <a href="https://mops.twse.com.tw/mops/web/index">https://mops.twse.com.tw/mops/web/index</a> | (III) No material differences.   |

| Item for evaluation  | Status of implementation (Note 1) |    |  | Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons           |
|--|-----------------------------------|----|--|---|
|  | Yes                               | No | Summary  |   |
| VIII. Does the Company have additional important information that is helpful to understand the operation of the corporate governance (including but not limited to the rights and care of employees, investor relationship, supplier relationship, rights of stakeholders, further education of directors and supervisors, implementation of risk management policies and measurement criteria, implementation of customer policies and liability insurance coverage for directors and supervisors)?   | ✓                                 |    | <p>1. EZconn has good employee welfare to ensure the employee's rights, provide regular health examinations at each plant and the Head Office every year and hold family day activities and employee travels to promote the physical and mental health of the employees. We observe the principle of equal employment opportunity and recognized the contribution of diverse talents to the corporate culture and innovative spirit. We recruit talents through an open selection process and designated them to the appropriate position.</p> <p>2. The directors of EZconn all have professional background and actively finished related advanced studies (note).</p> <p>3. EZconn has good performance in the director attendance at the meeting.</p> <p>4. EZconn has established units designated for the implementation of risk management policies and risk assessment standards.</p> <p>5. EZconn has good performance in maintaining smooth communication channels with our customers.</p> <p>6. The directors of EZconn all complied with the laws and regulations and avoid participation in the discussion and voting of proposals due to personal interest.</p> <p>7. EZconn has liability insurance coverage for directors.</p> | In compliance with the regulations of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies. |
| <p>IX. On the basis of the result of corporate governance evaluation released by TWSE's Corporate Governance Center in the most recent year, please describe the matters to which improvements have been made. Regarding the matters to which improvements have yet to be made, please list those which have been selected as priorities and the measures to be taken (Companies not listed in the evaluation do not have to answer this part):</p> <p>The matters strengthened and measures in 2020 are as follows:</p> <ol style="list-style-type: none"> <li>1. Performance evaluation of the board of directors: The Company regularly conducts the performance evaluation of the board of directors every year since 2020.</li> <li>2. The Company continues strengthen the structure and operation of the board of directors and enhance the information transparency in the governance evaluation indicator category, so as to improve the corporate governance evaluation results year by year.</li> </ol> |                                   |    |  |   |

Note: Status of director's further study in 2020:

| Position                          | Name          | Date              | Number of hours | Institute                               | Course name  |
|-----------------------------------|---------------|-------------------|-----------------|---|--|
| Chairman                          | Chen, Steve   | December 24, 2020 | 3 hours         | Taiwan Corporate Governance Association | Industry 4.0 and How to Lead Innovation and Transformation                                       |
| Chairman                          | Chen, Steve   | December 24, 2020 | 3 hours         | Taiwan Corporate Governance Association | Directors' and Supervisors' Responsibilities in Merger and Acquisition                           |
| Independent Director              | Peng Hsieh-Ju | December 24, 2020 | 3 hours         | Taiwan Corporate Governance Association | Industry 4.0 and How to Lead Innovation and Transformation                                       |
| Independent Director              | Peng Hsieh-Ju | December 24, 2020 | 3 hours         | Taiwan Corporate Governance Association | Directors' and Supervisors' Responsibilities in Merger and Acquisition                           |
| Independent Director              | Chiu Er-De    | December 24, 2020 | 3 hours         | Taiwan Corporate Governance Association | Industry 4.0 and How to Lead Innovation and Transformation                                       |
| Independent Director              | Chiu Er-De    | December 24, 2020 | 3 hours         | Taiwan Corporate Governance Association | Directors' and Supervisors' Responsibilities in Merger and Acquisition                           |
| Independent Director              | Chiu Er-De    | November 20, 2020 | 3 hours         | Taiwan Corporate Governance Association | Practice of Enterprise Integrity, International Anti-Bribery and Protection of Whistleblowers    |
| Independent Director              | Chiu Er-De    | December 22, 2020 | 3 hours         | Securities and Futures Institute        | Advanced Seminar on the Practice of Directors and Supervisors and Corporate Governance Directors |
| Independent Director              | Huang Hui-Wen | December 24, 2020 | 3 hours         | Taiwan Corporate Governance Association | Industry 4.0 and How to Lead Innovation and Transformation                                       |
| Independent Director              | Huang Hui-Wen | December 24, 2020 | 3 hours         | Taiwan Corporate Governance Association | Directors' and Supervisors' Responsibilities in Merger and Acquisition                           |
| Independent Director              | Huang Hui-Wen | December 17, 2020 | 3 hours         | Taiwan Corporate Governance Association | Corporate Governance and Legal Compliance  |
| Corporate director representative | Ko Yuan-Yu    | December 24, 2020 | 3 hours         | Taiwan Corporate Governance Association | Industry 4.0 and How to Lead Innovation and Transformation                                       |
| Corporate director representative | Ko Yuan-Yu    | December 24, 2020 | 3 hours         | Taiwan Corporate Governance Association | Directors' and Supervisors' Responsibilities in Merger and Acquisition                           |

|                                   |                |                   |         |   |  |
|-----------------------------------|----------------|-------------------|---------|---|--|
| Corporate director representative | Chang Ying-Hua | December 24, 2020 | 3 hours | Taiwan Corporate Governance Association | Industry 4.0 and How to Lead Innovation and Transformation   |
| Corporate director representative | Chang Ying-Hua | December 24, 2020 | 3 hours | Taiwan Corporate Governance Association | Directors' and Supervisors' Responsibilities in Merger and Acquisition   |
| Corporate director representative | Chang Ying-Hua | October 16, 2020  | 3 hours | Taiwan Stock Exchange Corporation       | Publicity and Guidance Meeting for Directors and Supervisors on Corporate Governance and Enterprise Integrity for 2020 |
| Corporate director representative | Lan Ching-Ying | December 24, 2020 | 3 hours | Taiwan Corporate Governance Association | Industry 4.0 and How to Lead Innovation and Transformation   |
| Corporate director representative | Lan Ching-Ying | December 24, 2020 | 3 hours | Taiwan Corporate Governance Association | Directors' and Supervisors' Responsibilities in Merger and Acquisition   |

(IV) If the company has a remuneration committee, the composition, responsibilities and operation of the committee shall be disclosed:

1. Information of the members of the Remuneration Committee

| Member type<br>(Note 1) | Qualifications<br>Name | Work experience of more than 5 years and the following professional qualification   |  |  | Independence criteria (Note 2) |   |   |   |   |   |   |   |   |    | Number of other public companies where the member also serves in a remuneration committee | Remarks |
|-------------------------|------------------------|---|--|--|--------------------------------|---|---|---|---|---|---|---|---|----|---|---------|
|                         |                        | Lecturer or higher position at a public or private university/college in the department of commerce, law, finance, accounting or any other fields related to our business | Judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialists who have passed a national examination and received a certificate in a profession necessary for our business | Work experience in commerce, law, finance, accounting or any other fields necessary for our business | 1                              | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |   |         |
| Independent Director    | Peng Hsieh-Ju          | —   | —  | ✓  | ✓                              | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓  | 1   | —       |
| Independent Director    | Chiu Er-De             | ✓   | —  | ✓  | ✓                              | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓  | 0   | —       |
| Independent Director    | Huang Hui-Wen          | —   | —  | ✓  | ✓                              | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓  | 0   | —       |
| Others                  | Tsai Hsing-Chuan       | —   | —  | ✓  | ✓                              | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓  | 0   | —       |

Note 1: For the member type, please write the director, independent director or others.

Note 2: Members are requested to mark “✓” in the space beside the number if any of the following requirements are satisfied during the two years before being elected or during the term of office.

- (1) The member was or is not an employee of the company or any of its affiliates.
- (2) Not a director or supervisor of the company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the company, its parent company or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person’s spouse, minor children or held by the person under others’ names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.
- (4) Not a manager of (1), or spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of (2) or (3).
- (5) Not a director, supervisor or employee of an institutional shareholder that directly holds 5% or more of the total number of issued shares of the Company, or ranks as of its top five shareholders or was appointed pursuant to Article 27 Paragraph 1 or 2 of the Company Act. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)
- (6) 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. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)
- (7) Not the same person as the Company’s Chairperson, President or person with equivalent position or the director, supervisor or employee of company or institution of the spouse thereof. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)
- (8) Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company. (The same does not apply, however, in cases where the corporate/institution holds 20% or more and no more than 50% of the total number of

issued shares of the Company, or the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)

- (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company in the most recent 2 years with an accumulated service compensation of less than NTD 500 thousand, or a spouse thereof. This restriction does not apply to any member of the Remuneration Committee, public tender offers Audit Committee or mergers and acquisition special committee, who exercises powers pursuant to relative regulations of the Securities and Exchange Act and Business Mergers and Acquisitions Act.
- (10) The member did or does not meet any of the requirements specified in Article 30 of the Company Act.



2. Information of the operation of the Remuneration Committee

- (1) Our Remuneration Committee is composed of 4 members.
- (2) The Audit Committee held 2 meetings (A) in the most recent (2020) year, and the member qualification and attendance are as follows:

| Title  | Name             | Number of actual attendance (B) | Number of meetings presented by proxy | Actual attendance rate (%) (B/A) | Remarks   |
|--|------------------|---------------------------------|---------------------------------------|----------------------------------|---|
| Convener   | Peng Hsieh-Ju    | 2                               | 0                                     | 100%                             | Member of the 4th committee. Appointed by Board of the Directors on August 13, 2020 and inaugurated the convener on August 13, 2020               |
| Member   | Chiu Er-De       | 1                               | 0                                     | 100%                             | Member of the 4th committee. Appointed by Board of the Directors on August 13, 2020   |
| Member   | Huang Hui-Wen    | 1                               | 0                                     | 100%                             | Member of the 4th committee. Appointed by Board of the Directors on August 13, 2020   |
| Member   | Tsai Hsing-Chuan | 2                               | 0                                     | 100%                             | Member of the 4th committee. Appointed by Board of the Directors on August 13, 2020   |
| Convener   | Li Chien-Ping    | 1                               | 0                                     | 100%                             | Member of the 3rd committee. Appointed by Board of the Directors on August 10 2017, and the resigned from the convener position on June 21, 2020. |
| <p>Other matters to be recorded:</p> <p>I. If the Board of the Directors does not adopt or revise the suggestions of the Remuneration Committee, the decision must indicate the date of Board of the Directors meeting, term, contents of the proposal, Board of the Directors resolution and how the Company handle the Committee's opinions (if the amount of remuneration approved by the Board of the Directors is higher than that suggested by the Committee, the differences and reasons must be indicated): None.</p> <p>II. In the event that any member of the Remuneration Committee has expressed dissent or reservation over the Committee's decisions, and that the dissent or reservation has been recorded or delivered in writing, the decision shall indicate the date of the Committee's meeting, term, contents of the proposal, opinions of all the members, and how the opinions of a member is handled: None.</p> |                  |                                 |                                       |                                  |   |

(V) Fulfillment of social responsibility:

| Item for evaluation  | Description |    |  | Differences from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons |
|--|-------------|----|--|--|
|  | Yes         | No | Summary  |  |
| I. Does the Company conduct risk assessments of environmental, social and corporate governance issues related to the Company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies? | ✓           |    | The company has prepared its own corporate social responsibility report and formulated major policies related to the environment, society and corporate governance. (Please refer to the Company's 2019 CSR report page 22-25) | No material differences.   |
| II. Does the Company have a special unit or designate an existing unit for the task of CSR promotion? Does EZconn's Board of Directors authorize the management to handle relevant matters and report to the Board of Directors?                       | ✓           |    | EZconn has designated an existing unit for the task of CSR promotion to irregularly report the results of implementation to the senior management personnel and the Board of Directors.  | No material differences.   |
| III. Environmental issues  |             |    |  | No material differences.   |
| (I) Does the Company have an appropriate environmental management system established in accordance with its industrial character?  | ✓           |    | EZconn has passed ISO 14001 Environmental Management System certification and continued our improvement.   | No material differences.   |
| (II) Is the Company committed to enhance the utilization efficiency of resources and use renewable materials that are with low impact on the environmental?  | ✓           |    | EZconn has promoted a paperless office through digitization and donated recycled resources to charities like Tzu Chi to achieve the waste reduction and lower the environmental impact.  | No material differences.   |

| Item for evaluation  | Description |    |   | Differences from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons |
|--|-------------|----|---|--|
|  | Yes         | No | Summary   |  |
| (III) Does the Company assess the potential risks and possibilities of climate changes to the Company now and in the future and take measures to respond to climate-related issues?  | ✓           |    | EZconn has control over the light wattage and the temperature of air conditioning for energy saving and carbon reduction. The management unit gathers statistics every month for the analysis and review of the electricity and water consumption and uses it as the basis of improvement.<br>Furthermore, we promote and enhance the employees' awareness of environmental protection and energy savings. The specific evidence is as follows:<br>(1) Turning off lights when leaving and promoting water savings.<br>(2) Encouraging the employees to take the stairs to reduce the usage of the elevators.<br>(3) Maintaining a comfortable and appropriate temperature of the indoor air conditioning to reduce the power consumption.<br>(4) The employees have to bring their own cups.<br>(5) Recycling and re-using of papers and promoting electronic forms. | No material differences.   |
| (IV) Does the Company record the greenhouse gas emissions, water consumption and total weight of waste produced in the past two years and formulate policies on energy conservation and carbon reduction, greenhouse gas reduction, water consumption or other waste management? | ✓           |    | The Company records the total weight of waste and the intensity of carbon dioxide emissions on a monthly basis, and reviews at the "Quality and Environment Committee Meeting" whether the target has been achieved on a quarterly basis, in its aim to achieve our waste, energy and carbon reduction goals.   | No material differences.   |
| IV. Social Issues  |             |    |   |  |
| (I) Does the Company have management policies and procedures in accordance with relevant regulations and international human rights conventions?   | ✓           |    | EZconn has labor and health insurance, appropriates the labor retirement reserve and ensures group accident insurance to ensure the rights of the employees in accordance with related labor laws and regulations.  | No material differences.   |

| Item for evaluation   | Description |    |  | Differences from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons |
|---|-------------|----|--|--|
|   | Yes         | No | Summary  |  |
| (II) Does the Company formulate and implement reasonable employee benefits measures (including remuneration, vacation and other benefits, etc.) and appropriately reflect the results of operating performance in employee compensation?                                  | ✓           |    | EZconn has developed reasonable remuneration policy to evaluate the reasonableness of the remuneration irregularly. We also have remuneration management regulations as well as the employee performance assessment and systems of reward and punishment as the indicators of performance evaluation. Meanwhile, to encourage employees to participate in activities of public interests, we offer 2 days of leave for public interests every year to collectively fulfill the concept of CSR. | No material differences.   |
| (III) Does the Company provide a safe and healthy work environment to its employees? Does the Company regularly provide safety and health education for the employees?  | ✓           |    | The work environment of EZconn meets the standard of the occupational safety and health policy. We also hold regular on-the-job training for occupational safety and employee health examinations.   | No material differences.   |
| (IV) Does the Company have an effective career capacity development training program established for the employees?   | ✓           |    | EZconn holds regular employee education training to cultivate employees' multiple talents.   | No material differences.   |
| (V) Does the Company comply with relevant laws and regulations and international standards for customer health and safety, customer privacy, marketing and labeling of products and services, and develop relevant consumer protection policies and complaint procedures? | ✓           |    | The marketing and labeling of EZconn's products and services all conforms to relevant regulations and international ISO standards. We voluntarily provide satisfaction survey for the customers. When customers have complaints about the products, the sales and quality control unit will handle the complaint immediately.  | No material differences.   |

| Item for evaluation  | Description |    |  | Differences from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons |
|--|-------------|----|--|--|
|  | Yes         | No | Summary  |  |
| (VI) Does the Company formulate a supplier management policy that requires suppliers to follow relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and their implementation?   | ✓           |    | When EZconn signs contracts with main suppliers, the compliance with each parties' CSR policy shall be specified in the contract. For example, the suppliers shall not bribe the employees of EZconn for expected promises and the Company may cancel the contract at any time if any violation is discovered. Besides, the suppliers shall comply with related environmental protection laws. If the suppliers violate related regulations, the Company may make a claim for damage compensation. | No material differences.   |
| V. Does the Company prepare its non-financial reports such as Corporate Social Responsibility Report in accordance with the internationally-used reporting standards or guidelines? Have such reports been assured, verified or certified by a third party?  | ✓           |    | The Company has voluntarily prepared its CSR. Not yet verified by third parties.   | No material differences.   |
| VI. In the event the Company has established its own CSR principles in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies," please describe the differences between the actual implementation of CSR and the Company's own CSR principles:<br>No material differences.   |             |    |  |  |
| VII. Other important information helpful for understanding the actual implementation of CSR:   |             |    |  |  |
| <ol style="list-style-type: none"> <li>1. EZconn's related regulations and systems not only complied with the laws and regulations but also treated the employees as equal and protected their rights regardless of nationality.</li> <li>2. We established the "Working Regulations of Safety and Health" to protect the safety and health of our employees in accordance with the Occupational Safety and Health Act.</li> <li>3. The Company has passed the ISO14001:2015 environmental management system verification, and continues to promote environmental improvement.</li> <li>4. Quality Management System: ISO9001:2015</li> <li>5. Occupational Safety and Health Management System: ISO45001:2018</li> <li>6. Taiwan Occupational Health and Safety Systems: CNS45001:2018</li> <li>7. Talent Quality-management System: Silver medal of TTQS-Enterprise Version</li> </ol> |             |    |  |  |

(VI) Implementation of corporate ethical management and measures taken:

| Item for evaluation   | Description |    |  | Differences with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons |
|---|-------------|----|--|---|
|   | Yes         | No | Summary  |   |
| I. Development of ethical management policies and programs  |             |    |  |   |
| (I) Are the Company's guidelines on corporate conduct and ethics provided in internal policies and disclosed publicly? Have the Board of Directors and the senior management team demonstrated their commitments to implement the policies?<br>(II) Has the Company established an evaluation mechanism for the risk of dishonesty behaviors? Does the Company regularly analyze and evaluate business activities with a higher risk of dishonesty in the business scope, and formulate a plan to prevent dishonesty behaviors, which at least covers Paragraph 2 of Article 7 in Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?<br>(III) Has the Company established relevant policies for preventing any unethical conduct? Are the implementation and reviews of the relevant procedures, guidelines and training mechanism provided in the policies? | ✓           |    | EZconn has established the Ethical Corporate Management Best Practice Principles as a basic premise to implement the ethical management. We also complied with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Act, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest, related regulations for TWSE/GTSM listed companies or other laws related to business activity | No material differences.  |
| II. Implementation of ethical management  |             |    |  |   |
| (I) Does the Company assess the past records of the counterparties regarding ethics? Do contracts between the Company and the counterparties  | ✓           |    | (I) EZconn has established the internal control for sales and receipts, procurement and payment to conduct the business activities in a fair and transparent way. If   | No material differences.  |

|   |  |       |  |  |
|---|--|-------|--|--|
| include clear clauses governing ethical conduct?  |  |       | the counterparties or manufacturers with strategic alliance violate the ethical conduct, the Company must terminate its business relationship immediately to implement the ethical management principles.  |  |
| (II) Has the Company set up dedicated unit in charge of promotion and execution of the company's corporate conduct and ethics, and report to the Board about any operation policies. And plans and supervision on honesty and integrity and prevention of dishonesty on a regular basis (at least once a year)? |  | (II)  | Prior to any commercial transactions, EZconn has taken into consideration and has credit checks for the legality of the agents, suppliers, clients, or other trading counterparts and whether any of them are involved in unethical conduct to avoid any dealings with persons so involved. The contract signed with the counterparts shall include the compliance with the ethical management policy. If the trading counterpart involves in any unethical conduct, the Company may terminate or cancel the contract. |  |
| (III) Does the Company have policies against conflicts of interest and provide proper channels through which explanations may be given? Has the Company implemented them?   |  | (III) | EZconn has not established a special unit or designated an existing unit as subordinate for the implementation of corporate ethical management. However, the auditing unit regularly or irregularly conducts business activity audits and the commodity transaction matters are submitted to the Board of Directors for discussion and approval according to the laws and regulations.   |  |
| (IV) Has the Company established effective accounting and internal control systems for the implementation of policies, prepared audit plans according to the evaluation result of dishonesty risks, and audit such execution and compliance, or hire external auditors to audit such execution and compliance?  |  | (IV)  | To implement the ethical management, EZconn has established effective systems for accounting and internal control to effectively review and audit related operation.   |  |
| (V) Does the Company  |  | (V)   | EZconn regularly holds education training to   |  |

|  |   |  |  |                          |
|--|---|--|--|--------------------------|
| regularly hold internal and external education training regarding ethical management?  |   |  | convey ethical principles via different themes.  |                          |
| III. Functioning of whistleblowing systems   |   |  |  |                          |
| (I) Does the Company have concrete systems for whistleblowing and rewards? Does the Company have convenient channels in place for whistleblowing and has it appointed appropriate personnel to deal with the persons who are the subject of whistleblowing?<br>(II) Has the Company established standard operating procedures for investigations on reports, follow-up measures to be taken after the investigation is completed, and related confidentiality mechanisms?<br>(III) Does the Company take any measures to protect whistleblowers from improper treatment as a result of their whistleblowing? | ✓ |  | EZconn has not established concrete complaint system and whistleblowing channel yet. However, the audit office will immediately conduct reviews after being informed about the complaints. If any violation of ethical conduct is discovered, the punishment shall be imposed by the human resource unit based on related regulations and the work rules of the Company. | No material differences. |
| IV. Increasing disclosure of information   |   |  |  |                          |
| Does the Company disclose the contents of its ethical management principles and outcome of implementation on its website and the Market Observation Post System?   | ✓ |  | The internal website of EZconn timely discloses information of the contents and handling in relation to the violation.   | No material differences. |
| V. In the event the Company has established its own ethical management best practice principles in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”, please describe the differences between the implementation of ethical management and the Company’s own ethical management best practice principles: No material differences.  |   |  |  |                          |
| VI. Other important information helpful for understanding the implementation of the Company’s ethical management: (such as review and amendment of the Company’s own ethical management best practice principles): None.   |   |  |  |                          |

(VII) If the Company has established the corporate governance best practice principles and relevant regulations, the ways through which they can be searched for must be disclosed:

EZconn has established a code of corporate governance, and has strictly implemented



it; relevant information has been disclosed on the Company's website and the Market Observation Post System for reference.

(VIII) Other important information helpful for increasing understanding of the company's corporate governance may be disclosed along with the above information:

1. Interests and care of employees

EZconn beholds the principle that talents are the most valuable asset and the foundation of the Company to establish comprehensive measures of welfare and education training along with the updating of the occupational safety software and hardware equipment for the employees. Please refer to section 5. Labor relations on Page 109-110 of the annual report.

2. Relationship of investors and suppliers and rights of stakeholders

EZconn has set up a Chinese and English website and various business contact windows to provide channels for investors, suppliers and stakeholders to communicate and exchange opinions.

3. Liability insurance coverage for directors, supervisors and managerial officers of the Company

EZconn has purchased liability insurance for all directors, supervisors and managers since September 1, 2015. The latest insurance coverage is as follows:

| Insured  | Insurer    | Insured amount | Insurance coverage period (Note 1)          |
|--|------------|----------------|---|
| All directors, supervisors and managerial officers | AIG Taiwan | USD3,000,000   | From September 1, 2020 to September 1, 2021 |

Note 1: Since the coverage period is one year, the previous coverage period started from September 1, 2019 to September 1, 2020. The disclosed coverage period in the table above refers to the renewal period in 2020.

4. Continuing education participation of the accounting manager and internal auditor in 2020

| Title/Name                          | Date of course                             | Hour(s) of course taken | Course title  | Institution   |
|-------------------------------------|--|-------------------------|---|---|
| Accounting manager<br>Chuang Kuo-An | From December 3, 2020 to December 04, 2020 | 12 hours                | Continuing education program for accounting managers of issuers, securities firms, and securities exchanges | Accounting Research and Development Foundation      |
| Chief Auditor<br>Huang Ssu-Fen      | October 7, 2020                            | 6 hours                 | Assisting the company to improve its own ability of preparing financial report                              | Accounting Research and Development Foundation      |
|                                     | October 12, 2020                           | 6 hours                 | Practical Audit Skills  | The Institute of Internal Auditors – Chinese Taiwan |

(IX) The status of the implementation of internal control systems shall include the disclosure of the following matter(s):

1. Declaration on the Internal Control System: Please refer to Page 136.
2. If review of the internal control system has been conducted by entrusted CPAs, the CPAs' review report must be disclosed: None.

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

(XI) Important resolutions of the Shareholders' Meeting and Board of Directors' meetings during the most recent FY as of the date on which the annual report was printed:

1. Important resolutions of the Shareholders' Meeting:

| Date of meeting | Important resolutions  |
|-----------------|--|
| June 24, 2020   | <p>(1) Proposal for the business report, individual and consolidated financial statements in 2019.</p> <p>(2) Proposal for the distribution of the profits in 2019.<br/>Implementation:<br/>The ex-dividend date was set to be August 4, 2020 and the dividends payment date August 31, 2020 (NT\$1.36 cash dividend per share).</p> <p>(3) Proposal for the partial amendment of the "Articles of Incorporation".<br/>Implementation: The registration of the change in capital increase was completed on August 10, 2020.</p> <p>(4) Proposal of the partial amendment to the articles of "Measures for the Election of Directors and Supervisors".<br/>Implementation: Conducted according to the amended procedures.</p> <p>(5) Proposal of the partial amendment to the articles of "Rules of Procedure of Shareholders' Meeting."<br/>Implementation: Conducted according to the amended procedures.</p> |

|  |  |
|--|--|
|  | <p>(6) Proposal for the partial amendment to partial articles of “Procedures for Acquisition or Disposal of Assets”.<br/>Implementation: Conducted according to the amended procedures.</p> <p>(7) Proposal for the partial amendment of the “Procedures for Endorsements/Guarantees.”<br/>Implementation: Conducted according to the amended procedures.</p> <p>(8) Proposal for the partial amendment of the “Procedures for Loaning Funds to Others.”<br/>Implementation: Conducted according to the amended procedures.</p> <p>(9) Private placement of ordinary shares from capital increase in cash.</p> <p>(10) Full re-election of directors.</p> <p>(11) Lifting of the non-competition restriction on new directors and their representatives.</p> |
|--|--|

2. Important resolutions of the Board of Directors’ meetings:

| Date of meeting  | Important resolutions  |
|------------------|--|
| January 20, 2020 | <p>(1) Passed the formulation of the Company's “Measures for Buyback of the Company’s Shares”.</p> <p>(2) Passed the formulation of the Company’s “Measures for Buyback of the Company’s Shares for Transfer to Employees”.</p> <p>(3) Passed the Company’s first share buyback for transfer to employees in 2020.</p>   |
| March 20, 2020   | <p>(1) Passed the 2019 business report, individual financial statements and consolidated financial statements.</p> <p>(2) Passed the Company’s 2019 earnings distribution proposal.</p> <p>(3) Passed the Company’s evaluation of the independence of its independent auditors.</p> <p>(4) Passed the partial revision of the Company’s “Measures for Buyback of the Company’s Shares for Transfer to Employees”.</p> <p>(5) Passed the Company’s proposed “Statement on the Internal Control System” and “Report on Corporate Governance Self-Evaluation”.</p> <p>(6) Passed the Company’s proposals for bank credit lines and financial product trading limits for 2020.</p> <p>(7) Passed the partial revision of the Company’s “Articles of Incorporation”.</p> <p>(8) Passed the formulation of the Company’s “Organizational Rules of the Audit Committee”.</p> <p>(9) Passed the partial revision of the Company’s “Rules of Procedure of Shareholders’ Meetings”.</p> <p>(10) Passed the partial revision of the Company’s “Measures for Election of Directors and Supervisors”.</p> |

| Date of meeting   | Important resolutions  |
|-------------------|--|
|                   | <ul style="list-style-type: none"> <li>(11) Passed the partial revision of the Company's "Procedures for Acquisition or Disposal of Assets".</li> <li>(12) Passed the partial revision of the Company's "Procedures for Loaning Funds to Others".</li> <li>(13) Passed the partial revision of the Company's "Procedures for Endorsements/Guarantees".</li> <li>(14) Passed the partial revision of the Company's "Rules of Procedure of Board Meetings".</li> <li>(15) Passed the partial revision of the Company's "Organization and Rules of Procedure of the Compensation Committee".</li> <li>(16) Passed the proposal of the continuing application of the existing salary structure for the managerial officers.</li> <li>(17) Passed the proposal of the compensation of directors, supervisors and managers.</li> <li>(18) Passed the Company's full re-election of directors.</li> <li>(19) Passed the lifting of the non-competition restriction on the new directors and their representatives of the Company.</li> <li>(20) Passed the matters concerning the Company's 2020 general shareholders' meeting.</li> <li>(21) Passed the appointment of the Company's head of audit.</li> <li>(22) Passed the Company's completion of its self-prepared financial report according to the letter of the Taiwan Stock Exchange Corporation.</li> </ul> |
| May 13, 2020      | <ul style="list-style-type: none"> <li>(1) Passed the Company's consolidated financial statements of the first quarter of 2020.</li> <li>(2) Passed the proposal of private placement of ordinary shares from capital increase in cash.</li> <li>(3) Passed the medium and long-term bank credit lines for 2020.</li> <li>(4) Passed the proposal of candidates for directors and independent directors.</li> <li>(5) Passed the lifting of the non-competition restriction on the new directors and their representatives.</li> <li>(6) Passed the revision of the matters concerning the general shareholders' meeting of 2020.</li> </ul>   |
| June 24, 2020     | <ul style="list-style-type: none"> <li>(1) Passed the proposal of election of the chairman and vice chairman.</li> <li>(2) Passed the change of registration address in the place of operations.</li> </ul>  |
| August 13, 2020   | <ul style="list-style-type: none"> <li>(1) Passed the Company's consolidated financial statements of the second quarter of 2020.</li> <li>(2) Passed the proposal of investment in AuthenX Inc.</li> <li>(3) Passed the proposal to appoint compensation committee members.</li> </ul>   |
| November 12, 2020 | <ul style="list-style-type: none"> <li>(1) Passed the Company's consolidated financial statements of the third quarter of 2020.</li> <li>(2) Passed the business plan and budget for 2021.</li> <li>(3) Passed the audit plan for 2021.</li> <li>(4) Passed the partial revision of the "Payment Method for Remuneration of Directors, Supervisors and Functional Committee</li> </ul>   |

| Date of meeting | Important resolutions   |
|-----------------|---|
|                 | <p>Members”.</p> <p>(5) Passed the partial revision of the “Organization and Rules of Procedure of the Compensation Committee”.</p> <p>(6) Passed the partial revision of the “Rules on the Scope of Responsibilities of Independent Directors”.</p> <p>(7) Passed the partial revision of the “Rules of Procedure of Board Meetings”.</p> <p>(8) Passed the formulation of the “Measures for Performance Evaluation of the Board of Directors”.</p> <p>(9) Passed the evaluation of the year-end bonus payments to managers for 2021.</p> <p>(10) Passed the revision of the audit plan for 2020.</p>  |
| March 18, 2021  | <p>(1) Passed the 2020 business report, individual financial statements and consolidated financial statements.</p> <p>(2) Passed the 2020 earnings distribution and cash dividends distribution proposals.</p> <p>(3) Passed the evaluation of the independence of independent auditors.</p> <p>(4) Passed the proposal of private placement of ordinary shares from capital increase in cash.</p> <p>(5) Passed the proposed “Statement on the Internal Control System”.</p> <p>(6) Passed the Company’s proposals for bank credit lines and financial product trading limits for 2021.</p> <p>(7) Passed the partial revision of the Company’s “Articles of Incorporation”.</p> <p>(8) Passed the partial revision of the Company’s “Rules of Procedure of Shareholders’ Meetings”.</p> <p>(9) Passed the proposal of the continuing application of the existing salary structure for the managerial officers.</p> <p>(10) Passed the proposal of the compensation of directors and managers.</p> <p>(11) Passed the lifting of the non-competition restriction on managers.</p> <p>(12) Passed the matters concerning the general shareholders’ meeting of 2021.</p> |

(XII) In the event that any director or supervisor expressed a dissenting opinion regarding any of the important resolutions adopted at the Board of Directors’ meeting during the most recent FY as of the date on which the annual report was printed, and that the opinion was recorded or delivered in writing, please describe its main content: None.

(XIII) Summary of resignation or dismissal of the company’s chairman, president, accounting manager(s), financial manager(s), internal audit manager(s), corporate governance manager(s) and R&D manager(s) during the most recent FY as of the date on which the annual report was printed:

| Title                          | Name           | Inauguration date | Resignation date | Reason for resignation or dismissal |
|--------------------------------|----------------|-------------------|------------------|-------------------------------------|
| Audit officer                  | Chen Lai-En    | November 06, 2012 | January 01, 2020 | Retirement                          |
| Chief Technology Officer (CTO) | Hsu Mao-Chieh  | March 5, 2012     | March 15, 2020   | Resigned                            |
| Audit officer                  | Huang, Ssu-Fen | March 20, 2020    | —                | —                                   |

V. Information on professional fees for CPAs:

| Name of Accounting firm | Name of CPA    |                 | Audit period                  | Remarks |
|-------------------------|----------------|-----------------|-------------------------------|---------|
| Deloitte & Touche       | Chen Chun-Hung | Huang Hsiu-Chun | January 1 - December 31, 2020 |         |

Unit: NTD thousands

| Name of Accounting firm | Name of CPA     | Audit professional fees | Non-audit professional fees |                       |                |        |          | CPA auditing period          | Remarks                              |
|-------------------------|-----------------|-------------------------|-----------------------------|-----------------------|----------------|--------|----------|------------------------------|--------------------------------------|
|                         |                 |                         | Policy design               | Business registration | Human resource | Others | Subtotal |                              |                                      |
| Deloitte & Touche       | Chen Chun-Hung  | 3,700                   | —                           | —                     | —              | —      | 3,700    | Jan. 1, 2020 - Dec. 31, 2020 |                                      |
|                         | Huang Hsiu-Chun |                         | —                           | —                     | —              | —      | —        |                              |                                      |
|                         | Hsu Ying-Ying   | —                       | —                           | 38                    | —              | 105    | 143      | —                            | Consultation on income tax law, etc. |

Unit: NTD thousands

| Item of professional fees<br>Amount range |  | Audit professional fees | Non-audit professional fees |
|---|--|-------------------------|-----------------------------|
| 1   | Under NT\$2,000,000                                | -                       | ✓                           |
| 2   | NT\$2,000,000 (incl.) ~ NT\$4,000,000 (not incl.)  | ✓                       | -                           |
| 3   | NT\$4,000,000 (incl.) ~ NT\$6,000,000 (not incl.)  | -                       | -                           |
| 4   | NT\$6,000,000 (incl.) ~ NT\$8,000,000 (not incl.)  | -                       | -                           |
| 5   | NT\$8,000,000 (incl.) ~ NT\$10,000,000 (not incl.) | -                       | -                           |
| 6   | Over 10,000,000 (incl.)                            | -                       | -                           |

- (I) In the event the amount of non-audit professional fees paid to a CPA, the CPA's firm and any of its affiliates is at least 25% of that of audit professional fees, the amounts of audit and non-audit professional fees and the contents of non-audit service must be disclosed: None.
- (II) In the event that the accounting firm has been changed and that the amount of audit professional fees paid during the FY when the change occurs is lower than that paid during the previous FY, the amounts before and after the change and the reasons must be disclosed: None.
- (III) In the event the amount of audit professional fees is reduced by at least 15% in comparison with the previous FY, the amount, percentage and reasons of reduction must be disclosed: None.

## VI. Information on changing CPAs:

### (I) On the predecessor CPAs

|  |  |     |                                   |
|--|--|-----|-----------------------------------|
| Date of change   | March 21, 2019   |     |                                   |
| Reasons and description of change  | Deloitte & Touche executes internal job rotation to ensure the independence of the CPAs. Since the first quarter of 2019, EZconn’s CPAs of the financial statements changed from Huang Hsiu-Chun and Wei Liang-Fa to Chen Chun-Hung and Huang Hsiu-Chun. |     |                                   |
| The commissioner or CPA terminates or declines the commission  | <div>Parties</div> <div>Circumstance</div>   | CPA | Commissioner                      |
|  | Commission was terminated on his/her initiative  | N/A |                                   |
|  | (Extension of)<br>Commission was declined  |     |                                   |
| Opinions and reasons for audit reports issued during the most recent two years, excluding those issued without reservations          | None   |     |                                   |
| Any differences in opinions with the issuers?  | Yes  |     | Accounting principles or practice |
|  |  |     | Disclosure of financial reports   |
|  |  |     | Scope or steps of audits          |
|  |  |     | Others                            |
|  |  |     |                                   |
|  | None   | V   |                                   |
|  | Description  |     |                                   |
| Other matters for disclosure (Matters covered in item 1-4 to 1-7, subparagraph 6, Article 10 of the regulations should be disclosed) | None   |     |                                   |



(II) On the successor CPAs

|   |                                 |
|---|---------------------------------|
| Accounting firm   | Deloitte & Touche               |
| Name of CPA   | Chen Chun-Hung, Huang Hsiu-Chun |
| Date of commissioning   | March 21, 2019                  |
| Matters regarding which the successor CPAs were consulted, and which were related to the accounting treatment or accounting principles of specific transactions; matters regarding which the successor CPAs were consulted, and which were related to the opinions that might be issued on financial reports; results of these matters. | N/A                             |
| Written opinions of the successor CPAs on matters regarding which the predecessor CPAs have expressed dissenting opinions   | N/A                             |

(III) Letters of reply from the predecessor CPAs concerning item 1, 2-3, subparagraph 6, article 10 of the regulations: N/A.

VII. The company's chairman, president, or financial/accounting manager served in the CPAs' firm(s) or any affiliate during the most recent year: None.

VIII. Change of shares transferred and pledged for directors, supervisors, managerial officers and any shareholder holding more than 10% of the Company's shares during the most recent FY until the date on which the annual report was printed:

(I) Change of shares for directors, supervisors, managerial officers and major shareholders:

| Title   | Name                             | 2020                                      |  | As of May 1, 2021                         |  |
|---|----------------------------------|---|--|---|--|
|   |                                  | No. of increase (decrease) of shares held | No. of increase (decrease) of shares pledged | No. of increase (decrease) of shares held | No. of increase (decrease) of shares pledged |
| Chairman  | eGtran Corporation               | —   | —  | —   | —  |
| Chairman's representative   | Chen, Steve                      | —   | —  | —   | —  |
| Director  | SHC Consolidated Investors LLC   | —   | —  | —   | —  |
| Director's Representative   | Ko Yuan-Yu                       | —   | —  | —   | —  |
| Director  | Jia Jiu Investment Co., Ltd.     | —   | —  | —   | —  |
| Representative of corporate director, President                         | Chang Ying-Hua                   | —   | —  | —   | —  |
| Director  | Transnational Investment Limited | —   | —  | —   | —  |
| Representative of corporate director<br>OP Technical Marketing Director | Lan Ching-Ying                   | —   | —  | —   | —  |
| Independent director  | Peng Hsieh-Ju                    | —   | —  | —   | —  |
| Independent director  | Chiu Er-De                       | —   | —  | —   | —  |
| Independent director  | Huang Hui-Wen                    | —   | —  | —   | —  |
| Chief Operating Officer   | Hsiao Chung-Chiang               | —   | —  | —   | —  |
| Director of Manufacturing Division                                      | Kao Yueh-Hui                     | —   | —  | —   | —  |
| RF Technical Marketing Director   | Chien Ming-Feng                  | —   | —  | —   | —  |
| Sales Director  | Lo Sheng-Shin                    | —   | —  | —   | —  |
| Director of Quality Control Division                                    | Li Yung-Chuan                    | —   | —  | —   | —  |
| Director of Management Division   | Mei-Lan Kuo                      | —   | —  | —   | —  |

| Title  | Name          | 2020  |  | As of May 1, 2021                                  |  |
|--|---------------|---|--|--|--|
|  |               | No. of increase<br>(decrease) of<br>shares held | No. of increase<br>(decrease) of<br>shares pledged | No. of<br>increase<br>(decrease) of<br>shares held | No. of<br>increase<br>(decrease)<br>of shares<br>pledged |
| Chief Financial Officer<br>of the Finance and<br>Accounting Division | Chuang Kuo-An | (23,000)  | —  | —  | —  |
| Senior Manager   | Chen Suu-Ming | —   | —  | —  | —  |
| Chief Auditor  | Huang Ssu-Fen | —   | —  | —  | —  |

(II) Information on the counterparty as related party in shares transfer for directors, supervisors, managerial officers and shareholders holding more than 10 percent of the shareholdings: none.

(III) Information on the counterparty as related party in the pledge of shares for directors, supervisors, managerial officers and shareholders holding more than 10 percent of the shareholdings: none.

# IX. Information on the top-10 shareholders who are related parties to each other:

April 26, 2020 Unit: Share; %

May 01, 2021 Unit: Share

| Name (Note 1)   | Shares held by the shareholder |                    | Shares held by spouse or minor children |                    | Shares held in the name of others |                    | The title or name and relation in case of the top-10 shareholders who are related parties to each other, in a spousal relationship or within the second degree of kinship (Note 3) |                                       | Remarks |
|---|--------------------------------|--------------------|---|--------------------|-----------------------------------|--------------------|--|---------------------------------------|---------|
|   | Number of shares               | Shareholding ratio | Number of shares                        | Shareholding ratio | Number of shares                  | Shareholding ratio | Name (or name)   | Relation                              |         |
| Special Investment Account of Chinatrust Commercial Bank as Custodian for Carter Bell Ltd.                                  | 6,295,555                      | 9.08%              | —                                       | —                  | —                                 | —                  | eGtran Corporation   | Parent company and its subsidiary     | —       |
| Representative of Special Investment Account of Chinatrust Commercial Bank as Custodian for Carter Bell Ltd.: Li Shih-Cheng | 379,310                        | 0.55%              | —                                       | —                  | —                                 | —                  | —  | —                                     | —       |
| TMX LLC Investment Accounts commissioned to CTBC Bank   | 4,492,828                      | 6.48%              | —                                       | —                  | —                                 | —                  | —  | —                                     | —       |
| TMX LLC Investment Accounts commissioned to CTBC Bank<br>Representative: Scott Lai  | —                              | —                  | —                                       | —                  | —                                 | —                  | —  | —                                     | —       |
| eGtran Corporation  | 3,565,741                      | 5.15%              | —                                       | —                  | —                                 | —                  | SHC Consolidated Investors LLC   | The representative is the same person | —       |
|   |                                |                    |   |                    |                                   |                    | CabTel Corporation   | Parent company and its subsidiary     |         |
| eGtran Corporation<br>Representative: Chen, Steve   | —                              | —                  | —                                       | —                  | —                                 | —                  | SHC Consolidated Investors LLC   | The representative is the same person | —       |
| Jia He Co. Ltd.   | 2,791,000                      | 4.03%              | —                                       | —                  | —                                 | —                  | —  | —                                     | —       |
| SHC Consolidated Investors LLC  | 2,175,812                      | 3.14%              | —                                       | —                  | —                                 | —                  | eGtran Corporation   | The representative is the same person | —       |
| SHC Consolidated Investors LLC<br>Representative: Chen, Steve   | —                              | —                  | —                                       | —                  | —                                 | —                  | eGtran Corporation   | The representative is the same person | —       |
| Lin Min-Hsiung  | 2,057,998                      | 2.97%              | —                                       | —                  | —                                 | —                  | —  | —                                     | —       |
| Shin Fong Trading Co., Ltd.   | 1,627,050                      | 2.35%              | —                                       | —                  | —                                 | —                  | —  | —                                     | —       |
| Transnational Investment Limited  | 1,562,602                      | 2.25%              | —                                       | —                  | —                                 | —                  | —  | —                                     | —       |
| Transnational Investment Limited<br>Representative: Lan Ying-Ching  | 992,086                        | 1.43%              | —                                       | —                  | —                                 | —                  | —  | —                                     | —       |
| Hung Chieh-En   | 1,548,221                      | 2.23%              | —                                       | —                  | —                                 | —                  | —  | —                                     | —       |

| Name (Note 1)              | Shares held by the shareholder |                    | Shares held by spouse or minor children |                    | Shares held in the name of others |                    | The title or name and relation in case of the top-10 shareholders who are related parties to each other, in a spousal relationship or within the second degree of kinship (Note 3) |          | Remarks |
|----------------------------|--------------------------------|--------------------|---|--------------------|-----------------------------------|--------------------|--|----------|---------|
|                            | Number of shares               | Shareholding ratio | Number of shares                        | Shareholding ratio | Number of shares                  | Shareholding ratio | Name (or name)   | Relation |         |
| An Da Investment Co., Ltd. | 1,539,000                      | 2.22%              | —                                       | —                  | —                                 | —                  | —  | —        | —       |

Note 1: The top 10 shareholders must all be listed in the table. For the corporate shareholders, their titles and the representatives must be receptively listed.

Note 2: The calculation of shares ratio means that the shares ratio is respectively calculated according to the shares held by the shareholder, spouse or minor children and in the name of others.

Note 3: The listed shareholders disclosed previously includes both juridical and natural persons. The relationship between each other shall be disclosed in compliance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

- X. The total number of shares held in the same invested business by the company, its directors and supervisors, managerial officers, and any companies controlled either directly or indirectly by the company, and the calculation of the combined shareholding ratio:

May 01, 2021 Unit: NTD/foreign currency thousands; thousand shares

| Invested business<br>(Note)           | Company's investment |                       | Investments of directors,<br>supervisors, managerial<br>officers and directly or<br>indirectly controlled business |                       | Total investment    |                       |
|---------------------------------------|----------------------|-----------------------|--|-----------------------|---------------------|-----------------------|
|                                       | Number of<br>shares  | Shareholding<br>ratio | Number of<br>shares  | Shareholding<br>ratio | Number of<br>shares | Shareholding<br>ratio |
| EC-Link Technology Inc.               | 21,417               | 100%                  | —  | 0%                    | 21,417              | 100%                  |
| EZconn Europe GmbH                    | - (Note 1)           | 100%                  | - (Note 1)   | 0%                    | - (Note 1)          | 100%                  |
| Light-Master Techonology Inc.         | —                    | 0%                    | 15,050   | 100%                  | 15,050              | 100%                  |
| EZconn Czech a.s.                     | - (Note 2)           | 0%                    | - (Note 2)   | 100%                  | - (Note 2)          | 100%                  |
| EZconn Technologies CZ s.r.o.         | - (Note 1)           | 0%                    | - (Note 1)   | 100%                  | - (Note 1)          | 100%                  |
| Light Master Technology (Ningbo) Inc. | - (Note 1)           | 0%                    | - (Note 1)   | 100%                  | - (Note 1)          | 100%                  |

Note: These are the investments made by the Company via the equity method.

Note 1: No shares are held by these limited liability companies.

Note 2: Since all previous capital increase shares had different par value when issued, the number of shares cannot be listed.

## Four. Offering Status

### I. Capital and shares:

#### (I) Source of capital stock:

##### 1. Capital sources

May 01, 2021; Unit: thousand shares/ thousands

| Year | Month | Issued price (dollar) | Authorized capital stock |           | Paid-in capital stock |         | Remarks               |  |        |
|------|-------|-----------------------|--------------------------|-----------|-----------------------|---------|-----------------------|--|--------|
|      |       |                       | Number of shares         | Amount    | Number of shares      | Amount  | Capital sources       | Property other than cash as substitute for share price | Others |
| 1996 | 9     | NT\$10                | 2,500                    | 25,000    | 2,500                 | 25,000  | Cash establishment    | None   | Note 1 |
| 2003 | 1     | NT\$10                | 30,000                   | 300,000   | 30,000                | 300,000 | Cash capital increase | None   | Note 2 |
| 2003 | 12    | NT\$10                | 39,000                   | 390,000   | 39,000                | 390,000 | Capital surplus       | Capital surplus  | Note 3 |
| 2004 | 8     | NT\$10                | 50,000                   | 500,000   | 50,000                | 500,000 | Cash capital increase | None   | Note 4 |
| 2005 | 9     | NT\$10                | 54,000                   | 540,000   | 54,000                | 540,000 | Cash capital increase | None   | Note 5 |
| 2012 | 12    | NT\$10                | 100,000                  | 1,000,000 | 54,000                | 540,000 | —                     | —  | Note 6 |
| 2014 | 9     | NT\$10                | 100,000                  | 1,000,000 | 60,000                | 600,000 | Capital surplus       | Capital surplus  | Note 7 |
| 2015 | 8     | NT\$10                | 100,000                  | 1,000,000 | 66,000                | 660,000 | Cash capital increase | None   | Note 8 |
| 2019 | 8     | NT\$10                | 100,000                  | 1,000,000 | 69,300                | 693,000 | Capital surplus       | Capital surplus  | Note 9 |

Note 1: Jian-Yi-Zi No. 85333456 on September 4, 1996

Note 2: Jing-Shou-Shang-Zi No. 09201013670 on January 16, 2003

Note 3: Fu-Jian-Shang-Zi No. 09226463220 on December 30, 2003

Note 4: Jing-Shou-Shang-Zi No. 09301159300 on August 31, 2004

Note 5: Jing-Shou-Shang-Zi No. 09401185040 on September 21, 2005

Note 6: Jing-Shou-Shang-Zi No. 10101256670 on December 18, 2012

Note 7: Jing-Shou-Shang-Zi No. 10301202620 on September 23, 2014

Note 8: Jing-Shou-Shang-Zi No. 10401156730 on August 11, 2015

Note 9: Jing-Shou-Shang-Zi No. 10801108530 on August 6, 2019.

## 2. Type of shares

May 01, 2021; Unit: Share

| Type                    | Authorized capital stock |                 |             | Remarks                    |
|-------------------------|--------------------------|-----------------|-------------|----------------------------|
|                         | Outstanding shares       | Unissued shares | Total       |                            |
| Registered common stock | 69,300,000               | 30,700,000      | 100,000,000 | Shares of listed companies |

## 3. Information on general declaration systems: None.

### (II) Structure of shareholders

May 01, 2021; Unit: Share; Person

| Structure Number   | Government agency | Financial institution | Other juridical persons | Individual | Foreign institutions and foreign persons | Total      |
|--------------------|-------------------|-----------------------|-------------------------|------------|--|------------|
| No. of person(s)   | —                 | 3                     | 27                      | 3,255      | 32                                       | 3,317      |
| No. of shares held | —                 | 21,000                | 14,379,275              | 31,908,365 | 22,991,360                               | 69,300,000 |
| Shareholding ratio | —                 | 0.03%                 | 20.75%                  | 46.04%     | 33.18%                                   | 100.00%    |

Shareholding ratio of mainland enterprises: None.

