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超豐電子股份有限公司
GREATEK ELECTRONICS INC.

2020 ANNUAL REPORT



No. 136, Gongyi Rd., Zhunan Township, Miaoli County, Taiwan

Publication Date: April 10, 2021

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Market Observation Post System (MOPS) : <https://mops.twse.com.tw>

Company website: <https://www.greatek.com.tw>

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IV. Information on the CPA in the Financial Statement for the Most Recent Fiscal Year

Name of Accounting Firm: Deloitte Taiwan

Name of CPA: Yu-Feng Huang & Cheng-Chih Lin

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V. Offshore Secondary Exchange and Disclosure Information Available at:

Not Applicable.

VI. Company Website: <https://www.greatek.com.tw>

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Letter to Shareholders

At the 2021 Annual Shareholders' Meeting

Dear Shareholders,

Benefitting from the order-transfer effect from the US-China trade war; the stay-at-home economy; and remote working and learning across the globe due to the COVID-19 pandemic, Taiwan's semiconductor industry recorded a bumper year in 2020. New opportunities were presented to consumer electronics. As a result, there has been a surge in demand for medical equipment, computer peripherals, and game consoles. Worldwide semiconductor market grew by approximately 5% in 2020. With full support from all customers and suppliers and the commitment from all of our employees, Greatek has generated a record-breaking revenue of NT\$14.7 billion, grew 22% year over year.

Looking ahead to 2021, the development of advanced technologies such as artificial intelligence (AI), 5G communications, the Internet of Things (IoT), smart driving, and high-speed computing is expected to boost the overall demand for semiconductor. Nevertheless, global political instability and the continued COVID-19 pandemic will impact the global economic outlook. Facing such unfavorable factors as rising raw material prices, shortage in parts and components, and the appreciation of the New Taiwan dollar, Greatek will take a prudent and cautious approach.

To ensure corporate sustainability in management and development, Greatek has already initiated management succession planning. Greatek's CEO has been promoted to the position of the Group's CEO and there will be internal organizational adjustments to help train a new generation of managers. To meet the needs of future growth and to ease tight capacity, Greatek will continue to acquire equipment and ramp up the capacity of Toufen Plant II and Wafer Testing Plant II in 2021, boosting our capacity for traditional lead frame packaging and testing.

As advanced technologies have developed and gained traction, the semiconductor industry has also prospered. Greatek is grateful to be in an era of technological advancement, and we will continue to offer advanced, professional, and extensive packaging services in spite of all possible economic conditions. We hope for your continued support and our employees' better cohesion and teamwork, so that we can continue to innovate and to be committed to quality, technical competence and services, taking our revenue and profits to new heights.

We wish

you good health and fortune.

Chairman:
D.K. Tsai



Greatek Electronics Inc.

2020 Business Report

In 2020, the global economy was severely affected by the COVID-19 pandemic. Economic activities were largely stopped by national lockdown or border control measures designed by each country to control the spread of the virus, leading to a slump in production activities of major countries and deferred procurements in supply chains. In addition, public consumption has also been affected. In January 2021, the International Monetary Fund (IMF) estimated that the global economy has shrunk by 3.5% in 2020. Nevertheless, in the semiconductor industry, the launch of 5G smartphones has driven up market demand. Moreover, the pandemic is fuelling the growth of the stay-at-home economy. The remote work and online courses trends have soared, leading to a boom in the demand for desktops, laptop computers, and data center-related equipment, and allowing the semiconductor market to grow against the tide in 2020. According to a December 2020 estimate by the World Semiconductor Trade Statistics (WSTS), the 2020 global semiconductor production output was valued at US\$433.1 billion, which showed an annual growth of 5.1%. In particular, the growth rate of logic chips was 6.5%. In November 2020, the Industry, Science and Technology International Strategy Center (ISTI) of Industrial Technology Research Institute (ITRI) estimated that Taiwan's integrated circuit (IC) production value has reached NT\$3,218.5 billion in 2020, showing an annual growth rate of 20.7%, while IC packaging and testing represented an annual growth rate of 9.4%.

Greatek's 2020 operating revenue reached a record-breaking peak of NT\$14.7 billion, and the annual revenue showed a 22.2% increase over that of 2019. The main contributions of this growth include effective pandemic control, continuous and sustainable operation in semiconductor industry, stay-at-home economy and medical equipment demand driven by the pandemic, as well as new-tech applications introduced by 5G cellular network, artificial intelligence (AI) and the Internet of Things (IoT). On top of that, the benefits from our expanded production have also begun to show, leading operating margin to increase by 36.1% over 2019. Below is a summary of Greatek's operating performance in 2020 and the 2021 Business Plan:

I. Implementation results of the 2020 Business Report:

The 2020 operating revenue was NT\$14.7 billion, representing a 22.2% over the NT\$12.03 billion in 2019. Gross margin was 25.9%, showing a 2.6% increase from the 23.3% in 2019. In terms of earnings, the net income after tax was NT\$2.662 billion, representing a 40.4% increase from the NT\$1.896 billion in 2019. The earnings per share (EPS) was NT\$4.68, which was a 40.5% increase from the NT\$3.33 in 2019.

II. Budget implementation:

Greatek did not disclose its financial forecast in 2020.

III. Financial Revenue and Profitability Analysis:

Greatek's operating principles include robust growth, proactive innovations, and prudent investments. The 2020 capital expenditures amounted to approximately NT\$2.85 billion, and most of which went toward increasing packaging, testing, and die processing service (DPS) capacity and improving production efficiency and costs. Though capital expenditure has increased, the Company's ending cash balance as of December 31, 2020 was NT\$3.9 billion due to continued profitability and adequate financial income and expenditure controls. The current ratio was 289%, helping the Company to maintain sound and robust financial structure. Financial income and expenditure and profitability analysis are stated as follows:

1. Financial Income & Expenditure

Cash flows in 2020:

- (1) Net cash inflow from operating activities: NT\$5,089,435 thousand (mostly attributable to net profit and depreciation).
- (2) Net cash outflow from investing activities: NT\$(3,432,384 thousand), mostly attributable to acquisition of property, plant, and equipment.
- (3) Net cash outflow from financing activities: NT\$(1,309,397 thousand), mostly attributable to distribution of cash dividends.

2. Profitability Analysis

| Item/Year | 2020 | 2019 |
|---------------------------|-------|-------|
| Return on asset (%) | 12.97 | 9.89 |
| Return on equity (%) | 15.37 | 11.53 |
| Net profit ratio (%) | 18.11 | 15.76 |
| Earnings per share (NT\$) | 4.68 | 3.33 |

IV. Research & Developments

Greatek is committed to expanding the R&D department; on top of retaining industry-specific elites, we also continue to recruit talents to enhance R&D capacity, develop new products, and to improve production processes. Greatek's production skills and product developments are aligned with the demand in the electronic end product market and customer needs. In recent years, electronic products with characteristics of light-weighted, thin, short, small, high-efficiency, highly-integrated, safe, low-cost, and power-saving are much more preferred in the market. Therefore, the Company was devoted to developing RF testing, high