### (III) Status of ownership distribution

May 01, 2021;  
NT\$10 per share

| Share               | Shareholders | No. of shares held | Shareholding ratio (%) |
|---------------------|--------------|--------------------|------------------------|
| 1 - 999             | 861          | 90,797             | 0.13%                  |
| 1,000 - 5,000       | 1,818        | 3,363,508          | 4.85%                  |
| 5,001 - 10,000      | 304          | 2,004,708          | 2.89%                  |
| 10,001 - 15,000     | 118          | 1,342,744          | 1.94%                  |
| 15,001 - 20,000     | 46           | 809,643            | 1.17%                  |
| 20,001 - 30,000     | 42           | 986,667            | 1.42%                  |
| 30,001 - 50,000     | 39           | 1,465,049          | 2.11%                  |
| 50,001 - 100,000    | 25           | 1,729,678          | 2.50%                  |
| 100,001 - 200,000   | 9            | 1,170,234          | 1.69%                  |
| 200,001 - 400,000   | 17           | 4,756,390          | 6.86%                  |
| 400,001 - 600,000   | 7            | 3,761,638          | 5.43%                  |
| 600,001 - 800,000   | 9            | 5,870,991          | 8.47%                  |
| 800,001 - 1,000,000 | 8            | 7,416,632          | 10.70%                 |
| More than 1,000,001 | 14           | 34,531,321         | 49.84%                 |
| Total               | 3,317        | 69,300,000         | 100.00%                |



## (IV) Major shareholders

May 01, 2021; Unit: Share; %

| Name of major shareholder  | No. of shares held | Shareholding ratio (%) |
|--|--------------------|------------------------|
| CabTel Corporation Investment Accounts commissioned to CTBC Bank | 6,295,555          | 9.08%                  |
| TMX LLC Investment Accounts commissioned to CTBC Bank            | 4,492,828          | 6.48%                  |
| eGtran Corporation   | 3,565,741          | 5.15%                  |
| Jia He Investment Co. Ltd.                                       | 2,791,000          | 4.03%                  |
| SHC Consolidated Investors LLC                                   | 2,175,812          | 3.14%                  |
| Lin Min-Hsiung   | 2,057,998          | 2.97%                  |
| Shin Fong Trading Co., Ltd.                                      | 1,627,050          | 2.35%                  |
| Transnational Investment Limited                                 | 1,562,602          | 2.25%                  |
| Hung Chieh-En  | 1,548,221          | 2.23%                  |
| An Da Investment Co., Ltd.                                       | 1,539,000          | 2.22%                  |

Note: Due to the ownership adjustment during 2012 and 2013 and to enable non-ROC shareholders to hold shares, Camarillo Beneficiaries LLC becomes the trustee of the ultimate shareholder or beneficiary.

## (V) Information on the market price, net value, earnings, and dividend per share in the recent two years

Units: NTD/thousand shares

| Item \ Year                     |   |                   | 2019   | 2020         | Current year until March 31, 2021 |
|---------------------------------|---|-------------------|--------|--------------|-----------------------------------|
| Market price per share (Note 1) | Maximum                                   |                   | 44.95  | 41.20        | 32.75                             |
|                                 | Minimum                                   |                   | 34.80  | 28.20        | 28.05                             |
|                                 | Average                                   |                   | 38.75  | 33.80        | 30.79                             |
| Net value per share             | Before allocation                         |                   | 28.21  | 25.78        | -                                 |
|                                 | After allocation                          |                   | 26.91  | -(Note 2)    | -                                 |
| Earnings per share              | Weighted average shares (thousand shares) |                   | 69,300 | 66,742       | -                                 |
|                                 | Earnings per share                        | Before adjustment | -0.28  | -0.57        | -                                 |
|                                 |   | After adjustment  | -0.28  | -(Note 2)    | -                                 |
| DPS (Note 2)                    | Cash dividend                             |                   | 1.36   | 1.00(Note 2) | -                                 |
|                                 | Issuance of bonus shares                  | Retained earnings | -      | -            | -                                 |
|                                 |   | Capital reserve   | -      | -            | -                                 |
|                                 | Accumulated unpaid dividend               |                   | -      | -            | -                                 |
| ROI analysis                    | PE (Note 3)                               |                   | 138.39 | 59.30        | -                                 |
|                                 | PD (Note 4)                               |                   | 28.49  | 33.80        | -                                 |
|                                 | Cash dividend yield % (Note 5)            |                   | 3.51%  | 2.96%        | -                                 |

Note 1: The table listed highest and lowest market price per share of common stock for each year and the average market price of each year is calculated based on the annual actual transaction value and volume. The information of 2019, 2020 until March 31, 2021 came from the listed information of Taiwan Stock Exchange Corporation.

Note 2: The listed proposal for the distribution of the profits in 2020 was approved by the Board of Directors on March 18, 2021.

Note 3:  $PE = \text{Average closing price per share of the current year} / EPS$ .

Note 4:  $PD = \text{Average closing price per share of the current year} / \text{cash dividend per share}$ .

Note 5:  $\text{Cash dividend yield} = \text{Cash dividend per share} / \text{average closing price per share of the current year}$ .

#### (VI) Dividend policy of the company and implementation status

##### 1. Regulations of EZconn's Articles of Incorporation:

Article 24: EZconn's dividend policy is specified as follows:

Where there is profit in any final annual account, the remuneration appropriated shall not be less than 5% of the profit for employees and shall be no more than 5% of the profit for directors and supervisors. After the distribution is approved by the Board of the Directors, the taxes are paid according to the laws. 10% of the profit is appropriated as legal reserve, except when the legal reserve of the Company has already reached the total capital. After parts of the balance is provided or reserved as a special reserve pursuant to laws and regulations, the proposal for the distribution of the profits concerning the balance along with the accumulative undivided profit is formulated by the Board of Directors and submitted to the shareholder's meeting to decide the distribution or reservation.

If the Company has accumulated losses of the previous year, the profit shall cover the losses before appropriating the remunerations for the employees, directors and supervisors. The balance is appropriated based on the above-mentioned item. The remuneration for the employees is distributed in the form of shares or cash and the employees eligible for the distribution may include the employees of the affiliated companies that meets certain requirements.

The dividend policy of the Company shall be based on the shareholder's equity and then consider the present and future industrial status, stages of development, future financial plans, capital needs and satisfaction of the shareholders' cash plans. According to the principle of dividend balancing, the cash dividend for shareholders must not be less than 10% of the total dividends for shareholders and the actual amount distributed shall be based on the amount approved at the shareholder's meeting.

##### 2. Dividend distribution proposed at the current shareholders' meeting

The proposal for the distribution of the profits in 2020 was approved at the Board of Directors on March 18, 2021. A cash dividend of NT\$66,300,000 will be distributed (the stock dividend was NT1.00 per share). The proposal will be handled pursuant to relevant regulations after the approval at the regular shareholders' meeting on June 29, 2021.

##### 3. Description of any material changes in the expected dividend policy: None.

- (VII) The influence of the bonus shares issuance proposed at the current shareholders' meeting on the operation performance and EPS of the Company:

N/A

(VIII) Remuneration for employees, directors and supervisors

1. Percentages or ranges with respect to employee, director, and supervisor remuneration according to the Articles of Incorporation

According to the Articles of Incorporation approved at the Board of Directors but to be approved at the shareholders' meeting, where there is profit in any final annual account, the remuneration appropriated shall not be less than 5% of the profit for employees and shall be no more than 5% of the profit for directors and supervisors. After the distribution is approved by the Board of the Directors, the taxes are paid according to the laws. 10% of the profit is appropriated as legal reserve, except when the legal reserve of the Company has already reached the total capital. After parts of the balance is provided or reserved as a special reserve pursuant to laws and regulations, the proposal for the distribution of the profits concerning the balance along with the accumulative undivided profit is formulated by the Board of Directors and submitted to the shareholder's meeting to decide the distribution or reservation.

2. The current basis for estimating the remuneration amount and calculating the distribution of dividends for employees, directors and supervisors, and the accounting treatment for handling the difference between actually distributed and estimated amounts:

For the estimated amount of remuneration for employees, directors and supervisors, if the distribution and appropriation of the profits for employees, directors and supervisors are approved at the Board of Directors' meeting at the year-end, the amount is recognized as expenses of the current year. If the amount changes at the shareholder's meeting, it will be adjusted based on the changes in accounting estimates and will be recognized as expenses of 2021.

3. Status of the distribution of remuneration approved by the Board of Directors

Pursuant to the Company's Article of Incorporation, the Board shall not distribute the 2020 remuneration to employees and directors.

4. The actual distribution of remunerations for employee, directors and supervisors in the previous year (including the distributed number of shares, amount and share price). If there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor remuneration, please describe the discrepancy, cause, and management.

The Company did not pay employee bonus and directors' and supervisors' remuneration in 2020, so there is no discrepancy from the number posted in the account of 2019.

(IX) Status of share repurchases:

May 01, 2021

|   |                              |
|---|------------------------------|
| No. of buyback  | 2020 First buyback           |
| Purpose   | Transfer to employees        |
| Actual buyback period   | Feb. 3, 2020 - Mar. 20, 2020 |
| Price range   | NT\$27 - 55 per share        |
| Type and no. of shares bought back  | 3,000,000 common shares      |
| Monetary amount of shares bought back                                     | NT\$110,852,705              |
| No. of buyback shares as a percentage of proposed no. of buyback.         | 100%                         |
| No. of shares that are canceled or transferred.                           | 0 shares                     |
| Accumulated no. of shares held  | 3,000,000 common shares      |
| Accumulated no. of shares held as a percentage of the total issued shares | 4.33%                        |

II. Status of corporate bonds: None.

III. Status of preferred shares: None.

IV. Status of overseas depositary receipts: None.

V. Status of employee stock option certificates: None.

VI. Status of employee restricted stock: None.

VII. Status of new shares issuance in connection with mergers or acquisitions or with acquisitions of shares of other companies: None.

VIII. Status of capital allocation plans and implementation: None.

## Five. Overview of business operation

### I. Business activities

#### (I) Business scope

##### 1. The major business of the Company:

- (1) Designing, developing, manufacturing and selling of relevant electronic devices like the RF connectors and filters.
- (2) Designing, developing, manufacturing and selling of optical transceiver modules and optical transceiver modules related to optical fiber communication products.
- (3) Designing, developing, manufacturing and selling to increase the vertical integration from LiDAR and packaging of measurement micro-electromachines to optical machinery.
- (4) Provide necessary assistance and services for the inspection, maintenance, processing and installation of the products and related businesses mentioned in the preceding paragraph.
- (5) Provide manufacturability design and mass production services for biomedical product design.
- (6) Agency, trade and investment of the aforementioned products and related businesses.

##### 2. Operating proportion:

Unit: NTD thousands

| Department/Product type        | 2019              |                      | 2020              |                      |
|--------------------------------|-------------------|----------------------|-------------------|----------------------|
|                                | Operating revenue | Operating proportion | Operating revenue | Operating proportion |
| RF connectors                  | 1,284,339         | 53%                  | 1,261,794         | 52%                  |
| Optical communication products | 1,139,819         | 47%                  | 1,151,754         | 48%                  |
| Total                          | 2,424,158         | 100%                 | 2,413,548         | 100%                 |

##### 3. Current products (services) of the Company

- (1) Designing of RF connectors and the designing and processing of precision machinery for manufacturers' products.
- (2) Designing, processing and production of precision molds and jigs.
- (3) The supplier of active components and modules (TO-CAN packing, OSA, transceiver and AOC), photoelectric passive components (optical couplers and splitters, connectors, patch-cord and adapters) and the agency of related fiber optics communication equipment.
- (4) Most of our customers are manufactures that designs and manufactures optical communication equipment like transceivers. They directly provide products for

the companies of system production or operation. Considering factors of the product technology upgrade and cost reduction, we excelled among the competitors to directly sell the optical transceiver sub-assemblies to manufacturers of communication device, causing this model to become the mainstream in the market. The customers of our photoelectric passive components mostly are manufacturers for the connection equipment of the communication network.

- (5) Packaging of mirror scanning micro-electromachines and laser scanning micro-electromechanical module of various bands.
- (6) Obtained GMP certification and extended the optical, institutional and high-quality mass production capabilities accumulated in optical communications to biomedical products.

#### 4. New products planned for development

##### RF connectors

| Type of plan                | Product name   |
|-----------------------------|--|
| Short-term development plan | 1. Development of new tool-free RF connectors series                                 |
|                             | 2. Development of new isolator   |
|                             | 3. Development of new filter   |
|                             | 4. Development of connectors for 5G communication                                    |
|                             | 5. Development of photoelectric integrated product                                   |
|                             | 6. Development of RF connectors for National Defense use                             |
|                             | 7. Development of components for aerospace industry                                  |
| Long-term development plan  | 1. Completing the product line and design library of the filter                      |
|                             | 2. Completing the product line and design library of the connector for base stations |
|                             | 3. Developing the connector for automotive signal application                        |
|                             | 4. 400G High speed transmission connector  |

##### Optical communication products

| Type of plan                | Product name                                   |
|-----------------------------|--|
| Short-term development plan | 1. XG-PON/G-PON combo OLT XFP Transceiver      |
|                             | 2. XGS-PON/G-PON combo ONU QOSA on board       |
|                             | 3. XGS-PON mini ONU stick                      |
|                             | 4. 5G front haul SFP28-SR Transceiver (100m)   |
|                             | 5. 5G front haul SFP28-Bidi Transceiver (10km) |
|                             | 6. 5G front haul SFP28-ER Transceiver (20km)   |
|                             | 7. 400 Gbps SR module                          |
|                             | 8. 5G related RFoF optical sub-module products |
|                             | 9. Industry 4.0 optical fiber module           |

|                            |   |
|----------------------------|---|
|                            | 10.Laser scanning micro-electromechanical module of various bands       |
|                            | 11.Sub-module of biomedical products                                    |
| Long-term development plan | 1. 25G PON related optical fiber products                               |
|                            | 2. 800G QSFP28-DD SR8   |
|                            | 3. Consumer high-speed optical fiber active connector                   |
|                            | 4. Development of spectrum inspection equipment for biomedical industry |

## (II) Overview of the industry

### 1. Current status and development of the industry

The main products of EZconn has two major categories, one is related to the radio frequency coaxial connector (hereinafter abbreviated as “RF connectors”) and the other is the receiver and component in relation to OP (Optical fiber component, hereinafter abbreviated as optical communication). The following will separately analyze the current status of the industries related to each product.

#### RF connectors

The RF connectors of EZconn is a niche product that have seldom manufacturers in Taiwan. Therefore, we briefly introduce this product in the following paragraphs. RF is the abbreviation of Radio Frequency. According to the electronics, a magnetic field appears around the conductor when the current passes the conductor while an alternating electromagnetic field appears around the conductor when the alternating current passes the conductor. This electromagnetic field is named the electromagnetic wave. When the frequency of the electromagnetic wave is lower than 100khz, it will be absorbed into the surface of the earth without forming an effective transmission. Nevertheless, when the frequency is higher than 100khz, the electromagnetic wave can travel through air. RF refers to the radio frequency electromagnetic wave with long distance transmission ability. Besides being widely used in the field of wireless communication, the radio frequency technology is also used in the cable television system via the utilization of the RF transmission.

RF connector is a component installed on the coaxial cables or instrument to enable the connection or disconnection of cable electric. It is classified as a product of mechatronics. The coaxial cables offer a closed medium with controllable resistance to enable the transmission of the RF energy. In addition, it is equipped with good electric property in RF environment to provide inherent EMI control and shielding. The RF connector is designed to preserve the performance advantages mentioned above and can be used in any fields involving in RF transmission and any interface with compact electric contact.

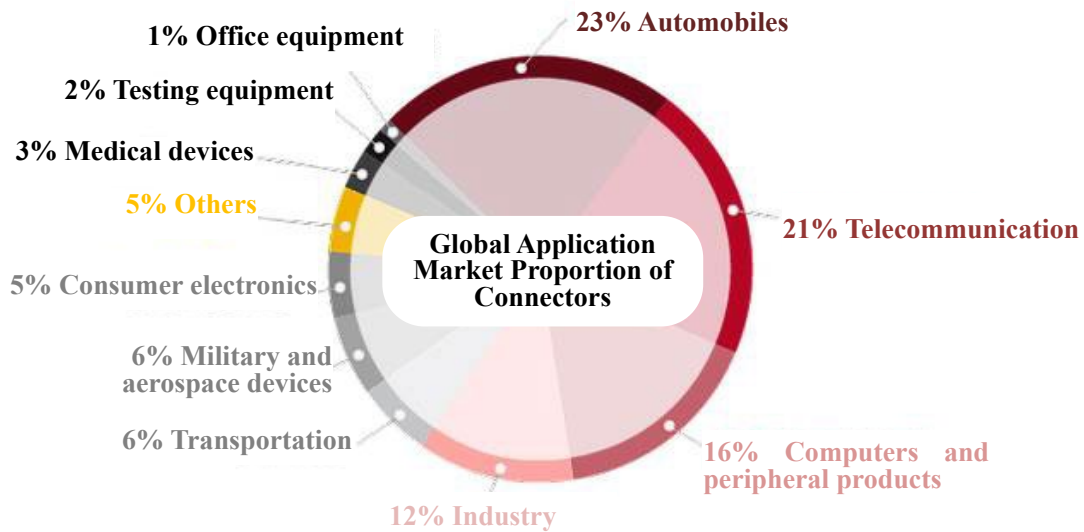
Most of the major connector manufacturers were mold manufacturers that gone through transformation in the early days. Since the mold technique is the mother of manufacturing, our country has a good foundation for the development of connector industry. In 1975, E. I. du Pont de Nemours and Company of the United states established plants to manufacture connectors in Taiwan. The company not only introduced more advanced machinery equipment and a production system with a certain scale but also became the pioneer of Taiwan connector industry. In the 1980s, the rise of personal computer industry drove the establishment of a complete computer industrial chain in Taiwan. The domestic connection industry benefited from the clustering effect of the computer industry and rose quickly in the international market. Though the domestic connector manufacturers occupied certain position in the computer related applications, they gradually applied the diversification strategy to operate their business in consideration of the risk of single application products. Currently, the network, communication and consumer electronic products are the main development directions. The domestic connector industry structure roughly remained the same even if the development directions were different. The mold technology of domestic manufacturers were recognized by overseas connector manufacturers in the early days. They received great amount of OEM orders for molds that indirectly integrated the front-end mold designing and main process of the domestic connector industry. However, the connector manufacturers in Taiwan adopted low price to expand their share in the market in the past, causing a lower common requirement in the quality of the connector. To adjust to the international requirement of the quality, the back-end testing was gradually emphasized by the manufacturers.

The main process of the connector generally comprised three sub-processes of metal stamping, plastic injection and plating. Considering the problems of the technology and the cost, domestic connector industry in the early days used to outsource some sub-process to professional OEM. To meet the demand of international delivery within a short period, domestic manufacturers continued to perform the vertical integration of the main process by setting up departments of metal stamping, plastic injection and plating or investing in professional plants to shorten the transportation and inspection time between professional plants.

The PC model change trend is still ongoing. Apple launched its new iPhone and iPad products. The IoT, cloud computing and relative intelligent application industries rise abruptly. All the events contribute to the need for all kinds of connectors. Besides, the manufactures continue to put efforts in the non 3C application markets. Moreover, we are hoping this would bring us the continuous growth of production value. In addition to being widely used in the cable television system, radio frequency transmission is used in other wired or wireless transmission field. The details of its application field distribution is in the figure below.



Application area distribution of the RF connectors



Source of information: Bishop & Associates, Inc.

From the figure above, we can learn that one of the main application areas for RF connectors is the telecommunication. With the rapid development of science and technology, the frequency of communication network upgrades in countries around the world is getting faster and faster. Taking Taiwan for example, in July 2020, it officially entered the 5G era. In half a year, the scale of more than one million users has been achieved and the 5G network speed ranks fourth among the 12 countries. Looking forward to the new year, the five major telecommunications companies will continue to grow 5G users and accelerate the construction of base stations.

With the promotion of emerging applications such as 5G, AI, high-performance computing and the Internet of Things, and the international competitive advantages of Taiwan's leading semiconductor manufacturers in high-end manufacturing processes, it is expected that the production and sales of the information electronics industry will maintain a stable growth. According to the forecast of IEKCQM, the information electronics industry will reach NT\$8.00 trillion in 2021 and the growth rate will be 3.55%.

With the advent of the 5G era, the demand for high-frequency signal transmission will drive the high-frequency connector industry to achieve overall technological upgrading and value enhancement. According to the forecast of QYresearch, the global high-frequency coaxial connector market (full application range) will increase from US\$7.874 billion in 2017 to US\$10.67 billion in 2022, with a compound annual growth rate of 6.26%.

The following is the market trend description of the RF connector end application relative to EZconn:

(1) Cable television market

RF connector are used on cable televisions in the North America market.

Since each cable television Multiple system operator (MSO) uses a different connector, end customers have to change all RF connectors when they use products from different system operators. Besides, human resource costs in the area are higher; thus, system operators usually will change all connectors in a house during establishment or repair. The transmission amount from a local family is not high, so most system operators lay coaxial cables to save the costs. All the factors above contribute to a stable demand of RF connectors from the system operators in the North America every year.

For long distance cabling, fiber optics has more advantages compared with coaxial cables. Usually, lots of information is gathered together for long distance transmission, resulting in a large transmission amount. Signals fade away with distance becomes longer, and fiber optics adoption allows higher transmission amount and decreasing signal decay. Yet for short distance transmission, cable extension or shifting is often needed; thus, coaxial cables have more advantages compared with fiber optics due to the price. Coaxial cables are thus laid in most applications. The main stream in the cable television and network around the world is to adopt the Hybrid Fiber and Coaxial (HFC). It combines the advantages of fiber optics and coaxial cables, use fiber optics as the backbone to provide high speed connection to fiber nodes. The optical receiver then turns the optical signal into TV signal and coaxial cables will send the signal to the users' ends. Recently, most countries have been actively laying fiber optics. The use of RF connectors grow stably with its complement to the fiber optics.

## (2) Cable broadband market/communication application

Cable broadband service is mainly provided by cable television system operators. Countries in the emerging markets mainly use fiber optics for network establishment, resulting in the abrupt rise of optical communication. While in the developed countries in the North America, the structure of the network foundation is cable broadband. Therefore, the need for RF connectors is still stable. Wireless transmission and fiber optics transmission both use connectors connected to the antennas of the data modems or mobile networking devices of the client. The connector is a kind of RF connectors. The RF connector field can thus grow for its complement to optical communication field. The trend of optical communication and wireless transmission will not decrease the need of RF connectors.

### Optical communication products

Currently, optical communication adopts optical fibers for data transmission. The transmission is a kind of cable transmission. Optical fiber is usually known as "fiber optics". It takes the idea of total reflection to transmit light through the fiber made from glasses or plastics. The transmitter on one end of the fiber optics is usually a LED or a beam of laser that pulse transits the light to the fiber optics. The

receiver on the other end of the fiber optics adopts the photosensitive element to detect the impulse. By turning on and off the signal flashlight, a series of flashing light image is produced, and it is called the “optical signal”. The light can form shorter impulses, giving it the ability to form the image with higher density and more information. By combining the image units, “stacks” can be formed and a large volume of information can be contained in one fiber for transmission. Fiber optics has the advantages of high speed and capacity, long transmission distance and lower signal disturbance. Fiber optics is also light; therefore, optical communication has always been the communication technology with great development. Many telecom companies adopt a large amount of optical communication devices as the backbones for network transmission.

Advantage and Disadvantage of Optical Communication

| Advantage  | Disadvantage  |
|--|---|
| <ol style="list-style-type: none"> <li>1. Great communication capacity. The bandwidth can reach above 1~2GHz and will not be disturbed by electromagnetic wave.</li> <li>2. It communicates to a long distance and this can help lower the costs.</li> <li>3. It is light and small, which will save the space.</li> <li>4. It can be highly secured, allowing it to be used in the military field.</li> </ol> | <ol style="list-style-type: none"> <li>1. The cost of its components is higher.</li> <li>2. Fiber optics is more fragile and easier to get damage.</li> <li>3. Higher construction cost.</li> <li>4. It requires finer cutting and connecting technology</li> </ol> |

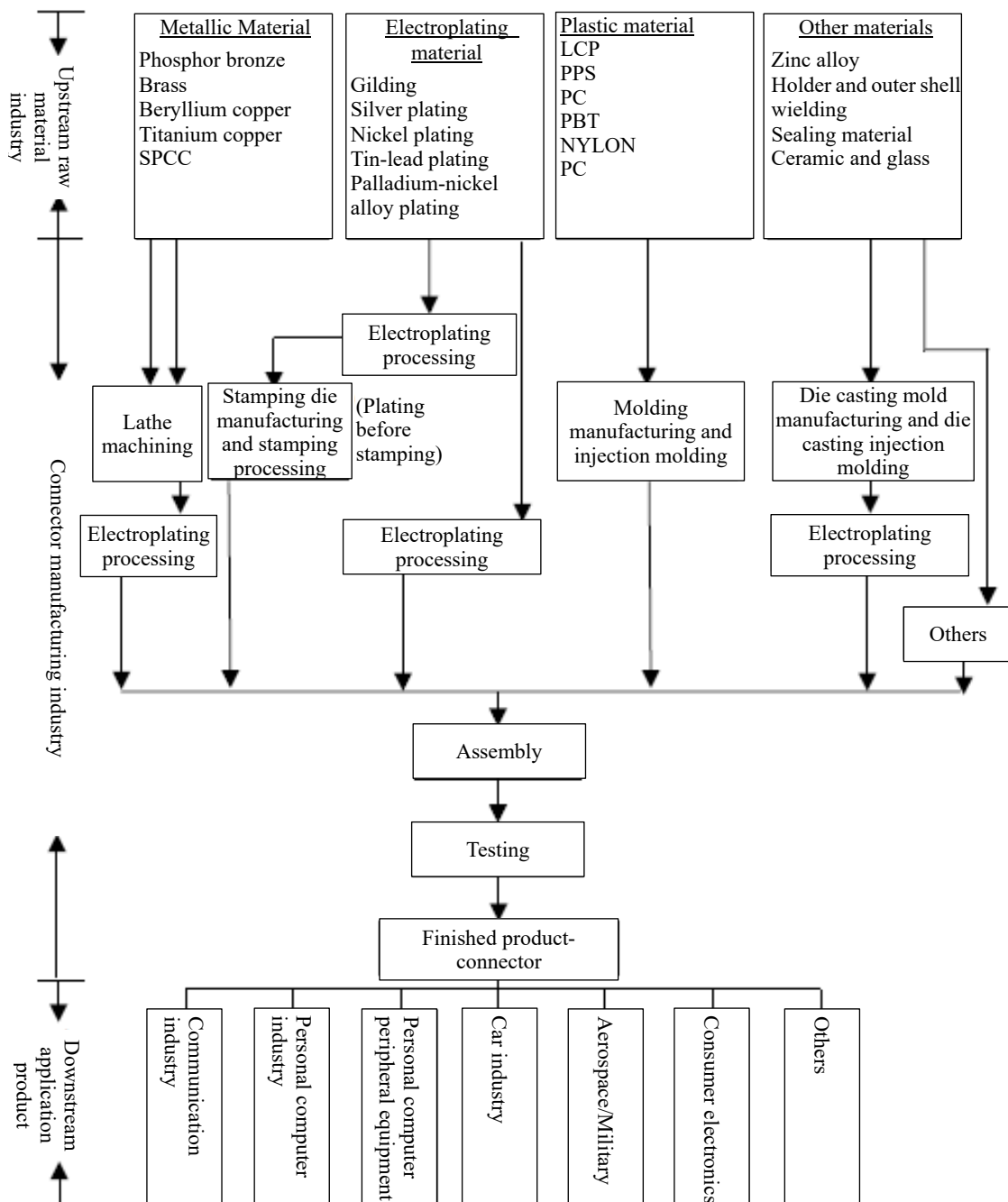
Source of information: Taiwan Institute of Economic Research

Generally, optical communication products can be divided into the following categories: Raw materials (fiber optics and optical cable), components (photoelectric active component and passive component) and optical communication devices. The increasing demand from the end market contributes to the stable growth of the optical communication industry. The opening of Facebook to the public in September 2006, represented a gradual change in the users’ habits on the Internet. The users have gradually transformed into information senders instead of just information receivers in the beginning. More and more social network platforms such as YouTube, Twitter and Weibo focus on the interactions between users. In addition, with the rise of online games, Internet users started to have higher demand on the transmission amount and speed. The first iPhone started its sale in June 2007, and this sped up the popularity of smart phones, tablets, smart TV and other intelligent devices. It deepened the customers’ dependency on the Internet as well. Customers started to have more and more demand on the Internet bandwidth. The recent rise of cloud computing, the establishment of data center and the concept of the IoT are still the trends. Companies and customers’ needs toward big data transmission and storage have increased greatly. They foster the USA, Japan, China and other countries to actively establish fiber optics network infrastructures to cope with the increasing demand for big data transmission like media video transmission.

2. The relation between the upstream, midstream and downstream companies in the industry

### RF connectors

EZconn Corporation is a manufacturer that manufactures professional connectors. The raw materials needed are bronze and plastics and they come from the upstream companies in the cooper industry and plastic industry. Our end products are widely used in the electronics industry, communication industry, consumer electronics industry and transportation industry. We listed the relation between the upstream, midstream and downstream companies in the figure below:

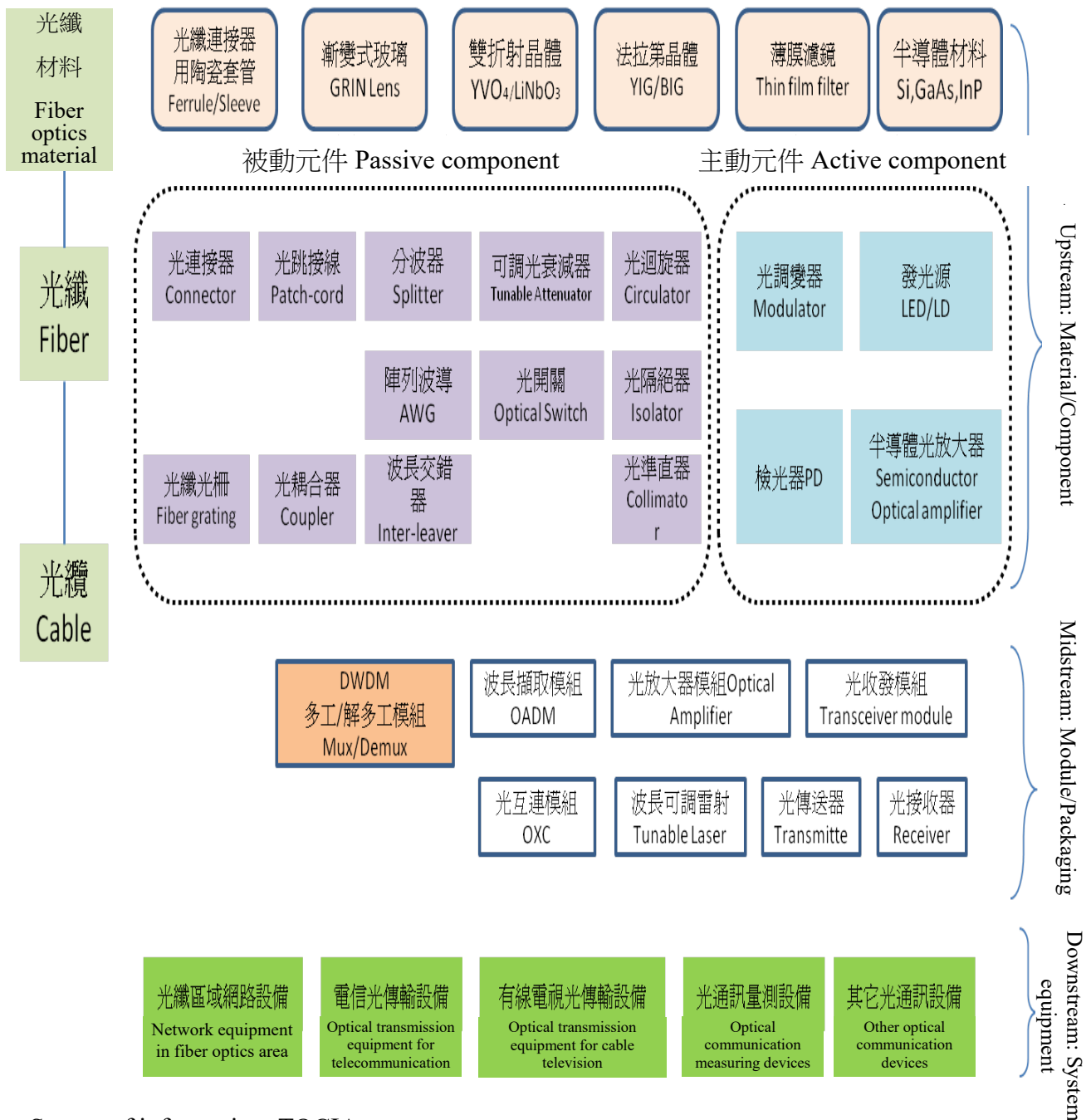


Source of information: IT IS program of the Industrial Technology Research Institute

The upstream raw material companies of the connector industry are suppliers of metals, plating plastics and other materials. The midstream companies are companies that design, assemble and manufacture connectors. The downstream companies are suppliers of all kinds of electronics. For the upstream raw materials, metal, plating and plastic materials are mainly used. Metal material is used for its mechanical strength, great conductivity and heat tolerance. Domestic connector manufacturers adopt the cooper alloy lead frames mainly made from brass and phosphor bronze. Although the international laws have no definite regulations for the “green product”, presenting the certificate stating the product does not use any forbidden material has become a trend. When unreliable materials are used in the products, customers might return the connectors. It will cause the distrust between the customers and the connector manufacturers as well. The downstream customers are trying to eliminate the connector suppliers they cooperate with. It is highly possible a supplier will be replaced. The trust we and long-term cooperation we have with the upstream suppliers are the best protection we have for the fine raw material supply. They also stand for the credibility of the certificate proving no forbidden materials are used. As for the downstream application industry in Taiwan, industry of computer and its peripheral products is the main industry that adopts connectors. Our RF connectors mainly are used in the system establishment of cable TV and the infrastructure of cable broadband.

## Optical communication products

Fiber optics transmission equipment can be divided into 3 main categories: Raw materials (fiber optics and optical fiber), photoelectric active components and passive components. Photoelectric active components are the photoelectric components that need electricity for optical to electrical signal conversion or electrical to optical signal conversion and optical signal amplifying. Photoelectric passive components are the components responsible for optical signal transmission and modulation and are not related to photoelectric power conversion. The relation between the upstream, midstream and downstream companies in the industry is listed down below:



Source of information: TOCIA

### 3. Product development trend

#### RF connectors

With the development of electronic industry and technology, the RF connector type has become more and more diverse. Besides, people are pursuing the electronics to have higher speed, to become miniaturized and even to save more energy when using them. Some of the demand for the performance of the connectors is higher than it ever was and this leads to the development difficulty nowadays. Yet it is the key for manufacturers to survive in the industry as well. Each connector manufacturer has its own expertise, but it is still very important to know the general development trend of the connectors.

Connectors are widely used in the industries of car, computer and its peripheral products, communication and data application, military and aerospace, transportation, consumer electronics, healthcare, instrument, and business equipment. After our analysis, the industries that grow the most are car application, communication device and consumer electronic industries. Other industries such as the computer industry or the instrument market are almost saturated. Unless other novel application turns up, or the 3 industries growing the most should be the focus of the connector manufacturers.

The development trend of connectors is based on the trend of consumer products - higher speed, miniaturized and against harsh environment. If we observe the automobile, communication device and consumer electronic industries, we can see that they need more and more smaller components of higher speed and anti-interference functionality (including the interference resulted from high-speed transmission and the external physical and chemical damage or wear from the harsh environment to the connectors). Therefore, adopting new materials or technology to satisfy the need or resist the damage becomes the development trend for the connector manufacturers to work on.

As for making the connectors miniaturized, the trend for the main information or consumer electronic connector includes shortening the component clearance and reducing the connector itself. The former has always been the development trend in the connector industry. For example, shortening the component clearance from 0.5mm to 0.4mm or even to 0.3mm. Lowering the profile by adopting FPC or the board to board technology. Each connector manufacturer adopts its own technology to reduce the size of connectors but some variables are often ignored. For example, many consumer electronic devices require multiple connectors to meet the function of the devices. Improvement can be made in the design. Connectors used on the phones contain ground clamps, antenna, speaker and a vibrator. If too many different types of connectors are used, unbalanced elasticity, non-standard, or loose contact resistance might happen. Besides, quality inspection needs to be performed on

multiple components. If the single contact connector design that can be utilized in all functions is adopted, reliability can be improved significantly, and the cost can be reduced as much as possible.

Carefully choosing the material and the material quality can achieve smaller design with less effort and obtain more benefits. Using the design to strengthen the connectors, such as the copper-beryllium alloy is often used as the material for the contacts of the connectors for it bears memory capacity and is highly conductive. Same material with a different thickness and beam column length will present different parameter changes.

Besides the adopted materials, complying with the International Protection Marking, IP66, IP67 and IP69, so that the connectors are water-proof and impact-resisting or have the sealing that can tolerate water pressure, and the UL certification are indispensable for the reliability of the connectors. To provide higher reliability for the cell phone circuit, force fit the contact in the module of the injected glass and use ceramic composites to seal the contact.

The main process of connectors in Taiwan is highly integrated. In addition, with our mature technology of computer connectors, international companies have considerable trust on our products. Benefited from the international low price trend of the electronics, huge international companies have been releasing orders to domestic manufacturers. Yet there are still potential risks regarding the cooperation between the domestic connector manufacturers and the upstream suppliers.

If we analyze the domestic connector industry structure, we can see the domestic connector industry lacks for material supply from upstream. High-end material is mostly imported from international suppliers, leading to insufficient bargain room and the pressure on cost for domestic connector manufacturers. We should also pay attention to the international requirement for “green products”. Without considering the foreign materials existing in the recycled materials, connectors usually only contain “lead” as a raw material. However, to comply with lead free plating requirement, the trend now is to adopt tin cooper or plate thin nickel before tin is plated. Japan controls the tin/cooper plating technology and plating thin nickel before tin will lead to higher cost. High-end plastic materials of reflow are controlled by international companies. The “green product” trend will definitely affect our low price strategy. As a result, strengthening the domestic upstream material supply becomes very important for the development of the domestic connector industry in the future.



#### Technology trend for the domestic RF coaxial connectors

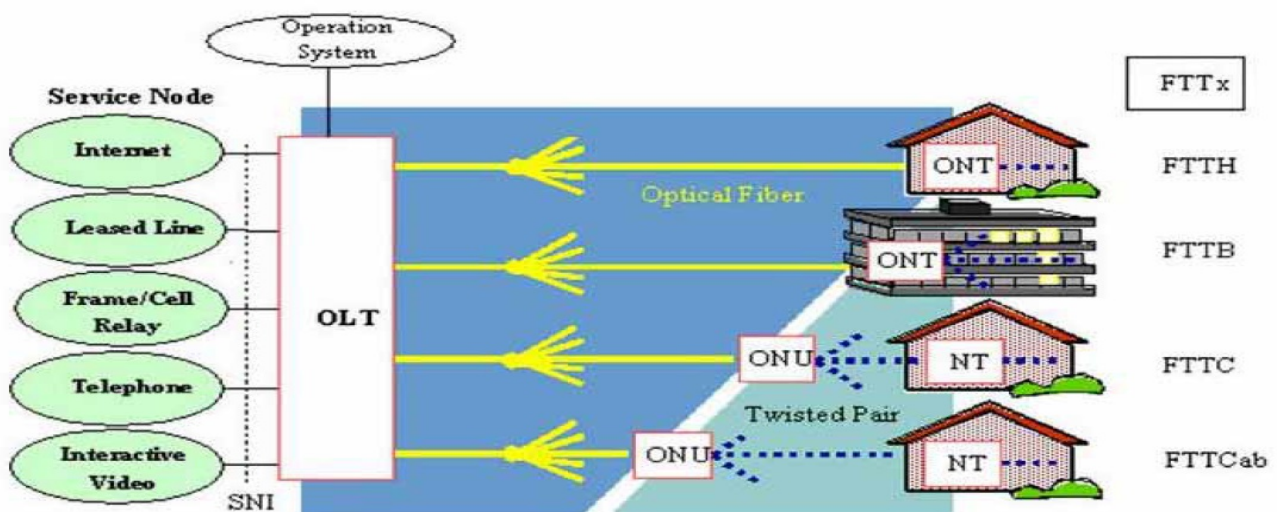
| Technology Trend | Description  |
|------------------|--|
| Multifunctional  | It connects the signal and process filter, mixing, attenuation and phase modulation. |
| Highly stable    | SMT, press-in mounting   |
| Miniaturized     | Stamping only once. The connector height is only 2-3 mm.                             |
| Modularization   | Available for close packing, blind mating and surface mounting                       |
| Affordable       | Adopting composite material and affordable structure                                 |

Source of information: Industrial Technology Research Institute (IEK)

#### Optical communication products

The digital era has led to the strong demand for network bandwidth around the globe. The diverse development of media application, including network TV, VoIP, P2P movie and music downloading, will result in the network bandwidth upgrade globally. IBTS states that since the current bandwidth is not enough to satisfy the huge data demand, the need of media application from the users now will trigger the bandwidth upgrade. The choice with the most attention is the FTTH network service. IBTS also states that with customers' potential need for bandwidth upgrade, telecom companies will be more active to lay fiber optics and establish relative triple play application services. For the network communication device companies and optical communication component companies around the globe, this is their best chance to expand business opportunity and improve operational profits.

#### FTTx Diagram



Source of information: Emerson.com

To satisfy the strong need, the Company has developed several kinds of bi-directional or triplexer optical sub-assembly designs for the FTTx application. The designs include RFOG BOSA, SC/APC Receptacle BOSA, Compact BOSA (1/2 size of current BOSA), BOSA with OTDR and OLT BOSA which doesn't need isolators for the central office. Moreover, to cope with the increasingly growing need in the future 1 to 2 years, we developed 10G GPON BOSA. And multi-fibers armored optical fiber patch-cord (MPO/MTP) is developed for the bandwidth demand of data center.

#### 4. Market Competitive Landscape

##### RF connectors

The development direction for the connector companies was well-separated in the early days. However, under the trend of "Market Globalization" and "Product Maturity Stage", companies started to compete with each other in the overlapping fields. Although Japanese companies occupy almost the entire high-end market, the FPC and the Board to Board technology for connectors has reached the limit. They are now forced to satisfy the customers' need in the low-to-mid-end market. American companies have started the price war due to the low price trend of electronics as well, threatening the place of Taiwanese companies in their main market.

In order to survive, Taiwanese companies stepped out the computer application market with little profit and started to develop network communication products, consumer products and other mid-to-high-end products, gradually orienting to total solution services. Regardless of Taiwanese connector companies' place in the global computer connector market, the mid-to-high end product yield rate of the companies still needs to be improved. The supply of high-end FPC and Board to Board connectors still relies on production in Japan and the USA. Most Taiwanese companies still cannot provide effective total solution services.

While the technology of Taiwanese companies has improved in recent years. They will quickly gain the market share of the market dominated by the USA now. Since companies have started to compete with each other in the overlapping fields, mass-production ability, yield rate control ability, capacity for providing products on-site around the world and total solution services will all be the factors deciding whether a company stands.

Competitive landscape the domestic RF connector industry faces:

- (1) Inadequate capacity and a scale that's too small.

- (2) Obsolete idea for market competitive landscape leads to manufactures selling products at a price lower than the cost. Other unfair competition events have occurred too.
- (3) Poor globalization consciousness. Unable to satisfy the need for the new economic era.
- (4) Less developed digital and electronic commerce management.
- (5) Lack of professions related to RF connectors in the college and university, causing the lack of professionals.
- (6) The emergence of new competitors and local production.
- (7) Less developed technology for precision connector and SMT connector.

To meet the market need, EZconn adopts low cadmium and lead materials on our products to comply with the RoHS and REACH requirements. Besides, we purchased professional detecting instruments (detecting instrument for hazardous substances) to perform control starting from the raw material stage. Relative products have gained value from the customers. The Company successfully developed the materials complied with the EU requirement (RoHS) and imported them into relative processes. In addition, we perform production control in the whole plant and ensure to use eco-friendly materials. We thus gained the trust of global renowned companies.

The development trend for the end application of our products is moving toward miniaturization. To follow the trend, EZconn has been sparing no efforts on creating the difference from other companies in the field and improve our competitive edge. We strengthen the R&D of the market and the certificates to make sure we are in the leading position in the industry.

#### Optical communication products

The key component technology is still controlled in the hands of large Japanese manufacturers; therefore, the vertical technology integration with the upstream optoelectronic companies is not complete yet. With our core technology that has been developed for years and the fine processing capacity, the quality of the optical transceiver sub-assemblies and fiber optic passive components we produce has great reputation and word-of-mouth publicity. We have gained the trust of large Japanese companies and have long-term cooperation with them. We not only produce products of our own brand, but also try to get business from several ODM/OEM companies and build agency business of relevant equipment. By adopting flexible diversification strategy to operate the business, we are hoping to improve our overall competitiveness. The Company is currently deploying the data center market and cooperating with international manufacturers to develop related computer room data storage equipment. Recently, the company has completed product certification and

received orders, which has improved its competitiveness to a certain extent.

(III) Technology and research development status

1. The R&D expenses in the recent years

Units: NTD thousands; %

| Year                               | 2016      | 2017      | 2018      | 2019      | 2020      |
|------------------------------------|-----------|-----------|-----------|-----------|-----------|
| R&D Expenses (A)                   | 107,369   | 123,606   | 122,297   | 125,938   | 113,189   |
| Net Operating Revenues<br>(B)      | 4,350,570 | 2,899,950 | 2,805,106 | 2,424,158 | 2,413,548 |
| R&D Expenses<br>Percentage (A)/(B) | 2%        | 4%        | 4%        | 5%        | 5%        |

2. Successfully developed technology or product

(1) Successfully developed technology or product

The products manufactured by the Company and its subsidiaries can be divided into 2 categories, RF connectors and optical communication products. R&D of the 2 categories has different outcomes and benefits with different product characteristics and customers' needs. 2020 main R&D outcomes of different products are listed down below:

| Category                       | R&D Outcome   |
|--------------------------------|---|
| RF connectors                  | New RF isolator   |
|                                | New RF press-in RF connector series                                     |
|                                | New connector for high frequency amplifier with specific specifications |
|                                | New high frequency transmission line series                             |
|                                | New high power splitter for 5G transmission base units                  |
|                                | New RF connector for 5G communication antenna                           |
|                                | New RFOF transceiver module   |
|                                | New 75OHM SEMI-RIGID high frequency patch-cord                          |
|                                | New filter that can separate low frequency voice                        |
| Optical communication products | XGS-PON/G-PON combo OLT QOSA  |
|                                | XGS-PON/G-PON combo ONU QOSA  |
|                                | XGS PON Tridi-OSA/Triplexer   |
|                                | 5G application related optical modules                                  |
|                                | 1.25G~10Gbps Optical Bypass Module                                      |

| Category | R&D Outcome                       |
|----------|-----------------------------------|
|          | Dual Mode Transceiver             |
|          | Smart Optical Adaptor             |
|          | 288F Datacenter Optical Fiber Box |

(2) R&D patent

R&D patents of the Company and the subsidiaries: (information by March 31, 2021)

| Category                       | Patent Amount | Country Issuing the Patent |       |       |                   |         |    |
|--------------------------------|---------------|----------------------------|-------|-------|-------------------|---------|----|
|                                |               | Taiwan                     | China | Japan | The United States | Germany | EU |
| Issued                         |               |                            |       |       |                   |         |    |
| RF connectors                  | 93            | 21                         | 16    | 7     | 48                | —       | 1  |
| Optical communication products | 72            | 24                         | 23    | 3     | 22                | —       | —  |
| Total                          | 165           | 45                         | 39    | 10    | 70                | —       | 1  |
| Applying                       |               |                            |       |       |                   |         |    |
| RF connectors                  | 8             | 2                          | —     | —     | 6                 | —       | —  |
| Optical communication products | 16            | 2                          | 3     | —     | 9                 | 1       | 1  |
| Total                          | 24            | 4                          | 3     | —     | 15                | 1       | 1  |

| Category                       | Purpose of Use   |
|--------------------------------|--|
| RF connectors                  | New coaxial connector used on CATV   |
|                                | New shaftless coaxial connector used on CATV   |
|                                | Other use  |
| Optical communication products | The design that can reduce optical power loss when optical transmission sub-assembly is transmitting   |
|                                | 10Gbps lighting unit is assembled using the coaxial structure  |
|                                | Application that can change the path of light during optical transmission  |
|                                | Improve the connector of the fiber optics to make the structure simpler and reduce the cost  |
|                                | Shrinking the size of the optical transmission module to increase the module density in the facilities   |
|                                | Using Si substrate to manufacture a micro module that can split wave to realize BOSA packaging by single TO  |
|                                | Adding new function to make it easier for the OTDR (time domain reflectometry) to examine whether the transmission and the connection are normal           |
|                                | Miniaturized and dense LAN-WDM or CWDM Mux/Demux assemble design integrated by TOSA/ROSA   |
|                                | Optical fiber junction box that can be used in the high speed and density environment. Improve the installation of the high density fiber optics connector |
|                                | Other use  |

(3) Collaboration plan

The Company has technology collaboration plan with several companies like Furukawa and Whitaker. However, the collaborated technology adopted on the products only takes up a small amount of operating revenue percentage and the royalty amount is low. The core technology of the Company and the subsidiaries comes from the manufacturing experience in the years. It is developed by ourselves or with clients in the collaborated project. Therefore, it is not necessary to pay the remuneration or royalty. With the collaboration plan mentioned above, EZconn can have a good knowledge of the latest technology trend in the field and improve our competitiveness.

The Company signed industry-university cooperation and technical cooperation with Chang Gung University and National Taiwan University to co-develop the miniaturized sub-module of OCT. Because the Company is based on optical communication products, through this cooperation, the Company's miniaturized optical and mechanical core technology and high-quality stable mass production capabilities can be extended to different industries, which offers an opportunity for the Group to step into new areas.

(IV) Long-term and short-term business development plans

1. Short-term development plan

RF connectors

(1) Marketing strategy

- A. We stabilize the basis of existing customers and developing new customers in the targeted industry to expand the market share.
- B. We base our foundation in Taiwan, establish the marketing center in Taiwan and manufacturing sites overseas, and keep up our competitiveness with mass production and the advantage of costs to ensure the continuous growth of business.
- C. A strategic alliance for marketing or partnerships with main customers is established to promote our core products and plan marketing project management based on the customer-oriented idea. We grasp the market trends to respond to the customer demand for diversified and timely products.
- D. The Company is dedicated to providing the complete service before and after the sale for customers with our series products and overseas business locations. This will help us gain more orders that are international and increase our market share.
- E. We pro-actively promote standardized products and increase the commonality of each product to provide convenient designs that meets the

cost benefit for customers.

- F. By following the business operating goal, we search for new products and make efforts to develop different product markets to increase sales and profits.
- G. Reinforcing human resource cultivation and performance assessment.

(2) Production strategy

- A. Mass and flexible production capacity.
- B. Ensuring the product quality and promoting the service satisfaction of the customers.
- C. Improving the production efficiency in the production base in China. Reaching scale economies and forming a low-cost production system with vertical integration.
- D. Improving efficiency and product yield rate. Following the forecast from the customer's end to schedule the manufacturing for orders. This will help decrease the loss due to inactivity and increase productivity effect.
- E. After specification of products in each plant, logistics will take over to increase productivity and reduce cost.
- F. Production management means manufacturing based on plans and orders to control mode and increase production efficiency.

(3) Product strategy

- A. Increase R&D capacities and capacity of FILTER product.
- B. Improve the R&D, production verification and promotion of photoelectric integrated products.
- C. Collaborating with international companies on product development and design, launching niche products that meet the market needs rapidly.
- D. Forecasting hot products in the future market and develop them first.

(4) Finance strategy

- A. Continuing to implement the information integration for the Group. Effectively utilizing domestic and overseas plant resources.
- B. Helping subsidiaries overseas build a fine financial relationship with local banks to increase the flexibility of capital movement.
- C. Establishing close cooperation and mutually beneficial relationship with the financial institutions with which we collaborate. Grasping the financial market trends to improve the financial utilization performance.
- D. Adopting pay-as-you-go strategy to perform natural hedging and use financial products appropriately to avoid exchange risks.
- E. Strengthening the Company's financial management and risk management.

## Optical communication products

### (1) Marketing strategy

- A. Continuing to expand the growing GPON market in Europe and America to satisfy the market needs and stabilize the market share.
- B. Actively obtaining the opportunity to supply the 10G PON of the next generation to the main customers.
- C. Continuing the close cooperation with the equipment suppliers to develop customized products with additional value, and increasing product profits to create a win-win situation.
- D. Cooperating with certain customers to provide 10G, 25G OSA or OEM/ODM services for modules.
- E. Importing the QSFP products that the data center needs and multi-fibers armored patch-cord (MPO/MTP) to satisfy its bandwidth need.
- F. Cooperating with clients closely to develop highly customized products so that we can stand out among other competitors.

### (2) Production and purchase strategies

With the rapid growth of the communication network service demand in China, the demand for fiber optics communication parts and components will rise in the future. The trend will lead to the increase of production and the rapid decline of the price. The Company will be more active on stabilizing material acquisition and quality management, improving cost control and production efficiency. We will speed up the import of automatic machines to decrease the human resource cost.

The Company's short-term purchase strategy is based on the demand of current customers, the price and the internal inventory amount that can be managed effectively. To achieve the goal, the Company will form a reliable partnership with key component suppliers.

### (3) Research strategy

The focus of the Company's short-term development strategy: Designing customized optical sub-assembly to meet the requirements of the customers in the development cost and time of optical sub-assembly components. By improving and standardizing product design and process technology, we can decrease the cost of use for our customers.

The Company will jointly develop key optical components and sub-modules needed by different academic research units and product design companies, and assist them in completing mass production requirements, so as to expand its business to products outside the optical communications area.



## 2. Long-term development plan

### RF connectors

#### (1) Marketing strategy

- A. Vertical integration in the Group.
- B. Stabilizing customer relationship.
- C. Integrating core products with the strategic partners and expand the product line to gain business opportunity.
- D. Establishing the professional image for the Company to build brand authority.
- E. With the advantage of having complete product series, we integrate the channel systems between the Company and customers, establish brand marketing strategies and improve brand awareness.
- F. Complying with the international trend and the customer's demand, we promote the EICC (Electronic Industry Code of Conduct). Improving the employees' rights and welfare to catch up with the international trend. These will not only strengthen the Company's image around the globe, but also satisfy the requirements of our international customers.

#### (2) Production strategy

- A. Automatic production and process improvement will decrease the cost and increase our competitiveness.
- B. Strengthening the supply chain.
- C. Investing the production device and testing equipment with high accuracy to ensure the quality.
- D. Effectively integrating the suppliers to establish complete and efficient SCM (Supplier Channel Management), helping increase production value and reduce the cost.
- E. In addition to the role of a producer, the production base in China must support the development of the market to expand the market in China.

#### (3) Product strategy

- A. Develop products in the new field.
- B. Expanding the usage field and product specification of our current core products and continuing to develop the products with high additional value to meet the demand of the market in the future.
- C. Cooperating with international companies with the idea of Time to Market and Time to Volume and developing new products simultaneously.
- D. Developing RF and high speed transmission connectors.

- E. Developing connectors for cellphones and radio communication.
  - F. Searching for technological cooperation partners to develop connectors for optical communication.
- (4) Finance strategy
- A. Stay friendly with financial institutions to well manage the capital needs and make plans for mid-long term funding according to the needs of capital transfer and domestic market exploration. Raising long-term capital at a lower cost from the capital market to increase the working capital and complete the financial structure.
  - B. Considering the operation scale, business performance growth and capacity expansion, the Company should not only support the financial plan with own funds and the loans from banks, but also make use of the wealth management tools on the capital market. We will rise capitals from the capital market when it's appropriate and strengthen the Company's financial structure in the hope to ensure sustainable operation and long-term growth of the Company.

#### Optical communication products

- (1) Marketing strategy
- A. Actively integrating the upstream product line to control key components. This will not only help lower the cost of the current GPON product and control the market share, but also benefit the development of the product next generation, "Chip On Board."
  - B. Actively involving with device suppliers to work on strategy alliance. Improving the customer service level from "sub-assembly component" to "system module".
  - C. Speeding up the product line deployment on the 10G and 25G optical transceiver module end and the client end to get ready for the situation when the 2.5G market is saturated.
  - D. Cooperating with telecom companies to enter their supply chain and connect with the product line of EZconn.
  - E. Establishing the complete marketing channels and separating customer source through exhibitions.

(2) Production and purchase strategies

The demand for fiber optics communication components production capacities is increasing, the product price is decreasing rapidly and customized product trend is rising. All of these factors will lead the Company to the severe

challenge of key material acquisition costs, inventory management and production efficiency. The Company's strategies are:

- A. In the respect of manufacturing and production, the Company will continue striving for a balance between internal production and OEM service to create most profits for the Company.
- B. As for the purchase strategy, the Company will effectively manage the supply chain and the internal need of the supplier. We will continue the long-term and stable supply contract with the suppliers of key components, making them reliable partners to reduce the risk of material acquisition and inventory.

(3) Research strategy

- A. Vertical technology integration. Expanding from optical sub-module design to chip packaging and high-speed module design.
- B. Collaborating with domestic/international customers and research institutions to develop new products together and improve our product technology.
- C. Planning the optical communication products development related to data center, 5G communication and the need of IoT.
- D. Integrating the customer's demand and the manufacturing technology of the critical part suppliers and working with them to shorten the R&D time and reduce the cost at the R&D phase of new products.
- E. Developing non-optical communication application products based on the core optical communication technology.

## II. Market and production and sales

### (I) Market analysis

#### 1. Revenue percentage analysis in sales area

Unit: NTD thousands

| Area                | 2019      |      | 2020      |      |
|---------------------|-----------|------|-----------|------|
|                     | Amount    | %    | Amount    | %    |
| Domestic sales      | 242,384   | 10%  | 196,058   | 8%   |
| International sales | 2,181,774 | 90%  | 2,217,490 | 92%  |
| Total               | 2,424,158 | 100% | 2,413,548 | 100% |

#### 2. Market share

The net revenue of the Company and subsidiaries' RF connector in 2020 was NTD\$1,261,794,000 (USD\$42,702,000) based on the information from Bishop & Associates, Inc. The global RF connector market earned USD\$2.8 billion in 2017. Bishop & Associates, Inc. predicted the market would grow by 5.6% annually from 2016 to 2021. The global market share of the Company and subsidiaries' RF connectors was about 1.30%. The net revenue of the Company and subsidiaries' optical communication products in 2020 was NTD\$1,151,754,000 thousand (USD\$38,978,000). According to the information from OVUM, the global market of optical communication access and datacom components earned USD\$8.23 million in 2020. The global market share of the Company and subsidiaries' optical communication products was about 0.83% that year. The bread-earning product PON ONU (BOSA and transceiver) earned USD\$7.16 million from the global market and the market share of the Company and subsidiaries was 4.7%.

#### 3. Market supply and demand status and growth in the future

##### RF connectors

One of the main application fields for RF connectors is the telecommunication field. With the rapid growth of technology, the communication network upgrade around the globe becomes more and more frequent. Taking Taiwan for example, in July 2020, it officially entered the 5G era. In half a year, the scale of more than one million users has been achieved and the 5G network speed ranks fourth among the 12 countries. Looking forward to the new year, the five major telecommunications companies will continue to grow 5G users, and accelerate the construction of base stations.

With the promotion of emerging applications such as 5G, AI, high-performance computing and the Internet of Things, and the international competitive advantages of Taiwan's leading semiconductor manufacturers in high-end manufacturing processes, it is expected that the production and sales of the information electronics industry will maintain a stable growth. According to the

forecast of IEKCQM, the information electronics industry will reach NT\$8.00 trillion in 2021 and the growth rate will be 3.55%.

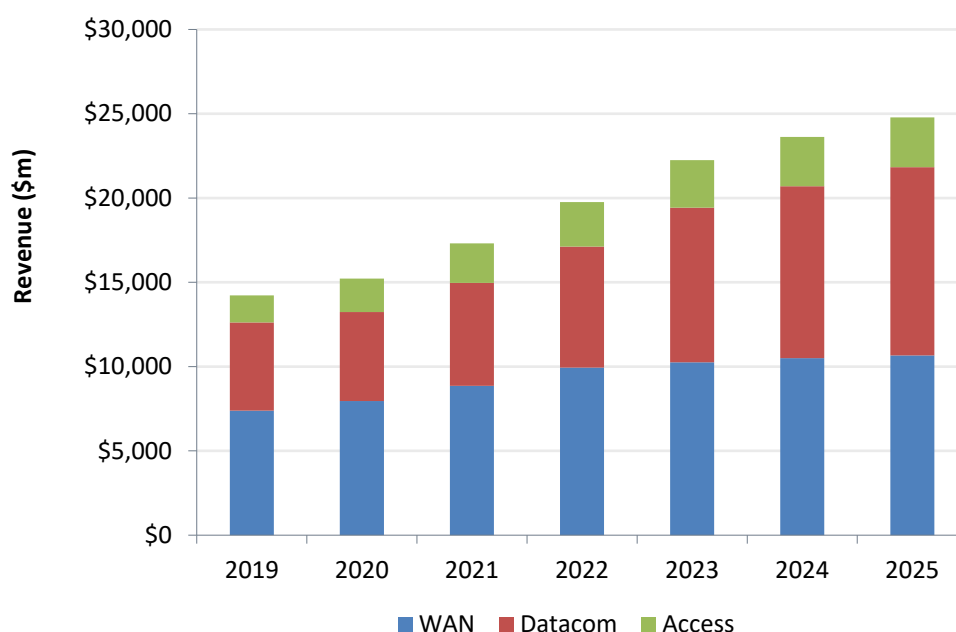
With the advent of the 5G era, the demand for high-frequency signal transmission will drive the high-frequency connector industry to achieve overall technological upgrading and value enhancement. According to the forecast of QYresearch, the global high-frequency coaxial connector market (full application range) will increase from US\$7.874 billion in 2017 to US\$10.67 billion in 2022 at a compound annual growth rate of 6.26%.

### Optical communication products

The benefit the optical communication industry gains from the end market's need is increasing. The recent rise of cloud computing, the establishment of data center and the concept of the IoT are still the trends. Companies and customers' needs toward big data transmission and storage have increased greatly. They drive the USA, Japan, China and other countries to actively establish fiber optics network infrastructures to cope with the increasing demand for big data transmission like media video transmission. As shown in the figure below, optical communication components have benefited from the strong demand in the terminal market and have grown rapidly. Overall, the output value will grow from US\$14,224 million in 2019 to US\$24,787 million 2025 at a compound annual growth rate of 10%.

Unit: USD 1 million

**Total OC by market segment**



Source: Omdia

© 2020 Omdia

#### 4. Competition niches

##### (1) Strong R&D design and production capacity

The R&D teams of the Company and subsidiaries have been devoted to research in the fields of production process design, process simplification and automatic testing for a long time. With the experience in the R&D and mass production for many years, the Company owns outstanding optical, electrical and mechanism designs and many international design patents. We can develop and manufacture customized components according to the customers' needs, and improve the simplified process and the product quality from the design end. We also develop automatic machines, such as the laser optical coupling device and the coaxial connector automatic bounding machine. This not only effectively increases the product production stability, but also controls the material and production cost, making our product price more competitive in the market. By integrating the efficiency of different products, we can schedule the delivery to meet customer's requirements. The production mechanism adopted by the Company and subsidiaries has gained the ISO 9001 and ISO 14001 certificates, and our products has obtained the IECQ QC080000 environmental certificate.

##### (2) Developing products with downstream customers and participating in product specification formulation

The Company and subsidiaries have been working with downstream international companies on collaborated projects for years; thus, comparing with our competitors, we are more likely to be able to provide customized production or the total solution service for our customers. And by working with customers on collaborated development, we will have more chances to be more involved in the development of the industry trend than our competitors. The Multi Source Agreement (MSA) is an agreement established for the communication interface development. It establishes a standard for the components used in the communication system and provides the index value and other specific parameters, and the device suppliers can design systems in accordance with MSA to ensure the interoperability and interchangeability between interfaces and modules. Taking optical communication module as an example, MSA defines the standards for the light and electrical characteristics, external size of the mechanism, transmission and receiving of pin. If an optical transceiver module complies with MSA, it is the product with a certain degree of market recognition. Point to point transmission is an important field in optical communication products. In this application field, the Company and subsidiaries established the MSA of CSFP (compact SFP) with NEC/Fujikura. The MSA provides a solution with the port density twice than a traditional SFP. Therefore, the MSA has been adopted by lots of international companies and its

market scale is growing every year. Following the MSA, the Company and subsidiaries successfully developed a miniaturized optical sub-assembly Compact OSA. We have thus become one of the few module suppliers that can develop optical sub-assemblies independently.

(3) Advanced technologies and products in the industry

A. GPON/XGS-PON ONU Stick

GPON / XGS-PON ONU Stick is an ONU SFP Module with integrated PON MAC (Media Access Control) layer, which can replace GPON / XGS-PON ONU BOX. The stick is small, and hot-swappable, and requires no external power supply. It can be used to quickly upgrade the home gateway of the client to a GPON or XGS-PON network. This module does not require the client to replace the entire home gateway. It can meet the needs of end customers with great flexibility, and reduce operating and maintenance costs. IEEE-1588v2 and SyncE (Synchronous Ethernet) functions can be added to this module and be deployed in LTE / 5G base stations. Compared with other products in the industry, it has the hardware and software development capabilities of the network system layer and customer support capabilities.

B. XGS-PON/G-PON hybrid optical fiber sub-module

10G optical communication technology is developing into the mainstream of the optical network. During this transition period, the XGS-PON / G-PON hybrid optical fiber sub-module is the product of this generation, and it is also an optical device that integrates the two major communication systems of the previous mainstream and the new generation mainstream. This sub-assembly is designed based on optical splitter technology, optical design, and mechanism design. Combined with years of experience in optical coupler, EZconn successfully completed the design of high-yield processes. Originally this combination has always caused the industry to be in a low production yield. At present, EZconn has solved this problem and is ahead of the industry.

5. Favorable and unfavorable factors of development and countermeasures









(1) Favorable factors

A. Countries around the globe actively promote plans to improve information and communication transmission systems

Recently, the global economy is getting better, and the governments, businesses and consumers have increasing needs for big data transmission

and storage. For this, the governments of lots of countries are proposing the policies to upgrade the information and communication transmission systems and structures (details in the figure below). With the government taking the lead, many business opportunities emerge. The opportunities drive telecom companies and cable television companies to strive for a place in the market. To make the transmission system satisfy the goals of transmission including higher speed, larger amount and more stable system, the original transmission system is either eliminated or upgraded and the establishment of new transmission systems is in full swing. These arouse the need for communication transmission facilities, devices and components. The 2 types of products the Company and subsidiaries produce are used in the RF transmission system and fiber optics transmission system. Therefore, both systems can obtain benefits from the trend. Fiber optics networks in most countries are mostly newly established transmission system; thus, they have higher demand for optical communication components and devices.

#### Communication Infrastructure Development Plans in the Countries around the World

|   |  |   |
|---|--|---|
|  | 2015 Gigabit City Challenge in the USA   | Making the Gigabit City the creative center in the USA. Using <u>high speed wideband infrastructure</u> to create opportunities for starting a business and adopting <u>Giqa application</u>                      |
|  | 2015 Fibre-to-the-Premises in the UK   | Let the UK own the best ultra high-speed wideband network among other European countries. The coverage of the <u>ultra high-speed wideband network</u> is 95%, and the coverage of 4G service in the city is 98%. |
|  | Europe 2020 Plan in the EU   | <u>High speed wideband network</u> will speed up economic and society growth, reduce digital divide, enable introduction of ICT in small and medium enterprises, and create digital assets.                       |
|  | 2020 ICT Growth Strategy in Japan  | <u>Creating an industry with new additional value, solving social problems and integrating ICT infrastructure</u> , and making good use of big data to create new additional value                                |
|  | 2015 China's 12th Five-year Plan   | <u>smart city</u> , wideband popularization, <u>tri-networks integration</u> , <u>5G mobile wideband</u> , 3D/SmartTV, 3D/UHD content   |
|  | 2025 Inforcom Media Sector Industry Transformation Maps, ICM ITM, in Singapore | Promoting start-ups/starting businesses in <u>smart cities</u> and ensuring a good life. Promoting <u>heterogeneous networks</u> , public IoT, time exchange platform in the community                            |
|  | 2017 Information Infrastructure Plan in South Korea                            | Korea is hoping to realize national happiness by digital creativity with <u>the foundation of creative economy</u> integrating <u>information/communication technology</u> and <u>creativity</u>                  |
|  | The Digital 21 Strategy in Hong Kong   | With the vision of " <u>Smarter Hong Kong, Smarter Living</u> ", the government promotes the start-up/innovation and R&D bases for the <u>smart life</u> and e-government.  |

Source of information: Government websites of the countries; Organizer: Institute for Information Industry FIND



B. The rise of IoT and smart family

The concept of IoT (Internet of Things) is that all people and things can connect to the Internet through sensor components, information technology and wireless network are all getting more mature. Relative application includes car driving, security monitoring, logistics, medical care, entertainment and energy. The connection range can be small or large, from smart vehicles, smart families, smart buildings to smart cities. Its impact on people's lives is also increasing. Comparing to smart buildings and cities and other larger connection range applications, the development and application of smart family is becoming more common now. With the technology upgrade of the microprocessor, the data amount the smart family devices can process has greatly increased, and the manufacturing cost of smart appliances has dropped considerably as well. These lead to the popularization of smart family. Besides being applied to family entertainment, IoT is applied to automatic chore assistance, safety monitoring and energy management. In addition, the trend of aging society makes the application of smart family to home care of elderly people become more important. It is common for an ordinary family to have TV in the life. With the large screen and connecting cables, TV is like a stepping stone and key item to the development of smart family.

The RF connector produced by the Company and subsidiaries is mainly used in cable TV transmission system. With the development of smart family in the future, we can expect the demand for wireless transmission from each terminal will increase in the aspect of home beautification and having a convenient life.

(2) Unfavorable factors and countermeasures

A. The price in the field is becoming more competitive

With the expansion of market scale, many competitors have emerged. Some of the companies in the field adopt a low price strategy to get more business in order to take up a place in the market. This results in a more competitive market price, and it might further reduces the product profit.

Countermeasures:

Some companies in the field choose to utilize cheaper materials and adopt standard production technology to perform mass production and manufacture products with the same function but poor quality, so that they may become more competitive at a lower price. However, the Company and subsidiaries choose to provide high-quality and customized products and services to distinguish ourselves from the low-end products. This can help us

effectively raise the product price. The Company and subsidiaries have been working with downstream international companies on projects for years. Comparing with our competitors, we are more likely to be able to provide customized products or total solution services for our customers. We can also assist customers and develop business products that can be put into mass production. Besides, we help customers improve their product performance index such as reducing return loss and insertion loss of the coaxial cables. The Company and subsidiaries not only strengthen the competitiveness of product price but also work hard on reducing production cost. With the long experience in the field, extraordinary R&D and production capacity, the Company and subsidiaries can simplify the process from design and maintain the quality of products. We further upgrade the automatic level of the production line by developing automatic machines on our own, such as the automatic laser optical coupling device and the coaxial connector automatic bounding machine.

This way, the human resource cost can be reduced and the process efficiency can increase effectively as well.

B. Risks of concentrated sales of goods

We strive to obtain business orders from the first-rank companies in Europe and America for our RF connectors. The main end users for RF connectors are cable television companies. The development of the industry is mature and the company with more resources will only get bigger. Therefore, we mainly sell our products to large cable television companies in Europe and America, which is a kind of concentrated sale of goods. Our optical communication products are mainly sold to renowned equipment companies in the world. With the product integration in recent years, companies with more resources tend to grow bigger. Downstream optical communication equipment companies usually have stable cooperation with system suppliers and the upstream supplier chain. Unless major event regarding product quality or delivery occurs, they won't change the certificated suppliers easily. In addition, this is the reason the situation of concentrated sales of goods happens. The sales percentages of our products to the top 10 main customers from 2018 to 2020 are 61.40%, 64.96% and 68.88%. The situation of concentrated sales of goods can be observed.

Countermeasures:

(A) RF connectors

We strive to obtain business orders from the first-rank companies in Europe and America for our RF connectors. In addition, our business partners

are mainly large companies in Europe and America. The development of the industry is mature; thus, most companies in the industry are large companies, and this lead to a situation of concentrated sale of goods. With our outstanding module and jig manufacturing ability, we obtain long-term and stable cooperation relationship with customers for our exceptional delivery time and terms. Despite the sales increase and reduction among the end customers, we still manage to decrease the risk of losing business by obtaining business from other customers.

(B) Optical communication products

The Company and subsidiaries spare no efforts to improve our product quality and strengthen the manufacturing capacity. We became the main supplier of HUAWEI and other large companies for our exceptional product quality and service. We have a stable and fine cooperation relationship with HUAWEI and were awarded as an excellent supplier by HUAWEI. To cope with the situation of concentrated sales of goods, we are working hard on vertical integration with equipment suppliers. Besides providing complete product line and service, we actively acquire customers such as communication companies in Europe and America to increase our core customer amount. Meanwhile, we continue the development of new products and technology in order to satisfy demand for quality, cost and delivery from the customer's end. Furthermore, our outstanding technology allows us to meet the customer's special manufacturing need, and this will reduce the risk of concentrated sales of goods.

Overall, for the stable operation of the Company, we endeavor to upgrade our technology and improve the process continuously. We also satisfy the customer's need with flexible manufacturing methods. Besides having a good cooperation relationship with the original customers, we acquire new customers to expand our sales and reduce the risk of concentrated sale of goods by doing so.

C. Risks of concentrated procurement of goods

The main materials for our optical communication products are laser diode (LD), and we mainly purchase it from Koryo Electronics Co., Ltd. We also purchase avalanche photodiode (APD) from it. Koryo is one of our major suppliers in the 3 recent fiscal years. Koryo Electronics is the agent for Mitsubishi Electric and the latter is the main LD supplier in the world. This industry characteristic results in the fact that we concentrate the procurement of LD material from Koryo Electronics Co., Ltd.

Countermeasures:

To make our material supply more diverse, we actively develop other suppliers of LD. Meanwhile, we collaborate with customers to look for substitute material for APD to rule out the risk of insufficient supply and shortage. After our analysis, we should be able to handle the material shortage risk. The proportion of EZconn's 2020 purchases from Koryo Electronics Co., Ltd. has dropped to below 5%.

D. Profits affected by the floating exchange rate

We sell most of our products in dollars. Moreover, we use dollars to make purchase to be our natural hedging method. However, the sales amount is higher than the purchase amount, so the floating exchange rate will still affect profits to a certain degree.

Countermeasures:

To cope with the risk of exchange gains and losses, our Finance Dept. collects international financial information from the market so we can learn about the market capital movement trend and know the measures and attitude of the competent authorities toward exchange rate change. Moreover, we stay in close touch with the banks we work with to learn the exchange rate trend as use the rate as the reference for foreign exchange settlement. The Sales Dept. takes the impact of floating exchange rate on the sales price into consideration when it offers quotation. It will take future exchange rate into account and adjust the product price to ensure the profits. In addition, the Company and subsidiaries conduct purchase with the same currency to obtain natural hedging effect. We will adjust our foreign currency assets and debt positions as appropriate to reduce the risk of exchange rate fluctuation.

(II) Important uses and production processes of our main products

1. Important uses of the main products

RF connectors

The function of connectors is to provide an interface that can be separated to connect the 2 sub-systems within the electric system and transfer signals or electricity successfully. A RF connector is an electromechanical component that connects the wires of electronics. It enables electrical connection or disconnection of cables and it is a kind of mechatronic product with a more complicated failure mechanism.

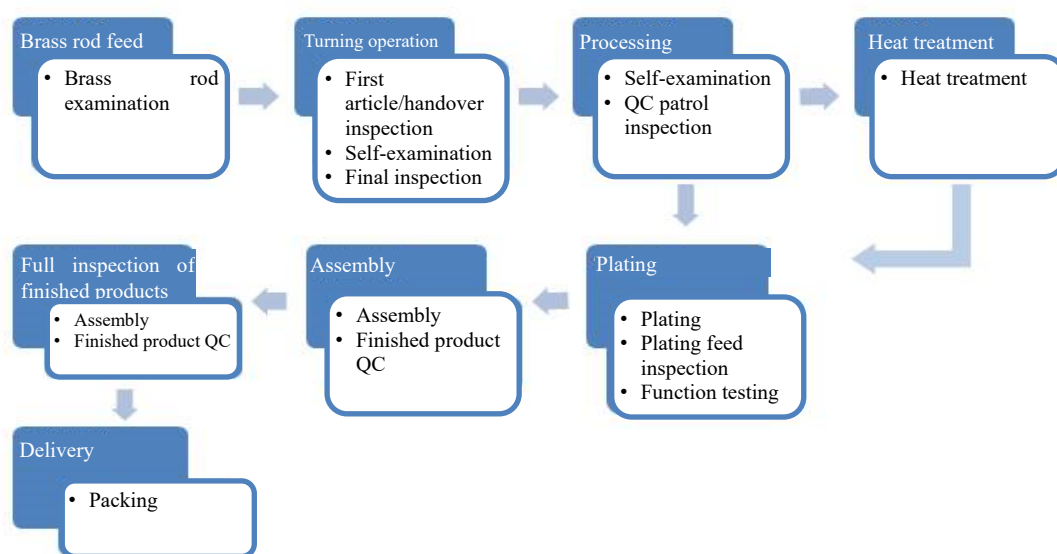
It is usually deemed as a component installed in the cable or instrument, used to enable the electrical connection or disconnection of cables. Its main application field includes the cable TV system, wideband network, antenna and cell site.

## Optical communication products

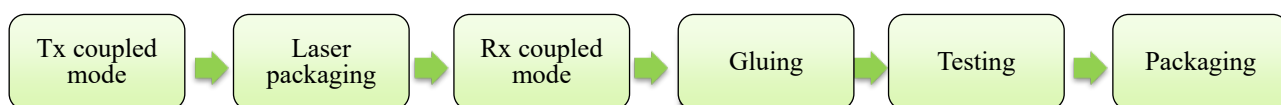
| Main Product                                      | Application Range   |
|---|---|
| Transceiver module                                | Fiber optics communication transceiver module is mainly used for network and communication devices, data transmission devices and cable TV network devices. |
| Fiber optics transceiver component (sub-assembly) | Fiber optics communication transceiver module is mainly used for network and communication devices, data transmission devices and cable TV network devices. |
| Optical patch-cord, optical connector             | Relative components for optical communication devices.  |

## 2. Production and manufacture process of products

### RF connector



## Optical communication products



## (III) Main raw material supply status

| Main raw material | Suppliers  | Supply situation |
|-------------------|--|------------------|
| Laser diode (LD)  | Koryo Electronics Co., Ltd.                                | Great and stable |
| Brass rod         | Kuon Chen Hardware, Yi Sheng Hardware Industrial Co., Ltd. | Great and stable |

## (IV) The name of the top 10 purchase/sales customers and the purchase/sales amount and percentage in the recent 2 years

1. List of suppliers accounting for more than 10% of the total procurement amount in either of the last two years

Unit: NTD thousands

| Item | 2019      |         |                                  |                              | 2020      |           |                                  |                              |
|------|-----------|---------|----------------------------------|------------------------------|-----------|-----------|----------------------------------|------------------------------|
|      | Name      | Amount  | Annual net procurement ratio [%] | Relationship with the issuer | Name      | Amount    | Annual net procurement ratio [%] | Relationship with the issuer |
| 1    | Company A | 50,931  | 5.42%                            | None                         | Company A | 181,087   | 15.73%                           | None                         |
|      | Others    | 888,338 | 94.58%                           | —                            | Others    | 969,781   | 84.27%                           | —                            |
|      | Total     | 939,269 | 100.00%                          | —                            | Total     | 1,150,868 | 100.00%                          | —                            |

Increase/decrease reason:

Mainly due to the Company's adjustment of sales policy in consideration of industry conditions and competitive advantages.

2. List of customers accounting for more than 10% of total sales amount in either of the last two years

Unit: NTD thousands

| Item | 2019       |           |                            |                              | 2020       |           |                            |                              |
|------|------------|-----------|----------------------------|------------------------------|------------|-----------|----------------------------|------------------------------|
|      | Name       | Amount    | Annual net sales ratio [%] | Relationship with the issuer | Name       | Amount    | Annual net sales ratio [%] | Relationship with the issuer |
| 1    | Customer A | 478,533   | 19.74%                     | None                         | Customer A | 407,169   | 16.87%                     | None                         |
| 2    | Customer B | 377,640   | 15.58%                     | None                         | Customer B | 396,599   | 16.43%                     | None                         |
|      | Others     | 1,567,985 | 64.68%                     | —                            | Others     | 1,609,780 | 66.70%                     | —                            |
|      | Total      | 2,424,158 | 100.00%                    | —                            | Total      | 2,413,548 | 100.00%                    | —                            |

Increase/decrease reason:

Our sales targets in 2019 and 2020 did not have major changes.

(V) Production value over the past two years

Unit: NTD thousands; thousand pieces

| Main department \ Annual production value | 2019     |         |           | 2020     |         |           |
|---|----------|---------|-----------|----------|---------|-----------|
|   | Capacity | Volume  | Value     | Capacity | Volume  | Value     |
| RF connectors                             | 264,972  | 201,610 | 1,159,549 | 262,319  | 211,420 | 1,271,491 |
| Optical communication                     | 55,531   | 48,425  | 924,404   | 55,550   | 40,812  | 749,869   |
| Total                                     | 320,503  | 250,035 | 2,083,953 | 317,869  | 252,232 | 2,021,360 |

Increase/decrease reason:

The output volume and value of high-frequency connectors increased in 2020 mainly due to the increase in market demand, while the output volume and value of optical communication products declined in 2020 mainly due to the decrease in market demand.

(VI) Sales volume and value over the past two years

Unit: NTD thousands; thousand pieces

| Annual sales value<br>Department/Product | 2019           |         |                     |           | 2020           |         |                     |           |
|--|----------------|---------|---------------------|-----------|----------------|---------|---------------------|-----------|
|  | Domestic sales |         | International sales |           | Domestic sales |         | International sales |           |
|  | Volume         | Value   | Volume              | Value     | Volume         | Value   | Volume              | Value     |
| RF connectors                            | 22,587         | 99,006  | 155,789             | 1,185,334 | 12,831         | 60,191  | 156,543             | 1,201,604 |
| Optical communication                    | 1,315          | 143,378 | 45,394              | 996,440   | 1,554          | 135,867 | 36,054              | 1,015,886 |
| Total                                    | 23,902         | 242,384 | 201,183             | 2,181,774 | 14,385         | 196,058 | 192,597             | 2,217,490 |

Increase/decrease reason:

The Company mainly sells abroad. The proportion of foreign sales in 2019 and 2020 were 90% and 92%, respectively. The reason for the increase in the proportion was high-frequency connectors and optical communications. The market share of related products in the Americas has increased, and the sales of optical communications related products in Taiwan have slightly decreased.

III. Employee information in the recent 2 years and to the date on which the annual report was printed

| Year                      |                          | 2019 | 2020 | As of March 31, 2021 |
|---------------------------|--------------------------|------|------|----------------------|
| Number of employees       | Direct employee          | 827  | 780  | 938                  |
|                           | Indirect employee        | 261  | 251  | 247                  |
|                           | Total                    | 1088 | 1031 | 1185                 |
| Average age               |                          | 33   | 32   | 32                   |
| Average years of service  |                          | 5.8  | 5.6  | 5.7                  |
| Degree distribution ratio | Doctoral degree          | 7    | 5    | 5                    |
|                           | Master's degree          | 35   | 30   | 30                   |
|                           | College                  | 279  | 311  | 288                  |
|                           | Senior high school       | 451  | 448  | 534                  |
|                           | Below senior high school | 316  | 237  | 328                  |

#### IV. Information on environmental protection expenditure

Disbursements for environmental protection: any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions) and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided:

The Company has not suffered from loss due to pollution in recent years and to the date on which the annual report was printed.

#### V. Labor relations

##### (I) Employee welfare measures:

1. Our welfare measures include the measures provided by the Company and the measures provided by the Employee Welfare Committee.
2. Welfare measures provided by the Company: Group insurance, employee health check-up, business trip insurance, year-end dinner, dividend distribution, employee stock option, year-end bonus, public interest leave, prenatal check-up leave, pension, recommendation bonus, nursing room, health center, subsidy of employment check-up, subsidy of labor insurance and national health insurance deductible, additional annual leave, internal lecturer allowance, allowance for public-used private car, business cell phone allowance, QCC bonus, LEAN bonus, improvement proposal bonus, false alarm reporting bonus, parking lot, salary account discount and meal allowance.
3. Welfare measures provided by the Employee Welfare Committee: Company trip, holiday cash gift/coupons, birthday cash gift, year-end party, wedding/funeral allowance, dinner allowance, collaborated company discount, scholarship, emergency allowance, club allowance and family day.

##### (II) Staff education and training and their implementation:

The Company provides various training courses and in-service training, including training for new and existing employees, professional courses and internal and external training courses related to the job. In addition, we established regulations for in-service training to grant allowance for tuition and miscellaneous fees, encouraging employees to go on training.

##### (III) Retirement system and implementation:

1. The Company complied with the regulations of the Labor Act to regularly contribute the employee retirement funds to an individual account in Bank of Taiwan before July



1, 2005. In accordance with the law, we also established a Workers' Retirement Reserve Fund Supervision Committee to supervise and manage the workers' retirement reverse fund.

2. Starting from July 1, 2005, the government's new pension system was established. In accordance with the regulations of the Labor Pension Act, companies have to contribute no less than 6% of the income of employees to the retirement funds account. Relative retirement affairs are processed in accordance with the regulations of the Labor Pension Act.
3. We established the Regulations for Retirement Management and reported it to get approval for reference. The regulations provide the employees with excellent options.

(IV) Agreements between labor and management:

The Company established the Employee Welfare Committee and employee opinion mailbox in accordance with the laws. The Company held a labor-management meeting in compliance with the law to operate. The employees can use their rights mentioned above to have affairs handled fairly and appropriately. The labor-management relationship in the Company has always been peaceful since the Company was founded.

We set up the Occupational Safety & Health Committee in accordance with the laws. The representatives of the laborers take up more than 1/3 of all members. It carries out relative occupational safety and health policies of the Company to prevent occupational disaster from happening and establish a fine and healthy working environment.

(V) Protection of employees' rights and interests:

The Company and subsidiaries have a complete document control system, clearly stating all management regulations and the rights, obligations and welfare of the employees. We regularly go through the welfare of the employees to protect their rights.

We established the work rules, safety and health work rules, regulations for prevention of sexual harassment at workplace, and regulations governing the employee complaint system to fully protect the rights of employees.

(VI) List any losses suffered by the company in the and up to the annual report publication date due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided:

The Company and subsidiaries have not suffered from loss event due to labor-management dispute in recent years and to the date on which the annual report was printed.

VI. Important contracts

| Nature of contract    | Parties                          | Contract date         | Main content                   | Restrictive covenants |
|-----------------------|----------------------------------|-----------------------|--------------------------------|-----------------------|
| Credit extension loan | Chang Hwa Commercial Bank        | 2020/11/30~2021/11/30 | Credit loan                    | None                  |
| Credit extension loan | Taishin International Bank       | 2021/01/31~2022/01/31 | Credit/secured loans           | None                  |
| Credit extension loan | Hwatai Bank                      | 2021/01/29~2022/01/29 | Credit loan                    | None                  |
| Credit extension loan | CTBC Bank                        | 2020/05/31~2021/05/31 | Credit loan                    | None                  |
| Credit extension loan | Bank SinoPac                     | 2020/09/07~2021/09/30 | Credit loan                    | None                  |
| Lease contract        | Elitegroup Computer Systems      | 2016/12/16-2023/09/15 | Lease for the Danshui Plant    | None                  |
| Lease contract        | Lin Ching-Xiang (natural person) | 2019/11/01-2024/10/31 | Lease for the Hongshulin Plant | None                  |

## Six. Financial Status

I. Summarized balance sheet and composite income sheet in the recent 5 years. The names and the audit opinion of the CPAs shall be noted.

(I) Summarized consolidated balance sheet

Unit: NTD thousands

| Year  |                     | Financial information in the recent 5 years (Note 1) |           |           |           |           |
|---|---------------------|--|-----------|-----------|-----------|-----------|
|   |                     | 2016   | 2017      | 2018      | 2019      | 2020      |
| Current assets  |                     | 2,709,244  | 2,449,896 | 2,670,887 | 2,115,589 | 2,036,077 |
| Property, plant and equipment                               |                     | 422,045  | 404,757   | 395,581   | 637,785   | 628,372   |
| Intangible assets   |                     | 7,277  | 8,516     | 10,532    | 8,743     | 8,637     |
| Other assets  |                     | 168,686  | 156,840   | 166,282   | 226,965   | 232,938   |
| Total assets  |                     | 3,307,252  | 3,020,009 | 3,243,282 | 2,989,082 | 2,906,024 |
| Current liabilities   | Before distribution | 877,755  | 785,689   | 958,293   | 885,011   | 819,360   |
|   | After distribution  | 1,095,555  | 917,689   | 1,057,293 | 975,179   | 885,660   |
| Non-current liabilities                                     |                     | 154,457  | 148,929   | 166,622   | 149,146   | 377,631   |
| Total liabilities   | Before distribution | 1,032,212  | 934,618   | 1,124,915 | 1,034,157 | 1,196,991 |
|   | After distribution  | 1,250,012  | 1,066,618 | 1,223,915 | 1,124,325 | 1,263,291 |
| Attributed to the equity of the owner of the parent company |                     | 2,275,040  | 2,085,391 | 2,118,367 | 1,954,925 | 1,709,033 |
| Share capital   |                     | 660,000  | 660,000   | 660,000   | 693,000   | 693,000   |
| Capital surplus   |                     | 234,872  | 234,872   | 234,872   | 234,872   | 234,872   |
| Retained Earnings   | Before distribution | 1,415,483  | 1,241,092 | 1,287,775 | 1,130,033 | 998,655   |
|   | After distribution  | 1,197,683  | 1,109,092 | 1,188,775 | 1,039,865 | 932,355   |
| Other equities  |                     | (35,315)   | (50,573)  | (64,280)  | (102,980) | (106,641) |
| Treasury stock  |                     | —  | —         | —         | —         | (110,853) |
| Total equity  | Before distribution | 2,275,040  | 2,085,391 | 2,118,367 | 1,954,925 | 1,709,033 |
|   | After distribution  | 2,057,240  | 1,953,391 | 2,019,367 | 1,864,757 | 1,642,733 |

Note 1: The above financial information from 2016 to 2020 was audited by the CPA.

## (II) Individual simplified balance sheet

Unit: NTD thousands

| Item \ Year   |                     | Financial information in the recent 5 years (Note 1) |           |           |           |           |
|---|---------------------|--|-----------|-----------|-----------|-----------|
|   |                     | 2016   | 2017      | 2018      | 2019      | 2020      |
| Current assets  |                     | 2,035,483  | 1,780,796 | 1,877,864 | 1,476,372 | 1,336,980 |
| Property, plant and equipment                               |                     | 106,092  | 121,127   | 121,173   | 393,593   | 398,572   |
| Intangible assets   |                     | 5,815  | 6,381     | 6,957     | 4,035     | 2,420     |
| Other assets  |                     | 1,293,934  | 1,246,416 | 1,296,449 | 1,127,101 | 1,145,782 |
| Total assets  |                     | 3,441,324  | 3,154,720 | 3,302,443 | 3,001,101 | 2,883,754 |
| Current liabilities   | Before distribution | 1,020,682  | 928,839   | 1,025,513 | 904,978   | 808,203   |
|   | After distribution  | 1,238,482  | 1,060,839 | 1,124,513 | 995,146   | 874,503   |
| Non-current liabilities                                     |                     | 145,602  | 140,490   | 158,563   | 141,198   | 366,518   |
| Total liabilities   | Before distribution | 1,166,284  | 1,069,329 | 1,184,076 | 1,046,176 | 1,174,721 |
|   | After distribution  | 1,384,084  | 1,201,329 | 1,283,076 | 1,136,344 | 1,241,021 |
| Attributed to the equity of the owner of the parent company |                     | 2,275,040  | 2,085,391 | 2,118,367 | 1,954,925 | 1,709,033 |
| Share capital   |                     | 660,000  | 660,000   | 660,000   | 693,000   | 693,000   |
| Capital surplus   |                     | 234,872  | 234,872   | 234,872   | 234,872   | 234,872   |
| Retained Earnings   | Before distribution | 1,415,483  | 1,241,092 | 1,287,775 | 1,130,033 | 998,655   |
|   | After distribution  | 1,197,683  | 1,109,092 | 1,188,775 | 1,039,865 | 932,355   |
| Other equities  |                     | (35,315)   | (50,573)  | (64,280)  | (102,980) | (106,641) |
| Treasury stock  |                     | —  | —         | —         | —         | (110,853) |
| Total equity  | Before distribution | 2,275,040  | 2,085,391 | 2,118,367 | 1,954,925 | 1,709,033 |
|   | After distribution  | 2,057,240  | 1,953,391 | 2,019,367 | 1,864,757 | 1,642,733 |

Note 1: The above financial information from 2016 to 2020 was audited by the CPA.

## (III) Summarized consolidated composite income sheet

Unit: NTD thousands

| Item \ Year   | Financial information in the recent 5 years (Note 1) |           |           |           |           |
|---|--|-----------|-----------|-----------|-----------|
|   | 2016   | 2017      | 2018      | 2019      | 2020      |
| Operating revenue   | 4,350,570  | 2,899,950 | 2,805,106 | 2,424,158 | 2,413,548 |
| Gross profit  | 881,702  | 508,072   | 478,741   | 347,645   | 407,442   |
| Operating income (loss)   | 393,267  | 151,610   | 129,627   | (19,485)  | 27,283    |
| Non-operating income and expenses   | 13,876   | (96,962)  | 76,265    | 13,271    | (72,969)  |
| Net profit (loss) before tax  | 407,143  | 54,648    | 205,892   | (6,214)   | (45,686)  |
| Net income (loss) from continuing operations  | 289,964  | 47,008    | 154,395   | (19,278)  | (38,051)  |
| Other comprehensive loss for the period (loss after tax)                              | (87,464)   | (18,857)  | (13,822)  | (45,164)  | (6,820)   |
| Comprehensive income (loss) for the period  | 202,500  | 28,151    | 140,573   | (64,442)  | (44,871)  |
| Net profit (loss) attributed to the owner of the parent company                       | 289,964  | 47,008    | 154,395   | (19,278)  | (38,051)  |
| Net profit (loss) attributed to the equity of the pre-investor under joint control    | —  | —         | —         | —         | —         |
| Comprehensive income (loss) attributed to the owner of the parent company             | 202,500  | 28,151    | 140,573   | (64,442)  | (44,871)  |
| Comprehensive income attributed to the equity of the pre-investor under joint control | —  | —         | —         | —         | —         |
| Earnings (loss) per share (Note 2)  | 4.18   | 0.68      | 2.23      | (0.28)    | (0.57)    |

Note 1: The above financial information from 2016 to 2020 was audited by the CPA.

Note 2: EPS is calculated based on weighted average of shares in that year. From 2016-2018, EPS were NT\$4.39, NT\$0.71 and NT\$2.34, respectively. In 2019, due to the increase of capital by retained earnings, the EPS after retrospect adjustment were NT\$4.18, NT\$0.68 and NT\$2.23.

## (IV) Summarized individual composite income sheet

Unit: NTD thousands

| Item \ Year   | Financial information in the recent 5 years (Note 1) |           |           |           |           |
|---|--|-----------|-----------|-----------|-----------|
|   | 2016   | 2017      | 2018      | 2019      | 2020      |
| Operating revenue   | 4,116,193  | 2,627,008 | 2,494,537 | 2,173,335 | 2,148,131 |
| Gross profit  | 580,634  | 392,354   | 334,066   | 231,349   | 287,137   |
| Operating income (loss)   | 237,503  | 147,023   | 86,825    | (27,368)  | 1,232     |
| Non-operating income and expenses   | 121,152  | (87,585)  | 101,396   | 15,181    | (47,555)  |
| Net profit (loss) before tax  | 358,655  | 59,438    | 188,221   | (12,187)  | (46,323)  |
| Net income (loss) from continuing operations  | 289,964  | 47,008    | 154,395   | (19,278)  | (38,051)  |
| Other comprehensive loss for the period (loss after tax)                              | (87,464)   | (18,857)  | (13,822)  | (45,164)  | (6,820)   |
| Comprehensive income (loss) for the period  | 202,500  | 28,151    | 140,573   | (64,442)  | (44,871)  |
| Net profit (loss) attributed to the owner of the parent company                       | 289,964  | 47,008    | 154,395   | (19,278)  | (38,051)  |
| Net profit (loss) attributed to the equity of the pre-investor under joint control    | —  | —         | —         | —         | —         |
| Comprehensive income (loss) attributed to the owner of the parent company             | 202,500  | 28,151    | 140,573   | (64,442)  | (44,871)  |
| Comprehensive income attributed to the equity of the pre-investor under joint control | —  | —         | —         | —         | —         |
| Earnings (loss) per share (Note 2)  | 4.18   | 0.68      | 2.23      | (0.28)    | (0.57)    |

Note 1: The above financial information from 2016 to 2020 was audited by the CPA.

Note 2: EPS is calculated based on weighted average of shares in that year. From 2016-2018, EPS were NT\$4.39, NT\$0.71 and NT\$2.34, respectively. In 2019, due to the increase of capital by retained earnings, the EPS after retrospect adjustment were NT\$4.18, NT\$0.68 and NT\$2.23 respectively.

(V) The names and audit opinion of the CPAs in the recent 5 years

| Year | Accounting firm   | Name of CPA                     | Opinion            |
|------|-------------------|---------------------------------|--------------------|
| 2016 | Deloitte & Touche | Chen Chun-Hung, Wei Liang-Fa    | Unmodified opinion |
| 2017 | Deloitte & Touche | Huang Hsiu-Chun, Wei Liang-Fa   | Unmodified opinion |
| 2018 | Deloitte & Touche | Huang Hsiu-Chun, Wei Liang-Fa   | Unmodified opinion |
| 2019 | Deloitte & Touche | Chen Chun-Hung, Huang Hsiu-Chun | Unmodified opinion |
| 2020 | Deloitte & Touche | Chen Chun-Hung, Huang Hsiu-Chun | Unmodified opinion |

## II. Financial analyses in the recent 5 years

### (I) Consolidated financial analysis

| Analysis item                  |  | Year | Financial analyses in the recent 5 years |        |        |        |        |
|--------------------------------|--|------|--|--------|--------|--------|--------|
|                                |  |      | 2016                                     | 2017   | 2018   | 2019   | 2020   |
| Capital structure analysis (%) | Debt ratio                                       |      | 31.21                                    | 30.95  | 34.68  | 34.60  | 41.19  |
|                                | Long term funds to property, plant and equipment |      | 575.65                                   | 552.02 | 577.63 | 329.90 | 332.07 |
| Liquidity analysis (%)         | Current ratio                                    |      | 308.66                                   | 311.81 | 278.71 | 239.05 | 248.50 |
|                                | Quick ratio                                      |      | 228.50                                   | 232.93 | 195.65 | 176.63 | 169.72 |
|                                | Interest protection multiples                    |      | 284.33                                   | 21.91  | 86.22  | (0.66) | (6.93) |
| Operating performance analysis | Receivables turnover (times)                     |      | 3.12                                     | 2.91   | 3.68   | 3.49   | 3.76   |
|                                | Average collection days                          |      | 116                                      | 125    | 99     | 104    | 97.07  |
|                                | Average inventory turnover (times)               |      | 4.12                                     | 3.38   | 3.15   | 2.91   | 3.12   |
|                                | Payables turnover (times)                        |      | 5.68                                     | 5.59   | 5.86   | 5.64   | 7.17   |
|                                | Average days in sales                            |      | 88                                       | 107    | 115    | 125    | 116.98 |
|                                | Property, plant and equipment turnover (times)   |      | 9.70                                     | 7.01   | 7.01   | 4.69   | 3.81   |
|                                | Total assets turnover (times)                    |      | 1.29                                     | 0.92   | 0.90   | 0.78   | 0.82   |
| Return on investment analysis  | Return on asset (%)                              |      | 8.62                                     | 1.55   | 4.99   | (0.52) | (1.13) |
|                                | Return on equity (%)                             |      | 12.76                                    | 2.16   | 7.35   | (0.95) | (2.08) |
|                                | Pre-tax income to capital (%)                    |      | 61.69                                    | 8.28   | 31.20  | (0.90) | (6.59) |
|                                | Profit ration (%)                                |      | 6.66                                     | 1.62   | 5.50   | (0.80) | (1.58) |
|                                | Earnings per share (NTD\$)                       |      | 4.18                                     | 0.68   | 2.23   | (0.28) | (0.57) |
| Cash flow                      | Cash flow ratio (%)                              |      | 77.80                                    | 42.84  | 15.22  | 21.38  | (8.91) |
|                                | Cash flow adequacy ratio (%)                     |      | 119.68                                   | 134.22 | 110.17 | 95.94  | 93.78  |
|                                | Cash reinvestment ratio (%)                      |      | 14.52                                    | 3.75   | 0.43   | 2.94   | (5.34) |
| Leverage                       | Operating leverage                               |      | 1.21                                     | 0.96   | 1.07   | (3.80) | 4.23   |
|                                | Financial leverage                               |      | 1.00                                     | 1.02   | 1.02   | 0.84   | 1.27   |

The change of the financial ratio change reached 20% in the recent 2 years:

1. Decrease in times interest earned: mainly due to the increase in net loss before tax in the current period.
2. Decrease in payable turnover ratio: mainly due to the decrease in average payables in the current period.
3. Decrease in return on assets, return on equity, ratio of net profit before tax to paid-in capital, net profit ratio and earnings per share: mainly due to increase in net loss.
4. Decrease in cash flow ratio and cash reinvestment ratio: mainly due to the outflow of net cash flow from operating activities.
5. Growth in operating leverage and financial leverage: mainly due to operating net profit in the current period.

Note 1: All the above financial ratios are estimated based on the financial statements audited by the CPA.

Note 2: The above calculation formula lists the detailed individual financial analyses - IFRS (Note 2).



## (II) Individual financial analysis

| Analysis item (Note 2)  |  | Year | Financial analyses in the recent 5 years |          |          |        |         |
|---|--|------|--|----------|----------|--------|---------|
|   |  |      | 2016                                     | 2017     | 2018     | 2019   | 2020    |
| Capital structure analysis (%)  | Debt ratio                                       |      | 33.89                                    | 33.90    | 35.85    | 34.86  | 40.74   |
|   | Long term funds to property, plant and equipment |      | 2,281.64                                 | 1,837.64 | 1,879.07 | 532.56 | 520.75  |
| Liquidity analysis (%)  | Current ratio                                    |      | 199.42                                   | 191.72   | 183.11   | 163.14 | 165.43  |
|   | Quick ratio                                      |      | 167.96                                   | 154.82   | 140.39   | 125.83 | 115.61  |
|   | Interest protection multiples                    |      | 280.11                                   | 25.07    | 84.21    | (2.40) | (7.24)  |
| Operating performance analysis  | Receivables turnover (times)                     |      | 3.11                                     | 2.87     | 3.73     | 3.55   | 3.81    |
|   | Average collection days                          |      | 117                                      | 127      | 97       | 102    | 95.80   |
|   | Average inventory turnover (times)               |      | 7.54                                     | 5.69     | 4.83     | 4.30   | 4.24    |
|   | Payables turnover (times)                        |      | 4.26                                     | 3.36     | 3.70     | 3.98   | 5.26    |
|   | Average days in sales                            |      | 48                                       | 64       | 75       | 84     | 86.08   |
|   | Property, plant and equipment turnover (times)   |      | 38.54                                    | 23.12    | 20.59    | 8.44   | 5.42    |
|   | Total assets turnover (times)                    |      | 1.18                                     | 0.80     | 0.77     | 0.69   | 0.73    |
| Return on investment analysis   | Return on asset (%)                              |      | 8.37                                     | 1.49     | 4.84     | (0.52) | (1.14)  |
|   | Return on equity (%)                             |      | 12.76                                    | 2.16     | 7.35     | (0.95) | (2.08)  |
|   | Pre-tax income to capital (%)                    |      | 54.34                                    | 9.01     | 28.52    | (1.76) | (6.68)  |
|   | Profit ratio (%)                                 |      | 7.04                                     | 1.79     | 6.19     | (0.89) | (1.77)  |
|   | Earnings per share (NTD\$)                       |      | 4.18                                     | 0.68     | 2.23     | (0.28) | (0.57)  |
| Cash flow   | Cash flow ratio (%)                              |      | 53.53                                    | 21.82    | 4.62     | (8.19) | (13.87) |
|   | Cash flow adequacy ratio (%)                     |      | 128.23                                   | 119.75   | 89.89    | 57.19  | 46.45   |
|   | Cash reinvestment ratio (%)                      |      | 12.27                                    | (0.57)   | (3.12)   | (6.81) | (8.15)  |
| Leverage  | Operating leverage                               |      | 1.15                                     | 0.71     | 0.70     | (1.02) | 42.66   |
|   | Financial leverage                               |      | 1.01                                     | 1.02     | 1.03     | 0.88   | (0.28)  |
| The change of the financial ratio change reached 20% in the recent 2 years:   |  |      |  |          |          |        |         |
| 1. Decrease in times interest earned: mainly due to the increase in net loss before tax in the current period.  |  |      |  |          |          |        |         |
| 2. Decrease in payable turnover ratio: mainly due to the decrease in average payables in the current period.  |  |      |  |          |          |        |         |
| 3. Decrease in turnover rate of property, plant and equipment: mainly due to the increase in average property, plant and equipment during the period.                           |  |      |  |          |          |        |         |
| 4. Decrease in return on assets, return on equity, ratio of pre-tax net profit to paid-in capital, net profit ratio and earnings per share: mainly due to increase in net loss. |  |      |  |          |          |        |         |
| 5. Decrease in cash flow ratio: mainly due to the outflow of net cash flow from operating activities.   |  |      |  |          |          |        |         |
| 6. Growth in operating leverage: mainly due to operating net profit in the current period.  |  |      |  |          |          |        |         |
| 7. Decrease in financial leverage: mainly due to higher interest expenses than operating net profit.  |  |      |  |          |          |        |         |

Note 1: All the above financial ratios are estimated based on the financial statements audited by the CPA.

Note 2: The calculation formula of the analysis items are listed below:

1. Capital structure analysis

(1) Debt ratio = Total liabilities / total assets.

(2) Long term funds to property, plant and equipment = (total equity + non-current

- liabilities) / net value of property, plant and equipment.
2. Liquidity analysis
    - (1) Current ratio = Current assets / current liabilities.
    - (2) Quick ratio = (Current assets - inventory - prepaid expense) / current liabilities.
    - (3) Interest protection multiples = Net income before income tax and interest / interest expense this period.
  3. Operating performance analysis
    - (1) Receivables (including receivables and notes receivable generated for operation) turnover = Net sales / balance of average receivables (including receivables and notes receivable generated for operation).
    - (2) Average collection days = 365 / receivables turnover.
    - (3) Average inventory turnover = Cost of sales / average inventory amount.
    - (4) Payables (including payables and notes payable generated for operation) turnover = Cost of sales / balance of average payables (including payables and notes payable generated for operation).
    - (5) Average days in sales = 365 / Average inventory turnover.
    - (6) Property, plant and equipment turnover = Net sales / net value of property, plant and equipment.
    - (7) Total assets turnover = Net sales / average total assets.
  4. Return on investment analysis
    - (1) Return on asset = [Profit or loss after tax + interest fee × (1 - tax rate)] / average total assets.
    - (2) Return on equity = Profit or loss after tax / average total equity.
    - (3) Pre-tax income to capital = Pre-tax income / paid-in capital at end of FY
    - (4) Profit ration = Profit or loss after tax / net sales.
    - (5) Earnings per share = (Income attributed to owner of the parent company - preferred stock dividend)/weighted average issued shares.
  5. Cash flow
    - (1) Cash flow ratio = Net cash flow in operating activities / current liabilities.
    - (2) Cash flow adequacy ratio = Net cash flow in operating activities in the recent 5 years / recent 5 years (capital expenditure + inventory increase amount + cash dividend).
    - (3) Cash reinvestment ratio = (Net cash flow in operating activities - cash dividend) / (Gross value of property, plant and equipment + long-term investment + other non-current assets + operational funds).
  6. Leverage:
    - (1) Operating leverage = (Net operating revenues - floating operational cost and expenditure) / operating profit.
    - (2) Financial leverage = Operating profit / (Operating profit - interest expense).

- III. Audit Committee' review report for the financial statement in the most recent year: Please refer to Page 121.
- IV. Financial statement for the most recent year, including an auditor's report prepared by a certified public accountant, and 2-year comparative balance sheet, statement of comprehensive income, statement of changes in equity, cash flow chart, and any related notes or attached appendices: Please refer to Page 137-198.
- V. Individual financial statement of the company for the most recent year certified by a CPA: Please refer to Page 199 – 270.
- VI. If the company and its affiliates have experienced financial difficulties in the most recent year or during the current year to the date on which the annual report is printed, the impact of the difficulties on the company's financial situation shall be specified: None.

## Audit Committee Review Report, EZconn Corporation

The board of directors prepared the Company's 2020 business report, financial statements and earnings distribution proposal, among which the financial statements were audited by Chen, Jun-Hong and Huang, Hsiu-Chun, Certified Public Accountants of Deloitte Taiwan, and an audit report was issued accordingly. The above-mentioned business report, financial statements and earnings distribution proposal have been reviewed by the Audit Committee and no discrepancy was found. We hereby report as above in accordance with Article 14 of the Securities and Exchange Act and Article 219 of the Company Act; please review.

Sincerely

2021 General Shareholders' Meeting, EZconn Corporation

Convener of the Audit Committee:

March 18, 2021

## Seven. Review and analysis of the financial status and performance and risk issues

### I. Financial status

Unit: NTD thousands

| Item \ Year   | End of 2020 | End of 2019 | Difference |         |
|---|-------------|-------------|------------|---------|
|   |             |             | Amount     | %       |
| Current assets  | 2,036,077   | 2,115,589   | (79,512)   | (3.76)  |
| Property, plant and equipment   | 628,372     | 637,785     | (9,413)    | (1.48)  |
| Other assets  | 241,575     | 235,708     | 5,867      | 2.49    |
| Total assets  | 2,906,024   | 2,989,082   | (83,058)   | (2.78)  |
| Current liabilities   | 819,360     | 885,011     | (65,651)   | (7.42)  |
| Non-current liabilities   | 377,631     | 149,146     | 228,485    | 153.20  |
| Total liabilities   | 1,196,991   | 1,034,157   | 162,834    | 15.75   |
| Share capital   | 693,000     | 693,000     | 0          | 0.00    |
| Capital surplus   | 234,872     | 234,872     | 0          | 0.00    |
| Retained Earnings   | 998,655     | 1,130,033   | (131,378)  | (11.63) |
| Other equities  | (106,641)   | (102,980)   | (3,661)    | (3.56)  |
| Treasury stock  | (110,853)   | 0           | 110,853    | 100.00  |
| Total equity  | 1,709,033   | 1,954,925   | (245,892)  | (12.58) |
| <p>(I) Analysis and description of the changes of the increase/decrease ratio that reached 20% in the most recent 2 years:<br/> Increase in non-current liabilities: mainly due to the increase in long-term borrowings.<br/> Increase in treasury stocks: mainly caused due to the buyback of treasury stocks.</p> <p>(II) Future countermeasure:<br/> To adapt to the expansion of the business scale and the changes of the market environment, we prepare and plan the capital expenditure budget and the control of the operational funds.</p> |             |             |            |         |

## II. Financial performance

Unit: NTD thousands

|  | 2020      | 2019      | Increase<br>(decrease) | Changes (%) |
|--|-----------|-----------|------------------------|-------------|
| Net Operating Revenue  | 2,413,548 | 2,424,158 | (10,610)               | (0.44)      |
| Operating cost   | 2,006,106 | 2,076,513 | (70,407)               | (3.39)      |
| Gross profit   | 407,442   | 347,645   | 59,797                 | 17.20       |
| Operating expenses   | 380,159   | 367,130   | 13,029                 | 3.55        |
| Net operating profit (loss)  | 27,283    | (19,485)  | 46,768                 | 240.02      |
| Non-operating income and expenses  | (72,969)  | 13,271    | (86,240)               | (649.84)    |
| Net profit (loss) before tax   | (45,686)  | (6,214)   | (39,472)               | (635.21)    |
| Tax benefit (expense)  | 7,635     | (13,064)  | 20,699                 | 158.44      |
| Net profit (loss) after tax  | (38,051)  | (19,278)  | (18,773)               | (97.38)     |
| (I) Main reason of changes that reached above 20%:   |           |           |                        |             |
| 1. Increase in operating net profit: Mainly due to product portfolio differences which led to an increase in overall profit.   |           |           |                        |             |
| 2. Non-operating income and expenses, net profit (loss) before tax and net profit (loss) after tax: mainly due to foreign currency exchange losses.  |           |           |                        |             |
| 3. Decrease in income tax expenses: mainly due to the deduction for loss in the current period.  |           |           |                        |             |
| (II) Expected sales volume and the basis:  |           |           |                        |             |
| Please refer to the description in “V-II. Market and production and sales” of the annual report.   |           |           |                        |             |
| (III) Possible impact on the company’s future financial operations: The operation of EZconn is normal without any change in the operation.   |           |           |                        |             |
| (IV) Countermeasure:   |           |           |                        |             |
| EZconn continues to behold the management philosophy of “innovation, professional, incorruptibility and integrity” to face the changeable business environment of the market with our employees. We also continue our self-requirement and growth by the devotion to the product development and quality promotion to create profits and growth. |           |           |                        |             |

### III. Cash flow

#### (I) Analysis of changes in cash flow in the most recent year

Unit: NTD thousands

| Cash balance at beginning of period | Net cash flow from year-round operating activities | Net cash flow from year-round investment and financing activities (including the effect of the exchange rate changes) | Retained (insufficient) amount of cash | Remedy for estimated cash shortage |                |
|-------------------------------------|--|---|--|------------------------------------|----------------|
|                                     |  |   |  | Investment plan                    | Financial plan |
| 1,095,468                           | (73,034)   | (186,564)   | 835,870                                | —                                  |                |

Analysis of changes in cash flow:

(1) Operating activities: mainly the net cash outflow accumulated from operating activities during the current period.

(2) Investment activities: mainly used to the purchase of property, plant and equipment and acquisition of financial assets measured at fair value through other comprehensive income.

(3) Funding activities: mainly for the purchase of treasury stocks, cash dividends and borrowing (repayment) of bank loans.

(II) Improvement plan for lack of liquidity: None.

#### (III) Cash flow analysis for the coming year

Unit: NTD thousands

Unit: NT\$ thousand

| Cash balance at beginning of period   | Estimated net cash flow from year-round operating activities | Estimated net cash flow from year-round investment and financing activities | Estimated retained (insufficient) amount of cash | Remedy for estimated cash shortage |                |
|---|--|---|--|------------------------------------|----------------|
|   |  |   |  | Investment plan                    | Financial plan |
| 835,870   | 143,824  | (170,581)   | 809,113  | —                                  |                |
| It is estimated that the net cash inflow from operating activities for the next year will be NT\$143,824,000; the estimated net cash outflow from investment activities will be NT\$40,281,000, mainly due to the purchase of fixed assets; the estimated net cash outflow from financing activities will be NT\$130,300,000, mainly due to the distribution of cash dividends and the repayment of bank loans. There is no expected cash shortage. |  |   |  |                                    |                |

IV. Impacts on financial operations from major capital expenditures in the most recent year: None.

V. The reinvestment policy of the most recent year, reasons for profits or losses, the improvement and investment plans for the coming year:

##### 1. The Company's reinvestment policy

EZconn implements the reinvestment in consideration of the business needs or future development. As for the invested business, we always have control over the state of operation and analyze the effectiveness of the investment so that the management can

make follow-up assessment after the investment.

We have established the “Procedures for Investment Cycle” and the “Regulations Governing the Supervision and Management of Subsidiaries” for the management of the invested businesses to control the finance and operation status and establish the risk management systems for the invested businesses.

2. Profit or loss and improvement plans for the invested businesses in 2020:

December 31, 2020 Unit: NTD thousands

| Invested businesses     | Invested amount | Book value | Recognized profits (losses) |
|-------------------------|-----------------|------------|-----------------------------|
| EC-Link Technology Inc. | 679,543         | 880,639    | (8,615)                     |
| EZconn Europe GmbH      | 185,143         | 72,769     | 10,367                      |

To date, the operation status of EZconn’s invested businesses in China still ran stably. We will support EZconn Europe GmbH continuously though its’ net equity value was negative due to continued losses. Concerning EZconn Europe GmbH’s other receivables of USD 2,668,907.58, the Board of Directors decided to increase the capital of EZconn Europe GmbH with loans on November 14, 2014. However, subjected to the local regulations of Germany, we were unable to increase the capital with loans directly. After the report at the Board of Director’s meeting on February 13, 2015, we remitted USD 2,668,907.58 to increase the capital of EZconn Europe GmbH on February 16, 2015. EZconn Europe GmbH then made the loan payment to improve their financial status. The invested businesses of EZconn are those related to our core business or the holding companies. In the future, we will continue to focus on the operation of our core business to create the greatest advantage for the Company and our shareholders.

3. Investment plans for the coming year:

To manage to the demand of operational funds for the third-tier subsidiary EZconn technologies CZ s. r. o., the Board of Directors of EZconn adopted the resolution to increase the capital of the subsidiary EZconn Europe GmbH within a limit of 1,800,000 Euros on August 12, 2016. We have not increases the capital of EZconn Europe GmbH to the date on which the annual report is printed.

VI. The risk analysis and assessment in the recent years and as of the date on which the annual report is printed

(I) The effects of interest and exchange rate fluctuations and inflation on the profit and loss of the Company as well as future countermeasures:

1. The effects of interest and exchange rate fluctuations on the profit and loss of the Company as well as future countermeasures

The interest expenses of EZconn and subsidiaries was NT\$3,738,000 in 2019



and NT\$5,758,000, respectively, in 2020 accounting for 0.15% and 0.24% the annual revenue, respectively. This was due to the interest expenses generated by the loans from the lending financial institutions. Since the expenses only occupied minor proportion of the operating revenue, there was no significant impact of the interest rate fluctuations on the Company and subsidiaries. Our subsidiaries and we will always pay attention to the interest rate fluctuations and strive to negotiate a better interest rate with the banks we are working with to reduce the interest cost.

2. The effects of exchange rate fluctuations on the profit and loss of the Company as well as future countermeasures

The product sales of EZconn and our subsidiaries mainly rely on export and the sales revenue are mainly in U.S. Dollar. We purchase raw materials from domestic and overseas suppliers. The receivables in USD is higher than the payables in USD, therefore the exchange rate fluctuations has a potential impact on the profit and loss of the Company. We use the natural hedging method to offset the foreign currency receivables and the payables and always pay attention to the information of exchange rate fluctuations and the demand for foreign currency funds to timely adjust the holding position and the exchange time. We will select appropriate financial products as hedging instrument to reduce the risk of exchange rate fluctuations when necessary.

3. The effects of inflation on the profit and loss of the Company as well as future countermeasures

The main raw materials to produce our RF connectors is the brass rod. We timely adjust the product cost and selling price as a response to the price change in the international raw materials, therefore causing insignificant impact on the Company and the subsidiaries. As for other main raw materials, we pay close attention to the price fluctuations and the inflation status to reflect the cost price variation timely on the selling price to avoid significant impact on the profits of the Company. We continue to optimize the production process to increase the production efficiency and reduce the cost. In this case, we still maintain good competitiveness when facing the price competition in the market.

(II) Policies on high-risk, high-leverage investments, capital lending to third-party, endorsements, guarantees, and derivatives transactions, and the main reasons for profits or losses generated thereby and future countermeasures:

1. Engagement in high-risk, high-leverage investments:

We behold the principle of stable operation to focus on the core business of assembling, processing, manufacturing and selling without participating in any high-risk, high-leverage investments.

2. Lending of capital, endorsements and guarantees:

We have “Procedures for Acquisition or Disposal of Assets,” “Procedures for Loaning Funds to Others” and “Procedures for Endorsements/Guarantees” and all of which have been approved by the Board of Directors. Since Light Master Technology (Ningbo) Inc. became the supplier of Huawei in recent years and to the date on which the annual report is printed, we offered joint guarantee in the purchasing contract and the ceiling was NT\$200,000,000 in accordance with the Procedures for Endorsements/Guarantees of the Company. In addition, the Board of Directors approved to rescind this guarantee on November 13, 2018. EZconn’s subsidiaries also have established related procedure and offered no endorsements or guarantees in recent years and to the date on which the annual report is printed.

No funds are loaned to others in recent years and to the date on which the annual report is printed.

3. Derivative commodity transactions:

We have established the “Procedures for Acquisition or Disposal of Assets” as a reference for the derivative commodity transactions. The procedure also specified that the purpose of the derivative financial commodity is for hedging instead of profits. Therefore, we have hedging operations aiming at the changes of the foreign currency depending on our demand and select forward exchange as the hedging instrument without performing any other derivative financial commodity transactions. The above hedging operations may cause losses in trading because of fluctuation of the market rate. Our subsidiaries and we timely announce all trading information in accordance with the laws.

(III) Future R&D projects and expected R&D expenses:

RF connectors and optical communication products are the two main products of EZconn and the subsidiaries. We concentrate on the development and improvement of various products to receive the certifications of the safety standard units and the customers in each country. To correspond to the product demand of the global customers, we have development units responsible for the design, production and the introduction of mass production for precision molds and automatic assembly equipment.

To respond to the growth of the next generation passive optical network (NG-PON) and the demand for high speed optical transceiver module during the initial deployment of 5G, our short-term R&D plan of the optical sub-assembly will include the development of the tunable and cooling TO-CAN packaging technology for NG-PON2, WDM-PON and XG(S)-OLT, 28G BOSA (5G Mobile Xhaul) and COMBO OLT BOSA that integrated the GPON and XG(S)PON services and 100G CWDM4 TOSA/ROSA. Regarding the development of the optical module products, we have plans for the SFP28-LR and the XG(S)-PON ONU stick integrating the MAC chips. We also develop and design the high-

density fiber optics connector in relation to the photoelectric passive components.

Driven by the market and various technical standards, manufacturers have started planning the standards for the next-generation technology of 10G-PON (50G PON/100G PON). The demand for Datacenter components is expected to change gradually from the mainstream of 100G to the 400G components of higher speed in the coming 2-3 years. Besides, we to begin the business of 5G in 2020. The integration of each network services and the required optical fiber infrastructure will promote the demands for the high-speed optical transceiver components of 25G/100G/400G and NG-PON. The future optical communication applications will focus on the integration technology using components with higher speed and density. Thus, for the middle term R&D plan, we plan to invest in the development of 400G products and provide more R&D resources to develop technologies for the integration of packaging and testing of high precision, speed and density. As for the present optical sub-assembly design using the TO-CAN, we expect to have diversified designs by the automatic integration of advanced customized components in the future. By the trend of products with high density, we continue to develop high speed products via new product technology platforms (non-TO-CAN) and expand our product line from the current 100G to 400G or even higher in relation to the application of high speed products in the future. Besides applications for optical communication in our long-term development plan, we also seek for cross-industry partners to assist potential customers to apply the technology of photovoltaic integration to different markets such as the photoelectric sensors, industrial control and consumer products.

We remain to invest 4% of the net operating revenue as the R&D expenses in the development of RF connectors and optical communication products.

(IV) Changes in important policies and laws at home and abroad impacting our financial operations, and countermeasures:

The operation and management of EZconn and our subsidiaries complied with related laws and regulations at home and abroad. We always take notice of the changes in related policies and laws no matter in Taiwan or abroad and collect related information as reference for our management to make operational decisions and take measures in response to the financial operations of the Company. Thus, there is no significant impact of changes in important policies and laws at home and abroad on our financial operations.

(V) Impacts of developments in technology and industrial change on the company's financial operations, and response measures:

Our RF connectors mainly applied to the cable television and the cable broadband industry while our main customers are international brands with market positions. Currently, we received certification for the supply of some high-end products and occupied certain market position among the RF connectors market for cable television.

By the stable operation of the Company, the developments in technology and industrial change have no impact on the RF connectors as well as the Company's financial operation.

The optical transceiver module and photoelectric passive component, serving as the essential components for optical communication, are the main optical communication products of EZconn. As the coming of the digital era and the changes in technology, the demand for network bandwidth around the globe becomes stronger. The market demand for related equipment of network communication and optical communication components also increased. In general, the optical communication products are born to adapt to the future technological change.

(VI) Impacts of changes in corporate image on the corporate crisis management, and response measures:

Since the foundation of EZconn in 1996, we run the Company by a stable and practical way to enhance the internal management and actively promote product quality to meet the quality demand of the customers. There is no such event that damages the corporate image or result in corporate crisis.

(VII) Expected benefits and potential risks from a merger or acquisition, and response measures:

We do not have plans of merger and acquisition in the current year to the date of the print of the report. If we have plans in the future, we will carefully access and consider the synergy of the mergers and acquisitions to ensure the existing equity of the shareholders.

(VIII) Expected benefits and potential risks from plant expansion, and response measures:

Currently, we do not have plans for plant expansion. We will access possible risks carefully in case we have plans to increase equipment and expand our plants due to the promotion of capacity.

(IX) Risks associated with any concentration of sales or procurement, and response measures:

1. Procurement: Most of our suppliers are companies with long-term relationship. Suppliers for some special raw materials all maintain good partnership with us to ensure stable supply source of materials. Koryo Electronics is the agent for Mitsubishi Electric and the latter is the main LD supplier in the world. The industry characteristic results in the fact that our procurement of LD material is overly concentrated on Koryo Electronics Co., Ltd. As such, we not only pay close attention to the changes in supply and demand of the raw material supply market, but also

positively develop new suppliers to diversify our procurement risks.

2. Sales: We mainly strive for the RF connectors orders from the first-class manufactures in Europe and America. This is due to the end customers of our RF connectors are mainly cable television system integrators. The mature development of such industry resulted in companies with more resources will only get bigger. Therefore, we mainly sell our products to large cable television system integrators in the West, causing the concentrated sales. With excellent manufacturing capacity of molds and jigs, we maintain long-term and stable cooperation with the customers via outstanding delivery and conditions. We also strive to acquire orders from other customers to reduce the risk of business loss even if the sales to end customer increases or decreases at times. We mainly sell the optical communication products to global renowned equipment manufacturers. Due to the integration of the optical communication industry in recent years, companies with more resources tend to grow bigger. Downstream optical communication equipment manufacturers usually have stable cooperation with system integrators while also routinely working with upstream supply chain. Once the manufacturers are certified, they will not be replaced easily expect for major concerns over quality or delivery. We have overly concentrated sales because we've become the supplier for the terminal system major manufacturers such as Huawei Group. We aggressively enhance the vertical integration of equipment suppliers and provide comprehensive product line service. In the meantime, we actively develop Europe and America customers of the telecommunication system to increase the number of our core customers. We will continue to work hard in developing new products and technologies to satisfy customer's demand on quality, cost and delivery. Meanwhile, we're able to accept customer's specific manufacturing needs and lower the risk of overly concentrated sales with our excellent technological capability.

(X) Impacts and risks from large transfers of shares held by our company's directors, supervisors, or large shareholders holding more than 10% of shares, and response measures:

There are no large transfers of shares held by the Company's directors, supervisors, or large shareholders holding more than 10% of shares.

(XI) Impacts and risks from changes in management rights, and response measures: None.

(XII) Litigation and non-litigious events

1. Major litigious, non-litigious, or administrative disputes in the recent 2 years and to the date of publication of the annual report that have been resolved or are still proceeding. Where such outcome may materially affect shareholders' equity or the prices of the securities, the facts of the litigation, amount of subject, the date of

litigation, the main parties, and the status of the proceedings shall be disclosed:

In October 2014, PCT International Inc. (PCT), one of the Company's customers, filed a civil lawsuit with the United States District Court against the Company alleging infringement of intellectual property rights, business confidentiality, and business opportunities. In September 2017, the Court granted judgment in favor of the Company and did not require the Company to be liable for any compensation to PCT. PCT appealed against the judgment in October 2017. The Court of Appeals affirmed the dismissal of PCT's claims against the Company and denied PCT's petition for panel rehearing on June 27, 2019. As a result, the Company's management believed that the case would not have a significant impact on the Company's financial position and operating activities.

PCT owed the Company US\$6,648 thousand. The Company engaged lawyers and has filed civil lawsuits in the courts of the United States (The Court) in February 2016 seeking PCT to pay the overdue trade receivables. In August 2017, the Court granted judgment in favor of the Company and awarded US\$9,463 thousand to the Company. PCT appealed against the judgment in September 2017. In January 2018, the Court ordered that approximately US\$2,222 thousand deposited in the Court Registry by PCT shall be paid to the Company in partial satisfaction of the US\$9,463 thousand judgment for the Company. PCT paid the compensation to the Company thereafter. In May 2019, the Court of Appeals affirmed the judgment and in November 2019, PCT filed for bankruptcy proceedings under Chapter 11 of the United States Bankruptcy Code. PCT and the Company filed for debt restructuring to the Court in June and August 2020 respectively. The Company filed for bankruptcy liquidation under Chapter 7 of the United States Bankruptcy Code in replacement of the bankruptcy proceedings mentioned previously in January 2021, however, PCT was against this proposal. The dispute remains uncertain and will be decided by the Court. The Company engaged lawyers to pursue recovery of the remaining balance. The Company had recognized the remaining amount as an impairment loss in previous years, and believed that the case would not have a significant impact on the Company's financial position and operating activities.

2. Outcomes of major litigious, non-litigious, or administrative disputes that have been resolved or are still proceeding involving our company's directors, supervisors, president, the responsible person, large shareholders holding more than 10% of shares and the affiliated companies, and that may have serious impact on shareholders' equity or the prices of the securities in the recent 2 years and to the date on which the annual report is printed: None.

3. Company's directors, supervisors, managerial officers and large shareholders holding more than 10% of shares involved in the event listed in Article 157 of the Securities and Exchange Act and the management of the company: None.

(XIII) Other major risks and response measures:

Information security risk assessment analysis and corresponding measures

Information security risks will interfere with business operations, including hacker intrusion, ransomware, data loss and leakage of enterprise sensitive data. To minimize risks, the Company's information system architecture establishes high-availability host backup, remote data backup mechanism, uninterrupted power system, computer room personnel control and multi-level protection mechanism according to the risk level. At the same time, the Company has also formulated the guidelines for information security operations, established a reporting mechanism, warning of abnormal conditions, authority control and regularly conducted information security training and risk advocacy to provide better information security protection.

In order to enable the information system damage to recover quickly and smoothly, the Company focuses on reducing the possible losses and risks. The company uses various simulation tests and emergency drills every year to ensure the normal operation and data protection of the information system, and to ensure that the system can effectively reduce the risk of system interruption in the event of unwarranted natural disasters and human negligence.

In view of the fact that information security is an emerging insurance type and the related supporting measures are extensive, the Company is still evaluating whether or not to purchase information security. At present, the main goal is to improve relevant security regulations, regular security assessment and continue to strengthen the security protection mechanism, at the same time regularly conduct education and training and actively train security personnel, implement security awareness and fulfill information security protection obligations.

VII. Other important issues: None.



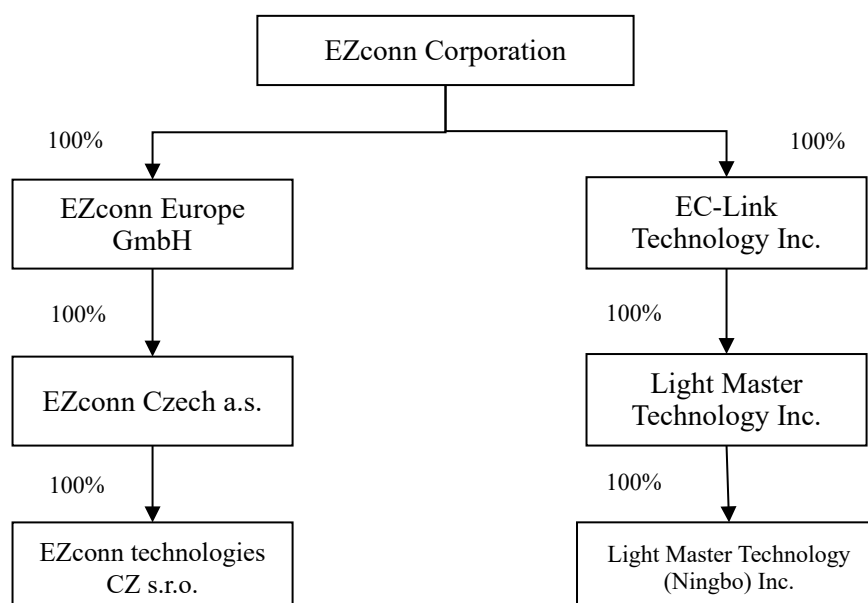
## Eight. Special matters to be recorded:

### I. Related information of the affiliates

#### (I) Consolidated business report of the affiliates

##### 1. Organization Chart of the affiliates

December 31, 2020



#### (1) Basic information of each affiliates

Unit: NTD/foreign currency thousands

| Company name                                | Incorporati<br>on date | Address  | Paid-in<br>capital | Main business items or<br>production items   |
|---|------------------------|--|--------------------|--|
| EZconn Corporation                          | September<br>4, 1996   | 13F., No. 27-8, Sec. 2,<br>Zhongzheng E. Rd., Tamsui<br>Dist., New Taipei City | 693,000            | R&D, production and sales<br>of various RF connectors and<br>optical communication<br>components                           |
| EZconn Europe<br>GmbH                       | June 2,<br>2005        | Uhlandstraße 20-25, Berlin,<br>10623, Germany                                  | EUR 25             | Trade in various optical<br>communication components.<br>Served as a holding company<br>without any business<br>operations |
| EZconn Czech a.s.                           | March 1,<br>2006       | Náchodská 529, Trutnov,<br>541 01, Czech Republic                              | CZK 53,000         | Manufacture of various<br>optical communication<br>components  |
| EZconn technologies<br>CZ s.r.o.            | June 6,<br>2013        | Kubelíkova 1224/42, Praha,<br>130 00, Czech Republic                           | CZK 10,000         | Manufacture and R&D of<br>various optical<br>communication components  |
| EC-Link Technology<br>Inc.                  | July 16,<br>2002       | Offshore Chambers, P. O.<br>Box 217, Apia, Samoa                               | USD 21,417         | Served as a holding company  |
| Light Master<br>Technology Inc.             | July 16,<br>2002       | Offshore Chambers, P. O.<br>Box 217, Apia, Samoa                               | USD 15,050         | Served as a holding company  |
| Light Master<br>Technology (Ningbo)<br>Inc. | October<br>28, 2002    | No. 3, Yangzijiang North<br>Rd., South Dist., Ningbo<br>bonded area            | USD 15,000         | Production and sales of<br>various RF connectors and<br>optical communication<br>components                                |

(2) According to Article 369-3 of the Company Act, companies concluded to have controlling and subordinate relation shall be disclosed: None.

(3) Industries covered by the business of the overall affiliates

The industries covered by the business of the affiliates mainly focus on different precision metal parts for electronic components, electronics and design, development, production, assembly and processing, sales and service of each fiber optic components. A small part of affiliates principally engaged in investment holding as their business scope.

(4) Information on directors, supervisors and president of each affiliates

2021.5.01

| Company name                          | Title                             | Name or representative  | No. of shares held |                    |
|---------------------------------------|-----------------------------------|---|--------------------|--------------------|
|                                       |                                   |   | Number of shares   | Shareholding ratio |
| EZconn Corporation                    | Chairman                          | EGTRAN CORPORATION  | 3,565,741          | 5.15%              |
|                                       | Corporate chairman Representative | Corporate representative of eGtran - Chen, Steve                  | 0                  | 0.00%              |
|                                       | Director                          | SHC Consolidated Investors LLC                                    | 2,175,812          | 3.14%              |
|                                       | Corporate director Representative | Corporate representative of SHC – Ko Yuan-Yu                      | 14,933             | 0.02%              |
|                                       | Director                          | Jia Jiu Investment Co., Ltd.                                      | 840,000            | 1.21%              |
|                                       | Corporate director Representative | Representative of corporate Jia Jiu - Chang Ying-Hua              | 45,849             | 0.07%              |
|                                       | Director                          | Transnational Investment Limited                                  | 1,562,602          | 2.25%              |
|                                       | Corporate director Representative | Corporate representative of TIL – Lan Ching-Ying                  | 992,086            | 1.43%              |
|                                       | Independent director              | Peng Hsieh-Ju   | 9,683              | 0.01%              |
|                                       | Independent director              | Chiu Er-De  | 0                  | 0.00%              |
|                                       | Independent director              | Huang Hui-Wen   | 0                  | 0.00%              |
| EZconn Europe GmbH                    | Chairman                          | Chen, Steve   | (Note 1)           | 100.00%            |
|                                       | Director                          | Li Shih-Cheng   |                    |                    |
|                                       | Director                          | Petr Tauchman   |                    |                    |
|                                       | President                         | Petr Tauchman   |                    |                    |
| EZconn Czech a.s.                     | Chairman                          | Chen, Steve   | (Note 2)           | 100.00%            |
|                                       | Director                          | Li Shih-Cheng   |                    |                    |
|                                       | Director                          | Petr Tauchman   |                    |                    |
|                                       | Supervisor                        | Pavel Otruba  |                    |                    |
|                                       | Supervisor                        | Vratislav Musil   |                    |                    |
|                                       | President                         | Petr Tauchman   |                    |                    |
| EZconn technologies CZ s.r.o.         | Chairman                          | Chen, Steve   | (Note 1)           | 100.00%            |
|                                       | Director                          | Li Shih-Cheng   |                    |                    |
|                                       | Director                          | Petr Tauchman   |                    |                    |
|                                       | President                         | Petr Tauchman   |                    |                    |
| EC-Link Technology Inc.               | Director                          | EZconn Corporation<br>Corporate representative - Chen, Steve      | 21,417,000         | 100.00%            |
| Light Master Technology Inc.          | Director                          | EC-Link Technology Inc.<br>Corporate representative - Chen, Steve | 15,050,000         | 100.00%            |
| Light Master Technology (Ningbo) Inc. | Chairman                          | Chang Chi-Fu  | (Note 1)           | 100.00%            |
|                                       | Director                          | Chen Suu-Ming   |                    |                    |
|                                       | Director                          | Chang Ying-Hua  |                    |                    |
|                                       | Supervisor                        | Tsou Lung-Ping  |                    |                    |
|                                       | President                         | Chen Suu-Ming   |                    |                    |

(Note 1) This is a limited company so no shares are issued.

(Note 2) Since all previous capital increase shares had different par value when issued, the number of shares cannot be listed.

## 2. Overview of business operation of the affiliates

Unit: NTD thousands / December 31, 2020

|                                       | Paid-in capital | Total assets | Total liabilities | Net value | Operating revenue | Operating income (loss) | Income (loss) for the current period (after tax) |
|---------------------------------------|-----------------|--------------|-------------------|-----------|-------------------|-------------------------|--|
| EZconn Corporation                    | 693,000         | 2,883,754    | 1,174,721         | 1,709,033 | 2,148,131         | 1,232                   | (38,051)   |
| EZconn Europe GmbH                    | 876             | 87,974       | 15,205            | 72,769    | 0                 | 10,956                  | 10,367   |
| EZconn Czech a.s.                     | 70,555          | 84,690       | 14,240            | 70,450    | 87,339            | 13,488                  | 10,719   |
| EZconn technologies CZ s.r.o.         | 13,312          | 13,235       | 2,095             | 11,140    | 6,404             | (3,459)                 | 77   |
| EC-Link Technology Inc.               | 609,956         | 881,754      | 0                 | 881,754   | 0                 | (36)                    | (8,934)  |
| Light Master Technology Inc.          | 428,624         | 855,090      | 0                 | 855,090   | 0                 | (35)                    | (8,901)  |
| Light Master Technology (Ningbo) Inc. | 427,200         | 925,758      | 194,116           | 731,642   | 777,943           | 15,080                  | (8,635)  |

(II) Consolidated financial statements of the affiliates: Please refer to Page 138.

(III) Affiliation report: N/A.

II. Private equity securities transactions in recent years and to the publication date of the annual report: None.

III. Holding or disposal of the company's shares by the subsidiaries in the most recent year and to the publication date of the annual report: None.

IV. Other necessary additional statements: None.

Nine. Matters that have a significant impact on shareholders' equity or securities prices as set forth in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act in the most recent year and to the publication date of the annual report: None.

# EZconn Corporation

## Declaration on the Internal Control System

Date: March 18, 2021

Based on the result of self-inspection of EZconn's internal control system in 2020, we hereby declare the following:

- I. We acknowledge that the BoD and managers are responsible for the establishment, implementation and maintenance of the internal control system. We have established such a system, with the aim to provide reasonable assurance concerning the effectiveness and efficiency of operations (including profits, performance and protection of asset safety), reports with reliability, promptness, and transparency and compliance with relevant laws and regulations.
- II. Any internal control system has its inherent limitations. No matter how well an internal control system is designed, it can only provide reasonable assurance regarding the achievement of the above three objectives. Moreover, the effectiveness of an internal control system may be altered as a result of changes in the environment and circumstances. However, our internal control system has a self-monitoring mechanism. Once a defect has been identified, corrective actions are immediately taken.
- III. We determine the effectiveness of the design and implementation of our internal control system using the criteria of judgment of the effectiveness of the internal control system specified in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations"). The judgment criteria of internal control systems specified in the "Regulations" contain five components for the internal control system based on the processes of management and control: a. control environment, b. risk assessment, c. control activities, d. information and communication, and e. monitoring activities. Each component includes several elements. Please see the Regulations for the aforementioned criteria.
- IV. We have used the aforementioned criteria to assess the effectiveness of the design and implementation of our internal control system.
- V. Based on the result of the assessment, we finally determined that until December 31, 2020, the design and implementation of our internal control system (including supervision and management of subsidiaries) have worked well regarding the effectiveness and efficiency of operations, the reliability, promptness, and transparency of reports and compliance with relevant laws and regulations, providing reasonable assurance that the above objectives have been achieved.
- VI. This Declaration is to be part of the main contents of our annual reports and prospectuses, and released to the public. In the event the above public contents have included false information or concealed certain information, the legal responsibilities under Articles 20, 32, 171 and 174 of the Securities and Exchange Act shall apply.
- VII. This Declaration was adopted at the BoD meeting on March 20, 2021. All the 7 Directors present approved the contents of this Declaration, and none of them expressed any dissenting opinion. This information is declared as an addition.

EZconn Corporation

Chairman: CHEN STEVE

Signature

President: Chang Ying-Hua

Signature

## **EZconn Corporation and Subsidiaries**

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

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

The entities that are required to be included in the combined financial statements of affiliates of EZconn Corporation as of and for the year ended December 31, 2020 under the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements of parent and subsidiary companies prepared in conformity with International Financial Reporting Standard 10, “Consolidated Financial Statements”. In addition, the information required to be disclosed in the combined financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Consequently, EZconn Corporation and its subsidiaries did not prepare a separate set of combined financial statements of affiliates.

Very truly yours,

EZCONN CORPORATION

By

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CHEN, STEVE  
Chairman

March 18, 2021

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
EZconn Corporation

### **Opinion**

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

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

### **Basis for Opinion**

We conducted our audit of the consolidated financial statements for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing, and Attestation of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020, and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

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

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

#### Existence of Sales Revenue from Specific Products

The main products of Ezconn Corporation are optical fiber components and radio frequency connectors. The sales revenue of 2020 declined slightly compared to that of 2019, however, sales revenue from specific products grew against the trend. Since the existence of sales revenue from specific products had a significant impact on sales revenue and financial performance, it was identified as one of the key audit matters for the year ended December 31, 2020.

Please refer to Notes 4 and 31 to the consolidated financial statements for the accounting policies, critical accounting estimates and judgments, and other details on the information about sales revenue.

The main audit procedures we performed in response to the above-mentioned key audit matter are as follows:

1. We obtained an understanding of the design of the key controls over sales transactions and tested the operating effectiveness of such controls on a sample basis.
2. We obtained the transaction details of the specific products and examined the related transaction documents of selected samples to check if the sales policies had been violated.
3. We obtained the transaction details of specific products and conducted test of details on the products.
4. We sent confirmation requests to customers of the specific products to check the existence of transactions.
5. We checked for significant sales returns and discounts and for any abnormalities in payments after the reporting period.

#### Impairment of Inventory

As of December 31, 2020, the Group's inventories amounted to NT\$537,354,000 (net of provision for inventory value decline of NT\$144,192,000). Please refer to Notes 4, 5 and 10 to the consolidated financial statements for the details of the information.

The Group's inventories are stated at the lower of cost or net realizable value and estimation of net realizable value is affected by management's subjective judgement. In addition, due to fluctuating demand and rapid changes in technology, inventories may become slow-moving or obsolete. Therefore, it has been identified as a key audit matter.

The audit procedures we performed in response to the above key audit matter included the following:

1. We obtained an understanding of the reasonableness of the accounting policy on inventory write-downs, and tested the aging of inventory and verified that the valuation of inventory conformed with the Group's policy.
2. We compared the carrying values to the latest sales invoices of sample items to assess whether they were measured at the lower of cost or net realizable value.

#### **Other Matter**

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



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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of 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 members of the audit committee, are responsible for overseeing the Group's financial reporting process.

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

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

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

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

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audits resulting in this independent auditors' report are Chun-Hung Chen and Hsiu-Chun Huang.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 18, 2021

#### Notice to Readers

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

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

# EZCONN CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

| ASSETS  | 2020                |            | 2019                |            |
|---|---------------------|------------|---------------------|------------|
|   | Amount              | %          | Amount              | %          |
| <b>CURRENT ASSETS</b>   |                     |            |                     |            |
| Cash and cash equivalents (Notes 4 and 6)   | \$ 835,870          | 29         | \$ 1,095,468        | 37         |
| Financial assets at amortized cost - current (Notes 4 and 8)                                    | 61,457              | 2          | 59,606              | 2          |
| Notes receivable (Notes 4 and 9)  | 5,827               | -          | 11,248              | -          |
| Trade receivables from unrelated parties (Notes 4 and 9)  | 548,907             | 19         | 456,436             | 15         |
| Trade receivables from related parties (Notes 4, 9 and 27)                                      | -                   | -          | 57                  | -          |
| Other receivables (Notes 4 and 9)   | 19,853              | 1          | 16,154              | 1          |
| Current tax assets (Notes 4 and 23)   | 336                 | -          | 3,893               | -          |
| Inventories (Notes 4, 5 and 10)   | 537,354             | 18         | 460,526             | 15         |
| Prepayments and other current assets (Notes 3 and 13)   | <u>26,473</u>       | <u>1</u>   | <u>12,201</u>       | <u>1</u>   |
| Total current assets  | <u>2,036,077</u>    | <u>70</u>  | <u>2,115,589</u>    | <u>71</u>  |
| <b>NON-CURRENT ASSETS</b>   |                     |            |                     |            |
| Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 7) | 53,002              | 2          | 37,715              | 1          |
| Financial assets at amortized cost - non-current (Notes 4, 8 and 28)                            | 2,248               | -          | 2,225               | -          |
| Property, plant and equipment (Notes 4, 12 and 28)  | 628,372             | 22         | 637,785             | 21         |
| Right-of-use assets (Notes 3, 4 and 13)   | 54,620              | 2          | 66,809              | 2          |
| Intangible assets (Notes 4 and 14)  | 8,637               | -          | 8,743               | -          |
| Deferred tax assets (Notes 4, 5 and 23)   | 117,880             | 4          | 103,585             | 4          |
| Prepayments for equipment   | 2,784               | -          | 13,305              | 1          |
| Refundable deposits   | <u>2,404</u>        | <u>-</u>   | <u>3,326</u>        | <u>-</u>   |
| Total non-current assets  | <u>869,947</u>      | <u>30</u>  | <u>873,493</u>      | <u>29</u>  |
| <b>TOTAL</b>  | <u>\$ 2,906,024</u> | <u>100</u> | <u>\$ 2,989,082</u> | <u>100</u> |
| <b>LIABILITIES AND EQUITY</b>   |                     |            |                     |            |
| <b>CURRENT LIABILITIES</b>  |                     |            |                     |            |
| Short-term borrowings (Note 15)   | \$ 264,000          | 9          | \$ 390,000          | 13         |
| Notes payable (Note 16)   | 1,040               | -          | 324                 | -          |
| Trade payables (Note 16)  | 306,260             | 11         | 252,267             | 9          |
| Other payables (Note 17)  | 171,947             | 6          | 135,814             | 5          |
| Current tax liabilities (Notes 4 and 23)  | -                   | -          | 17,519              | 1          |
| Provisions - current (Notes 4 and 18)   | 8,055               | -          | 8,055               | -          |
| Lease liabilities - current (Notes 3, 4, 13 and 27)   | 11,396              | -          | 12,364              | -          |
| Other current liabilities (Notes 4 and 21)  | <u>56,662</u>       | <u>2</u>   | <u>68,668</u>       | <u>2</u>   |
| Total current liabilities   | <u>819,360</u>      | <u>28</u>  | <u>885,011</u>      | <u>30</u>  |
| <b>NON-CURRENT LIABILITIES</b>  |                     |            |                     |            |
| Long-term borrowings (Notes 15 and 28)  | 236,000             | 8          | -                   | -          |
| Deferred tax liabilities (Notes 4 and 23)   | 48,075              | 2          | 47,604              | 2          |
| Lease liabilities - non-current (Notes 3, 4 and 13)   | 21,725              | 1          | 32,215              | 1          |
| Net defined benefit liabilities (Notes 4 and 19)  | 60,318              | 2          | 61,411              | 2          |
| Other non-current liabilities   | <u>11,513</u>       | <u>-</u>   | <u>7,916</u>        | <u>-</u>   |
| Total non-current liabilities   | <u>377,631</u>      | <u>13</u>  | <u>149,146</u>      | <u>5</u>   |
| Total liabilities   | <u>1,196,991</u>    | <u>41</u>  | <u>1,034,157</u>    | <u>35</u>  |
| <b>EQUITY (Notes 4 and 20)</b>  |                     |            |                     |            |
| Ordinary shares   | 693,000             | 24         | 693,000             | 23         |
| Capital surplus   | 234,872             | 8          | 234,872             | 8          |
| Legal reserve   | 233,370             | 8          | 233,370             | 8          |
| Special reserve   | 102,980             | 4          | 64,280              | 2          |
| Unappropriated earnings   | 662,305             | 23         | 832,383             | 28         |
| Other equity  | (106,641)           | (4)        | (102,980)           | (4)        |
| Treasury shares   | <u>(110,853)</u>    | <u>(4)</u> | <u>-</u>            | <u>-</u>   |
| Total equity  | <u>1,709,033</u>    | <u>59</u>  | <u>1,954,925</u>    | <u>65</u>  |
| <b>TOTAL</b>  | <u>\$ 2,906,024</u> | <u>100</u> | <u>\$ 2,989,082</u> | <u>100</u> |

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

# **EZCONN CORPORATION AND SUBSIDIARIES**

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

|   | <b>2020</b>      |            | <b>2019</b>      |            |
|---|------------------|------------|------------------|------------|
|   | <b>Amount</b>    | <b>%</b>   | <b>Amount</b>    | <b>%</b>   |
| NET REVENUE (Notes 4, 21 and 27)  | \$ 2,413,548     | 100        | \$ 2,424,158     | 100        |
| COST OF REVENUE (Notes 10, 19 and 22)   | <u>2,006,106</u> | <u>83</u>  | <u>2,076,513</u> | <u>86</u>  |
| GROSS PROFIT  | <u>407,442</u>   | <u>17</u>  | <u>347,645</u>   | <u>14</u>  |
| OPERATING EXPENSES (Notes 9, 19, 22 and 27)   |                  |            |                  |            |
| Selling and marketing expenses  | 92,478           | 4          | 73,467           | 3          |
| General and administrative expenses   | 174,492          | 7          | 167,725          | 7          |
| Research and development expenses   | <u>113,189</u>   | <u>5</u>   | <u>125,938</u>   | <u>5</u>   |
| Total operating expenses  | <u>380,159</u>   | <u>16</u>  | <u>367,130</u>   | <u>15</u>  |
| PROFIT/(LOSS) FROM OPERATIONS   | <u>27,283</u>    | <u>1</u>   | <u>(19,485)</u>  | <u>(1)</u> |
| NON-OPERATING INCOME AND EXPENSES<br>(Notes 4, 13 and 22)   |                  |            |                  |            |
| Interest income   | 6,153            | -          | 16,701           | 1          |
| Other income  | 2,140            | -          | 1,603            | -          |
| Other gains and losses  | (75,504)         | (3)        | (1,295)          | -          |
| Finance costs   | <u>(5,758)</u>   | <u>-</u>   | <u>(3,738)</u>   | <u>-</u>   |
| Total non-operating income and expenses   | <u>(72,969)</u>  | <u>(3)</u> | <u>13,271</u>    | <u>1</u>   |
| LOSS BEFORE INCOME TAX  | (45,686)         | (2)        | (6,214)          | -          |
| INCOME TAX (BENEFIT) EXPENSE (Notes 4<br>and 23)  | <u>(7,635)</u>   | <u>-</u>   | <u>13,064</u>    | <u>1</u>   |
| NET LOSS FOR THE YEAR   | <u>(38,051)</u>  | <u>(2)</u> | <u>(19,278)</u>  | <u>(1)</u> |
| OTHER COMPREHENSIVE LOSS (Notes 4, 7, 19<br>and 23)   |                  |            |                  |            |
| Items that will not be reclassified subsequently to<br>profit or loss:                                      |                  |            |                  |            |
| Remeasurement of defined benefit plans  | (3,948)          | -          | (8,080)          | -          |
| Unrealized loss on investments in equity<br>instruments at fair value through other<br>comprehensive income | (14,713)         | -          | (4,303)          | -          |
| Income tax relating to items that will not be<br>reclassified subsequently to profit or loss                | <u>3,732</u>     | <u>-</u>   | <u>2,476</u>     | <u>-</u>   |
|   | <u>(14,929)</u>  | <u>-</u>   | <u>(9,907)</u>   | <u>-</u>   |

# EZCONN CORPORATION AND SUBSIDIARIES

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

|  | 2020               |            | 2019               |            |
|--|--------------------|------------|--------------------|------------|
|  | Amount             | %          | Amount             | %          |
| Items that may be reclassified subsequently to profit or loss:                       |                    |            |                    |            |
| Exchange differences on translating foreign operations                               | \$ 10,136          | -          | \$ (44,072)        | (2)        |
| Income tax relating to items that may be reclassified subsequently to profit or loss | <u>(2,027)</u>     | <u>-</u>   | <u>8,815</u>       | <u>-</u>   |
|  | <u>8,109</u>       | <u>-</u>   | <u>(35,257)</u>    | <u>(2)</u> |
| Other comprehensive loss for the year, net of income tax                             | <u>(6,820)</u>     | <u>-</u>   | <u>(45,164)</u>    | <u>(2)</u> |
| TOTAL COMPREHENSIVE LOSS FOR THE YEAR  | <u>\$ (44,871)</u> | <u>(2)</u> | <u>\$ (64,442)</u> | <u>(3)</u> |
| LOSS PER SHARE (Note 24)   |                    |            |                    |            |
| Basic  | <u>\$ (0.57)</u>   |            | <u>\$ (0.28)</u>   |            |

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

(Concluded)

# EZCONN CORPORATION AND SUBSIDIARIES

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

|  | Share Capital (Note 20) |            | Capital Surplus<br>(Note 20) | Retained Earnings (Note 20) |                 |                            |              | Other Equity (Notes 4 and 20)                                      |  |              | Treasury<br>Shares<br>(Note 20) | Total Equity |
|--|-------------------------|------------|------------------------------|-----------------------------|-----------------|----------------------------|--------------|--|--|--------------|---------------------------------|--------------|
|  | Share (In<br>Thousands) | Amount     |                              | Legal Reserve               | Special Reserve | Unappropriated<br>Earnings | Total        | Exchange<br>Differences on<br>Translating<br>Foreign<br>Operations | Unrealized<br>Gain (Loss) on<br>Financial Assets<br>at Fair Value<br>Comprehensive<br>Income | Total        |                                 |              |
| BALANCE AT JANUARY 1, 2019   | 66,000                  | \$ 660,000 | \$ 234,872                   | \$ 217,931                  | \$ 50,573       | \$ 1,019,271               | \$ 1,287,775 | \$ (67,324)  | \$ 3,044   | \$ (64,280)  | \$ -                            | \$ 2,118,367 |
| Appropriation of 2018 earnings   |                         |            |                              |                             |                 |                            |              |  |  |              |                                 |              |
| Legal reserve  | -                       | -          | -                            | 15,439                      | -               | (15,439)                   | -            | -  | -  | -            | -                               | -            |
| Special reserve  | -                       | -          | -                            | -                           | 13,707          | (13,707)                   | -            | -  | -  | -            | -                               | -            |
| Cash dividends distributed by the Company  | -                       | -          | -                            | -                           | -               | (99,000)                   | (99,000)     | -  | -  | -            | -                               | (99,000)     |
| Share dividends distributed by the Company   | 3,300                   | 33,000     | -                            | -                           | -               | (33,000)                   | (33,000)     | -  | -  | -            | -                               | -            |
| Net loss for the year ended December 31, 2019  | -                       | -          | -                            | -                           | -               | (19,278)                   | (19,278)     | -  | -  | -            | -                               | (19,278)     |
| Other comprehensive income (loss) for the year ended<br>December 31, 2019, net of income tax | -                       | -          | -                            | -                           | -               | (6,464)                    | (6,464)      | (35,257)   | (3,443)  | (38,700)     | -                               | (45,164)     |
| Total comprehensive income (loss) for the year ended<br>December 31, 2019                    | -                       | -          | -                            | -                           | -               | (25,742)                   | (25,742)     | (35,257)   | (3,443)  | (38,700)     | -                               | (64,442)     |
| BALANCE AT DECEMBER 31, 2019   | 69,300                  | 693,000    | 234,872                      | 233,370                     | 64,280          | 832,383                    | 1,130,033    | (102,581)  | (399)  | (102,980)    | -                               | 1,954,925    |
| Appropriation of 2019 earnings   |                         |            |                              |                             |                 |                            |              |  |  |              |                                 |              |
| Special reserve  | -                       | -          | -                            | -                           | 38,700          | (38,700)                   | -            | -  | -  | -            | -                               | -            |
| Cash dividends distributed by the Company  | -                       | -          | -                            | -                           | -               | (90,168)                   | (90,168)     | -  | -  | -            | -                               | (90,168)     |
| Net loss for the year ended December 31, 2020  | -                       | -          | -                            | -                           | -               | (38,051)                   | (38,051)     | -  | -  | -            | -                               | (38,051)     |
| Other comprehensive income (loss) for the year ended<br>December 31, 2020, net of income tax | -                       | -          | -                            | -                           | -               | (3,159)                    | (3,159)      | 8,109  | (11,770)   | (3,661)      | -                               | (6,820)      |
| Total comprehensive income (loss) for the year ended<br>December 31, 2020                    | -                       | -          | -                            | -                           | -               | (41,210)                   | (41,210)     | 8,109  | (11,770)   | (3,661)      | -                               | (44,871)     |
| Buy-back of ordinary shares  | -                       | -          | -                            | -                           | -               | -                          | -            | -  | -  | -            | (110,853)                       | (110,853)    |
| BALANCE AT DECEMBER 31, 2020   | 69,300                  | \$ 693,000 | \$ 234,872                   | \$ 233,370                  | \$ 102,980      | \$ 662,305                 | \$ 998,655   | \$ (94,472)  | \$ (12,169)  | \$ (106,641) | \$ (110,853)                    | \$ 1,709,033 |

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

# EZCONN CORPORATION AND SUBSIDIARIES

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

|  | 2020        | 2019       |
|--|-------------|------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                  |             |            |
| Loss before income tax   | \$ (45,686) | \$ (6,214) |
| Adjustments for:   |             |            |
| Depreciation expenses  | 85,397      | 87,789     |
| Amortization expenses  | 2,742       | 5,658      |
| Expected credit loss recognized (reversed) on trade receivables              | 94          | (949)      |
| Finance costs  | 5,758       | 3,738      |
| Interest income  | (6,153)     | (16,701)   |
| Loss on disposal of property, plant and equipment                            | 4,851       | 195        |
| Gain on lease modification   | (4)         | -          |
| Write-downs of inventories   | 1,669       | 14,053     |
| Changes in operating assets and liabilities                                  |             |            |
| Notes receivable   | 5,421       | 5,631      |
| Trade receivables from unrelated parties                                     | (85,923)    | 180,474    |
| Trade receivables from related parties                                       | 57          | (50)       |
| Other receivables  | (4,412)     | 2,182      |
| Inventories  | (78,977)    | 222,607    |
| Prepayments and other current assets   | (14,272)    | 6,245      |
| Notes payable  | 716         | (55)       |
| Trade payables   | 53,993      | (231,278)  |
| Other payables   | 35,599      | (46,919)   |
| Other current liabilities  | (12,006)    | 12,117     |
| Net defined benefit liability  | (5,041)     | (18,235)   |
| Cash (used in) generated from operations                                     | (56,177)    | 220,288    |
| Interest received  | 6,866       | 16,881     |
| Interest paid  | (5,539)     | (3,664)    |
| Income tax paid  | (18,184)    | (44,284)   |
| Net cash (used in) generated from operating activities                       | (73,034)    | 189,221    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                  |             |            |
| Purchase of financial assets a fair value through other comprehensive income | (30,000)    | -          |
| Purchase of financial assets at amortized cost                               | (75,728)    | (79,686)   |
| Proceeds from sale of financial assets at amortized cost                     | 75,948      | 79,873     |
| Payments for property, plant and equipment                                   | (54,558)    | (334,749)  |
| Proceeds from disposal of property, plant and equipment                      | 1,568       | 13         |
| Decrease/(increase) in refundable deposits                                   | 923         | (168)      |
| Proceeds from disposal of intangible assets                                  | 2,212       | -          |
| Payments for intangible assets   | (4,871)     | (3,753)    |
| Net cash used in investing activities  | (84,506)    | (338,470)  |

(Continued)

# **EZCONN CORPORATION AND SUBSIDIARIES**

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

|   | <b>2020</b>              | <b>2019</b>                |
|---|--------------------------|----------------------------|
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                          |                            |
| Proceeds from short-term borrowings   | \$ 4,228,000             | \$ 2,500,000               |
| Repayments of short-term borrowings   | (4,354,000)              | (2,330,000)                |
| Proceeds from long-term borrowings  | 236,000                  | -                          |
| Repayment of the principal portion of lease liabilities                                       | (12,609)                 | (15,177)                   |
| Increase/(decrease) in other non-current liabilities  | 3,597                    | (543)                      |
| Payments for buy-back of ordinary shares  | (110,853)                | -                          |
| Dividends paid to owners of the Company   | <u>(90,168)</u>          | <u>(99,000)</u>            |
| Net cash (used in) generated from financing activities  | <u>(100,033)</u>         | <u>55,280</u>              |
| <b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF<br/>CASH HELD IN FOREIGN CURRENCIES</b> | <u>(2,025)</u>           | <u>(35,923)</u>            |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>  | <u>(259,598)</u>         | <u>(129,892)</u>           |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE<br/>YEAR</b>                             | <u>1,095,468</u>         | <u>1,225,360</u>           |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>                                       | <u><u>\$ 835,870</u></u> | <u><u>\$ 1,095,468</u></u> |

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

(Concluded)



# EZCONN CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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#### 1. GENERAL INFORMATION

EZconn Corporation (the “Company”) was incorporated in the Republic of China (“ROC”) on September 4, 1996. The Company mainly manufactures and sells precision metal components and optical fiber components of various electronic products.

The Company’s shares have been listed on the Taiwan Stock Exchange (“TWSE”) since July 14, 2015.

These consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) are presented in the Company’s functional currency, the New Taiwan dollar.

#### 2. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Company’s Board of Directors on March 18, 2021.

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

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

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

- b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2020

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

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

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

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

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

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

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

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

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

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

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

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### a. Statement of compliance

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

##### b. Basis of preparation

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

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

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

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

Current assets include:

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

Current liabilities include:

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

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

##### d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries).

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

See Note 11, Tables 4 and 5 for the detailed information of subsidiaries (including the percentage of ownership and main business).

e. Foreign currencies

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

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

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

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

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

f. Inventories

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

g. Property, plant and equipment

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

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If the leases term are shorter than their useful lives, assets are depreciated over their lease term. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in estimates accounted for on a prospective basis.

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

## h. Intangible assets

### 1) Intangible assets acquired separately

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

### 2) Internally-generated intangible assets - research and development expenditures

Expenditures on research activities are recognized as expenses in the period in which they are incurred.

An internally-generated intangible asset arising from the development phase of an internal project is recognized if, and only if, all of the following have been demonstrated:

- a) The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- b) The intention to complete the intangible asset and use or sell it;
- c) The ability to use or sell the intangible asset;
- d) How the intangible asset will generate probable future economic benefits;
- e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- f) The ability to measure reliably the expenditures attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditures incurred from the date when such an intangible asset first meets the recognition criteria listed above. Subsequent to initial recognition, such intangible assets are measured on the same basis as intangible assets that are acquired separately.

### 3) Derecognition of intangible assets

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

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

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

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

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

j. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at amortized cost

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

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

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

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

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

subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

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

ii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the

Group):

- i. Internal or external information show that the debtor is unlikely to pay its creditors.
- ii. When a financial asset is more than 180 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

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

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

2) Financial liabilities

a) Subsequent measurement

All the financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

k. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Provisions for the expected cost of warranty obligations are recognized at the date of sale of the relevant products at the best estimate by the management of the Group of the expenditure required to settle the Group's obligation.

l. Revenue recognition

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



### Revenue from the sale of goods

Revenue from the sale of goods comes from sales of optical fiber component and radio frequency connector products. Sales of optical fiber components and radio frequency connector products are recognized as revenue when the goods are shipped or delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers, and bears the risks of obsolescence. Trade receivables are recognized concurrently.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Taking into consideration the different contractual terms, the Group estimated customer returns and rebates that are likely to happen based on past experience, and the rebates are recognized as refund liabilities (other current liabilities).

The Group does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

#### m. Leases

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

### The Group as lessee

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

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

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

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the consolidated balance sheets.

n. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

o. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

p. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

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

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

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

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

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

### 3) Current and deferred taxes

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

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

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

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

## Key Sources of Estimation Uncertainty

### Write-down of inventory

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and historical experience in the sale of product of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

## 6. CASH AND CASH EQUIVALENTS

|   | December 31       |                     |
|---|-------------------|---------------------|
|   | 2020              | 2019                |
| Cash on hand  | \$ 684            | \$ 703              |
| Checking accounts and demand deposits                         | 721,266           | 794,965             |
| Cash equivalents  |                   |                     |
| Time deposits with original maturities less than three months | <u>113,920</u>    | <u>299,800</u>      |
|   | <u>\$ 835,870</u> | <u>\$ 1,095,468</u> |

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

|              | December 31   |               |
|--------------|---------------|---------------|
|              | 2020          | 2019          |
| Bank balance | 0.001%-0.320% | 0.001%-2.577% |

## 7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

### Investments in Equity Instruments at FVTOCI

|  | December 31      |                  |
|--|------------------|------------------|
|  | 2020             | 2019             |
| <u>Non-current</u>                           |                  |                  |
| Domestic investments                         |                  |                  |
| Unlisted shares                              |                  |                  |
| Preferred shares - AuthenX Inc.              | \$ 33,885        | \$ -             |
| Foreign investments                          |                  |                  |
| Unlisted shares                              |                  |                  |
| Preferred shares - Lightel Technologies Inc. | <u>19,117</u>    | <u>37,715</u>    |
|  | <u>\$ 53,002</u> | <u>\$ 37,715</u> |

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purpose. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

In September 2020, the Group acquired the preferred shares of AuthenX Inc. for \$30,000 thousand; since the shares are held for medium- to long-term strategic purposes; the management designated these investments as at FVTOCI.

## 8. FINANCIAL ASSETS AT AMORTIZED COST

|  | <b>December 31</b> |                  |
|--|--------------------|------------------|
|  | <b>2020</b>        | <b>2019</b>      |
| <u>Current</u>   |                    |                  |
| Time deposits with original maturities of more than 3 months (a)   | <u>\$ 61,457</u>   | <u>\$ 59,606</u> |
| <u>Non-current</u>   |                    |                  |
| Pledged deposits (b)   | <u>\$ 2,248</u>    | <u>\$ 2,225</u>  |
| a. The ranges of interest rates for time deposits with an original maturity of more than 3 months were approximately 1.69%-1.95% and 1.69%-2.60% per annum as of December 31, 2020 and 2019, respectively. |                    |                  |
| b. The market interest rates of the pledged deposits were 0.790% and 1.045% per annum as of December 31, 2020 and 2019, respectively.  |                    |                  |
| c. Refer to Note 28 for information relating to investments in financial assets at amortized cost pledged as security.   |                    |                  |

## 9. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

|  | <b>December 31</b> |                   |
|--|--------------------|-------------------|
|  | <b>2020</b>        | <b>2019</b>       |
| <u>Notes receivable, net</u>                     |                    |                   |
| At amortized cost                                |                    |                   |
| Gross carrying amount                            | \$ 5,910           | \$ 11,331         |
| Less: Allowance for impairment loss              | <u>(83)</u>        | <u>(83)</u>       |
|  | <u>\$ 5,827</u>    | <u>\$ 11,248</u>  |
| Notes receivable - operating                     | <u>\$ 5,827</u>    | <u>\$ 11,248</u>  |
| <u>Trade receivables</u>                         |                    |                   |
| At amortized cost                                |                    |                   |
| Gross carrying amount                            | \$ 675,579         | \$ 589,656        |
| Less: Allowance for impairment loss              | <u>(126,672)</u>   | <u>(133,220)</u>  |
|  | <u>\$ 548,907</u>  | <u>\$ 456,436</u> |
| Trade receivables from related parties (Note 27) | <u>\$ -</u>        | <u>\$ 57</u>      |

(Continued)

|   | <b>December 31</b> |                  |
|---|--------------------|------------------|
|   | <b>2020</b>        | <b>2019</b>      |
| <u>Other receivables</u>                        |                    |                  |
| Tax refund receivable                           | \$ 12,869          | \$ 11,306        |
| Receivables from sales of scrap and by-products | 4,797              | 2,392            |
| Interest receivable                             | 370                | 1,083            |
| Others  | <u>1,817</u>       | <u>1,373</u>     |
|   | <u>\$ 19,853</u>   | <u>\$ 16,154</u> |
|   |                    | (Concluded)      |

a. Trade receivables

The average credit period of sales of goods was 30 to 120 days. No interest was charged on trade receivables. In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date.

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

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

December 31, 2020

|                                | <b>China</b>      | <b>Asia</b>      | <b>America</b>    | <b>Europe</b>    | <b>Others</b>    | <b>Total</b>      |
|--------------------------------|-------------------|------------------|-------------------|------------------|------------------|-------------------|
| Gross carrying amount          | \$ 208,783        | \$ 91,306        | \$ 161,006        | \$ 88,609        | \$ 125,875       | \$ 675,579        |
| Loss allowance (Lifetime ECLs) | <u>(461)</u>      | <u>(90)</u>      | <u>(78)</u>       | <u>(168)</u>     | <u>(125,875)</u> | <u>(126,672)</u>  |
| Amortized cost                 | <u>\$ 208,322</u> | <u>\$ 91,216</u> | <u>\$ 160,928</u> | <u>\$ 88,441</u> | <u>\$ -</u>      | <u>\$ 548,907</u> |

December 31, 2019

|                                | <b>China</b>      | <b>Asia</b>      | <b>America</b>    | <b>Europe</b>     | <b>Others</b>    | <b>Total</b>      |
|--------------------------------|-------------------|------------------|-------------------|-------------------|------------------|-------------------|
| Gross carrying amount          | \$ 120,867        | \$ 91,073        | \$ 111,179        | \$ 134,033        | \$ 132,504       | \$ 589,656        |
| Loss allowance (Lifetime ECLs) | <u>(380)</u>      | <u>(91)</u>      | <u>(55)</u>       | <u>(190)</u>      | <u>(132,504)</u> | <u>(133,220)</u>  |
| Amortized cost                 | <u>\$ 120,487</u> | <u>\$ 90,982</u> | <u>\$ 111,124</u> | <u>\$ 133,843</u> | <u>\$ -</u>      | <u>\$ 456,436</u> |

The aging of receivables was as follows:

|                   | <b>December 31</b> |                   |
|-------------------|--------------------|-------------------|
|                   | <b>2020</b>        | <b>2019</b>       |
| Less than 30 days | \$ 220,831         | \$ 164,226        |
| 31-60 days        | 147,982            | 133,502           |
| 61-90 days        | 79,367             | 99,599            |
| 91-120 days       | 51,034             | 35,353            |
| Over 121 days     | <u>176,365</u>     | <u>156,976</u>    |
|                   | <u>\$ 675,579</u>  | <u>\$ 589,656</u> |

The above aging schedule was based on the number of past due days from invoice date.

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

|   | <b>For the Year Ended December 31</b> |                   |
|---|---------------------------------------|-------------------|
|   | <b>2020</b>                           | <b>2019</b>       |
| Balance at January 1                      | \$ 133,220                            | \$ 137,464        |
| Less: Net remeasurement of loss allowance | 94                                    | (949)             |
| Foreign exchange gains and losses         | <u>(6,642)</u>                        | <u>(3,295)</u>    |
| Balance at December 31                    | <u>\$ 126,672</u>                     | <u>\$ 133,220</u> |

In October 2014, PCT International Inc. (PCT), one of the Company's customers, filed a civil lawsuit with the United States District Court against the Company alleging infringement of intellectual property rights, business confidentiality, and business opportunities. In September 2017, the Court granted judgment in favor of the Company and did not require the Company to be liable for any compensation to PCT. PCT appealed against the judgment in October 2017. The Court of Appeals affirmed the dismissal of PCT's claims against the Company and denied PCT's petition for panel rehearing on June 27, 2019. As a result, the Company's management believed that the case would not have a significant impact on the Company's financial position and operating activities.

PCT owed the Company US\$6,648 thousand. The Company engaged lawyers and has filed civil lawsuits in the courts of the United States (The Court) in February 2016 seeking PCT to pay the overdue trade receivables. In August 2017, the Court granted judgment in favor of the Company and awarded US\$9,463 thousand to the Company. PCT appealed against the judgment in September 2017. In January 2018, the Court ordered that approximately US\$2,222 thousand deposited in the Court Registry by PCT shall be paid to the Company in partial satisfaction of the US\$9,463 thousand judgment for the Company. PCT paid the compensation to the Company thereafter. In May 2019, the Court of Appeals affirmed the judgment and in November 2019, PCT filed for bankruptcy proceedings under Chapter 11 of the United States Bankruptcy Code. PCT and the Company filed for debt restructuring to the Court in June and August 2020 respectively. The Company filed for bankruptcy liquidation under Chapter 7 of the United States Bankruptcy Code in replacement of the bankruptcy proceedings mentioned previously in January 2021, however, PCT was against this proposal. The dispute remains uncertain and will be decided by the Court. The Company engaged lawyers to pursue recovery of the remaining balance. The Company had recognized the remaining amount as an impairment loss in previous years, and believed that the case would not have a significant impact on the Company's financial position and operating activities.

b. Other receivables

Other receivables were primarily tax refund receivable, receivable from sales of scrap and by-products and interest receivable. As of December 31, 2020 and 2019, the Group assessed the impairment loss of other receivables expected credit losses.

## 10. INVENTORIES

|                  | <b>December 31</b> |                   |
|------------------|--------------------|-------------------|
|                  | <b>2020</b>        | <b>2019</b>       |
| Finished goods   | \$ 193,317         | \$ 199,132        |
| Work in progress | 196,152            | 142,353           |
| Raw materials    | <u>147,885</u>     | <u>119,041</u>    |
|                  | <u>\$ 537,354</u>  | <u>\$ 460,526</u> |

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2020 and 2019 was \$2,006,106 thousand and \$2,076,513 thousand, respectively. The cost of goods sold for the years ended December 31, 2020 and 2019 included inventory write-downs of \$1,669 thousand and \$14,053 thousand, respectively.

## 11. SUBSIDIARIES

### Subsidiaries Included in the Consolidated Financial Statements

| <b>Investor</b>    | <b>Investee</b>                             | <b>Nature of Activities</b>   | <b>Proportion of Ownership</b> |             |
|--------------------|---|---|--------------------------------|-------------|
|                    |   |   | <b>December 31</b>             |             |
|                    |   |   | <b>2020</b>                    | <b>2019</b> |
| The Company        | EC-Link Technology Ltd. (EC-Link)           | Investment  | 100%                           | 100%        |
|                    | EZconn Europe GmbH                          | Manufacture and sell precision metal components and optical fiber components of various electronic products | 100%                           | 100%        |
| EC-Link            | Light Master Technology Inc. (Light Master) | Investment  | 100%                           | 100%        |
| EZconn Europe GmbH | EZconn Czech a.s.                           | Manufacture of various optical fiber components   | 100%                           | 100%        |
| Light Master       | Light Master Technology (Ningbo) Inc.       | Manufacture and sell of optical fiber components and cable connector  | 100%                           | 100%        |
| EZconn Czech a.s.  | EZconn Technologies CZ s.r.o.               | Manufacture and research of optical communication components  | 100%                           | 100%        |



## 12. PROPERTY, PLANT AND EQUIPMENT

|   | Land       | Buildings  | Machinery Equipment | Mold Equipment | Transportation Equipment | Office Equipment | Other Equipment | Property under Construction | Total        |
|---|------------|------------|---------------------|----------------|--------------------------|------------------|-----------------|-----------------------------|--------------|
| <u>Cost</u>                                     |            |            |                     |                |                          |                  |                 |                             |              |
| Balance at January 1, 2019                      | \$ -       | \$ 244,126 | \$ 920,658          | \$ 33,878      | \$ 5,130                 | \$ 45,101        | \$ 88,636       | \$ 10,330                   | \$ 1,347,859 |
| Additions                                       | 126,000    | 146,667    | 24,435              | 819            | -                        | 721              | 2,632           | 4,955                       | 306,229      |
| Disposals                                       | -          | -          | (20,637)            | -              | -                        | (3,702)          | (136)           | -                           | (24,475)     |
| Reclassification                                | -          | -          | 24,628              | 308            | -                        | 571              | 2,457           | (10,233)                    | 17,731       |
| Effect of foreign currency exchange differences | -          | (9,608)    | (20,892)            | -              | (185)                    | (823)            | (244)           | (286)                       | (32,038)     |
| Balance at December 31, 2019                    | 126,000    | 381,185    | 928,192             | 35,005         | 4,945                    | 41,868           | 93,345          | 4,766                       | 1,615,306    |
| Additions                                       | -          | -          | 10,477              | 3,399          | -                        | 1,136            | 1,421           | 6,785                       | 23,218       |
| Disposals                                       | -          | -          | (47,476)            | (439)          | -                        | (2,462)          | (34,339)        | -                           | (84,716)     |
| Reclassification                                | -          | -          | 15,624              | 59             | -                        | -                | 32,001          | (5,497)                     | 42,187       |
| Effect of foreign currency exchange differences | -          | 3,638      | 9,092               | -              | 70                       | 313              | 94              | 104                         | 13,311       |
| Balance at December 31, 2020                    | \$ 126,000 | \$ 384,823 | \$ 915,909          | \$ 38,024      | \$ 5,015                 | \$ 40,855        | \$ 92,522       | \$ 6,158                    | \$ 1,609,306 |
| <u>Accumulated depreciation and impairment</u>  |            |            |                     |                |                          |                  |                 |                             |              |
| Balance at January 1, 2019                      | \$ -       | \$ 141,717 | \$ 686,638          | \$ 29,111      | \$ 3,911                 | \$ 35,330        | \$ 55,571       | \$ -                        | \$ 952,278   |
| Depreciation expenses                           | -          | 12,143     | 42,255              | 2,644          | 352                      | 3,347            | 10,981          | -                           | 71,722       |
| Disposals                                       | -          | -          | (20,581)            | -              | -                        | (3,550)          | (136)           | -                           | (24,267)     |
| Effect of foreign currency exchange differences | -          | (5,989)    | (15,245)            | -              | (155)                    | (699)            | (124)           | -                           | (22,212)     |
| Balance at December 31, 2019                    | -          | 147,871    | 693,067             | 31,755         | 4,108                    | 34,428           | 66,292          | -                           | 977,521      |
| Depreciation expenses                           | -          | 14,041     | 42,477              | 2,544          | 244                      | 2,438            | 9,970           | -                           | 71,714       |
| Disposals                                       | -          | -          | (45,533)            | (439)          | -                        | (2,463)          | (29,862)        | -                           | (78,297)     |
| Effect of foreign currency exchange differences | -          | 2,462      | 7,131               | -              | 62                       | 274              | 67              | -                           | 9,996        |
| Balance at December 31, 2020                    | \$ -       | \$ 164,374 | \$ 697,142          | \$ 33,860      | \$ 4,414                 | \$ 34,677        | \$ 46,467       | \$ -                        | \$ 980,934   |
| Carrying amounts at December 31, 2019           | \$ 126,000 | \$ 233,314 | \$ 235,125          | \$ 3,250       | \$ 837                   | \$ 7,440         | \$ 27,053       | \$ 4,766                    | \$ 637,785   |
| Carrying amounts at December 31, 2020           | \$ 126,000 | \$ 220,449 | \$ 218,767          | \$ 4,164       | \$ 601                   | \$ 6,178         | \$ 46,055       | \$ 6,158                    | \$ 628,372   |

For the purpose of future development and integration of factory resources, the Group purchased a real estate in August 2019; the price was \$280,000 thousand and the location is Tamsui Dist., New Taipei City.

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

|                          |                       |
|--------------------------|-----------------------|
| Buildings                | 4, 5, 20 and 40 years |
| Machinery equipment      | 2-10 years            |
| Mold equipment           | 2 years               |
| Transportation equipment | 5 years               |
| Office equipment         | 3, 5 and 10 years     |
| Other equipment          | 2, 3, 5-10 years      |

## 13. LEASE ARRANGEMENTS

### a. Right-of-use assets

|                          | <u>December 31</u> |                  |
|--------------------------|--------------------|------------------|
|                          | 2020               | 2019             |
| <u>Carrying amounts</u>  |                    |                  |
| Land                     | \$ 22,100          | \$ 22,425        |
| Buildings                | 30,861             | 43,090           |
| Transportation equipment | <u>1,659</u>       | <u>1,294</u>     |
|                          | <u>\$ 54,620</u>   | <u>\$ 66,809</u> |

|   | <b>For the Year Ended December 31</b> |                  |
|---|---------------------------------------|------------------|
|   | <b>2020</b>                           | <b>2019</b>      |
| Additions to right-of-use assets            | \$ <u>1,523</u>                       | \$ <u>22,232</u> |
| Depreciation charge for right-of-use assets |                                       |                  |
| Land  | \$ 664                                | \$ 695           |
| Buildings                                   | 11,836                                | 14,774           |
| Transportation equipment                    | <u>1,183</u>                          | <u>598</u>       |
|   | \$ <u>13,683</u>                      | \$ <u>16,067</u> |

b. Lease liabilities

|                         | <b>December 31</b> |                  |
|-------------------------|--------------------|------------------|
|                         | <b>2020</b>        | <b>2019</b>      |
| <u>Carrying amounts</u> |                    |                  |
| Current                 | \$ <u>11,396</u>   | \$ <u>12,364</u> |
| Non-current             | \$ <u>21,725</u>   | \$ <u>32,215</u> |

Range of discount rate for lease liabilities was as follows:

|                          | <b>December 31</b> |             |
|--------------------------|--------------------|-------------|
|                          | <b>2020</b>        | <b>2019</b> |
| Buildings                | 2.05%-4.75%        | 2.05%-4.75% |
| Transportation equipment | 1.80%-4.00%        | 1.80%-4.00% |

c. Material leasing activities and terms

As lessee, the Group leases land and buildings for plants and offices and transportation equipment with lease terms of 2 to 50 years. The Group does not have bargain purchase options to acquire the leasehold land, buildings and transportation equipment at the end of the lease terms. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

|  | <b>For the Year Ended December 31</b> |                    |
|--|---------------------------------------|--------------------|
|  | <b>2020</b>                           | <b>2019</b>        |
| Expenses relating to short-term leases | \$ <u>4,484</u>                       | \$ <u>10,269</u>   |
| Total cash outflow for leases          | \$ <u>(17,961)</u>                    | \$ <u>(26,296)</u> |

The Group leases certain transportation equipment and buildings which qualify as short-term leases. The Group elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

## 14. INTANGIBLE ASSETS

|   | <b>Computer Software</b> |                                 |                  |
|---|--------------------------|---------------------------------|------------------|
|   | <b>Cost</b>              | <b>Accumulated Amortization</b> | <b>Total</b>     |
| Balance at January 1, 2019                      | \$ 20,543                | \$ 10,011                       | <u>\$ 10,532</u> |
| Additions/amortization expense                  | 2,416                    | 5,658                           |                  |
| Additions from internal developments            | 1,617                    | -                               |                  |
| Disposals                                       | (9,949)                  | (9,949)                         |                  |
| Effect of foreign currency exchange differences | <u>(295)</u>             | <u>(131)</u>                    |                  |
| Balance at December 31, 2019                    | 14,332                   | 5,589                           | <u>\$ 8,743</u>  |
| Additions/amortization expense                  | 758                      | 2,742                           |                  |
| Additions from internal developments            | 4,113                    | -                               |                  |
| Disposals                                       | (5,141)                  | (2,929)                         |                  |
| Effect of foreign currency exchange differences | <u>37</u>                | <u>60</u>                       |                  |
| Balance at December 31, 2020                    | <u>\$ 14,099</u>         | <u>\$ 5,462</u>                 | <u>\$ 8,637</u>  |

The Group's intangible assets, which comprise computer software, are amortized on the straight-line basis over the estimated useful lives of 1 to 10 years.

## 15. BORROWINGS

### a. Short-term borrowings

|                             | <b>December 31</b> |                   |
|-----------------------------|--------------------|-------------------|
|                             | <b>2020</b>        | <b>2019</b>       |
| <u>Unsecured borrowings</u> |                    |                   |
| Line of credit borrowings   | <u>\$ 264,000</u>  | <u>\$ 390,000</u> |

The interest rate of line of credit borrowings were both 0.95%-0.96% per annum as of December 31, 2020 and 2019.

### b. Long-term borrowings

|                    | <b>December 31</b> |             |
|--------------------|--------------------|-------------|
|                    | <b>2020</b>        | <b>2019</b> |
| Secured borrowings | <u>\$ 236,000</u>  | <u>\$ -</u> |

To increase medium and long-term working capital, the Company entered into a loan contract with a bank for the period November 2020 to October 2027. As of December 31, 2020, the range of the effective interest rates was 1.25%-1.30% and interest is repayable on a monthly basis. The principal of the loan is repayable over a period of 2 years, where repayments of NTD\$6,000 thousand are to be made semi-annually starting 2 years from the date of the initial drawdown, with the rest of the principal paid in one lump sum upon maturity. The Company provided land, property, and plant as collateral for this loan (refer to Notes 12 and 28 for the details).

For some of the loan agreements, the Company's current ratio, debt ratio, and the net worth as stated in the financial statements are not to fall below specified ratios/amount, or else. The Company is required to propose improvement measures to the bank when failing to comply with the restrictions. As of December 31, 2020, the Company was not in violation of any of the aforementioned financial restrictions.

## 16. NOTES PAYABLE AND TRADE PAYABLES

|                       | <b>December 31</b> |                   |
|-----------------------|--------------------|-------------------|
|                       | <b>2020</b>        | <b>2019</b>       |
| <u>Notes payable</u>  |                    |                   |
| Operating             | \$ 185             | \$ 199            |
| Non-operating         | <u>855</u>         | <u>125</u>        |
|                       | <u>\$ 1,040</u>    | <u>\$ 324</u>     |
| <u>Trade payables</u> |                    |                   |
| Operating             | <u>\$ 306,260</u>  | <u>\$ 252,267</u> |

The average credit period of purchases of goods is 60-90 days. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

## 17. OTHER PAYABLES

|                                   | <b>December 31</b> |                   |
|-----------------------------------|--------------------|-------------------|
|                                   | <b>2020</b>        | <b>2019</b>       |
| Payable for salaries or bonuses   | \$ 92,427          | \$ 78,451         |
| Payable for commissions           | 13,917             | 2,622             |
| Payable for professional expenses | 13,658             | 5,866             |
| Payable for employees' insurance  | 13,258             | 9,787             |
| Payable for employees' benefits   | 6,318              | 6,099             |
| Payable for purchase of equipment | 2,648              | 2,333             |
| Others                            | <u>29,721</u>      | <u>30,656</u>     |
|                                   | <u>\$ 171,947</u>  | <u>\$ 135,814</u> |

## 18. PROVISIONS

|                | <b>December 31</b> |                 |
|----------------|--------------------|-----------------|
|                | <b>2020</b>        | <b>2019</b>     |
| <u>Current</u> |                    |                 |
| Warranties     | <u>\$ 8,055</u>    | <u>\$ 8,055</u> |

Provision for warranty is estimated based on the Group's obligations for warranties under local regulations on sale of goods.

## 19. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

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

The employees of the Group’s subsidiary in mainland China are members of a state-managed retirement benefit plan operated by the government of mainland China. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

### b. Defined benefit plans

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

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

|   | <b>December 31</b> |                  |
|---|--------------------|------------------|
|   | <b>2020</b>        | <b>2019</b>      |
| Present value of defined benefit obligation | \$ 116,464         | \$ 116,860       |
| Fair value of plan assets                   | <u>(56,146)</u>    | <u>(55,449)</u>  |
| Net defined benefit liability               | <u>\$ 60,318</u>   | <u>\$ 61,411</u> |

Movements in net defined benefit liability were as follows:

|                               | <b>Present Value of<br/>the Defined<br/>Benefit<br/>Obligation</b> | <b>Fair Value of<br/>the Plan Assets</b> | <b>Net Defined<br/>Benefit<br/>Liability</b> |
|-------------------------------|--|--|--|
| Balance at January 1, 2019    | <u>\$ 125,007</u>  | <u>\$ (53,441)</u>                       | <u>\$ 71,566</u>                             |
| Service cost                  |  |  |  |
| Current service cost          | 279  | -  | 279  |
| Past service cost             | 897  | -  | 897  |
| Net interest expense (income) | <u>1,406</u>   | <u>(636)</u>                             | <u>770</u>                                   |
| Recognized in profit or loss  | <u>2,582</u>   | <u>(636)</u>                             | <u>1,946</u>                                 |
|                               |  |  | (Continued)                                  |

|  | <b>Present Value of<br/>the Defined<br/>Benefit<br/>Obligation</b> | <b>Fair Value of<br/>the Plan Assets</b> | <b>Net Defined<br/>Benefit<br/>Liability</b> |
|--|--|--|--|
| Remeasurement  |  |  |  |
| Return on plan assets (excluding amounts included in net interest) | \$ -   | \$ (1,851)                               | \$ (1,851)                                   |
| Actuarial loss - changes in demographic assumptions                | 1  | -  | 1  |
| Actuarial loss - changes in financial assumptions                  | 4,720  | -  | 4,720  |
| Actuarial loss - experience adjustments                            | <u>5,210</u>   | <u>-</u>                                 | <u>5,210</u>                                 |
| Recognized in other comprehensive income                           | <u>9,931</u>   | <u>(1,851)</u>                           | <u>8,080</u>                                 |
| Contributions from the employer                                    | -  | (6,000)                                  | (6,000)                                      |
| Benefits paid  | <u>(20,660)</u>  | <u>6,479</u>                             | <u>(14,181)</u>                              |
| Balance at December 31, 2019                                       | <u>116,860</u>   | <u>(55,449)</u>                          | <u>61,411</u>                                |
| Service cost   |  |  |  |
| Current service cost   | 222  | -  | 222  |
| Past service cost  | 300  | -  | 300  |
| Net interest expense (income)                                      | <u>876</u>   | <u>(439)</u>                             | <u>437</u>                                   |
| Recognized in profit or loss                                       | <u>1,398</u>   | <u>(439)</u>                             | <u>959</u>                                   |
| Remeasurement  |  |  |  |
| Return on plan assets (excluding amounts included in net interest) | -  | (1,729)                                  | (1,729)                                      |
| Actuarial loss - changes in financial assumptions                  | 3,088  | -  | 3,088  |
| Actuarial loss - experience adjustments                            | <u>2,589</u>   | <u>-</u>                                 | <u>2,589</u>                                 |
| Recognized in other comprehensive income                           | <u>5,677</u>   | <u>(1,729)</u>                           | <u>3,948</u>                                 |
| Contributions from the employer                                    | -  | (6,000)                                  | (6,000)                                      |
| Benefits paid  | <u>(7,471)</u>   | <u>7,471</u>                             | <u>-</u>                                     |
| Balance at December 31, 2020                                       | <u>\$ 116,464</u>  | <u>\$ (56,146)</u>                       | <u>\$ 60,318</u><br>(Concluded)              |

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

|                                     | <b>For the Year Ended December 31</b> |                 |
|-------------------------------------|---------------------------------------|-----------------|
|                                     | <b>2020</b>                           | <b>2019</b>     |
| Operating costs                     | \$ 476                                | \$ 744          |
| Selling and marketing expenses      | 26                                    | 55              |
| General and administrative expenses | 377                                   | 1,002           |
| Research and development expenses   | <u>80</u>                             | <u>145</u>      |
|                                     | <u>\$ 959</u>                         | <u>\$ 1,946</u> |

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

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

|                                  | <b>December 31</b> |             |
|----------------------------------|--------------------|-------------|
|                                  | <b>2020</b>        | <b>2019</b> |
| Discount rate                    | 0.500%             | 0.750%      |
| Expected rate of salary increase | 2.250%             | 2.250%      |

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

|                                  | <b>December 31</b> |             |
|----------------------------------|--------------------|-------------|
|                                  | <b>2020</b>        | <b>2019</b> |
| Discount rate                    |                    |             |
| 0.25% increase                   | \$ (3,088)         | \$ (3,178)  |
| 0.25% decrease                   | \$ 3,214           | \$ 3,307    |
| Expected rate of salary increase |                    |             |
| 0.25% increase                   | \$ 3,105           | \$ 3,204    |
| 0.25% decrease                   | \$ (3,001)         | \$ (3,095)  |

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

|  | <b>December 31</b> |             |
|--|--------------------|-------------|
|  | <b>2020</b>        | <b>2019</b> |
| The expected contributions to the plan for the next year | \$ 6,135           | \$ 6,135    |
| The average duration of the defined benefit obligation   | 10.8 years         | 11.1 years  |

## 20. EQUITY

### a. Share capital

#### Ordinary shares

|   | <b>December 31</b> |              |
|---|--------------------|--------------|
|   | <b>2020</b>        | <b>2019</b>  |
| Number of authorized shares (in thousands)            | 100,000            | 100,000      |
| Amount of authorized shares                           | \$ 1,000,000       | \$ 1,000,000 |
| Number of issued and fully paid shares (in thousands) | 69,300             | 69,300       |
| Amount of issued and fully paid shares                | \$ 693,000         | \$ 693,000   |

The holders of issued ordinary shares with a par value of \$10 are entitled the right to vote and receive dividends.

b. Capital surplus

|  | <b>December 31</b> |                   |
|--|--------------------|-------------------|
|  | <b>2020</b>        | <b>2019</b>       |
| <u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u> |                    |                   |
| Issuance of ordinary shares  | \$ 213,600         | \$ 213,600        |
| <u>May be used to offset a deficit only (2)</u>  |                    |                   |
| Share-based payment  | 8,236              | 8,236             |
| <u>May not be used for any purpose (3)</u>   |                    |                   |
| Changes in percentage of ownership interest in subsidiaries  | <u>13,036</u>      | <u>13,036</u>     |
|  | <u>\$ 234,872</u>  | <u>\$ 234,872</u> |

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).
- 2) Such capital surplus arises from the share-based payment may be used to offset a deficit only.
- 3) Such capital surplus arises from the effect of changes in ownership interest in a subsidiary that resulted from equity transactions other than actual disposal or acquisition. Such capital surplus may not be used for any purpose.

c. Retained earnings and dividend policy

The shareholders of the Company held their regular meeting on June 10, 2019 and in that meeting, resolved the amendments to the Company's Articles of Incorporation (the "Articles"). The amendments explicitly stipulate that the board of directors is authorized to adopt a special resolution to distribute dividends and bonuses in cash and a report of such distribution should be submitted in the shareholders' meeting. If the Company has no deficit, the amendments explicitly stipulate that the board of directors is authorized to adopt a special resolution to distribute legal reserve has exceeded 25% of the Company's paid-in capital in cash and a report of such distribution should be submitted in the shareholders' meeting.

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



Under the dividends policy as set forth in the Articles before the amendments, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors, refer to employees' compensation and remuneration of directors and supervisors in Note 23-g.

The Company's dividend policy is based on the shareholders' long-term interests. In formulating its dividend policy, the Company takes into account the overall business and industry conditions and trends, present and future operational expansion and to satisfy the shareholders' need for cash inflow. The Company's dividend policy states that cash dividends should be at least 10% of total dividends. A distribution plan is also to be made by the board of directors and passed for resolution in the shareholders' meeting.

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

Items referred to under Rule No. 1010012865 issued by the FSC should be appropriated to a special reserve by the Company.

The appropriations of earnings for 2019 and 2018 approved in the shareholders' meetings on June 24, 2020 and June 10, 2019, respectively, were as follows:

|                                  | <b>Appropriation of Earnings</b>      |             |
|----------------------------------|---------------------------------------|-------------|
|                                  | <b>For the Year Ended December 31</b> |             |
|                                  | <b>2019</b>                           | <b>2018</b> |
| Legal reserve                    | \$ -                                  | \$ 15,439   |
| Special reserve                  | \$ 38,700                             | \$ 13,707   |
| Cash dividends                   | \$ 90,168                             | \$ 99,000   |
| Share dividends                  | \$ -                                  | \$ 33,000   |
| Cash dividends per share (NT\$)  | \$ 1.36                               | \$ 1.5      |
| Share dividends per share (NT\$) | \$ -                                  | \$ 0.5      |

The appropriations of earnings for 2020 had been proposed by the Company's board of directors on March 18, 2021, were as follows:

|                                 | <b>For the Year<br/>Ended<br/>December 31,<br/>2020</b> |
|---------------------------------|---|
| Special reserve                 | \$ 3,661  |
| Cash dividends                  | \$ 66,300   |
| Cash dividends per share (NT\$) | \$ 1.0  |

d. Special reserve

Additional special reserve relating to exchange differences on translating the financial statements of foreign operations (including the subsidiaries of the Company) should be appropriated for the amount equal to the difference between net debit balance reserves and the special reserve appropriated. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and, thereafter, distributed.

e. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

The exchange differences arising on translation of the net assets of foreign operation from their functional currencies to the Company's presentation currency (the New Taiwan dollar) are recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve.

2) Unrealized gain/(loss) on financial assets at FVTOCI

|                                      | <b>For the Year Ended December 31</b> |                 |
|--------------------------------------|---------------------------------------|-----------------|
|                                      | <b>2020</b>                           | <b>2019</b>     |
| Balance at January 1                 | \$ (399)                              | \$ 3,044        |
| Recognized for the year              |                                       |                 |
| Unrealized loss - equity instruments | <u>(11,770)</u>                       | <u>(3,443)</u>  |
| Balance at December 31               | <u>\$ (12,169)</u>                    | <u>\$ (399)</u> |

f. Treasury shares

In order to motivate employees and increase their centripetal force to the Company, the board of directors resolved to purchase treasury shares on January 20, 2020. The planned repurchase period was January 21 to March 20, 2020, and the number of shares repurchased was 3,000 thousand shares. In March 2020, the Company completed its repurchase of shares for a total cost of \$110,853 thousand.

| <b>Purpose of Buy-back</b>            | <b>Shares<br/>Transferred to<br/>Employees<br/>(In Thousands<br/>of Shares)</b> |
|---------------------------------------|---|
| Number of shares at January 1, 2020   | -   |
| Increase during the year              | <u>3,000</u>  |
| Number of shares at December 31, 2020 | <u>3,000</u>  |

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

## 21. REVENUE

### Contract Balances

|   | December 31      |                  |
|---|------------------|------------------|
|   | 2020             | 2019             |
| Contract liabilities (classified under other current liabilities) | <u>\$ 10,114</u> | <u>\$ 20,991</u> |

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

## 22. NET LOSS FROM CONTINUING OPERATIONS

### a. Interest income

|                      | For the Year Ended December 31 |                  |
|----------------------|--------------------------------|------------------|
|                      | 2020                           | 2019             |
| Bank deposit         | \$ 5,475                       | \$ 15,634        |
| Repurchase agreement | 662                            | 1,047            |
| Others               | <u>16</u>                      | <u>20</u>        |
|                      | <u>\$ 6,153</u>                | <u>\$ 16,701</u> |

### b. Other income

|              | For the Year Ended December 31 |                 |
|--------------|--------------------------------|-----------------|
|              | 2020                           | 2019            |
| Grant income | \$ 1,669                       | \$ 1,403        |
| Others       | <u>471</u>                     | <u>200</u>      |
|              | <u>\$ 2,140</u>                | <u>\$ 1,603</u> |

### c. Other gains and losses

|   | For the Year Ended December 31 |                   |
|---|--------------------------------|-------------------|
|   | 2020                           | 2019              |
| Loss on disposal of property, plant and equipment | \$ (4,851)                     | \$ (195)          |
| Net foreign exchange losses                       | (69,919)                       | (1,139)           |
| Others  | <u>(734)</u>                   | <u>39</u>         |
|   | <u>\$ (75,504)</u>             | <u>\$ (1,295)</u> |

### d. Interest expenses

|                               | For the Year Ended December 31 |                   |
|-------------------------------|--------------------------------|-------------------|
|                               | 2020                           | 2019              |
| Interest on bank borrowings   | \$ (4,890)                     | \$ (2,888)        |
| Interest on lease liabilities | <u>(868)</u>                   | <u>(850)</u>      |
|                               | <u>\$ (5,758)</u>              | <u>\$ (3,738)</u> |

e. Depreciation and amortization

|   | <b>For the Year Ended December 31</b> |                  |
|---|---------------------------------------|------------------|
|   | <b>2020</b>                           | <b>2019</b>      |
| Property, plant and equipment           | \$ 71,714                             | \$ 71,722        |
| Right of use assets                     | 13,683                                | 16,067           |
| Intangible assets                       | <u>2,742</u>                          | <u>5,658</u>     |
|   | <u>\$ 88,139</u>                      | <u>\$ 93,447</u> |
| An analysis of depreciation by function |                                       |                  |
| Operating costs                         | \$ 49,177                             | \$ 49,590        |
| Operating expenses                      | <u>36,220</u>                         | <u>38,199</u>    |
|   | <u>\$ 85,397</u>                      | <u>\$ 87,789</u> |
| An analysis of amortization by function |                                       |                  |
| Operating costs                         | \$ 452                                | \$ 765           |
| Operating expenses                      | <u>2,290</u>                          | <u>4,893</u>     |
|   | <u>\$ 2,742</u>                       | <u>\$ 5,658</u>  |

f. Employee benefits expense

|  | <b>For the Year Ended December 31</b> |                   |
|--|---------------------------------------|-------------------|
|  | <b>2020</b>                           | <b>2019</b>       |
| Post-employment benefits (Note 19)                   |                                       |                   |
| Defined contribution plans                           | \$ 12,039                             | \$ 22,160         |
| Defined benefit plans                                | <u>959</u>                            | <u>1,946</u>      |
|  | 12,998                                | 24,106            |
| Insurance expense                                    | 40,391                                | 38,243            |
| Remuneration of directors and supervisors            | 1,626                                 | 1,236             |
| Other employee benefits                              | <u>528,349</u>                        | <u>533,822</u>    |
| Total employee benefits expense                      | <u>\$ 583,364</u>                     | <u>\$ 597,407</u> |
| An analysis of employee benefits expense by function |                                       |                   |
| Operating costs                                      | 408,493                               | 416,835           |
| Operating expenses                                   | <u>174,871</u>                        | <u>180,572</u>    |
|  | <u>\$ 583,364</u>                     | <u>\$ 597,407</u> |

g. Employees' compensation and remuneration of directors and supervisors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors and supervisors at rates of no less than 5% and no higher than 5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. Due to net loss before income tax for the year ended December, 31, 2020, the employees' compensation and the remuneration of directors and supervisors hasn't been recognized.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

h. Gain or loss on foreign currency exchange

|                         | <b>For the Year Ended December 31</b> |                   |
|-------------------------|---------------------------------------|-------------------|
|                         | <b>2020</b>                           | <b>2019</b>       |
| Foreign exchange gains  | \$ 58,971                             | \$ 83,172         |
| Foreign exchange losses | <u>(128,890)</u>                      | <u>(84,311)</u>   |
|                         | <u>\$ (69,919)</u>                    | <u>\$ (1,139)</u> |

## 23. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax (benefit) expense are as follows:

|   | <b>For the Year Ended December 31</b> |                  |
|---|---------------------------------------|------------------|
|   | <b>2020</b>                           | <b>2019</b>      |
| Current tax   |                                       |                  |
| In respect of the current year                            | \$ 2,644                              | \$ 42,888        |
| Adjustments for prior years                               | <u>1,575</u>                          | <u>10,488</u>    |
|   | <u>4,219</u>                          | <u>53,376</u>    |
| Deferred tax  |                                       |                  |
| In respect of the current year                            | (11,854)                              | (39,130)         |
| Adjustments for prior years                               | <u>-</u>                              | <u>(1,182)</u>   |
|   | <u>(11,854)</u>                       | <u>(40,312)</u>  |
| Income tax (benefit) expense recognized in profit or loss | <u>\$ (7,635)</u>                     | <u>\$ 13,064</u> |

A reconciliation of accounting profit and income tax expenses is as follows:

|   | <b>For the Year Ended December 31</b> |                   |
|---|---------------------------------------|-------------------|
|   | <b>2020</b>                           | <b>2019</b>       |
| Loss before tax from continuing operations                    | <u>\$ (45,686)</u>                    | <u>\$ (6,214)</u> |
| Income tax (benefit) expense calculated at the statutory rate | \$ (9,281)                            | \$ 3,638          |
| Nondeductible expenses in determining taxable income          | 71                                    | 120               |
| Adjustments for prior years' tax                              | <u>1,575</u>                          | <u>9,306</u>      |
| Income tax (benefit) expense recognized in profit or loss     | <u>\$ (7,635)</u>                     | <u>\$ 13,064</u>  |

b. Income tax recognized in other comprehensive income

|   | <b>For the Year Ended December 31</b> |                  |
|---|---------------------------------------|------------------|
|   | <b>2020</b>                           | <b>2019</b>      |
| <u>Deferred tax</u>                                       |                                       |                  |
| In respect of the current period                          |                                       |                  |
| Translation of foreign operations                         | \$ (2,027)                            | \$ 8,815         |
| Fair value changes of financial assets at FVTOCI          | 2,943                                 | 860              |
| Remeasurement of defined benefit plans                    | <u>789</u>                            | <u>1,616</u>     |
| Total income tax recognized in other comprehensive income | <u>\$ 1,705</u>                       | <u>\$ 11,291</u> |

c. Current tax assets and liabilities

|                         | <b>For the Year Ended December 31</b> |                  |
|-------------------------|---------------------------------------|------------------|
|                         | <b>2020</b>                           | <b>2019</b>      |
| Current tax assets      |                                       |                  |
| Tax refund receivable   | <u>\$ 336</u>                         | <u>\$ 3,893</u>  |
| Current tax liabilities |                                       |                  |
| Income tax payable      | <u>\$ -</u>                           | <u>\$ 17,519</u> |

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2020

| Deferred Tax Assets                           | Opening Balance   | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Exchange Differences | Closing Balance   |
|---|-------------------|------------------------------|--|----------------------|-------------------|
| Temporary differences                         |                   |                              |  |                      |                   |
| Allowance for impairment loss                 | \$ 27,134         | \$ (128)                     | \$ -                                     | \$ 1                 | \$ 27,007         |
| Write-down of inventory                       | 28,970            | (368)                        | -  | 109                  | 28,711            |
| Defined benefit obligation                    | 15,119            | (1,008)                      | 789                                      | -                    | 14,900            |
| Provisions                                    | 1,611             | -                            | -  | -                    | 1,611             |
| Refund liabilities                            | 8,092             | 426                          | -  | -                    | 8,518             |
| Payable for annual leave                      | 2,183             | (115)                        | -  | -                    | 2,068             |
| Unrealized exchange losses                    | 1,757             | (1,757)                      | -  | -                    | -                 |
| Exchange difference on foreign operation      | 11,856            | -                            | (2,027)                                  | -                    | 9,829             |
| FVTOCI financial assets                       | 100               | -                            | 2,943                                    | -                    | 3,043             |
| Others  | <u>6,763</u>      | <u>478</u>                   | <u>-</u>                                 | <u>56</u>            | <u>7,297</u>      |
|   | 103,585           | (2,472)                      | 1,705                                    | 166                  | 102,984           |
| Tax losses                                    | <u>-</u>          | <u>14,797</u>                | <u>-</u>                                 | <u>99</u>            | <u>14,896</u>     |
|   | <u>\$ 103,585</u> | <u>\$ 12,325</u>             | <u>\$ 1,705</u>                          | <u>\$ 265</u>        | <u>\$ 117,880</u> |
| Deferred Tax Liabilities                      | Opening Balance   | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Exchange Differences | Closing Balance   |
| Temporary differences                         |                   |                              |  |                      |                   |
| Investments accounted for using equity method | \$ 47,604         | \$ 351                       | \$ -                                     | \$ -                 | \$ 47,955         |
| Unrealized exchange gains                     | <u>-</u>          | <u>120</u>                   | <u>-</u>                                 | <u>-</u>             | <u>120</u>        |
|   | <u>\$ 47,604</u>  | <u>\$ 471</u>                | <u>\$ -</u>                              | <u>\$ -</u>          | <u>\$ 48,075</u>  |

For the year ended December 31, 2019

| Deferred Tax Assets                      | Opening Balance  | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Exchange Differences | Closing Balance   |
|--|------------------|------------------------------|--|----------------------|-------------------|
| Temporary differences                    |                  |                              |  |                      |                   |
| Allowance for impairment loss            | \$ 26,987        | \$ 150                       | \$ -                                     | \$ (3)               | \$ 27,134         |
| Write-down of inventory                  | 26,184           | 3,204                        | -  | (418)                | 28,970            |
| Defined benefit obligation               | 14,313           | (810)                        | 1,616                                    | -                    | 15,119            |
| Provisions                               | 1,611            | -                            | -  | -                    | 1,611             |
| Refund liabilities                       | 7,683            | 409                          | -  | -                    | 8,092             |
| Payable for annual leave                 | 2,410            | (227)                        | -  | -                    | 2,183             |
| Unrealized exchange losses               | -                | 1,757                        | -  | -                    | 1,757             |
| Exchange difference on foreign operation | 3,041            | -                            | 8,815                                    | -                    | 11,856            |
| FVTOCI financial assets                  | -                | -                            | 100                                      | -                    | 100               |
| Others                                   | 8,531            | (1,615)                      | -  | (153)                | 6,763             |
|  | 90,760           | 2,868                        | 10,531                                   | (574)                | 103,585           |
| Tax losses                               | 789              | (789)                        | -  | -                    | -                 |
|  | <u>\$ 91,549</u> | <u>\$ 2,079</u>              | <u>\$ 10,531</u>                         | <u>\$ (574)</u>      | <u>\$ 103,585</u> |

| Deferred Tax Liabilities                      | Opening Balance  | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Exchange Differences | Closing Balance  |
|---|------------------|------------------------------|--|----------------------|------------------|
| Temporary differences                         |                  |                              |  |                      |                  |
| Investments accounted for using equity method | \$ 83,926        | \$ (36,322)                  | \$ -                                     | \$ -                 | \$ 47,604        |
| Unrealized exchange gains                     | 1,911            | (1,911)                      | -  | -                    | -                |
| FVTOCI financial assets                       | 760              | -                            | (760)                                    | -                    | -                |
|   | <u>\$ 86,597</u> | <u>\$ (38,233)</u>           | <u>\$ (760)</u>                          | <u>\$ -</u>          | <u>\$ 47,604</u> |

e. Income tax assessments

The tax returns of the Company through 2018 have been assessed by the tax authorities.

**24. LOSS PER SHARE**

**Unit: NT\$ Per Share**

|                      | <b>For the Year Ended December 31</b> |                  |
|----------------------|---------------------------------------|------------------|
|                      | <b>2020</b>                           | <b>2019</b>      |
| Basic loss per share | <u>\$ (0.57)</u>                      | <u>\$ (0.28)</u> |

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

**Net Loss for the Year**

|                       | <b>For the Year Ended December 31</b> |                    |
|-----------------------|---------------------------------------|--------------------|
|                       | <b>2020</b>                           | <b>2019</b>        |
| Net loss for the year | <u>\$ (38,051)</u>                    | <u>\$ (19,278)</u> |

|   | <b>For the Year Ended December 31</b> |               |
|---|---------------------------------------|---------------|
|   | <b>2020</b>                           | <b>2019</b>   |
| Weighted average number of ordinary shares in the computation of basic earnings per share | <u>66,742</u>                         | <u>69,300</u> |

Net loss for the year ended December, 31, 2020 and 2019 are anti-dilutive and thus are excluded from the computation of diluted earnings per share.

## 25. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Group (comprising issued capital, reserves, retained earnings, and other equity).

Key management personnel of the Group review the capital structure periodically. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, and the amount of new debt issued or existing debt redeemed.

## 26. FINANCIAL INSTRUMENTS

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

The management believes the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values or their fair value cannot be reliably measured.

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

#### 1) Fair value hierarchy

December 31, 2020

|   | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b>   | <b>Total</b>     |
|---|----------------|----------------|------------------|------------------|
| Financial assets at FVTOCI                  |                |                |                  |                  |
| Investments in equity instruments at FVTOCI |                |                |                  |                  |
| Domestic unlisted shares                    | \$ -           | \$ -           | \$ 33,885        | \$ 33,885        |
| Foreign unlisted shares                     | <u>-</u>       | <u>-</u>       | <u>19,117</u>    | <u>19,117</u>    |
|   | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ 53,002</u> | <u>\$ 53,002</u> |



December 31, 2019

|   | Level 1 | Level 2 | Level 3   | Total     |
|---|---------|---------|-----------|-----------|
| Financial assets at FVTOCI                  |         |         |           |           |
| Investments in equity instruments at FVTOCI |         |         |           |           |
| Unlisted shares                             | \$ -    | \$ -    | \$ 37,715 | \$ 37,715 |

There were no transfers between Levels 1 and 2 in the current and prior years.

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

The fair values of foreign and domestic unlisted equity investments were estimated using the market approach, either by the method of comparable listed companies or by the comparable transaction method, while the fair values of the preference shares were estimated using the option pricing method. The significant unobservable inputs used were the discount for lack of marketability and discount for non-controlling interests. An increase in the discount for lack of marketability or non-controlling interests would result in an increase in the fair value.

c. Categories of financial instruments

|   | <u>December 31</u> |              |
|---|--------------------|--------------|
|   | 2020               | 2019         |
| <u>Financial assets</u>                         |                    |              |
| Financial assets at amortized cost (1)          | \$ 1,463,697       | \$ 1,633,214 |
| Financial assets at FVTOCI - equity instruments | 53,002             | 37,715       |
| <u>Financial liabilities</u>                    |                    |              |
| Financial liabilities at amortized cost (2)     | 886,820            | 699,954      |

1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables (including related parties), other receivables (excluding tax refund receivable, and refundable deposits).

2) The balances included financial liabilities at amortized cost, which comprise long-term loans, short-term loans, notes payable, trade payables and other payables.

d. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, trade receivables, trade payables, borrowings and lease liabilities. According to business nature and the degree and magnitude of risks, the Group monitors and manages the financial risks relating to the operations. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group minimizes the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors. Compliance with policies and exposure limits is reviewed by internal auditors on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

# 1) Market risk

The Group's activities exposed it primarily to the market risks of changes in foreign currency exchange rates and interest rates.

There had been no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

## a) Foreign currency risk

The Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk. To manage the volatility of future cash flows arising from changes in foreign exchange rates, the Group maintains a balance of net foreign currency assets and liabilities in hedge.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 29.

### Sensitivity analysis

The Group's sensitivity analysis mainly focuses on the foreign currency risk of U.S. dollars at the end of the reporting period. Assuming a 5% strengthening/weakening of the functional currency against U.S. dollars, the net loss before tax for the years ended December 31, 2020 would have decreased/increased by \$52,227 thousand; the net income before tax for year ended December 31, 2019 would have increased/decreased by \$70,096 thousand.

In management's opinion, sensitivity analysis was unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period did not reflect the exposure during the period.

## b) Interest rate risk

The Group was exposed to fair value and cash flow interest rate risk because the Group held both fixed-rate financial assets and financial liabilities. The Group's management monitors fluctuations in market interest rate regularly. If it is needed, the management performs necessary procedures to control significant interest rate risks from fluctuations in market interest rates.

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

|                               | <b>December 31</b> |             |
|-------------------------------|--------------------|-------------|
|                               | <b>2020</b>        | <b>2019</b> |
| Fair value interest rate risk |                    |             |
| Financial assets              | \$ 177,625         | \$ 361,631  |
| Financial liabilities         | 533,121            | 434,579     |
| Cash flow interest rate risk  |                    |             |
| Financial assets              | 720,404            | 793,556     |

The changes in interest rates did not have significant influence on the Group, so there was no sensitivity analysis.

c) Other price risk

The Group was exposed to equity price risk through its investments in equity securities. Equity investments are held for strategic rather than trading purposes, the Group does not actively trade these investments. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

The changes in equity securities did not have significant influence on the Group, so there was no sensitivity analysis.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk, which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation with financial guarantees provided by the Group, could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Group adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored.

The Group transacted with a large number of unrelated customers and, thus, no concentration of credit risk was observed.

3) Liquidity risk

The Group manages liquidity risk by maintaining a level of cash and cash equivalents and bank loan facilities deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

a) Liquidity for non-derivative financial liabilities

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the earliest date on which the Group can be required to pay.

December 31, 2020

|                                 | <b>On Demand or<br/>Less than<br/>1 Year</b> | <b>1-5 Years</b>  | <b>5+ Years</b> |
|---------------------------------|--|-------------------|-----------------|
| Non-interest bearing            | \$ 386,820                                   | \$ -              | \$ -            |
| Lease liabilities               | 11,998                                       | 22,244            | -               |
| Fixed interest rate liabilities | <u>264,000</u>                               | <u>236,000</u>    | <u>-</u>        |
|                                 | <u>\$ 662,818</u>                            | <u>\$ 258,244</u> | <u>\$ -</u>     |

December 31, 2019

|                                 | <b>On Demand or<br/>Less than<br/>1 Year</b> | <b>1-5 Years</b> | <b>5+ Years</b> |
|---------------------------------|--|------------------|-----------------|
| Non-interest bearing            | \$ 309,954                                   | \$ -             | \$ -            |
| Lease liabilities               | 13,211                                       | 33,313           | -               |
| Fixed interest rate liabilities | <u>390,000</u>                               | <u>-</u>         | <u>-</u>        |
|                                 | <u>\$ 713,165</u>                            | <u>\$ 33,313</u> | <u>\$ -</u>     |

b) Financing facilities

The Group relies on bank loans as a significant source of liquidity. As of December 31, 2020 and 2019, the unused amounts of bank loan facilities were as follows:

|                      | <b>December 31</b>  |                   |
|----------------------|---------------------|-------------------|
|                      | <b>2020</b>         | <b>2019</b>       |
| Bank loan facilities |                     |                   |
| Amounts unused       | <u>\$ 1,098,519</u> | <u>\$ 921,796</u> |

## 27. TRANSACTIONS WITH RELATED PARTIES

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

a. Related Party name and categories

| <b>Related Party Name</b> | <b>Related Party Category</b>   |
|---------------------------|---|
| Optoway Technology Inc.   | Director with significant influence over the Company<br>(until June 24, 2020) |
| Kopek Pacific Ltd.        | Director with significant influence over the Company<br>(until June 24, 2020) |
| Gtran, Inc.               | Subsidiaries of the Company's shareholder                                     |
| Management A              | Key management personnel's first-degree relatives                             |
| Management B              | Key management personnel  |

b. Sales of goods

|  | <b>For the Year Ended December 31</b> |               |
|--|---------------------------------------|---------------|
| <b>Related Party Category</b>                        | <b>2020</b>                           | <b>2019</b>   |
| Director with significant influence over the Company | <u>\$ 39</u>                          | <u>\$ 168</u> |

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

| Related Party Category                               | December 31 |       |
|--|-------------|-------|
|  | 2020        | 2019  |
| Director with significant influence over the Company | \$ -        | \$ 57 |

The outstanding trade receivables from related parties were unsecured. For the years ended December 31, 2020 and 2019, no impairment loss was recognized for trade receivables from related parties.

d. Lease arrangements

| Line Item         | Related Party Category                            | December 31 |        |
|-------------------|---|-------------|--------|
|                   |   | 2020        | 2019   |
| Lease liabilities | Key management personnel's first-degree relatives | \$ -        | \$ 275 |
|                   | Key management personnel                          | -           | 125    |
|                   |   | \$ -        | \$ 400 |

| Related Party Category                            |  | For the Year Ended December 31 |        |
|---|--|--------------------------------|--------|
|   |  | 2020                           | 2019   |
| <u>Interest expense</u>                           |  |                                |        |
| Key management personnel's first-degree relatives |  | \$ -                           | \$ 91  |
| Key management personnel                          |  | -                              | 42     |
|   |  | \$ -                           | \$ 133 |
| <u>Lease expense</u>                              |  |                                |        |
| Key management personnel's first-degree relatives |  | \$ 275                         | \$ -   |
| Key management personnel                          |  | 125                            | -      |
|   |  | \$ 400                         | \$ -   |

The Group leases office and dormitory from key management personnel, the lease contracts had expired in advance in February 2020. The Group pays the rental monthly.

e. Compensation of key management personnel

|                              |  | For the Year Ended December 31 |           |
|------------------------------|--|--------------------------------|-----------|
|                              |  | 2020                           | 2019      |
| Short-term employee benefits |  | \$ 26,059                      | \$ 31,176 |
| Post-employment benefits     |  | 687                            | 979       |
|                              |  | \$ 26,746                      | \$ 32,155 |

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

## 28. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral and guarantees for the tariff of imported raw materials and goods (see Notes 8 and 12):

|   | <b>December 31</b> |                 |
|---|--------------------|-----------------|
|   | <b>2020</b>        | <b>2019</b>     |
| Pledged deposits (classified as financial assets at amortized cost - non-current) | \$ 2,248           | \$ 2,225        |
| Land  | 126,000            | -               |
| Buildings   | <u>141,897</u>     | <u>-</u>        |
|   | <u>\$ 270,145</u>  | <u>\$ 2,225</u> |

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

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

December 31, 2020

|                              | <b>Foreign<br/>Currencies<br/>(In thousands)</b> | <b>Exchange Rate</b> | <b>Carrying<br/>Amount<br/>(In thousands)</b> |
|------------------------------|--|----------------------|---|
| <u>Financial assets</u>      |  |                      |   |
| Monetary items               |  |                      |   |
| USD                          | \$ 32,876  | 28.4800 (USD:NTD)    | \$ 936,296                                    |
| JPY                          | 59,433   | 0.2763 (JPY:NTD)     | 16,421  |
| USD                          | 12,843   | 6.5249 (USD:RMB)     | 365,771                                       |
| RMB                          | 6,142  | 4.3648 (RMB:NTD)     | 26,807  |
| EUR                          | 176  | 26.3060 (EUR:CZK)    | 6,107   |
| Non-monetary items           |  |                      |   |
| USD                          | 671  | 28.4800 (USD:NTD)    | 19,117  |
| <u>Financial liabilities</u> |  |                      |   |
| Monetary items               |  |                      |   |
| USD                          | 6,416  | 28.4800 (USD:NTD)    | 182,721                                       |
| USD                          | 2,591  | 6.5249 (USD:RMB)     | 73,803  |
| RMB                          | 58   | 4.3648 (RMB:NTD)     | 254   |

December 31, 2019

|                              | <b>Foreign<br/>Currencies<br/>(In thousands)</b> | <b>Exchange Rate</b> | <b>Carrying<br/>Amount<br/>(In thousands)</b> |
|------------------------------|--|----------------------|---|
| <u>Financial assets</u>      |  |                      |   |
| Monetary items               |  |                      |   |
| USD                          | \$ 38,759  | 29.9800 (USD:NTD)    | \$ 1,161,992                                  |
| JPY                          | 47,003   | 0.2760 (JPY:NTD)     | 12,973  |
| USD                          | 15,528   | 6.9762 (USD:RMB)     | 465,526                                       |
| RMB                          | 8,435  | 4.2975 (RMB:NTD)     | 36,249  |
| EUR                          | 167  | 25.3875 (EUR:CZK)    | 5,625   |
| Non-monetary items           |  |                      |   |
| USD                          | 1,258  | 29.9800 (USD:NTD)    | 37,715  |
| <u>Financial liabilities</u> |  |                      |   |
| Monetary items               |  |                      |   |
| USD                          | 5,366  | 29.9800 (USD:NTD)    | 160,887                                       |
| USD                          | 2,158  | 6.9762 (USD:RMB)     | 64,702  |
| RMB                          | 2,408  | 4.2975 (RMB:NTD)     | 10,348  |

### 30. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

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

- b. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 5)
  - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
    - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (Table 7)
    - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (None)
    - c) The amount of property transactions and the amount of the resultant gains or losses. (None)
    - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes. (None)
    - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds. (None)
    - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receiving of services. (None)
- c. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 8)



### 31. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The Group's reportable segments under IFRS 8 "Operating Segments" are described below.

#### a. Segments, revenues and results

The following is an analysis of the Group's revenues and results from continuing operations by reportable segment.

|   | <b>Optical Fiber<br/>Component</b> | <b>Radio<br/>Frequency<br/>Connector</b> | <b>Total</b>        |
|---|------------------------------------|--|---------------------|
| <u>For the year ended December 31, 2020</u> |                                    |  |                     |
| Segment revenues                            | <u>\$ 1,151,754</u>                | <u>\$ 1,261,794</u>                      | <u>\$ 2,413,548</u> |
| Segment income (loss)                       | <u>\$ (36,416)</u>                 | <u>\$ 63,699</u>                         | \$ 27,283           |
| Interest income                             |                                    |  | 6,153               |
| Other income                                |                                    |  | 2,140               |
| Other gains and losses                      |                                    |  | (75,504)            |
| Finance costs                               |                                    |  | <u>(5,758)</u>      |
| Loss before tax (continuing operations)     |                                    |  | <u>\$ (45,686)</u>  |
| <u>For the year ended December 31, 2019</u> |                                    |  |                     |
| Segment revenues                            | <u>\$ 1,139,819</u>                | <u>\$ 1,284,339</u>                      | <u>\$ 2,424,158</u> |
| Segment income (loss)                       | <u>\$ (97,558)</u>                 | <u>\$ 78,073</u>                         | \$ (19,485)         |
| Interest income                             |                                    |  | 16,701              |
| Other income                                |                                    |  | 1,603               |
| Other gains and losses                      |                                    |  | (1,295)             |
| Finance costs                               |                                    |  | <u>(3,738)</u>      |
| Loss before tax (continuing operations)     |                                    |  | <u>\$ (6,214)</u>   |

The segment revenues were all generated from external customers. There were no inter-segment transactions for the years ended December 31, 2020 and 2019.

Segment profit represented the profit before tax earned by each segment without other income, other gains and losses and finance costs. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance. However, the measure of segment assets was not provided to the chief operating decision maker.

#### b. Revenue from major products and services

The Group's reportable segments are based on major products, no additional information need to be disclosed.

c. Geographical information

The amounts of the Group's revenue from external customers and non-current assets by location are detailed below.

|         | Revenue from External<br>Customers |                     | Non-current Assets |                   |
|---------|------------------------------------|---------------------|--------------------|-------------------|
|         | For the Year Ended December 31     |                     | December 31        |                   |
|         | 2020                               | 2019                | 2020               | 2019              |
| Taiwan  | \$ 196,058                         | \$ 242,384          | \$ 492,129         | \$ 493,407        |
| Asia    | 571,832                            | 560,646             | 229,915            | 246,641           |
| America | 1,011,313                          | 707,618             | -                  | -                 |
| Europe  | <u>634,345</u>                     | <u>913,510</u>      | <u>30,023</u>      | <u>29,860</u>     |
|         | <u>\$ 2,413,548</u>                | <u>\$ 2,424,158</u> | <u>\$ 752,067</u>  | <u>\$ 769,908</u> |

Non-current assets excluded deferred tax assets.

d. Information about major clients

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

|          | For the Year Ended December 31 |           |                   |           |
|----------|--------------------------------|-----------|-------------------|-----------|
|          | 2020                           |           | 2019              |           |
|          | Amount                         | %         | Amount            | %         |
| Client A | \$ 407,169                     | 17        | \$ 478,533        | 20        |
| Client B | <u>396,599</u>                 | <u>16</u> | <u>377,640</u>    | <u>15</u> |
|          | <u>\$ 803,768</u>              | <u>33</u> | <u>\$ 856,173</u> | <u>35</u> |

**TABLE 1**

**EZCONN CORPORATION AND SUBSIDIARIES**

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

| Holding Company Name | Type and Name of Marketable Securities        | Relationship with the Holding Company | Financial Statement Account                               | December 31, 2020 |                 |                         |            | Note |
|----------------------|---|---------------------------------------|---|-------------------|-----------------|-------------------------|------------|------|
|                      |   |                                       |   | Shares            | Carrying Amount | Percentage of Ownership | Fair Value |      |
| EZconn Corporation   | Enablence Technology Inc. - ordinary shares   | -                                     | Investments in equity instruments at FVTOCI - non-current | 1                 | \$ -            | -                       | \$ -       | 2    |
|                      | Lightel Technologies Inc. - preference shares | -                                     | "   | 1,250             | 19,117          | 4.79                    | 19,117     | -    |
|                      | AuthenX Inc. - preference shares              | -                                     | "   | 3,750             | 33,885          | 19.35                   | 33,885     | -    |

Note 1: The marketable securities were not pledged.

Note 2: The carrying amount was zero as of December 31, 2020 due to the impairment loss recognized in prior years.

**TABLE 2**

**EZCONN CORPORATION AND SUBSIDIARIES**

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

| Buyer              | Related Party                         | Relationship | Transaction Details |   |               |               | Abnormal Transaction |               | Notes/Accounts Receivable (Payable)       |               | Note |
|--------------------|---------------------------------------|--------------|---------------------|---|---------------|---------------|----------------------|---------------|---|---------------|------|
|                    |                                       |              | Purchase/<br>Sale   | Amount                                  | % to<br>Total | Payment Terms | Unit Price           | Payment Terms | Ending Balance                            | % to<br>Total |      |
| EZconn Corporation | Light Master Technology (Ningbo) Inc. | Subsidiary   | Purchase            | \$ 507,374<br>(US\$ 17,171<br>thousand) | 39            | T/T 90 days   | -                    | -             | \$ (144,694)<br>(US\$ -5,081<br>thousand) | 40            |      |

Note: All intercompany transactions have been eliminated in consolidation.

**TABLE 3**

**EZCONN CORPORATION AND SUBSIDIARIES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**

**DECEMBER 31, 2020**

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

| Company Name                          | Related Party      | Relationship   | Ending Balance (Note 3)  | Turnover Rate | Overdue |               | Amounts Received in Subsequent Period (Note 2) | Allowance for Impairment Loss |
|---------------------------------------|--------------------|----------------|--|---------------|---------|---------------|--|-------------------------------|
|                                       |                    |                |  |               | Amount  | Actions Taken |  |                               |
| Light Master Technology (Ningbo) Inc. | EZconn Corporation | Parent company | Trade receivables from related parties \$ 144,694<br>(US\$ 5,081 thousand) | -             | \$ -    | -             | \$ 124,238                                     | Note 1                        |

Note 1: No impairment loss was recognized on trade receivables from related parties.

Note 2: Subsequent period was from January 1, 2021 to March 18, 2021.

Note 3: All intercompany transactions have been eliminated in consolidation.

TABLE 4

EZCONN CORPORATION AND SUBSIDIARIES

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

| Investor Company        | Investee Company              | Location      | Main Businesses and Products  | Original Investment Amount                          |   | As of December 31, 2020 |        |   | Net Income (Loss) of the Investee (Foreign Currencies in Thousands) | Share of Profits (Loss) | Note |
|-------------------------|-------------------------------|---------------|---|---|---|-------------------------|--------|---|---|-------------------------|------|
|                         |                               |               |   | December 31, 2020 (Foreign Currencies in Thousands) | December 31, 2019 (Foreign Currencies in Thousands) | Shares (In Thousands)   | %      | Carrying Amount (Foreign Currencies in Thousands) |   |                         |      |
| EZconn Corporation      | EC-Link Technology Inc.       | Samoa Islands | Investment  | \$ 679,543  | \$ 679,543  | -                       | 100.00 | \$ 880,639  | \$ (8,394)  | \$ (8,615)              |      |
|                         | EZconn Europe GmbH            | Germany       | Manufactures and sells precision metal components and optical fiber components of various electronic products | 185,143   | 185,143   | -                       | 100.00 | 72,769  | (US\$ -302)<br>10,367<br>(US\$ 351)                                 | 10,367                  |      |
| EC-Link Technology Inc. | Light Master Technology Inc.  | Samoa Islands | Investment  | 651,537<br>(US\$ 22,877)                            | 651,537<br>(US\$ 22,877)                            | -                       | 100.00 | 855,090<br>(US\$ 30,024)                          | (8,901)<br>(US\$ -301)  |                         |      |
| EZconn Europe GmbH      | EZconn Czech a.s.             | Czech         | Manufacturing of various optical fiber components   | 66,888<br>(EUR 1,910)                               | 66,888<br>(EUR 1,910)                               | -                       | 100.00 | 70,450<br>(EUR 2,012)                             | 10,719<br>(EUR 318)   |                         |      |
| EZconn Czech a.s.       | EZconn technologies CZ s.r.o. | Czech         | Manufacturing and research of optical communication components  | 13,312<br>(CZK 10,000)                              | 13,312<br>(CZK 10,000)                              | -                       | 100.00 | 11,140<br>(CZK 8,368)                             | 77<br>(CZK 60)  |                         |      |

Note 1: For information on invested company in mainland China, please refer to Table 5.

Note 2: All intercompany transactions have been eliminated in consolidation.

**TABLE 5**

**EZCONN CORPORATION AND SUBSIDIARIES**

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

| Investee Company   | Main Businesses and Products   | Paid-in Capital<br>(Foreign Currencies in Thousands)<br>(Note 3)                  | Method of Investment | Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020<br>(Foreign Currencies in Thousands)<br>(Note 3) | Investment Flows |        | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020<br>(Foreign Currencies in Thousands)<br>(Note 3) | Net Income (Loss) of the Investee<br>(Foreign Currencies in Thousands)<br>(Notes 4 and 6) | % Ownership of Direct or Indirect Investment | Investment Gain (Loss)<br>(Foreign Currencies in Thousands)<br>(Notes 4, 6, 7 and 8) | Carrying Amount as of December 31, 2020<br>(Foreign Currencies in Thousands)<br>(Notes 3, 6 and 8) | Accumulated Repatriation of Investment Income as of December 31, 2020<br>(Note 2) |  |  |   |                           |                           |                         |
|--|--|---|----------------------|--|------------------|--------|--|---|--|--|--|---|--|--|---|---------------------------|---------------------------|-------------------------|
|  |  |   |                      |  | Outflow          | Inflow |  |   |  |  |  |   |  |  |   |                           |                           |                         |
| Light Master Technology (Ningbo) Inc.  | Manufacture and sale of optical fiber components and cable connector   | \$ 427,200<br>(US\$ 15,000)   | Note 1               | \$ 601,982<br>(US\$ 21,137)  | \$ -             | \$ -   | \$ 601,982<br>(US\$ 21,137)  | \$ (8,635)<br>(US\$ -292)   | 100  | \$ (8,868)<br>(US\$ -300)  | \$ 730,864<br>(US\$ 25,662)  | \$ 200,302  |  |  |   |                           |                           |                         |
| <table><tr><td>Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020 (Foreign Currencies in Thousands) (Note 3)</td><td>Investment Amounts Authorized by Investment Commission, MOEA (Foreign Currencies in Thousands) (Notes 1 and 3)</td><td>Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA</td></tr><tr><td>\$601,982<br/>(US\$21,137)</td><td>\$650,113<br/>(US\$22,827)</td><td>\$1,025,420<br/>(Note 5)</td></tr></table> |  |   |                      |  |                  |        |  |   |  |  |  |   | Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020 (Foreign Currencies in Thousands) (Note 3) | Investment Amounts Authorized by Investment Commission, MOEA (Foreign Currencies in Thousands) (Notes 1 and 3) | Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA | \$601,982<br>(US\$21,137) | \$650,113<br>(US\$22,827) | \$1,025,420<br>(Note 5) |
| Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020 (Foreign Currencies in Thousands) (Note 3)   | Investment Amounts Authorized by Investment Commission, MOEA (Foreign Currencies in Thousands) (Notes 1 and 3) | Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA |                      |  |                  |        |  |   |  |  |  |   |  |  |   |                           |                           |                         |
| \$601,982<br>(US\$21,137)  | \$650,113<br>(US\$22,827)  | \$1,025,420<br>(Note 5)   |                      |  |                  |        |  |   |  |  |  |   |  |  |   |                           |                           |                         |

- Note 1: The Company indirectly invested in Light Master Technology (Ningbo) Inc. through EC-Link Technology Inc. by investing via 3rd region. The amount included capital surplus of US\$1,690 thousand of Light Master Technology (Ningbo) Inc.
- Note 2: The board of directors of Light Master Technology (Ningbo) Inc. adopt a resolution to distribute dividends in cash of \$118,359 thousand (RMB27,301 thousand), \$81,943 thousand (RMB19,074 thousand), and \$124,310 thousand (RMB28,528 thousand) on November 2018, 2019 and September 2020, respectively. The Company repatriated of Investment Income of \$200,302 through EC-Link Technology Inc. for the year ended December 31, 2019. The accumulated repatriation of investment income as of December 31, 2020 was \$200,302 thousand.
- Note 3: The calculation was based on the spot exchange rate of December 31, 2020.
- Note 4: The calculation was based on the average exchange rate from January 1, 2020 to December 31, 2020.
- Note 5: The calculation was based on 60% of the Company’s net worth on December 31, 2020.
- Note 6: The basis for investment income (loss) recognition is the financial statements audited and attested by parent company’s CPA in the ROC.
- Note 7: The share of profits/losses of investee included the effect of unrealized gross profit on intercompany transaction.
- Note 8: All intercompany transactions have been eliminated in consolidation.

**EZCONN CORPORATION AND SUBSIDIARIES**

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

| No.<br>(Note 1) | Investee Company   | Counterparty                          | Relationship<br>(Note 2) | Transactions Details                   |                    |                                     |   |
|-----------------|--------------------|---------------------------------------|--------------------------|--|--------------------|-------------------------------------|---|
|                 |                    |                                       |                          | Financial Statement Accounts           | Amount<br>(Note 3) | Payment Terms                       | % to Total Sales<br>or Assets<br>(Note 4) |
| 0               | EZconn Corporation | Light Master Technology (Ningbo) Inc. | a                        | Trade payables to related parties      | \$ 144,694         | No significant difference to others | 4.98                                      |
|                 |                    | Light Master Technology (Ningbo) Inc. | a                        | Cost of goods sold                     | 507,374            | No significant difference to others | 21.02                                     |
| 1               | EZconn Europe GmbH | EZconn Czech a.s.                     | c                        | Trade receivables from related parties | 977                | No significant difference to others | 0.03                                      |
| 2               | EZconn Czech a.s.  | EZconn Technologies CZ s.r.o.         | c                        | Cost of goods sold                     | 2,762              | No significant difference to others | 0.11                                      |

Note 1: The information about the transactions between the Company and the subsidiaries are marked in the note column as follows:

- a. The Company: 0.
- b. The subsidiaries were marked in numerical order from 1.

Note 2: Investment types as follows:

- a. The Company to the subsidiaries.
- b. The subsidiaries to the Company.
- c. Between the subsidiaries.

Note 3: All intercompany transactions have been eliminated in consolidation.

Note 4: The ratio of transaction amounts to total sales revenue or assets is calculated as follows: (1) asset or liability: The ratio was calculated based on the ending balance over the total consolidated assets; (2) income or loss: The ratio was calculated based on the midterm accumulated amounts over the total consolidated sales revenue.



**TABLE 7**

**EZCONN CORPORATION AND SUBSIDIARIES**

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

| Investee Company                      | Transaction Type | Purchase/Sale |            | Price                               | Transaction Details                 |                                     | Notes/Accounts Receivable (Payable) |            | Unrealized (Gain) Loss | Note |
|---------------------------------------|------------------|---------------|------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|------------|------------------------|------|
|                                       |                  | Amount        | % to Total |                                     | Payment Term                        | Comparison with Normal Transaction  | Ending Balance                      | % to Total |                        |      |
| Light Master Technology (Ningbo) Inc. | Purchase         | \$ 507,374    | 39         | No significant difference to others | No significant difference to others | No significant difference to others | \$ (144,694)                        | 40         | \$ 807                 |      |

Note: All intercompany transactions have been eliminated in consolidation.

**TABLE 8****EZCONN CORPORATION AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS****DECEMBER 31, 2020**

| Name of Major Shareholder | Shares           |                             |
|---------------------------|------------------|-----------------------------|
|                           | Number of Shares | Percentage of Ownership (%) |
| SHAREHOLDER A             | 6,295,555        | 9.08                        |
| SHAREHOLDER B             | 4,492,828        | 6.48                        |
| EGTRAN CORPORATION        | 3,565,741        | 5.14                        |

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.

# **EZconn Corporation**

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

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
EZconn Corporation

### **Opinion**

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

We conducted our audit of the financial statements for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing, and Attestation of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020, and auditing standards generally accepted in the Republic of China. We conducted our audit of the financial statements for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

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

The Key audit matters of the Company's financial statements for the year ended December 31, 2020 are described as follows:

#### Existence of Sales Revenue from Specific Products

The main products of Ezconn Corporation are comprised of optical fiber components and radio frequency connectors. The sales revenue of 2020 declined slightly compared to that of 2019, however, sales revenue from specific products grew against the trend. Since the existence of sales revenue from specific products had a significant impact on sales revenue and financial performance, it was identified as one of the key audit matters for the year ended December 31, 2020.

Please refer to Notes 4 and 21 to the financial statements for the accounting policies, critical accounting estimates and judgments, and other details on trade receivables.

The main audit procedures we performed in response to the above-mentioned key audit matter are as follows:

1. We obtained an understanding of the design of the key controls over sales transactions and we tested the operating effectiveness of such controls on a sample basis.
2. We obtained the transaction details of the specific products and examined the related transaction documents of selected samples to check if the sales policies had been violated.
3. We obtained the transaction details of specific products and conducted test of details on the products.
4. We sent confirmation requests to customers of the specific products to check the existence of the transactions.
5. We checked for significant sales returns and discounts and for any abnormalities in payments after the reporting period.

#### Impairment of Inventory

As of December 31, 2020, the Company's inventories amounted to NT\$367,173 thousand (net of provision for inventory value decline of NT\$105,436 thousand). Please refer to Notes 4, 5 and 10 to the financial statements for the details of the information.

The Company's inventories are stated at the lower of cost or net realizable value and estimation of net realizable value is affected by management's subjective judgement. In addition, due to fluctuating demand and rapid changes in technology, inventories may become slow-moving or obsolete. Therefore, it has been identified as a key audit matter.

The audit procedures we performed in response to the above key audit matter included the following:

1. We obtained an understanding of the reasonableness of the accounting policy on inventory write-downs, and tested the aging of inventory and verified that the valuation of inventory confirmed with the Company's policy.
2. We compared the carrying values to the latest sales invoices of sample items to assess whether they were measured at the lower of cost or net realizable value.

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

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

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

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

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

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

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

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audits resulting in this independent auditors' report are Chun-Hung Chen and Hsiu-Chun Huang.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 18, 2021

#### Notice to Readers

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

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

# EZCONN CORPORATION

## BALANCE SHEETS

DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

| ASSETS  | 2020         |     | 2019         |     |
|---|--------------|-----|--------------|-----|
|   | Amount       | %   | Amount       | %   |
| CURRENT ASSETS  |              |     |              |     |
| Cash and cash equivalents (Notes 4 and 6)   | \$ 461,056   | 16  | \$ 745,091   | 25  |
| Financial assets at amortized cost - current (Notes 4 and 8)                                    | 13,094       | -   | 12,892       | 1   |
| Notes receivable from unrelated parties (Notes 4 and 9)   | 1,912        | -   | 1,455        | -   |
| Trade receivables from unrelated parties (Notes 4 and 9)  | 471,378      | 16  | 392,086      | 13  |
| Trade receivables from related parties (Notes 4, 9 and 27)                                      | -            | -   | 57           | -   |
| Other receivables (Notes 4 and 9)   | 16,148       | 1   | 12,323       | -   |
| Current tax assets (Notes 4 and 23)   | 336          | -   | -            | -   |
| Inventories (Notes 4, 5 and 10)   | 367,173      | 13  | 309,682      | 10  |
| Prepayments and other current assets  | 5,883        | -   | 2,786        | -   |
| Total current assets  | 1,336,980    | 46  | 1,476,372    | 49  |
| NON-CURRENT ASSETS  |              |     |              |     |
| Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 7) | 53,002       | 2   | 37,715       | 1   |
| Financial assets at amortized cost - non-current (Notes 4, 8 and 28)                            | 2,248        | -   | 2,225        | -   |
| Investments accounted for using the equity method (Notes 4 and 11)                              | 953,408      | 33  | 941,519      | 32  |
| Property, plant and equipment (Notes 4, 12, 27 and 28)  | 398,572      | 14  | 393,593      | 13  |
| Right-of-use assets (Notes 3, 4 and 13)   | 32,098       | 1   | 43,036       | 2   |
| Intangible assets (Notes 4 and 14)  | 2,420        | -   | 4,035        | -   |
| Deferred tax assets (Notes 4 and 23)  | 101,238      | 4   | 89,804       | 3   |
| Prepayments for equipment   | 1,507        | -   | 9,596        | -   |
| Refundable deposits   | 2,281        | -   | 3,206        | -   |
| Total non-current assets  | 1,546,774    | 54  | 1,524,729    | 51  |
| TOTAL   | \$ 2,883,754 | 100 | \$ 3,001,101 | 100 |
| LIABILITIES AND EQUITY  |              |     |              |     |
| CURRENT LIABILITIES   |              |     |              |     |
| Short-term borrowings (Note 15)   | \$ 264,000   | 9   | \$ 390,000   | 13  |
| Notes payable (Note 16)   | 1,040        | -   | 324          | -   |
| Trade payables to unrelated parties (Note 16)   | 219,397      | 8   | 183,575      | 6   |
| Trade payables to related parties (Notes 16 and 27)   | 144,856      | 5   | 158,912      | 5   |
| Other payables (Note 17)  | 111,111      | 4   | 79,329       | 3   |
| Current tax liabilities (Notes 4 and 23)  | -            | -   | 16,741       | 1   |
| Provisions - current (Notes 4 and 18)   | 8,055        | -   | 8,055        | -   |
| Lease liabilities - current (Notes 3, 4, 13 and 27)   | 10,960       | -   | 11,424       | -   |
| Other current liabilities (Notes 4 and 21)  | 48,784       | 2   | 56,618       | 2   |
| Total current liabilities   | 808,203      | 28  | 904,978      | 30  |
| NON-CURRENT LIABILITIES   |              |     |              |     |
| Long-term borrowings (Notes 15 and 28)  | 236,000      | 8   | -            | -   |
| Deferred tax liabilities (Notes 4 and 23)   | 48,075       | 2   | 47,604       | 2   |
| Lease liabilities - non-current (Notes 3, 4, 13 and 27)   | 21,725       | 1   | 31,783       | 1   |
| Net defined benefit liabilities (Notes 4 and 19)  | 60,318       | 2   | 61,411       | 2   |
| Guarantee deposits received   | 400          | -   | 400          | -   |
| Total non-current liabilities   | 366,518      | 13  | 141,198      | 5   |
| Total liabilities   | 1,174,721    | 41  | 1,046,176    | 35  |
| EQUITY (Notes 4 and 20)   |              |     |              |     |
| Ordinary shares   | 693,000      | 24  | 693,000      | 23  |
| Capital surplus   | 234,872      | 8   | 234,872      | 8   |
| Legal reserve   | 233,370      | 8   | 233,370      | 8   |
| Special reserve   | 102,980      | 4   | 64,280       | 2   |
| Unappropriated earnings   | 662,305      | 23  | 832,383      | 28  |
| Other equity  | (106,641)    | (4) | (102,980)    | (4) |
| Treasury shares   | (110,853)    | (4) | -            | -   |
| Total equity  | 1,709,033    | 59  | 1,954,925    | 65  |
| TOTAL   | \$ 2,883,754 | 100 | \$ 3,001,101 | 100 |

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



# EZCONN CORPORATION

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

|   | 2020             |            | 2019             |            |
|---|------------------|------------|------------------|------------|
|   | Amount           | %          | Amount           | %          |
| NET REVENUE (Notes 4, 21 and 27)  | \$ 2,148,131     | 100        | \$ 2,173,335     | 100        |
| COST OF REVENUE (Notes 10, 19, 22 and 27)   | <u>1,860,994</u> | <u>87</u>  | <u>1,941,986</u> | <u>89</u>  |
| GROSS PROFIT  | <u>287,137</u>   | <u>13</u>  | <u>231,349</u>   | <u>11</u>  |
| OPERATING EXPENSES (Notes 9, 19, 22 and 27)   |                  |            |                  |            |
| Selling and marketing expenses  | 82,082           | 4          | 58,452           | 3          |
| General and administrative expenses   | 108,093          | 5          | 92,104           | 4          |
| Research and development expenses   | <u>95,730</u>    | <u>4</u>   | <u>108,161</u>   | <u>5</u>   |
| Total operating expenses  | <u>285,905</u>   | <u>13</u>  | <u>258,717</u>   | <u>12</u>  |
| PROFIT/(LOSS) FROM OPERATIONS   | <u>1,232</u>     | <u>-</u>   | <u>(27,368)</u>  | <u>(1)</u> |
| NON-OPERATING INCOME AND EXPENSES<br>(Notes 4, 11 and 22)   |                  |            |                  |            |
| Interest income   | 3,464            | -          | 11,091           | -          |
| Other income  | 376              | -          | 72               | -          |
| Other gains and losses  | (47,526)         | (2)        | (11,091)         | (1)        |
| Share of profit or loss of subsidiaries   | 1,753            | -          | 18,695           | 1          |
| Finance costs   | <u>(5,622)</u>   | <u>-</u>   | <u>(3,586)</u>   | <u>-</u>   |
| Total non-operating income and expenses   | <u>(47,555)</u>  | <u>(2)</u> | <u>15,181</u>    | <u>-</u>   |
| LOSS BEFORE INCOME TAX  | (46,323)         | (2)        | (12,187)         | (1)        |
| INCOME TAX (BENEFIT) EXPENSE (Notes 4 and 23)   | <u>(8,272)</u>   | <u>-</u>   | <u>7,091</u>     | <u>-</u>   |
| NET LOSS FOR THE YEAR   | <u>(38,051)</u>  | <u>(2)</u> | <u>(19,278)</u>  | <u>(1)</u> |
| OTHER COMPREHENSIVE LOSS (Notes 4, 7, 19 and 23)  |                  |            |                  |            |
| Items that will not be reclassified subsequently to profit or loss:                                   |                  |            |                  |            |
| Remeasurement of defined benefit plans  | (3,948)          | -          | (8,080)          | -          |
| Unrealized loss on investments in equity instruments at fair value through other comprehensive income | (14,713)         | (1)        | (4,303)          | -          |
| Income tax relating to items that will not be reclassified subsequently to profit or loss             | <u>3,732</u>     | <u>-</u>   | <u>2,476</u>     | <u>-</u>   |
|   | <u>(14,929)</u>  | <u>(1)</u> | <u>(9,907)</u>   | <u>-</u>   |

(Continued)

# EZCONN CORPORATION

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

|  | 2020               |            | 2019               |            |
|--|--------------------|------------|--------------------|------------|
|  | Amount             | %          | Amount             | %          |
| Items that may be reclassified subsequently to profit or loss:                       |                    |            |                    |            |
| Exchange differences on translating foreign operations                               | \$ 10,136          | 1          | \$ (44,072)        | (2)        |
| Income tax relating to items that may be reclassified subsequently to profit or loss | <u>(2,027)</u>     | <u>-</u>   | <u>8,815</u>       | <u>-</u>   |
|  | <u>8,109</u>       | <u>1</u>   | <u>(35,257)</u>    | <u>(2)</u> |
| Other comprehensive loss for the year, net of income tax                             | <u>(6,820)</u>     | <u>-</u>   | <u>(45,164)</u>    | <u>(2)</u> |
| TOTAL COMPREHENSIVE LOSS FOR THE YEAR  | <u>\$ (44,871)</u> | <u>(2)</u> | <u>\$ (64,442)</u> | <u>(3)</u> |
| LOSS PER SHARE (Note 24)   |                    |            |                    |            |
| Basic  | <u>\$ (0.57)</u>   |            | <u>\$ (0.28)</u>   |            |

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

(Concluded)

# EZCONN CORPORATION

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

|  | Share Capital (Note 20) |            | Capital Surplus<br>(Note 20) | Retained Earnings (Note 20) |                 |                            |              | Other Equity (Notes 4 and 20)                                      |   | Total        | Treasury<br>Shares<br>(Note 20) | Total Equity |
|--|-------------------------|------------|------------------------------|-----------------------------|-----------------|----------------------------|--------------|--|---|--------------|---------------------------------|--------------|
|  | Share (In<br>Thousands) | Amount     |                              | Legal Reserve               | Special Reserve | Unappropriated<br>Earnings | Total        | Exchange<br>Differences on<br>Translating<br>Foreign<br>Operations | Unrealized<br>Gain (Loss) on<br>Financial Assets<br>at Fair Value<br>Through Other<br>Comprehensive<br>Income |              |                                 |              |
| BALANCE AT JANUARY 1, 2019   | 66,000                  | \$ 660,000 | \$ 234,872                   | \$ 217,931                  | \$ 50,573       | \$ 1,019,271               | \$ 1,287,775 | \$ (67,324)  | \$ 3,044  | \$ (64,280)  | \$ -                            | \$ 2,118,367 |
| Appropriation of 2018 earnings   |                         |            |                              |                             |                 |                            |              |  |   |              |                                 |              |
| Legal reserve  | -                       | -          | -                            | 15,439                      | -               | (15,439)                   | -            | -  | -   | -            | -                               | -            |
| Special reserve  | -                       | -          | -                            | -                           | 13,707          | (13,707)                   | -            | -  | -   | -            | -                               | -            |
| Cash dividends distributed by the Company  | -                       | -          | -                            | -                           | -               | (99,000)                   | (99,000)     | -  | -   | -            | -                               | (99,000)     |
| Share distributed by the Company   | 3,300                   | 33,000     | -                            | -                           | -               | (33,000)                   | (33,000)     | -  | -   | -            | -                               | -            |
| Net loss for the year ended December 31, 2019  | -                       | -          | -                            | -                           | -               | (19,278)                   | (19,278)     | -  | -   | -            | -                               | (19,278)     |
| Other comprehensive income (loss) for the year ended<br>December 31, 2019, net of income tax | -                       | -          | -                            | -                           | -               | (6,464)                    | (6,464)      | (35,257)   | (3,443)   | (38,700)     | -                               | (45,164)     |
| Total comprehensive income (loss) for the year ended<br>December 31, 2019                    | -                       | -          | -                            | -                           | -               | (25,742)                   | (25,742)     | (35,257)   | (3,443)   | (38,700)     | -                               | (64,442)     |
| BALANCE AT DECEMBER 31, 2019   | 69,300                  | 693,000    | 234,872                      | 233,370                     | 64,280          | 832,383                    | 1,130,033    | (102,581)  | (399)   | (102,980)    | -                               | 1,954,925    |
| Appropriation of 2019 earnings   |                         |            |                              |                             |                 |                            |              |  |   |              |                                 |              |
| Special reserve  | -                       | -          | -                            | -                           | 38,700          | (38,700)                   | -            | -  | -   | -            | -                               | -            |
| Cash dividends distributed by the Company  | -                       | -          | -                            | -                           | -               | (90,168)                   | (90,168)     | -  | -   | -            | -                               | (90,168)     |
| Net loss for the year ended December 31, 2020  | -                       | -          | -                            | -                           | -               | (38,051)                   | (38,051)     | -  | -   | -            | -                               | (38,051)     |
| Other comprehensive income (loss) for the year ended<br>December 31, 2020, net of income tax | -                       | -          | -                            | -                           | -               | (3,159)                    | (3,159)      | 8,109  | (11,770)  | (3,661)      | -                               | (6,820)      |
| Total comprehensive income (loss) for the year ended<br>December 31, 2020                    | -                       | -          | -                            | -                           | -               | (41,210)                   | (41,210)     | 8,109  | (11,770)  | (3,661)      | -                               | (44,871)     |
| Buy-back of ordinary shares  | -                       | -          | -                            | -                           | -               | -                          | -            | -  | -   | -            | (110,853)                       | (110,853)    |
| BALANCE AT DECEMBER 31, 2020   | 69,300                  | \$ 693,000 | \$ 234,872                   | \$ 233,370                  | \$ 102,980      | \$ 662,305                 | \$ 998,655   | \$ (94,472)  | \$ (12,169)   | \$ (106,641) | \$ (110,853)                    | \$ 1,709,033 |

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

# EZCONN CORPORATION

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

|   | 2020             | 2019             |
|---|------------------|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                   |                  |                  |
| Loss before income tax  | \$ (46,323)      | \$ (12,187)      |
| Adjustments for:  |                  |                  |
| Depreciation expenses   | 48,955           | 50,175           |
| Amortization expenses   | 2,373            | 5,239            |
| Expected credit loss recognized (reversed) on trade receivables               | 94               | (949)            |
| Finance costs   | 5,622            | 3,586            |
| Interest income   | (3,464)          | (11,091)         |
| Share of profit of subsidiaries   | (1,753)          | (18,695)         |
| Loss/(gain) on disposal of property, plant and equipment                      | 4,557            | (115)            |
| Gain on lease modification  | (4)              | -                |
| Write-downs of inventories  | 10,541           | 2,912            |
| Changes in operating assets and liabilities                                   |                  |                  |
| Notes receivable  | (457)            | 654              |
| Trade receivables from unrelated parties                                      | (79,386)         | 165,878          |
| Trade receivables from related parties  | 57               | (50)             |
| Other receivables   | (3,978)          | 887              |
| Inventories   | (68,032)         | 94,696           |
| Prepayments and other current assets  | (935)            | (972)            |
| Other current assets  | (2,162)          | -                |
| Notes payable   | 716              | (55)             |
| Trade payables to unrelated parties   | 35,822           | (158,547)        |
| Trade payables to related parties   | (14,056)         | (132,243)        |
| Other payables  | 32,442           | (38,955)         |
| Other current liabilities   | (7,835)          | 11,808           |
| Net defined benefit liability   | <u>(5,041)</u>   | <u>(18,235)</u>  |
| Cash used in operations   | (92,247)         | (56,259)         |
| Interest received   | 3,617            | 11,802           |
| Interest paid   | (5,403)          | (3,512)          |
| Income tax paid   | <u>(18,063)</u>  | <u>(26,174)</u>  |
| Net cash used in operating activities   | <u>(112,096)</u> | <u>(74,143)</u>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                   |                  |                  |
| Purchase of financial assets at fair value through other comprehensive income | (30,000)         | -                |
| Purchase of financial assets at amortized cost                                | (16,130)         | (16,298)         |
| Proceeds from sale of financial assets at amortized cost                      | 15,905           | 16,809           |
| Payments for property, plant and equipment                                    | (39,544)         | (316,744)        |
| Proceeds from disposal of property, plant and equipment                       | 333              | 13               |
| Decrease/(increase) in refundable deposits                                    | 925              | (168)            |
| Payments for intangible assets  | (758)            | (2,037)          |
| Dividends received from subsidiaries  | <u>-</u>         | <u>200,302</u>   |
| Net cash used in investing activities   | <u>(69,269)</u>  | <u>(118,123)</u> |

(Continued)

# EZCONN CORPORATION

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

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|  | 2020              | 2019              |
|--|-------------------|-------------------|
| CASH FLOWS FROM FINANCING ACTIVITIES                   |                   |                   |
| Proceeds from short-term borrowings                    | \$ 4,228,000      | \$ 2,500,000      |
| Repayments of short-term borrowings                    | (4,354,000)       | (2,330,000)       |
| Proceeds from long-term borrowings                     | 236,000           | -                 |
| Repayment of the principal of lease liabilities        | (11,649)          | (14,235)          |
| Dividends paid to owners of the Company                | (90,168)          | (99,000)          |
| Payments for buy-back of ordinary shares               | <u>(110,853)</u>  | <u>-</u>          |
| Net cash (used in) generated from financing activities | <u>(102,670)</u>  | <u>56,765</u>     |
| NET DECREASE IN CASH AND CASH EQUIVALENTS              | (284,035)         | (135,501)         |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | <u>745,091</u>    | <u>880,592</u>    |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR       | <u>\$ 461,056</u> | <u>\$ 745,091</u> |

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

(Concluded)

# EZCONN CORPORATION

## NOTES TO FINANCIAL STATEMENTS

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

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

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#### 1. GENERAL INFORMATION

EZconn Corporation (the “Company”) was incorporated in the Republic of China (ROC) on September 4, 1996. The Company mainly manufactures and sells precision metal components and optical fiber components of various electronic products.

The Company’s shares have been listed on the Taiwan Stock Exchange (TWSE) since July 14, 2015.

These financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

#### 2. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Company’s board of directors on March 18, 2021.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### a. Statement of compliance

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

##### b. Basis of preparation

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

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

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

When preparing the financial statements, the Company used the equity method to account for its investments in subsidiaries. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries, and the related equity items, as appropriate, in these financial statements.

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

Current assets include:

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

Current liabilities include:

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

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



d. Foreign currencies

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

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

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

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

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

e. Inventories

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

f. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

Subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company's financial statements only to the extent of interests in the subsidiaries of parties that are not related to the Company.

g. Property, plant and equipment

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

Property, plant and equipment in the course of construction are carried at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Except for freehold land which is not depreciated, depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term is shorter than the useful lives, assets are depreciated over the lease term. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in estimates accounted for on a prospective basis.

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

h. Intangible assets

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

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

i. Impairment of property, plant and equipment, right-of-use asset and intangible assets

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

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

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

j. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at amortized cost

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

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

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

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

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

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;

- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

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

ii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

For internal credit risk management purposes, the Company determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Company):

- i. Internal or external information show that the debtor is unlikely to pay its creditors.
- ii. When a financial asset is more than 180 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

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

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

2) Financial liabilities

a) Subsequent measurement

All the financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

k. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Provisions for the expected cost of warranty obligations are recognized at the date of sale of the relevant products at the best estimate by the management of the Company of the expenditure required to settle the Company's obligation.

l. Revenue recognition

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

Revenue from the sale of goods

Revenue from the sale of goods comes from sales of optical fiber components and radio frequency connector products. Sales of optical fiber components and radio frequency connector products are recognized as revenue when the goods are shipped or delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers, and bears the risks of obsolescence. Trade receivables and revenue are recognized concurrently.

Revenue is measured at the fair value of the consideration received or receivable, and is reduced for estimated customer returns, rebates and other similar allowances. Taking into consideration the different contractual terms, the Company estimated customer returns and rebates that are likely to happen based on past experience, and the returns and rebates are recognized as refund liabilities (other current liabilities).

The Company does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

m. Leases

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

The Company as lessee

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

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

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

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Company accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the balance sheets.

n. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than that above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

o. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

p. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

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

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

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

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

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

### 3) Current and deferred taxes

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

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

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

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

### Key Sources of Estimation Uncertainty

#### Impairment of inventory

The net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and historical experience with product sales of similar products. Changes in market conditions may have a material impact on the estimation of the net realizable value.



## 6. CASH AND CASH EQUIVALENTS

|   | <b>December 31</b> |                   |
|---|--------------------|-------------------|
|   | <b>2020</b>        | <b>2019</b>       |
| Cash on hand  | \$ 578             | \$ 626            |
| Checking accounts and demand deposits                     | 346,558            | 534,605           |
| Cash equivalents  |                    |                   |
| Time deposits with original maturities less than 3 months | <u>113,920</u>     | <u>209,860</u>    |
|   | <u>\$ 461,056</u>  | <u>\$ 745,091</u> |

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

|              | <b>December 31</b> |              |
|--------------|--------------------|--------------|
|              | <b>2020</b>        | <b>2019</b>  |
| Bank balance | 0.001%-0.32%       | 0.001%-2.21% |

## 7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

### Investments in Equity Instruments at FVTOCI

|  | <b>December 31</b> |                  |
|--|--------------------|------------------|
|  | <b>2020</b>        | <b>2019</b>      |
| <u>Non-current</u>                           |                    |                  |
| Domestic investment                          |                    |                  |
| Unlisted shares                              |                    |                  |
| Preferred shares - AuthenX Inc.              | \$ 33,885          | \$ -             |
| Foreign investments                          |                    |                  |
| Unlisted shares                              | <u>19,117</u>      | <u>37,715</u>    |
| Preferred shares - Lightel Technologies Inc. | <u>\$ 53,002</u>   | <u>\$ 37,715</u> |

These investment in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

In September 2020, the Company acquired preferred shares of AuthenX Inc. for medium to long-term strategic purposes; the management designated these investments as at FVTOCI.

## 8. FINANCIAL ASSETS AT AMORTIZED COST

|  | <b>December 31</b> |                  |
|--|--------------------|------------------|
|  | <b>2020</b>        | <b>2019</b>      |
| <u>Current</u>   |                    |                  |
| Time deposits with original maturity of more than 3 months (a)   | <u>\$ 13,094</u>   | <u>\$ 12,892</u> |
| <u>Non-current</u>   |                    |                  |
| Pledged deposits (b)   | <u>\$ 2,248</u>    | <u>\$ 2,225</u>  |
| a. The ranges interest rate for time deposits with an original maturity of more than 3 months were 1.9% and 2.6% per annum as of December 31, 2020 and 2019, respectively. |                    |                  |
| b. The market interest rate of the pledged deposits were 0.790% and 1.045% per annum as of December 31, 2020 and 2019, respectively.                                       |                    |                  |
| c. Refer to Note 28 for information relating to investments in financial assets at amortized cost pledged as security  |                    |                  |

## 9. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

|  | <b>December 31</b> |                   |
|--|--------------------|-------------------|
|  | <b>2020</b>        | <b>2019</b>       |
| <u>Notes receivable, net</u>                     |                    |                   |
| At amortized costs                               |                    |                   |
| Gross carrying amount                            | \$ 1,995           | \$ 1,538          |
| Less: Allowance for impairment loss              | <u>(83)</u>        | <u>(83)</u>       |
|  | <u>\$ 1,912</u>    | <u>\$ 1,455</u>   |
| Notes receivable - operating                     | <u>\$ 1,912</u>    | <u>\$ 1,455</u>   |
| <u>Trade receivables</u>                         |                    |                   |
| At amortized costs                               |                    |                   |
| Gross carrying amount                            | \$ 597,729         | \$ 524,990        |
| Less: Allowance for impairment loss              | <u>(126,351)</u>   | <u>(132,904)</u>  |
|  | <u>\$ 471,378</u>  | <u>\$ 392,086</u> |
| Trade receivables from related parties (Note 27) | <u>\$ -</u>        | <u>\$ 57</u>      |
| <u>Other receivables</u>                         |                    |                   |
| Tax refund receivable                            | \$ 10,484          | \$ 9,186          |
| Receivables from sales of scrap and by-products  | 4,797              | 2,392             |
| Interest receivable                              | 144                | 297               |
| Others   | <u>723</u>         | <u>448</u>        |
|  | <u>\$ 16,148</u>   | <u>\$ 12,323</u>  |

a. Trade receivables

The average credit period of sales of goods was 30 to 120 days. No interest was charged on trade receivables. In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date.

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

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

December 31, 2020

|                                | China             | Asia             | America           | Europe           | Others           | Total             |
|--------------------------------|-------------------|------------------|-------------------|------------------|------------------|-------------------|
| Gross carrying amount          | \$ 140,190        | \$ 91,285        | \$ 156,525        | \$ 83,854        | \$ 125,875       | \$ 597,729        |
| Loss allowance (Lifetime ECLs) | <u>(140)</u>      | <u>(90)</u>      | <u>(78)</u>       | <u>(168)</u>     | <u>(125,875)</u> | <u>(126,351)</u>  |
| Amortized cost                 | <u>\$ 140,050</u> | <u>\$ 91,195</u> | <u>\$ 156,447</u> | <u>\$ 83,686</u> | <u>\$ -</u>      | <u>\$ 471,378</u> |

December 31, 2019

|                                | China            | Asia             | America           | Europe            | Others           | Total             |
|--------------------------------|------------------|------------------|-------------------|-------------------|------------------|-------------------|
| Gross carrying amount          | \$ 64,962        | \$ 90,916        | \$ 109,987        | \$ 126,621        | \$ 132,504       | \$ 524,990        |
| Loss allowance (Lifetime ECLs) | <u>(64)</u>      | <u>(91)</u>      | <u>(55)</u>       | <u>(190)</u>      | <u>(132,504)</u> | <u>(132,904)</u>  |
| Amortized cost                 | <u>\$ 64,898</u> | <u>\$ 90,825</u> | <u>\$ 109,932</u> | <u>\$ 126,431</u> | <u>\$ -</u>      | <u>\$ 392,086</u> |

The aging of receivables was as follows:

|                   | <b>December 31</b> |                   |
|-------------------|--------------------|-------------------|
|                   | <b>2020</b>        | <b>2019</b>       |
| Less than 30 days | \$ 174,481         | \$ 127,482        |
| 31-60 days        | 140,176            | 126,520           |
| 61-90 days        | 71,933             | 93,404            |
| 91-120 days       | 43,761             | 27,335            |
| Over 121 days     | <u>167,378</u>     | <u>150,249</u>    |
|                   | <u>\$ 597,729</u>  | <u>\$ 524,990</u> |

The above aging schedule was based on the past due days from the invoice date.

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

|  | <b>For the Year Ended December 31</b> |                   |
|--|---------------------------------------|-------------------|
|  | <b>2020</b>                           | <b>2019</b>       |
| Balance at January 1                     | \$ 132,904                            | \$ 137,134        |
| Add: Net remeasurement of loss allowance | 94                                    | (949)             |
| Foreign exchange gains and losses        | <u>(6,647)</u>                        | <u>(3,281)</u>    |
| Balance at December 31                   | <u>\$ 126,351</u>                     | <u>\$ 132,904</u> |

In October 2014, PCT International Inc. (PCT), one of the Company's customers, filed a civil lawsuit with the United States District Court against the Company alleging infringement of intellectual property rights, business confidentiality, and business opportunities. In September 2017, the Court granted judgment in favor of the Company and did not require the Company to be liable for any compensation to PCT. PCT appealed against the judgment in October 2017. The Court of Appeals affirmed the dismissal of PCT's claims against the Company and denied PCT's petition for panel rehearing on June 27, 2019. As a result, the Company's management believed that the case would not have a significant impact on the Company's financial position and operating activities.

PCT owed the Company US\$6,648 thousand. The Company engaged lawyers and has filed civil lawsuits in the courts of the United States (the "Court") in February 2016 seeking PCT to pay the overdue trade receivables. In August 2017, the Court granted judgment in favor of the Company and awarded US\$9,463 thousand to the Company. PCT appealed against the judgment in September 2017. In January 2018, the Court ordered that approximately US\$2,222 thousand deposited in the Court Registry by PCT shall be paid to the Company in partial satisfaction of the US\$9,463 thousand judgment for the Company. PCT paid the compensation to the Company thereafter. In May 2019, the Court of Appeals affirmed the judgment, and in November 2019, PCT filed for bankruptcy proceedings under Chapter 11 of the United States Bankruptcy Code. PCT and the Company filed for debt restructuring to the Court in June and August 2020, respectively. The Company filed for bankruptcy liquidation under Chapter 7 of the United States Bankruptcy Code in replacement of the bankruptcy proceedings mentioned previously in January 2021, however, PCT was against this proposal. The dispute remains uncertain and will be decided by the Court. The Company engaged lawyers to pursue recovery of the remaining balance. The Company had recognized the remaining amount as an impairment loss in previous years, and believed that the case would not have a significant impact on the Company's financial position and operating activities.

b. Other receivables

Other receivables were primarily tax refund receivable, receivable from sales of scrap and by-products and interest receivable. As of December 31, 2020 and 2019, the Company assessed the impairment loss of other receivables expected credit losses.

## 10. INVENTORIES

|                  | <b>December 31</b> |                   |
|------------------|--------------------|-------------------|
|                  | <b>2020</b>        | <b>2019</b>       |
| Finished goods   | \$ 164,881         | \$ 174,276        |
| Work in progress | 133,543            | 83,584            |
| Raw materials    | <u>68,749</u>      | <u>51,822</u>     |
|                  | <u>\$ 367,173</u>  | <u>\$ 309,682</u> |

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2020 and 2019 was \$1,860,994 thousand and \$1,941,986 thousand, respectively. The cost of goods sold for the years ended December 31, 2020 and 2019 included inventory write-downs of \$10,541 thousand and \$2,912 thousand, respectively.

## 11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

### Investments in Subsidiaries

|                                   | December 31                                  |                   |
|-----------------------------------|--|-------------------|
|                                   | 2020   | 2019              |
| Unlisted company                  |  |                   |
| EC-Link Technology Ltd. (EC-Link) | \$ 880,639                                   | \$ 880,432        |
| EZconn Europe GmbH                | <u>72,769</u>                                | <u>61,087</u>     |
|                                   | <u>\$ 953,408</u>                            | <u>\$ 941,519</u> |
|                                   | Proportion of Ownership and<br>Voting Rights |                   |
|                                   | December 31                                  |                   |
| Name of Associate                 | 2020   | 2019              |
|                                   |  |                   |
| EC-Link                           | 100%   | 100%              |
| EZconn Europe GmbH                | 100%   | 100%              |

The investments in subsidiaries accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2020 and 2019 were based on the subsidiaries' financial statements audited by auditors for the same years.

The principal activities of EC-Link and its subsidiary, Light Master Technology Inc., are both investment; the principal activities of EZconn Europe GmbH and its subsidiaries, EZconn Czech a.s. and EZconn Technologies CZ s.r.o., are manufacturing and selling of precision metal components and optical fiber components of various electronic products, manufacturing of various optical fiber components, and manufacturing and research of optical communication components.

## 12. PROPERTY, PLANT AND EQUIPMENT

|  | Land              | Buildings         | Machinery<br>Equipment | Mold Equipment   | Transportation<br>Equipment | Office Equipment | Other Equipment  | Total             |
|--|-------------------|-------------------|------------------------|------------------|-----------------------------|------------------|------------------|-------------------|
| <b>Cost</b>                                    |                   |                   |                        |                  |                             |                  |                  |                   |
| Balance at January 1, 2019                     | \$ -              | \$ 2,359          | \$ 409,468             | \$ 33,878        | \$ 460                      | \$ 24,411        | \$ 82,489        | \$ 553,065        |
| Additions                                      | 126,000           | 146,667           | 16,601                 | 819              | -                           | 319              | 2,632            | 293,038           |
| Disposals                                      | -                 | -                 | (19,308)               | -                | -                           | (3,308)          | (136)            | (22,752)          |
| Reclassification                               | -                 | -                 | 11,834                 | 308              | -                           | 571              | 2,457            | 15,170            |
| Balance at December 31, 2019                   | 126,000           | 149,026           | 418,595                | 35,005           | 460                         | 21,993           | 87,442           | 838,521           |
| Additions                                      | -                 | -                 | 5,952                  | 3,399            | -                           | 1,045            | 1,353            | 11,749            |
| Disposals                                      | -                 | -                 | (42,382)               | (439)            | -                           | (2,463)          | (34,339)         | (79,623)          |
| Reclassification                               | -                 | -                 | 2,946                  | 59               | -                           | -                | 32,001           | 35,006            |
| Balance at December 31, 2020                   | <u>\$ 126,000</u> | <u>\$ 149,026</u> | <u>\$ 385,111</u>      | <u>\$ 38,024</u> | <u>\$ 460</u>               | <u>\$ 20,575</u> | <u>\$ 86,457</u> | <u>\$ 805,653</u> |
| <b>Accumulated depreciation and impairment</b> |                   |                   |                        |                  |                             |                  |                  |                   |
| Balance at January 1, 2019                     | \$ -              | \$ 2,359          | \$ 328,261             | \$ 29,111        | \$ 294                      | \$ 18,290        | \$ 53,577        | \$ 431,892        |
| Depreciation expenses                          | -                 | 1,193             | 19,382                 | 2,644            | 77                          | 2,582            | 9,891            | 35,769            |
| Disposals                                      | -                 | -                 | (19,289)               | -                | -                           | (3,308)          | (136)            | (22,733)          |
| Balance at December 31, 2019                   | -                 | 3,552             | 328,354                | 31,755           | 371                         | 17,564           | 63,332           | 444,928           |
| Depreciation expenses                          | -                 | 3,577             | 19,847                 | 2,544            | 44                          | 1,967            | 8,907            | 36,886            |
| Disposals                                      | -                 | -                 | (41,969)               | (439)            | -                           | (2,463)          | (29,862)         | (74,733)          |
| Balance at December 31, 2020                   | <u>\$ -</u>       | <u>\$ 7,129</u>   | <u>\$ 306,232</u>      | <u>\$ 33,860</u> | <u>\$ 415</u>               | <u>\$ 17,068</u> | <u>\$ 42,377</u> | <u>\$ 407,081</u> |
| Carrying amounts at December 31, 2019          | <u>\$ 126,000</u> | <u>\$ 145,474</u> | <u>\$ 90,241</u>       | <u>\$ 3,250</u>  | <u>\$ 89</u>                | <u>\$ 4,429</u>  | <u>\$ 24,110</u> | <u>\$ 393,593</u> |
| Carrying amounts at December 31, 2020          | <u>\$ 126,000</u> | <u>\$ 141,897</u> | <u>\$ 78,879</u>       | <u>\$ 4,164</u>  | <u>\$ 45</u>                | <u>\$ 3,507</u>  | <u>\$ 44,080</u> | <u>\$ 398,572</u> |

For the purpose of future development and integration of factory resources, the Company purchased a real estate in August 2019; the price was \$280,000 thousand and the location is Tamsui Dist., New Taipei City.

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

|                          |                      |
|--------------------------|----------------------|
| Buildings                | 4, 5 and 40 years    |
| Machinery equipment      | 2-10 years           |
| Mold equipment           | 2 years              |
| Transportation equipment | 5 years              |
| Office equipment         | 3, 5 and 10 years    |
| Other equipment          | 2, 3, 5 and 10 years |

### 13. LEASE ARRANGEMENTS

#### a. Right-of-use assets

|   | <b>December 31</b>                    |                  |
|---|---------------------------------------|------------------|
|   | <b>2020</b>                           | <b>2019</b>      |
| <u>Carrying amounts</u>                     |                                       |                  |
| Buildings                                   | \$ 30,860                             | \$ 42,575        |
| Transportation equipment                    | <u>1,238</u>                          | <u>461</u>       |
|   | <u>\$ 32,098</u>                      | <u>\$ 43,036</u> |
|   | <b>For the Year Ended December 31</b> |                  |
|   | <b>2020</b>                           | <b>2019</b>      |
| Additions to right-of-use assets            | <u>\$ 1,523</u>                       | <u>\$ 20,945</u> |
| Depreciation charge for right-of-use assets |                                       |                  |
| Buildings                                   | \$ 11,322                             | \$ 14,236        |
| Transportation equipment                    | <u>747</u>                            | <u>170</u>       |
|   | <u>\$ 12,069</u>                      | <u>\$ 14,406</u> |

#### b. Lease liabilities

|                         | <b>December 31</b> |                  |
|-------------------------|--------------------|------------------|
|                         | <b>2020</b>        | <b>2019</b>      |
| <u>Carrying amounts</u> |                    |                  |
| Current                 | <u>\$ 10,960</u>   | <u>\$ 11,424</u> |
| Non-current             | <u>\$ 21,725</u>   | <u>\$ 31,783</u> |

Range of discount rate for lease liabilities was as follows:

|                          | <b>December 31</b> |             |
|--------------------------|--------------------|-------------|
|                          | <b>2020</b>        | <b>2019</b> |
| Buildings                | 2.05%-2.17%        | 2.05%-2.17% |
| Transportation equipment | 1.80%-2.11%        | 1.80%-2.05% |

c. Material leasing activities and terms

As lessee, the Company leases buildings for plants and offices and transportation equipment with lease terms of 2 to 5 years. The Company does not have bargain purchase options to acquire the leasehold buildings and transportation equipment at the end of the lease terms. In addition, the Company is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

|  | <b>For the Year Ended December 31</b> |                    |
|--|---------------------------------------|--------------------|
|  | <b>2020</b>                           | <b>2019</b>        |
| Expenses relating to short-term leases | <u>\$ 1,714</u>                       | <u>\$ 6,407</u>    |
| Total cash outflow for leases          | <u>\$ (14,190)</u>                    | <u>\$ (21,417)</u> |

The Company leases certain transportation equipment and buildings which qualify as short-term leases. The Company elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

#### 14. INTANGIBLE ASSETS

|                                | <b>Computer Software</b> |                                 |                 |
|--------------------------------|--------------------------|---------------------------------|-----------------|
|                                | <b>Cost</b>              | <b>Accumulated Amortization</b> | <b>Total</b>    |
| Balance at January 1, 2019     | \$ 13,992                | \$ 7,035                        | <u>\$ 6,957</u> |
| Additions/amortization expense | 2,317                    | 5,239                           |                 |
| Disposals                      | <u>(9,949)</u>           | <u>(9,949)</u>                  |                 |
| Balance at December 31, 2019   | 6,360                    | 2,325                           | <u>\$ 4,035</u> |
| Additions/amortization expense | 758                      | 2,373                           |                 |
| Disposals                      | <u>(2,928)</u>           | <u>(2,928)</u>                  |                 |
| Balance at December 31, 2020   | <u>\$ 4,190</u>          | <u>\$ 1,770</u>                 | <u>\$ 2,420</u> |

The Company's intangible assets, which comprise computer software, are amortized on the straight-line basis over the estimated useful lives of 1 to 5 years.

#### 15. BORROWINGS

a. Short-term Borrowings

|                             | <b>December 31</b> |                   |
|-----------------------------|--------------------|-------------------|
|                             | <b>2020</b>        | <b>2019</b>       |
| <u>Unsecured borrowings</u> |                    |                   |
| Line of credit borrowings   | <u>\$ 264,000</u>  | <u>\$ 390,000</u> |

The interest rate range of the line of credit borrowings was 0.95%-0.96% per annum as of both December 31, 2020 and 2019.

b. Long-term borrowings

|                    | <b>December 31</b> |             |
|--------------------|--------------------|-------------|
|                    | <b>2020</b>        | <b>2019</b> |
| Secured borrowings | \$ <u>236,000</u>  | \$ <u>-</u> |

To increase medium and long-term working capital, the Company entered into a loan contract with a bank for the period November 2020 to October 2027. As of December 31, 2020, the range of the effective interest rates was 1.25%-1.30%, and interest is repayable on a monthly basis. The principal of the loan is repayable over a period of 2 years, where repayments of NT\$6,000 thousand are to be made semi-annually starting 2 years from the date of the initial drawdown, with the rest of the principal paid in one lump sum upon maturity. The Company provided land, property, and plant as collateral for this loan (refer to Notes 12 and 28 for the details).

For some of the loan agreements, the Company's current ratio, debt ratio, and the net worth as stated in the its financial statements are not to fall below specified ratios/amount, or else, the Company is required to propose improvement measures to the bank when failing to comply with the restrictions. As of December 31, 2020, the Company was not in violation of any of the aforementioned financial restrictions.

# 16. NOTES PAYABLE AND TRADE PAYABLES

|   | <b>December 31</b> |                   |
|---|--------------------|-------------------|
|   | <b>2020</b>        | <b>2019</b>       |
| <u>Notes payable</u>                              |                    |                   |
| Operating   | \$ 185             | \$ 199            |
| Non-operating                                     | <u>855</u>         | <u>125</u>        |
|   | <u>\$ 1,040</u>    | <u>\$ 324</u>     |
| <u>Trade payables (including related parties)</u> |                    |                   |
| Operating   | <u>\$ 364,253</u>  | <u>\$ 342,487</u> |

The average credit period of purchases of goods is 60-90 days. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

# 17. OTHER PAYABLES

|                                   | <b>December 31</b> |                  |
|-----------------------------------|--------------------|------------------|
|                                   | <b>2020</b>        | <b>2019</b>      |
| Payable for salaries or bonuses   | \$ 64,209          | \$ 45,782        |
| Payable for commissions           | 13,917             | 2,622            |
| Payable for professional expenses | 5,969              | 2,926            |
| Payable for employees' insurance  | 4,317              | 3,816            |
| Payable for purchase of equipment | 1,352              | 2,230            |
| Others                            | <u>21,347</u>      | <u>21,953</u>    |
|                                   | <u>\$ 111,111</u>  | <u>\$ 79,329</u> |



## 18. PROVISIONS

|                | December 31 |          |
|----------------|-------------|----------|
|                | 2020        | 2019     |
| <u>Current</u> |             |          |
| Warranties     | \$ 8,055    | \$ 8,055 |

Provision for warranty is estimated based on the Company's obligations for warranties under local regulations on sale of goods.

## 19. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

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

### b. Defined benefit plans

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

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

|   | December 31      |                  |
|---|------------------|------------------|
|   | 2020             | 2019             |
| Present value of defined benefit obligation | \$ 116,464       | \$ 116,860       |
| Fair value of plan assets                   | <u>(56,146)</u>  | <u>(55,449)</u>  |
| Net defined benefit liability               | <u>\$ 60,318</u> | <u>\$ 61,411</u> |

Movements in net defined benefit liability were as follows:

|   | <b>Present Value of<br/>the Defined<br/>Benefit<br/>Obligation</b> | <b>Fair Value of<br/>the Plan Assets</b> | <b>Net Defined<br/>Benefit<br/>Liability</b> |
|---|--|--|--|
| Balance at January 1, 2019  | <u>\$ 125,007</u>  | <u>\$ (53,441)</u>                       | <u>\$ 71,566</u>                             |
| Service cost  |  |  |  |
| Current service cost  | 279  | -  | 279  |
| Past service cost   | 897  | -  | 897  |
| Net interest expense (income)   | <u>1,406</u>   | <u>(636)</u>                             | <u>770</u>                                   |
| Recognized in profit or loss  | <u>2,582</u>   | <u>(636)</u>                             | <u>1,946</u>                                 |
| Remeasurement   |  |  |  |
| Return on plan assets (excluding amounts<br>included in net interest) | -  | (1,851)                                  | (1,851)                                      |
| Actuarial loss - changes in demographic<br>assumptions                | 1  | -  | 1  |
| Actuarial loss - changes in financial<br>assumptions                  | 4,720  | -  | 4,720  |
| Actuarial loss - experience adjustments                               | <u>5,210</u>   | <u>-</u>                                 | <u>5,210</u>                                 |
| Recognized in other comprehensive income                              | <u>9,931</u>   | <u>(1,851)</u>                           | <u>8,080</u>                                 |
| Contributions from the employer                                       | -  | (6,000)                                  | (6,000)                                      |
| Benefits paid   | <u>(20,660)</u>  | <u>6,479</u>                             | <u>(14,181)</u>                              |
| Balance at December 31, 2019  | <u>116,860</u>   | <u>(55,449)</u>                          | <u>61,411</u>                                |
| Service cost  |  |  |  |
| Current service cost  | 222  | -  | 222  |
| Past service cost   | 300  | -  | 300  |
| Net interest expense (income)   | <u>876</u>   | <u>(439)</u>                             | <u>437</u>                                   |
| Recognized in profit or loss  | <u>1,398</u>   | <u>(439)</u>                             | <u>959</u>                                   |
| Remeasurement   |  |  |  |
| Return on plan assets (excluding amounts<br>included in net interest) | -  | (1,729)                                  | (1,729)                                      |
| Actuarial loss - changes in financial<br>assumptions                  | 3,088  | -  | 3,088  |
| Actuarial loss - experience adjustments                               | <u>2,589</u>   | <u>-</u>                                 | <u>2,589</u>                                 |
| Recognized in other comprehensive income                              | <u>5,677</u>   | <u>(1,729)</u>                           | <u>3,948</u>                                 |
| Contributions from the employer                                       | -  | (6,000)                                  | (6,000)                                      |
| Benefits paid   | <u>(7,471)</u>   | <u>7,471</u>                             | <u>-</u>                                     |
| Balance at December 31, 2020  | <u>\$ 116,464</u>  | <u>\$ (56,146)</u>                       | <u>\$ 60,318</u>                             |

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

|                                     | <b>For the Year Ended December 31</b> |                 |
|-------------------------------------|---------------------------------------|-----------------|
|                                     | <b>2020</b>                           | <b>2019</b>     |
| Operating costs                     | \$ 476                                | \$ 744          |
| Selling and marketing expenses      | 26                                    | 55              |
| General and administrative expenses | 377                                   | 1,002           |
| Research and development expenses   | <u>80</u>                             | <u>145</u>      |
|                                     | <u>\$ 959</u>                         | <u>\$ 1,946</u> |

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

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

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

|                                  | <b>December 31</b> |             |
|----------------------------------|--------------------|-------------|
|                                  | <b>2020</b>        | <b>2019</b> |
| Discount rate                    | 0.500%             | 0.750%      |
| Expected rate of salary increase | 2.250%             | 2.250%      |

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

|                                  | <b>December 31</b> |                   |
|----------------------------------|--------------------|-------------------|
|                                  | <b>2020</b>        | <b>2019</b>       |
| Discount rate                    |                    |                   |
| 0.25% increase                   | <u>\$ (3,088)</u>  | <u>\$ (3,178)</u> |
| 0.25% decrease                   | <u>\$ 3,214</u>    | <u>\$ 3,307</u>   |
| Expected rate of salary increase |                    |                   |
| 0.25% increase                   | <u>\$ 3,105</u>    | <u>\$ 3,204</u>   |
| 0.25% decrease                   | <u>\$ (3,001)</u>  | <u>\$ (3,095)</u> |

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

|  | <b>December 31</b> |                 |
|--|--------------------|-----------------|
|  | <b>2020</b>        | <b>2019</b>     |
| The expected contributions to the plan for the next year | <u>\$ 6,135</u>    | <u>\$ 6,135</u> |
| The average duration of the defined benefit obligation   | 10.8 years         | 11.1 years      |

## 20. EQUITY

### a. Share capital

#### Ordinary shares

|   | <b>December 31</b>  |                     |
|---|---------------------|---------------------|
|   | <b>2020</b>         | <b>2019</b>         |
| Number of authorized shares (in thousands)            | 100,000             | 100,000             |
| Amount of authorized shares                           | <u>\$ 1,000,000</u> | <u>\$ 1,000,000</u> |
| Number of issued and fully paid shares (in thousands) | 69,300              | 69,300              |
| Amount of issued and fully paid shares                | <u>\$ 693,000</u>   | <u>\$ 693,000</u>   |

The holders of issued ordinary shares with a par value of \$10 are entitled the right to vote and receive dividends.

### b. Capital surplus

|   | <b>December 31</b> |                   |
|---|--------------------|-------------------|
|   | <b>2020</b>        | <b>2019</b>       |
| May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1) |                    |                   |
| Issuance of ordinary shares   | \$ 213,600         | \$ 213,600        |
| <u>May be used to offset a deficit only (2)</u>   |                    |                   |
| Share-based payment   | 8,236              | 8,236             |
| <u>May not be used for any purpose (3)</u>  |                    |                   |
| Changes in percentage of ownership interest in subsidiaries   | 13,036             | 13,036            |
|   | <u>\$ 234,872</u>  | <u>\$ 234,872</u> |

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

2) Such capital surplus arises from the share-based payment may be used to offer a deficit only.

3) Such capital surplus arises from the effect of changes in ownership interest in a subsidiary that resulted from equity transactions other than actual disposal or acquisition. Such capital surplus may not be used for any purpose.

### c. Retained earnings and dividend policy

The shareholders of the Company held their regular meeting on June 10, 2019 and in that meeting, resolved the amendments to the Company's Articles of Incorporation (the "Articles"). The amendments explicitly stipulate that the board of directors is authorized to adopt a special resolution to distribute dividends and bonuses in cash and a report of such distribution should be submitted in the shareholders' meeting. If the Company has no deficit, the amendments explicitly stipulate that the board of directors is authorized to adopt a special resolution to distribute legal reserve has exceeded 25% of the Company's paid-in capital in cash and a report of such distribution should be submitted in the shareholders' meeting.

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

Under the dividends policy as set forth in the Articles before the amendments, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors, refer to employees' compensation and remuneration of directors and supervisors in Note 22-f.

The Company's dividend policy is based on the shareholders' long-term interests. In formulating its dividend policy, the Company takes into account the overall business and industry conditions and trends, present and future operational expansion and to satisfy the shareholders' need for cash inflow. The Company's dividend policy states that cash dividends should be at least 10% of total dividends. A distribution plan is also to be made by the board of directors and passed for resolution in the shareholders' meeting.

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

Items referred to under Rule No. 1010012865 issued by the FSC should be appropriated to a special reserve by the Company.

The appropriations of earnings for 2019 and 2018 approved in the shareholders' meetings on June 24, 2020 and June 10, 2019, respectively, were as follows:

|                                  | <b>Appropriation of Earnings</b>      |             |
|----------------------------------|---------------------------------------|-------------|
|                                  | <b>For the Year Ended December 31</b> |             |
|                                  | <b>2019</b>                           | <b>2018</b> |
| Legal reserve                    | \$ -                                  | \$ 15,439   |
| Special reserve                  | \$ 38,700                             | \$ 13,707   |
| Cash dividends                   | \$ 90,168                             | \$ 99,000   |
| Share dividends                  | \$ -                                  | \$ 33,000   |
| Cash dividends per share (NT\$)  | \$ 1.36                               | \$ 1.5      |
| Share dividends per share (NT\$) | \$ -                                  | \$ 0.5      |

The appropriations of earnings for 2020 had been proposed by the Company's board of directors on March 18, 2021 were as follows:

|                                 | <b>For the Year<br/>Ended<br/>December 31,<br/>2020</b> |
|---------------------------------|---|
| Special reserve                 | <u>\$ 3,661</u>   |
| Cash dividends                  | <u>\$ 66,300</u>  |
| Cash dividends per share (NT\$) | \$ 1.0  |

d. Special reserve

Additional special reserve relating to exchange differences on translating the financial statements of foreign operations (including the subsidiaries of the Company) should be appropriated for the amount equal to the difference between net debit balance reserves and the special reserve appropriated. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and, thereafter, distributed.

e. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

The exchange differences arising on translation of the net assets of foreign operations from their functional currencies to the Company's presentation currency (the New Taiwan dollar) are recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve.

2) Unrealized gain/(loss) on financial assets at FVTOCI

|                                      | <b>For the Year Ended December 31</b> |                 |
|--------------------------------------|---------------------------------------|-----------------|
|                                      | <b>2020</b>                           | <b>2019</b>     |
| Balance at January 1                 | \$ (399)                              | \$ 3,044        |
| Recognized for the year              |                                       |                 |
| Unrealized loss - equity instruments | <u>(11,770)</u>                       | <u>(3,443)</u>  |
| Balance at December 31               | <u>\$ (12,169)</u>                    | <u>\$ (399)</u> |

f. Treasury shares

In order to motivate employees and increase their centripetal force to the Company, the board of directors resolved to purchase treasury shares on January 20, 2020. The planned repurchase period was from January 21 to March 20, 2020, and the number of shares repurchased is 3,000 thousand shares. In March 2020, the Company completed its repurchase of shares for a total cost of \$110,853 thousand.

| <b>Purpose of Buy-back</b>            | <b>Shares<br/>Transferred to<br/>Employees<br/>(In Thousands<br/>of Shares)</b> |
|---------------------------------------|---|
| Number of shares at January 1, 2020   | -   |
| Increase during the year              | <u>3,000</u>  |
| Number of shares at December 31, 2020 | <u>3,000</u>  |

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

## 21. REVENUE

a. Contract information

|                           | <b>For the Year Ended December 31</b> |                     |
|---------------------------|---------------------------------------|---------------------|
|                           | <b>2020</b>                           | <b>2019</b>         |
| Optical fiber component   | \$ 908,818                            | \$ 908,118          |
| Radio frequency connector | <u>1,239,313</u>                      | <u>1,265,217</u>    |
|                           | <u>\$ 2,148,131</u>                   | <u>\$ 2,173,335</u> |

Refer to Note 4 for information about contract.

b. Contract balances

|   | <b>December 31</b> |                  |
|---|--------------------|------------------|
|   | <b>2020</b>        | <b>2019</b>      |
| Contract liabilities (classified under other current liabilities) | <u>\$ 2,577</u>    | <u>\$ 12,429</u> |

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

## 22. NET LOSS FROM CONTINUING OPERATIONS

### a. Interest income

|  | <b>For the Year Ended December 31</b> |                  |
|--|---------------------------------------|------------------|
|  | <b>2020</b>                           | <b>2019</b>      |
| Bank deposits                                | \$ 2,786                              | \$ 10,025        |
| Repurchase agreement collateralized by bonds | 662                                   | 1,047            |
| Others                                       | <u>16</u>                             | <u>19</u>        |
|  | <u>\$ 3,464</u>                       | <u>\$ 11,091</u> |

### b. Other gains and losses

|  | <b>For the Year Ended December 31</b> |                    |
|--|---------------------------------------|--------------------|
|  | <b>2020</b>                           | <b>2019</b>        |
| (Loss) gain on disposal of property, plant and equipment | \$ (4,557)                            | \$ 115             |
| Net foreign exchange losses                              | (42,944)                              | (11,172)           |
| Others   | <u>(25)</u>                           | <u>(34)</u>        |
|  | <u>\$ (47,526)</u>                    | <u>\$ (11,091)</u> |

### c. Interest expenses

|                               | <b>For the Year Ended December 31</b> |                   |
|-------------------------------|---------------------------------------|-------------------|
|                               | <b>2020</b>                           | <b>2019</b>       |
| Interest on bank borrowings   | \$ (4,795)                            | \$ (2,811)        |
| Interest on lease liabilities | <u>(827)</u>                          | <u>(775)</u>      |
|                               | <u>\$ (5,622)</u>                     | <u>\$ (3,586)</u> |

### d. Depreciation and amortization

|                               | <b>For the Year Ended December 31</b> |                  |
|-------------------------------|---------------------------------------|------------------|
|                               | <b>2020</b>                           | <b>2019</b>      |
| Property, plant and equipment | \$ 36,886                             | \$ 35,769        |
| Right of use assets           | 12,069                                | 14,406           |
| Intangible assets             | <u>2,373</u>                          | <u>5,239</u>     |
|                               | <u>\$ 51,328</u>                      | <u>\$ 55,414</u> |

|   | <b>For the Year Ended December 31</b> |                  |
|---|---------------------------------------|------------------|
|   | <b>2020</b>                           | <b>2019</b>      |
| An analysis of depreciation by function |                                       |                  |
| Operating costs                         | \$ 22,342                             | \$ 21,259        |
| Operating expenses                      | <u>26,613</u>                         | <u>28,916</u>    |
|   | <u>\$ 48,955</u>                      | <u>\$ 50,175</u> |

(Continued)



|   | <b>For the Year Ended December 31</b> |                 |
|---|---------------------------------------|-----------------|
|   | <b>2020</b>                           | <b>2019</b>     |
| An analysis of amortization by function |                                       |                 |
| Operating costs                         | \$ 368                                | \$ 650          |
| Operating expenses                      | <u>2,005</u>                          | <u>4,589</u>    |
|   | <u>\$ 2,373</u>                       | <u>\$ 5,239</u> |
|   |                                       | (Concluded)     |

e. Employee benefits expense

|  | <b>For the Year Ended December 31</b> |                   |
|--|---------------------------------------|-------------------|
|  | <b>2020</b>                           | <b>2019</b>       |
| Post-employment benefits (Note 19)                   |                                       |                   |
| Defined contribution plans                           | \$ 10,948                             | \$ 10,758         |
| Defined benefit plans                                | <u>959</u>                            | <u>1,946</u>      |
|  | 11,907                                | 12,704            |
| Insurance expense                                    | 25,455                                | 26,581            |
| Remuneration of directors                            | 1,626                                 | 1,236             |
| Other employee benefits                              | <u>288,619</u>                        | <u>249,278</u>    |
| Total employee benefits expense                      | <u>\$ 327,607</u>                     | <u>\$ 289,799</u> |
| An analysis of employee benefits expense by function |                                       |                   |
| Operating costs                                      | \$ 209,303                            | \$ 171,704        |
| Operating expenses                                   | <u>118,304</u>                        | <u>118,095</u>    |
|  | <u>\$ 327,607</u>                     | <u>\$ 289,799</u> |

f. Employees' compensation and remuneration of directors and supervisors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors and supervisors at the rates no less than 5% and no higher than 5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. Due to net loss before income tax for the year ended December 31, 2020, the employees' compensation and the remuneration of directors and supervisors hasn't been recognized.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

g. Gain or loss on foreign currency exchange

|                         | <b>For the Year Ended December 31</b> |                    |
|-------------------------|---------------------------------------|--------------------|
|                         | <b>2020</b>                           | <b>2019</b>        |
| Foreign exchange gains  | \$ 34,469                             | \$ 43,675          |
| Foreign exchange losses | <u>(77,413)</u>                       | <u>(54,847)</u>    |
|                         | <u>\$ (42,944)</u>                    | <u>\$ (11,172)</u> |

## 23. INCOME TAXES

### a. Income tax recognized in profit or loss

Major components of income tax (benefit) expense are as follows:

|   | <b>For the Year Ended December 31</b> |                 |
|---|---------------------------------------|-----------------|
|   | <b>2020</b>                           | <b>2019</b>     |
| Current tax   |                                       |                 |
| In respect of the current year                            | \$ -                                  | \$ 33,895       |
| Adjustments for prior years                               | <u>986</u>                            | <u>10,710</u>   |
|   | <u>986</u>                            | <u>44,605</u>   |
| Deferred tax  |                                       |                 |
| In respect of the current year                            | (9,258)                               | (36,332)        |
| Adjustments for prior years                               | <u>-</u>                              | <u>(1,182)</u>  |
|   | <u>(9,258)</u>                        | <u>(37,514)</u> |
| Income tax (benefit) expense recognized in profit or loss | <u>\$ (8,272)</u>                     | <u>\$ 7,091</u> |

A reconciliation of accounting profit and income tax (benefit) expenses is as follows:

|   | <b>For the Year Ended December 31</b> |                    |
|---|---------------------------------------|--------------------|
|   | <b>2020</b>                           | <b>2019</b>        |
| Loss before tax from continuing operations                | <u>\$ (46,323)</u>                    | <u>\$ (12,187)</u> |
| Income tax benefit calculated at the statutory rate       | \$ (9,264)                            | \$ (2,437)         |
| Nondeductible expenses in determining taxable income      | 6                                     | -                  |
| Adjustments for prior years' tax                          | <u>986</u>                            | <u>9,528</u>       |
| Income tax (benefit) expense recognized in profit or loss | <u>\$ (8,272)</u>                     | <u>\$ 7,091</u>    |

### b. Income tax recognized in other comprehensive income

|   | <b>For the Year Ended December 31</b> |                  |
|---|---------------------------------------|------------------|
|   | <b>2020</b>                           | <b>2019</b>      |
| <u>Deferred tax</u>                                       |                                       |                  |
| In respect of the current year                            |                                       |                  |
| Translation of foreign operations                         | \$ (2,027)                            | \$ 8,815         |
| Fair value changes of financial assets at FVTOCI          | 2943                                  | 860              |
| Remeasurement on defined benefit plan                     | <u>789</u>                            | <u>1,616</u>     |
| Total income tax recognized in other comprehensive income | <u>\$ 1,705</u>                       | <u>\$ 11,291</u> |

c. Current tax assets and liabilities

|                         | <b>For the Year Ended December 31</b> |                  |
|-------------------------|---------------------------------------|------------------|
|                         | <b>2020</b>                           | <b>2019</b>      |
| Current tax assets      |                                       |                  |
| Tax refund receivable   | \$ <u>336</u>                         | \$ <u>-</u>      |
| Current tax liabilities |                                       |                  |
| Income tax payable      | \$ <u>-</u>                           | \$ <u>16,741</u> |

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2020

| <b>Deferred Tax Assets</b>               | <b>Opening Balance</b> | <b>Recognized in Profit or Loss</b> | <b>Recognized in Other Comprehensive Income</b> | <b>Closing Balance</b> |
|--|------------------------|-------------------------------------|---|------------------------|
| Temporary differences                    |                        |                                     |   |                        |
| Allowance for impairment loss            | \$ 27,055              | \$ (128)                            | \$ -  | \$ 26,927              |
| Write-down of inventory                  | 18,979                 | 2,108                               | -   | 21,087                 |
| Defined benefit obligation               | 15,119                 | (1,008)                             | 789   | 14,900                 |
| Provisions                               | 1,611                  | -                                   | -   | 1,611                  |
| Refund liabilities                       | 8,092                  | 426                                 | -   | 8,518                  |
| Payable for annual leave                 | 2,183                  | (115)                               | -   | 2,068                  |
| Exchange difference on foreign operation | 11,856                 | -                                   | (2,027)   | 9,829                  |
| Unrealized exchange losses               | 1,757                  | (1,757)                             | -   | -                      |
| FVTOCI financial assets                  | 100                    | -                                   | 2,943   | 3,043                  |
| Others                                   | <u>3,052</u>           | <u>601</u>                          | <u>-</u>  | <u>3,653</u>           |
|  | 89,804                 | 127                                 | 1,705   | 91,636                 |
| Tax losses                               | <u>-</u>               | <u>9,602</u>                        | <u>-</u>  | <u>9,602</u>           |
|  | <u>\$ 89,804</u>       | <u>\$ 9,729</u>                     | <u>\$ 1,705</u>                                 | <u>\$ 101,238</u>      |

| <b>Deferred Tax Liabilities</b>               | <b>Opening Balance</b> | <b>Recognized in Profit or Loss</b> | <b>Recognized in Other Comprehensive Income</b> | <b>Closing Balance</b> |
|---|------------------------|-------------------------------------|---|------------------------|
| Temporary differences                         |                        |                                     |   |                        |
| Investments accounted for using equity method | \$ 47,604              | \$ 351                              | \$ -  | \$ 47,955              |
| Unrealized exchange gains                     | <u>-</u>               | <u>120</u>                          | <u>-</u>  | <u>120</u>             |
|   | <u>\$ 47,604</u>       | <u>\$ 471</u>                       | <u>\$ -</u>                                     | <u>\$ 48,075</u>       |

For the year ended December 31, 2019

| <b>Deferred Tax Assets</b>               | <b>Opening Balance</b> | <b>Recognized in Profit or Loss</b> | <b>Recognized in Other Comprehensive Income</b> | <b>Closing Balance</b> |
|--|------------------------|-------------------------------------|---|------------------------|
| Temporary differences                    |                        |                                     |   |                        |
| Allowance for impairment loss            | \$ 26,905              | \$ 150                              | \$ -  | \$ 27,055              |
| Write-down of inventory                  | 18,397                 | 582                                 | -   | 18,979                 |
| Defined benefit obligation               | 14,313                 | (810)                               | 1,616   | 15,119                 |
| Provisions                               | 1,611                  | -                                   | -   | 1,611                  |
| Refund liabilities                       | 7,683                  | 409                                 | -   | 8,092                  |
| Payable for annual leave                 | 2,410                  | (227)                               | -   | 2,183                  |
| Exchange difference on foreign operation | 3,041                  | -                                   | 8,815   | 11,856                 |
| Unrealized exchange losses               | -                      | 1,757                               | -   | 1,757                  |
| FVTOCI financial assets                  | -                      | -                                   | 100   | 100                    |
| Others                                   | 4,843                  | (1,791)                             | -   | 3,052                  |
|  | <u>79,203</u>          | <u>70</u>                           | <u>10,531</u>                                   | <u>89,804</u>          |
| Tax losses                               | <u>789</u>             | <u>(789)</u>                        | <u>-</u>  | <u>-</u>               |
|  | <u>\$ 79,992</u>       | <u>\$ (719)</u>                     | <u>\$ 10,531</u>                                | <u>\$ 89,804</u>       |

| <b>Deferred Tax Liabilities</b>               | <b>Opening Balance</b> | <b>Recognized in Profit or Loss</b> | <b>Recognized in Other Comprehensive Income</b> | <b>Closing Balance</b> |
|---|------------------------|-------------------------------------|---|------------------------|
| Temporary differences                         |                        |                                     |   |                        |
| Investments accounted for using equity method | \$ 83,926              | \$ (36,322)                         | \$ -  | \$ 47,604              |
| Unrealized exchange gains                     | 1,911                  | (1,911)                             | -   | -                      |
| FVTOCI financial assets                       | <u>760</u>             | <u>-</u>                            | <u>(760)</u>                                    | <u>-</u>               |
|   | <u>\$ 86,597</u>       | <u>\$ (38,233)</u>                  | <u>\$ (760)</u>                                 | <u>\$ 47,604</u>       |

e. Income tax assessments

The tax returns of the Company through 2018 have been assessed by the tax authorities.

## 24. LOSS PER SHARE

**Unit: NT\$ Per Share**

|                      | <b>For the Year Ended December 31</b> |                  |
|----------------------|---------------------------------------|------------------|
|                      | <b>2020</b>                           | <b>2019</b>      |
| Basic loss per share | <u>\$ (0.57)</u>                      | <u>\$ (0.28)</u> |

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

### Net Loss for the Year

|                       | <b>For the Year Ended December 31</b> |                    |
|-----------------------|---------------------------------------|--------------------|
|                       | <b>2020</b>                           | <b>2019</b>        |
| Net loss for the year | <u>\$ (38,051)</u>                    | <u>\$ (19,278)</u> |

|  | <b>For the Year Ended December 31</b> |               |
|--|---------------------------------------|---------------|
|  | <b>2020</b>                           | <b>2019</b>   |
| Weighted average number of ordinary shares used in the computation of diluted earnings per share | <u>66,742</u>                         | <u>69,300</u> |

Net loss for the year ended December 31, 2020 and 2019 are anti-dilutive and thus are excluded from the computation of diluted earnings per share.

## 25. CAPITAL MANAGEMENT

The Company manages its capital to ensure the Company will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Company consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Company (comprising issued capital, reserves, retained earnings, and other equity).

Key management personnel of the Company review the capital structure periodically. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Company may adjust the amount of dividends paid to shareholders, and the amount of new debt issued or existing debt redeemed.

## 26. FINANCIAL INSTRUMENTS

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

The management believes the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values or their fair value cannot be reliably measured.

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

#### 1) Fair value hierarchy

##### December 31, 2020

|   | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b>   | <b>Total</b>     |
|---|----------------|----------------|------------------|------------------|
| Financial assets at FVTOCI                  |                |                |                  |                  |
| Investments in equity instruments at FVTOCI |                |                |                  |                  |
| Domestic unlisted shares                    | \$ -           | \$ -           | \$ 33,885        | \$ 33,885        |
| Foreign unlisted shares                     | <u>-</u>       | <u>-</u>       | <u>19,117</u>    | <u>19,117</u>    |
|   | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ 53,002</u> | <u>\$ 53,002</u> |

##### December 31, 2019

|   | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b>   | <b>Total</b>     |
|---|----------------|----------------|------------------|------------------|
| Financial assets at FVTOCI                  |                |                |                  |                  |
| Investments in equity instruments at FVTOCI |                |                |                  |                  |
| Unlisted shares                             | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ 37,715</u> | <u>\$ 37,715</u> |

There were no transfers between Levels 1 and 2 in the current and prior year.

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

The fair values of foreign and domestic unlisted equity investments were estimated using the market approach, either by the method of comparable listed companies or by the comparable transaction method, while the fair values of the preference shares were estimated using the option pricing method. The significant unobservable inputs used were the discount for lack of marketability and discount for non-controlling interests. An increase in the discount for lack of marketability or non-controlling interests would result in an increase in the fair value.

c. Categories of financial instruments

|  | <b>December 31</b> |              |
|--|--------------------|--------------|
|  | <b>2020</b>        | <b>2019</b>  |
| <u>Financial assets</u>  |                    |              |
| Financial assets at amortized cost (1)   | \$ 957,633         | \$ 1,160,150 |
| Financial assets at FVTOCI - equity instruments  | 53,002             | 37,715       |
| <u>Financial liabilities</u>   |                    |              |
| Financial liabilities at amortized cost (2)  | 912,195            | 766,358      |
| 1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables (including related parties), other receivables (excluding tax refund receivable), and refundable deposits. |                    |              |
| 2) The balances included financial liabilities at amortized cost, which comprise long-term loans, short-term loans, notes payable, trade payables and other payables.  |                    |              |

d. Financial risk management objectives and policies

The Company's major financial instruments include equity investments, trade receivables, trade payables, borrowings and lease liabilities. According to business nature and the degree and magnitude of risks, the Company monitors and manages the financial risks relating to the operations. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Company minimizes the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Company's policies approved by the board of directors. Compliance with policies and exposure limits is reviewed by internal auditors on a continuous basis. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Company's activities exposed it primarily to the market risks of changes in foreign currency exchange rates and interest rates.

There had been no change to the Company's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk. To manage the volatility of future cash flows arising from changes in foreign exchange rates, the Company maintains a balance of net foreign currency assets and liabilities in hedge.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 29.

Sensitivity analysis

The Company's sensitivity analysis mainly focuses on the foreign currency risk of U.S. dollars at the end of the reporting period. Assuming a 5% strengthening/weakening of the functional currency against U.S. dollars, the net loss before tax for the year ended December 31, 2020 would have increased/decreased by \$37,679 thousand and; the net income before tax for year ended December 31, 2019 would have increased/decreased by \$50,055 thousand.

In management's opinion, sensitivity analysis was unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period did not reflect the exposure during the period.

b) Interest rate risk

The Company was exposed to fair value and cash flow interest rate risk because the Company held both fixed-rate financial assets and financial liabilities. The Company's management monitors fluctuations in market interest rate regularly. If it is needed, the management performs necessary procedures to control significant interest rate risks from fluctuations in market interest rates.

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

|                               | <b>December 31</b> |             |
|-------------------------------|--------------------|-------------|
|                               | <b>2020</b>        | <b>2019</b> |
| Fair value interest rate risk |                    |             |
| Financial assets              | \$ 129,263         | \$ 224,978  |
| Financial liabilities         | 532,685            | 433,207     |
| Cash flow interest rate risk  |                    |             |
| Financial assets              | 345,695            | 533,195     |

As the Company is not significantly affected by fluctuations in interest rates, no sensitivity analysis is presented.

c) Other price risk

The Company was exposed to equity price risk through its investments in equity securities. Equity investments are held for strategic rather than trading purposes, the Company does not actively trade these investments. In addition, the Company has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

As the Company is not significantly affected by changes in the prices of equity securities, no sensitivity analysis is presented.

## 2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk, which will cause a financial loss to the Company due to failure of counterparties to discharge an obligation with financial guarantees provided by the Company, could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Company adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Company uses other publicly available financial information and its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored.

The Company transacted with a large number of unrelated customers and, thus, no concentration of credit risk was observed.

## 3) Liquidity risk

The Company manages liquidity risk by maintaining a level of cash and cash equivalents and bank loan facilities deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

### a) Liquidity for non-derivative financial liabilities

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the earliest date on which the Company can be required to pay.

#### December 31, 2020

|                                 | <b>On Demand or<br/>Less than<br/>1 Year</b> | <b>1-5 Years</b>  | <b>5+ Years</b> |
|---------------------------------|--|-------------------|-----------------|
| Non-interest bearing            | \$ 412,195                                   | \$ -              | \$ -            |
| Lease liabilities               | 11,552                                       | 22,244            | -               |
| Fixed interest rate liabilities | <u>264,000</u>                               | <u>236,000</u>    | <u>-</u>        |
|                                 | <u>\$ 687,747</u>                            | <u>\$ 258,244</u> | <u>\$ -</u>     |

#### December 31, 2019

|                                 | <b>On Demand or<br/>Less than<br/>1 Year</b> | <b>1-5 Years</b> | <b>5+ Years</b> |
|---------------------------------|--|------------------|-----------------|
| Non-interest bearing            | \$ 376,358                                   | \$ -             | \$ -            |
| Lease liabilities               | 12,231                                       | 32,872           | -               |
| Fixed interest rate liabilities | <u>390,000</u>                               | <u>-</u>         | <u>-</u>        |
|                                 | <u>\$ 778,589</u>                            | <u>\$ 32,872</u> | <u>\$ -</u>     |



b) Financing facilities

The Company relies on bank loans as a significant source of liquidity. As of December 31, 2020 and 2019, the unused amounts of bank loan facilities were as follows:

|                      | <b>December 31</b> |                   |
|----------------------|--------------------|-------------------|
|                      | <b>2020</b>        | <b>2019</b>       |
| Bank loan facilities |                    |                   |
| Amounts unused       | <u>\$ 954,480</u>  | <u>\$ 779,980</u> |

## 27. TRANSACTIONS WITH RELATED PARTIES

Besides the information disclosed elsewhere in the other notes, details of transactions between the Company and other related parties are disclosed below.

a. Related Party name and categories

| <b>Related Party Name</b>             | <b>Related Party Category</b>   |
|---------------------------------------|---|
| Light Master Technology (Ningbo) Inc. | Subsidiaries  |
| EZconn Czech a.s.                     | Subsidiaries  |
| Optoway Technology Inc.               | Director with significant influence over the Company<br>(until June 24, 2020) |
| Kopek Pacific Ltd.                    | Director with significant influence over the Company<br>(until June 24, 2020) |
| Gtran, Inc.                           | Subsidiaries of the Company's shareholder                                     |
| Management A                          | Key management personnel's first-degree relatives                             |
| Management B                          | Key management personnel  |

b. Sales of goods

|  | <b>For the Year Ended December 31</b> |                 |
|--|---------------------------------------|-----------------|
| <b>Related Party Category</b>                        | <b>2020</b>                           | <b>2019</b>     |
| Subsidiaries   | \$ 359                                | \$ 1,192        |
| Director with significant influence over the Company | <u>39</u>                             | <u>168</u>      |
|  | <u>\$ 398</u>                         | <u>\$ 1,360</u> |

c. Purchases of goods

|                                       | <b>For the Year Ended December 31</b> |                   |
|---------------------------------------|---------------------------------------|-------------------|
| <b>Related Party Category/Name</b>    | <b>2020</b>                           | <b>2019</b>       |
| Subsidiaries                          |                                       |                   |
| Light Master Technology (Ningbo) Inc. | <u>\$ 507,374</u>                     | <u>\$ 802,535</u> |

The purchase transactions between the Company and related parties were based on agreements; the purchase prices of the products could not be compared with prices to unrelated parties.

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

| Related Party Category                               | December 31 |              |
|--|-------------|--------------|
|  | 2020        | 2019         |
| Director with significant influence over the Company | \$ <u>-</u> | \$ <u>57</u> |

The outstanding trade receivables from related parties were unsecured. For the years ended December 31, 2019, no impairment loss was recognized for trade receivables from related parties.

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

| Related Party Category/Name           | December 31       |                   |
|---------------------------------------|-------------------|-------------------|
|                                       | 2020              | 2019              |
| Subsidiaries                          |                   |                   |
| Light Master Technology (Ningbo) Inc. | \$ 144,694        | \$ 158,912        |
| Others                                | <u>162</u>        | <u>-</u>          |
|                                       | \$ <u>144,856</u> | \$ <u>158,912</u> |

f. Acquisitions of property, plant and equipment

| Related Party Category | Purchase Price                 |                 |
|------------------------|--------------------------------|-----------------|
|                        | For the Year Ended December 31 |                 |
|                        | 2020                           | 2019            |
| Subsidiaries           | \$ <u>-</u>                    | \$ <u>9,240</u> |

g. Lease arrangements

| Line Item         | Related Party Category                            | December 31 |               |
|-------------------|---|-------------|---------------|
|                   |   | 2020        | 2019          |
| Lease liabilities | Key management personnel's first-degree relatives | \$ -        | \$ 275        |
|                   | Key management personnel                          | <u>-</u>    | <u>125</u>    |
|                   |   | \$ <u>-</u> | \$ <u>400</u> |

| Related Party Category                            |  | For the Year Ended December 31 |               |
|---|--|--------------------------------|---------------|
|   |  | 2020                           | 2019          |
| <u>Interest expense</u>                           |  |                                |               |
| Key management personnel's first-degree relatives |  | \$ -                           | \$ 91         |
| Key management personnel                          |  | <u>-</u>                       | <u>42</u>     |
|   |  | \$ <u>-</u>                    | \$ <u>133</u> |
| <u>Lease expense</u>                              |  |                                |               |
| Key management personnel's first-degree relatives |  | \$ 275                         | \$ -          |
| Key management personnel                          |  | <u>125</u>                     | <u>-</u>      |
|   |  | \$ <u>400</u>                  | \$ <u>-</u>   |

The Company leases office and dormitory from key management personnel, the lease contracts had expired in advance in February 2020. The Company pays the rental monthly.

h. Compensation of key management personnel

|                              | <b>For the Year Ended December 31</b> |                  |
|------------------------------|---------------------------------------|------------------|
|                              | <b>2020</b>                           | <b>2019</b>      |
| Short-term employee benefits | \$ 20,036                             | \$ 24,801        |
| Post-employment benefits     | <u>687</u>                            | <u>979</u>       |
|                              | <u>\$ 20,723</u>                      | <u>\$ 25,780</u> |

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

## 28. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral and guarantees for the tariff of imported raw materials and goods. (See Notes 8 and 12):

|   | <b>December 31</b> |                 |
|---|--------------------|-----------------|
|   | <b>2020</b>        | <b>2019</b>     |
| Pledged deposits (classified as financial assets at amortized cost - non-current) | \$ 2,248           | \$ 2,225        |
| Land  | 126,000            | -               |
| Buildings   | <u>141,897</u>     | <u>-</u>        |
|   | <u>\$ 270,145</u>  | <u>\$ 2,225</u> |

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

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

December 31, 2020

|                         | <b>Foreign Currencies<br/>(In Thousands)</b> | <b>Exchange Rate</b> | <b>Carrying Amount<br/>(In Thousands)</b> |
|-------------------------|--|----------------------|---|
| <u>Financial assets</u> |  |                      |   |
| Monetary items          |  |                      |   |
| USD                     | \$ 32,876                                    | 28.4800 (USD:NTD)    | \$ 936,296                                |
| JPY                     | 59,433                                       | 0.2763 (JPY:NTD)     | 16,421                                    |
| RMB                     | 6,142  | 4.3648 (RMB:NTD)     | 26,807                                    |
| Non-monetary items      |  |                      |   |
| USD                     | 34,187                                       | 28.4800 (USD:NTD)    | 972,525                                   |

(Continued)

|                              | Foreign<br>Currencies<br>(In Thousands) | Exchange Rate     | Carrying<br>Amount<br>(In Thousands) |
|------------------------------|---|-------------------|--------------------------------------|
| <u>Financial liabilities</u> |   |                   |                                      |
| Monetary items               |   |                   |                                      |
| USD                          | \$ 6,416                                | 28.4800 (USD:NTD) | \$ 187,721                           |
| RMB                          | 58                                      | 4.3648 (RMB:NTD)  | 254                                  |
|                              |   |                   | (Concluded)                          |

December 31, 2019

|                              | Foreign<br>Currencies<br>(In Thousands) | Exchange Rate     | Carrying<br>Amount<br>(In Thousands) |
|------------------------------|---|-------------------|--------------------------------------|
| <u>Financial assets</u>      |   |                   |                                      |
| Monetary items               |   |                   |                                      |
| USD                          | \$ 38,759                               | 29.9800 (USD:NTD) | \$ 1,161,992                         |
| JPY                          | 47,003                                  | 0.2760 (JPY:NTD)  | 12,973                               |
| RMB                          | 8,435                                   | 4.2975 (RMB:NTD)  | 36,249                               |
| Non-monetary items           |   |                   |                                      |
| USD                          | 32,711                                  | 29.9800 (USD:NTD) | 979,234                              |
| <u>Financial liabilities</u> |   |                   |                                      |
| Monetary items               |   |                   |                                      |
| USD                          | 5,366                                   | 29.9800 (USD:NTD) | 160,887                              |
| RMB                          | 2,408                                   | 4.2975 (RMB:NTD)  | 10,348                               |

### 30. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

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

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

**TABLE 1**

**EZCONN CORPORATION AND SUBSIDIARIES**

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

| Holding Company Name | Type and Name of Marketable Securities        | Relationship with the Holding Company | Financial Statement Account                               | December 31, 2020 |                 |                         |            | Note |
|----------------------|---|---------------------------------------|---|-------------------|-----------------|-------------------------|------------|------|
|                      |   |                                       |   | Shares            | Carrying Amount | Percentage of Ownership | Fair Value |      |
| EZconn Corporation   | Enablence Technology Inc. - ordinary shares   | -                                     | Investments in equity instruments at FVTOCI - non-current | 1                 | \$ -            | -                       | \$ -       | 2    |
|                      | Lightel Technologies Inc. - preference shares | -                                     | "   | 1,250             | 19,117          | 4.79                    | 19,117     | -    |
|                      | AuthenX Inc. - preference shares              | -                                     | "   | 3,750             | 33,885          | 19.35                   | 33,885     | -    |

Note 1: The marketable securities were not pledged.

Note 2: The carrying amount was zero as of December 31, 2020 due to the impairment loss recognized in prior years.

**TABLE 2**

**EZCONN CORPORATION AND SUBSIDIARIES**

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

| Buyer              | Related Party                         | Relationship | Transaction Details |   |               |               | Abnormal Transaction |               | Notes/Accounts Receivable (Payable)       |               | Note |
|--------------------|---------------------------------------|--------------|---------------------|---|---------------|---------------|----------------------|---------------|---|---------------|------|
|                    |                                       |              | Purchase/<br>Sale   | Amount                                  | % to<br>Total | Payment Terms | Unit Price           | Payment Terms | Ending Balance                            | % to<br>Total |      |
| EZconn Corporation | Light Master Technology (Ningbo) Inc. | Subsidiary   | Purchase            | \$ 507,374<br>(US\$ 17,171<br>thousand) | 39            | T/T 90 days   | -                    | -             | \$ (144,694)<br>(US\$ -5,081<br>thousand) | 40            |      |

**TABLE 3**

**EZCONN CORPORATION AND SUBSIDIARIES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**

**DECEMBER 31, 2020**

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

| Company Name                          | Related Party      | Relationship   | Ending Balance (Note 3)  | Turnover Rate | Overdue |               | Amounts Received in Subsequent Period (Note 2) | Allowance for Impairment Loss |
|---------------------------------------|--------------------|----------------|--|---------------|---------|---------------|--|-------------------------------|
|                                       |                    |                |  |               | Amount  | Actions Taken |  |                               |
| Light Master Technology (Ningbo) Inc. | EZconn Corporation | Parent company | Trade receivables from related parties \$ 144,694<br>(US\$ 5,081 thousand) | -             | \$ -    | -             | \$ 124,238                                     | Note 1                        |

Note 1: No impairment loss was recognized on trade receivables from related parties.

Note 2: Subsequent period was from January 1, 2021 to March 18, 2021.



TABLE 4

EZCONN CORPORATION AND SUBSIDIARIES

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

| Investor Company        | Investee Company              | Location      | Main Businesses and Products  | Original Investment Amount                          |   | As of December 31, 2020 |        |   | Net Income (Loss) of the Investee (Foreign Currencies in Thousands) | Share of Profits (Loss) | Note |
|-------------------------|-------------------------------|---------------|---|---|---|-------------------------|--------|---|---|-------------------------|------|
|                         |                               |               |   | December 31, 2020 (Foreign Currencies in Thousands) | December 31, 2019 (Foreign Currencies in Thousands) | Shares (In Thousands)   | %      | Carrying Amount (Foreign Currencies in Thousands) |   |                         |      |
| EZconn Corporation      | EC-Link Technology Inc.       | Samoa Islands | Investment  | \$ 679,543  | \$ 679,543  | -                       | 100.00 | \$ 880,639  | \$ (8,394)<br>(US\$ -302 thousand)                                  | \$ (8,615)              |      |
|                         | EZconn Europe GmbH            | Germany       | Manufactures and sells precision metal components and optical fiber components of various electronic products | 185,143   | 185,143   | -                       | 100.00 | 72,769  | 10,367<br>(US\$ 351 thousand)                                       | 10,367                  |      |
| EC-Link Technology Inc. | Light Master Technology Inc.  | Samoa Islands | Investment  | 651,537<br>(US\$ 22,877 thousand)                   | 651,537<br>(US\$ 22,877 thousand)                   | -                       | 100.00 | 855,090<br>(US\$ 30,024 thousand)                 | (8,901)<br>(US\$ -301 thousand)                                     |                         |      |
| EZconn Europe GmbH      | EZconn Czech a.s.             | Czech         | Manufacturing of various optical fiber components   | 66,888<br>(EUR 1,910 thousand)                      | 66,888<br>(EUR 1,910 thousand)                      | -                       | 100.00 | 70,450<br>(EUR 2,012 thousand)                    | 10,719<br>(EUR 318 thousand)  |                         |      |
| EZconn Czech a.s.       | EZconn technologies CZ s.r.o. | Czech         | Manufacturing and research of optical communication components  | 13,312<br>(CZK 10,000 thousand)                     | 13,312<br>(CZK 10,000 thousand)                     | -                       | 100.00 | 11,140<br>(CZK 8,368 thousand)                    | 77<br>(CZK 60 thousand)   |                         |      |

Note: For information on invested company in mainland China, please refer to Table 5.

TABLE 5

EZCONN CORPORATION AND SUBSIDIARIES

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

| Investee Company                      | Main Businesses and Products   | Paid-in Capital<br>(Foreign Currencies in Thousands)<br>(Note 3) | Method of Investment | Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020<br>(Foreign Currencies in Thousands)<br>(Note 3) | Investment Flows |        | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020<br>(Foreign Currencies in Thousands)<br>(Note 3) | Net Income (Loss) of the Investee<br>(Foreign Currencies in Thousands)<br>(Notes 4 and 6) | % Ownership of Direct or Indirect Investment | Investment Gain (Loss)<br>(Foreign Currencies in Thousands)<br>(Notes 4, 6, 7 and 8) | Carrying Amount as of December 31, 2020<br>(Foreign Currencies in Thousands)<br>(Notes 3, 6 and 8) | Accumulated Repatriation of Investment Income as of December 31, 2020<br>(Note 2) |
|---------------------------------------|--|--|----------------------|--|------------------|--------|--|---|--|--|--|---|
|                                       |  |  |                      |  | Outflow          | Inflow |  |   |  |  |  |   |
| Light Master Technology (Ningbo) Inc. | Manufacture and sale of optical fiber components and cable connector | \$ 427,200<br>(US\$ 15,000 thousand)                             | Note 1               | \$ 601,982<br>(US\$ 21,137 thousand)   | \$ -             | \$ -   | \$ 601,982<br>(US\$ 21,137 thousand)   | \$ (8,635)<br>(US\$ -292 thousand)  | 100  | \$ (8,868)<br>(US\$ -300 thousand)   | \$ 730,864<br>(US\$ 25,662 thousand)   | \$ 200,302  |

| Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020 (Foreign Currencies in Thousands) (Note 3) | Investment Amounts Authorized by Investment Commission, MOEA (Foreign Currencies in Thousands) (Notes 1 and 3) | Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA |
|--|--|---|
| \$601,982<br>(US\$21,137)  | \$650,113<br>(US\$22,827)  | \$1,025,420<br>(Note 5)   |

Note 1: The Company indirectly invested in Light Master Technology (Ningbo) Inc. through EC-Link Technology Inc. by investing via 3rd region. The amount included capital surplus of US\$1,690 thousand of Light Master Technology (Ningbo) Inc.

Note 2: The board of directors of Light Master Technology (Ningbo) Inc. adopt a resolution to distribute dividends in cash of \$118,359 thousand (RMB27,301 thousand), \$81,943 thousand (RMB19,074 thousand), and \$124,310 thousand (RMB28,528 thousand) on November 2018, 2019 and September 2020, respectively. The Company repatriated of Investment Income of \$200,302 through EC-Link Technology Inc. for the year ended December 31, 2019. The accumulated repatriation of investment income as of December 31, 2020 was \$200,302 thousand.

Note 3: The calculation was based on the spot exchange rate of December 31, 2020.

Note 4: The calculation was based on the average exchange rate from January 1, 2020 to December 31, 2020.

Note 5: The calculation was based on 60% of the Company’s net worth on December 31, 2020.

Note 6: The basis for investment income (loss) recognition is the financial statements audited and attested by parent company’s CPA in the ROC.

Note 7: The share of profits/losses of investee included the effect of unrealized gross profit on intercompany transaction.

**TABLE 6**

**EZCONN CORPORATION AND SUBSIDIARIES**

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

| Investee Company                      | Transaction Type | Purchase/Sale |            | Price                               | Transaction Details                 |                                     | Notes/Accounts Receivable (Payable) |            | Unrealized (Gain) Loss | Note |
|---------------------------------------|------------------|---------------|------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|------------|------------------------|------|
|                                       |                  | Amount        | % to Total |                                     | Payment Term                        | Comparison with Normal Transaction  | Ending Balance                      | % to Total |                        |      |
| Light Master Technology (Ningbo) Inc. | Purchase         | \$ 507,374    | 39         | No significant difference to others | No significant difference to others | No significant difference to others | \$ (144,694)                        | 40         | \$ 807                 |      |

**TABLE 8****EZCONN CORPORATION AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS****DECEMBER 31, 2020**

| Name of Major Shareholder  | Shares           |                             |
|--|------------------|-----------------------------|
|  | Number of Shares | Percentage of Ownership (%) |
| CabTel Corporation Investment Accounts commissioned to CTBC Bank | 6,295,555        | 9.08                        |
| TMX LLC Investment Accounts commissioned to CTBC Bank            | 4,492,828        | 6.48                        |
| EGTRAN CORPORATION   | 3,565,741        | 5.14                        |

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.

# EZCONN CORPORATION

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---

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**SCHEDULE 1****EZCONN CORPORATION****SCHEDULE OF CASH AND CASH EQUIVALENTS****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| <b>Item</b>                   | <b>Description</b>                  | <b>Amount</b>     |
|-------------------------------|-------------------------------------|-------------------|
| Petty cash                    |                                     | \$ 120            |
| Foreign currency cash in hand |                                     |                   |
|                               | JPY507,089, JPY1= NT\$0.2763        | 149               |
|                               | EUR3,804.60, EUR1=NT\$35.0200       | 133               |
|                               | US\$3,363.58, US\$1=NT\$28.4800     | 104               |
|                               | RMB14,022, RMB1=NT\$4.3648          | 62                |
|                               | GBP82.26, GBP1=NT\$38.9000          | 5                 |
|                               | HK\$1,328.00, HK\$1=NT\$3.6730      | 5                 |
|                               |                                     | <u>458</u>        |
| Cash in bank                  |                                     |                   |
| Deposit account               |                                     | 52,254            |
| Foreign currency deposits     |                                     |                   |
|                               | US\$9,575,734.31, US\$1=NT\$28.4800 | 272,717           |
|                               | RMB3,127,614.62, RMB1=NT\$4.3648    | 13,652            |
|                               | JPY24,967,469.00, JPY1=NT\$0.2763   | 6,899             |
|                               | HK\$38,165.58, HK\$1=NT\$3.6730     | 140               |
|                               | EUR973.68, EUR1=NT\$35.0200         | 34                |
|                               |                                     | <u>345,696</u>    |
| Checking accounts             |                                     | <u>862</u>        |
| Time deposits                 | US\$4,000,000.00, US\$1=NT\$28.4800 | <u>113,920</u>    |
|                               |                                     | <u>\$ 461,056</u> |

**SCHEDULE 2****EZCONN CORPORATION****SCHEDULE OF NOTES RECEIVABLE AND TRADE RECEIVABLES****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

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| <b>Client Name</b>                       | <b>Amount</b>     |
|--|-------------------|
| Notes receivable                         |                   |
| ZINWELL CORPORATION                      | \$ 1,059          |
| BUDSTECH CO., LTD                        | 489               |
| TIAN HONG PRECISION INDUSTRIAL CO., LTD. | 423               |
| Others (Note)                            | <u>25</u>         |
|  | 1,996             |
| Less: Allowance for impairment loss      | <u>(84)</u>       |
|  | <u>1,912</u>      |
| Trade receivables from unrelated parties |                   |
| Client A                                 | 93,463            |
| Client B                                 | 61,962            |
| Client C                                 | 41,211            |
| Client D                                 | 36,463            |
| Client E                                 | 31,970            |
| Client F                                 | 26,665            |
| Others (Note)                            | 305,995           |
| Less: Allowance for impairment loss      | <u>(126,351)</u>  |
|  | <u>471,378</u>    |
|  | <u>\$ 473,290</u> |

Note: The amount of individual clients included in others does not exceed 5% of the account balance.

**SCHEDULE 3****EZCONN CORPORATION****SCHEDULE OF INVENTORIES****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

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| Item  | Amount            |                                  |
|---|-------------------|----------------------------------|
|   | Cost              | Net Realizable Value<br>(Note 2) |
| Raw materials                                       | \$ 127,026        | \$ 113,979                       |
| Work in process                                     | 152,722           | 136,535                          |
| Finished goods                                      | <u>192,861</u>    | <u>144,715</u>                   |
|   | 472,609           | <u>\$ 395,229</u>                |
| Less: Allowance for impairment loss (Notes 1 and 2) | <u>(105,436)</u>  |                                  |
|   | <u>\$ 367,173</u> |                                  |

Note 1: The impairment loss on inventory resulted from obsolete and slow moving items; impairment loss is the excess of cost over net realizable value.

Note 2: Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.



**EZCONN CORPORATION**

**SCHEDULE OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)**

|   | <u>Balance at January 1, 2020</u> |                   | <u>Additions</u>                 |                  | <u>Deductions</u>                |                   | <u>Balance at December 31, 2020</u> |          |                   | <u>Market Value or<br/>Net Assets Value</u> |               | <u>Collateral</u> | <u>Note</u> |
|---|-----------------------------------|-------------------|----------------------------------|------------------|----------------------------------|-------------------|-------------------------------------|----------|-------------------|---|---------------|-------------------|-------------|
|   | <u>Shares (In<br/>Thousands)</u>  | <u>Amount</u>     | <u>Shares (In<br/>Thousands)</u> | <u>Amount</u>    | <u>Shares (In<br/>Thousands)</u> | <u>Amount</u>     | <u>Shares (In<br/>Thousands)</u>    | <u>%</u> | <u>Amount</u>     | <u>Unit Price</u>                           | <u>Amount</u> |                   |             |
| EC-Link Technology Inc.                 | -                                 | \$ 911,060        | -                                | \$ -             | -                                | \$ (8,614)        | -                                   | 100      | \$ 902,446        | \$ -  | \$ 880,639    | N                 | 1 and 2     |
| EZconn Europe GmbH                      | -                                 | <u>51,508</u>     | -                                | <u>10,367</u>    | -                                | <u>-</u>          | -                                   | 100      | <u>61,875</u>     | -   | <u>72,769</u> | N                 | 1 and 3     |
|   |                                   | 962,568           |                                  | 10,367           |                                  | (8,614)           |                                     |          | 964,321           |   |               |                   |             |
| Foreign exchange translation adjustment |                                   | <u>(21,049)</u>   |                                  | <u>10,136</u>    |                                  | <u>-</u>          |                                     |          | <u>(10,913)</u>   |   |               |                   |             |
|   |                                   | <u>\$ 941,519</u> |                                  | <u>\$ 20,503</u> |                                  | <u>\$ (8,614)</u> |                                     |          | <u>\$ 953,408</u> |   |               |                   |             |

Note 1: The basis for investment income (loss) recognition is the financial statements audited and attested by independent auditors.

Note 2: The amount of decrease is from share of profit of subsidiaries which amount to \$8,614 thousand.

Note 3: The amount of increase includes share of profit of subsidiaries which amount to \$10,367 thousand.

**EZCONN CORPORATION****SCHEDULE OF SHORT-TERM LOANS****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

| <b>Type</b>                | <b>Contract Period</b> | <b>Range of Interest Rates (%)</b> | <b>Balance, End of Year</b> | <b>Loan Commitments</b> | <b>Collateral</b> |
|----------------------------|------------------------|------------------------------------|-----------------------------|-------------------------|-------------------|
| Short-term borrowings      |                        |                                    |                             |                         |                   |
| Taishin International Bank | 2020.12.04-2021.1.04   | 0.96                               | \$ 114,000                  | Note 1                  | Nil               |
| Taishin International Bank | 2020.12.25-2021.1.25   | 0.96                               | 50,000                      | Note 1                  | Nil               |
| Hwatai Bank                | 2020.12.15-2021.1.29   | 0.95                               | 50,000                      | Note 2                  | Nil               |
| Hwatai Bank                | 2020.12.25-2021.1.29   | 0.95                               | <u>50,000</u>               | Note 2                  | Nil               |
|                            |                        |                                    | <u>\$ 264,000</u>           |                         |                   |

Note 1: The loan commitments of Taishin International Bank was \$350,000 thousand.

Note 2: The loan commitments of Hwatai Bank was \$300,000 thousand.

Note 3: The unused amount of bank loan facilities was \$954,480 thousand as of December 31, 2020.

**EZCONN CORPORATION****SCHEDULE OF NOTES PAYABLE****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

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| <b>Vendor Name</b>                 | <b>Amount</b>   |
|------------------------------------|-----------------|
| Notes payable to unrelated parties |                 |
| Deloitte & Touche                  | \$ 837          |
| CHYU YEANG ENTERPRISE CO., LTD.    | 102             |
| GREAT TUNG CHING TRADING CO., LTD. | 72              |
| Others (Note)                      | <u>29</u>       |
|                                    | <u>\$ 1,040</u> |

Note: The amount of individual vendors included in others does not exceed 5% of the account balance.

**EZCONN CORPORATION****SCHEDULE OF TRADE PAYABLES****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

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| <b>Vendor Name</b>                   | <b>Amount</b>     |
|--------------------------------------|-------------------|
| Trade payable to unrelated parties   |                   |
| Vendor A                             | \$ 17,487         |
| Vendor B                             | 15,042            |
| Vendor C                             | 13,534            |
| Others (Note)                        | <u>173,334</u>    |
|                                      | <u>219,397</u>    |
| Trade payable to unrelated parties   |                   |
| Light Master Technology (Ninbo) Inc. | 144,694           |
| EZCONN Czech a.s.                    | <u>162</u>        |
|                                      | <u>144,856</u>    |
|                                      | <u>\$ 364,253</u> |

Note: The amount of individual vendors included in others does not exceed 5% of the account balance.

**EZCONN CORPORATION**

**SCHEDULE OF LONG-TERM BANK BORROWINGS**  
**DECEMBER 31, 2020**  
**(In Thousands of New Taiwan Dollars)**

| Bank Name                  | Amount, Contract Period and Repayment Method   | Interest Rates (%) | Balance, December 31, 2020 |                   |                   | Collateral         |
|----------------------------|--|--------------------|----------------------------|-------------------|-------------------|--------------------|
|                            |  |                    | Current                    | Over 1 Year       | Total             |                    |
| Taishin International Bank | The contract period refers to seven years after the first loan approval on November 6, 2020. The interest is paid monthly. The loan is repayable in the next two years by NT\$6,000 thousand semi-annually and the rest of the principal will be paid in a lump sum. | 1.25-1.30          | <u>\$ -</u>                | <u>\$ 236,000</u> | <u>\$ 236,000</u> | Land and buildings |

**EZCONN CORPORATION****SCHEDULE OF NET REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)**

---

| <b>Item</b>               | <b>Unit</b> | <b>Amount</b>       |
|---------------------------|-------------|---------------------|
| Revenue                   |             |                     |
| Optical fiber component   | 10,646,199  | \$ 912,886          |
| Radio frequency connector | 158,707,338 | <u>1,246,191</u>    |
|                           |             | 2,159,077           |
| Less: Customer returns    | 166,460     | (4,890)             |
| Customer rebates          | -           | <u>(6,056)</u>      |
| Net revenue               |             | <u>\$ 2,148,131</u> |

**EZCONN CORPORATION**
**SCHEDULE OF COST OF GOODS SOLD**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
**(In Thousands of New Taiwan Dollars)**


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| <b>Item</b>                             | <b>Amount</b>       |
|---|---------------------|
| Raw materials                           |                     |
| Balance, beginning of year              | \$ 109,672          |
| Add: Raw materials purchased            | 675,295             |
| Less: Raw materials sold                | (68,408)            |
| Others                                  | (6,394)             |
| Balance, end of year                    | <u>(127,026)</u>    |
| Raw materials used in current year      | 583,139             |
| Direct labor                            | 115,503             |
| Production overheads (see Schedule 11)  | <u>536,990</u>      |
| Manufacturing cost                      | 1,235,632           |
| Add: Work in process, beginning of year | 103,735             |
| Work in process purchased               | 2,866               |
| Less: Semi-finished goods sold          | (43,618)            |
| Others                                  | (3,755)             |
| Work in process, end of year            | <u>(152,722)</u>    |
| Cost of finished goods                  | 1,142,138           |
| Add: Finished goods, beginning of year  | 191,171             |
| Finished goods purchased                | 615,163             |
| Less: Others                            | (3,373)             |
| Finished goods, end of year             | <u>(192,861)</u>    |
| Costs of finished goods sold            | 1,752,238           |
| Costs of raw materials sold             | 68,408              |
| Costs of semi-finished goods sold       | 43,618              |
| Inventory write-downs                   | 10,541              |
| Others                                  | <u>(13,811)</u>     |
| Cost of goods sold                      | <u>\$ 1,860,994</u> |

**SCHEDULE 11****EZCONN CORPORATION****SCHEDULE OF PRODUCTION OVERHEADS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)**

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| <b>Item</b>         | <b>Amount</b>     |
|---------------------|-------------------|
| Conversion expenses | \$ 367,941        |
| Payroll expense     | 84,370            |
| Consumables         | 26,873            |
| Others (Note)       | <u>57,806</u>     |
|                     | <u>\$ 536,990</u> |

Note: The amount of individual items included in others does not exceed 5% of the account balance.



**EZCONN CORPORATION****SCHEDULE OF OPERATING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)**

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| <b>Item</b>          | <b>Selling<br/>Expenses</b> | <b>General and<br/>Administrative<br/>Expenses</b> | <b>Research and<br/>Development<br/>Expenses</b> | <b>Total</b>      |
|----------------------|-----------------------------|--|--|-------------------|
| Payroll expense      | \$ 13,016                   | \$ 52,232  | \$ 42,299  | \$ 107,547        |
| Commission expense   | 44,579                      | -  | -  | 44,579            |
| Depreciation expense | 634                         | 6,739  | 19,240   | 26,613            |
| Professional expense | 12                          | 25,316   | 171  | 25,499            |
| Sampling expense     | 3,713                       | -  | 11,789   | 15,502            |
| Others (Note)        | <u>20,128</u>               | <u>23,806</u>                                      | <u>22,231</u>                                    | <u>66,165</u>     |
|                      | <u>\$ 82,082</u>            | <u>\$ 108,093</u>                                  | <u>\$ 95,730</u>                                 | <u>\$ 285,905</u> |

Note: The amount of individual items included in others does not exceed 5% of the account balance.

**EZCONN CORPORATION**

**SCHEDULE OF LABOR, DEPRECIATION AND AMORTIZATION BY FUNCTION  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars)**

|   | For the Year Ended December 31      |  |                   |                                     |  |                   |
|---|-------------------------------------|--|-------------------|-------------------------------------|--|-------------------|
|   | 2020                                |  |                   | 2019                                |  |                   |
|   | Classified as<br>Cost of<br>Revenue | Classified as<br>Operating<br>Expenses | Total             | Classified as<br>Cost of<br>Revenue | Classified as<br>Operating<br>Expenses | Total             |
| Labor cost (Note 1)                       |                                     |  |                   |                                     |  |                   |
| Salary and bonus                          | \$ 182,465                          | \$ 100,038                             | \$ 282,503        | \$ 145,666                          | \$ 97,223                              | \$ 242,889        |
| Labor and health insurance                | 16,774                              | 8,243                                  | 25,017            | 16,693                              | 9,888                                  | 26,581            |
| Pension                                   | 6,746                               | 5,161                                  | 11,907            | 6,528                               | 6,176                                  | 12,704            |
| Remuneration of directors and supervisors | -                                   | 1,626                                  | 1,626             | -                                   | 1,236                                  | 1,236             |
| Other employees' benefit                  | <u>3,318</u>                        | <u>3,236</u>                           | <u>6,554</u>      | <u>2,817</u>                        | <u>3,572</u>                           | <u>6,389</u>      |
|   | <u>\$ 209,303</u>                   | <u>\$ 118,304</u>                      | <u>\$ 327,607</u> | <u>\$ 171,704</u>                   | <u>\$ 118,095</u>                      | <u>\$ 289,799</u> |
| Depreciation                              | <u>\$ 22,342</u>                    | <u>\$ 26,613</u>                       | <u>\$ 48,955</u>  | <u>\$ 21,259</u>                    | <u>\$ 28,916</u>                       | <u>\$ 50,175</u>  |
| Amortization                              | <u>\$ 368</u>                       | <u>\$ 2,005</u>                        | <u>\$ 2,373</u>   | <u>\$ 650</u>                       | <u>\$ 4,589</u>                        | <u>\$ 5,239</u>   |

Note 1: As of December 31, 2020 and 2019, the Company had 406 and 408 employees, respectively, and the number of directors who did not serve concurrently as employees was 5 for both years.

Note 2: The average amount of employee benefits expense of the Company in 2020 was \$813 thousand. [(The total amount of employee benefits expense in the current year - Remuneration of directors in the current year)/(The number of employees in the current year - The number of directors who did not serve concurrently as employees in the current year)] The average amount of employee benefits expense of the Company in 2019 was \$716 thousand. [(The total amount of employee benefits expense in the previous year - Remuneration of directors in the previous year)/(The number of employees in the previous year - The number of directors who did not serve concurrently as employees in the previous year)].

Note 3: The average amount of salary expense of the Company in 2020 was \$704 thousand. [(The total amount of salary expense in the current year)/(The number of employees in current year - The number of directors who did not serve concurrently as employees in the current year)] The average amount of salary expense of the Company in 2019 was \$603 thousand, respectively. (The total amount of salary expense in the previous year)/(The number of employees in the previous year - The number of directors who did not serve concurrently as employees in the previous year)).

Note 4: The average salary expense adjustment of the Company decreased 17% in 2020 year-on-year. [(The average amount of salary expense in the current year - The average amount of salary expense in the previous year)/the average amount of salary expense in the previous year].

Note 5: The remuneration of supervisors was \$312 thousand and \$568 thousand for 2020 and 2019, respectively

Note 6: The Company's compensation policies: The compensation program includes a monthly salary, business performance bonus and a profit sharing bonus based on annual profits. The Company determines the amount of the business performance and profit sharing bonuses based on its operating results with reference to the local industry payout level. The amount and method of distribution of the business performance and profit sharing bonuses are recommended by the compensation committee to the board of directors for approval; the amount given to each employee is based on the individual's job responsibilities, performance and contribution to the Company.

**EZconn Corporation**

**Responsible person: Chen, Steve**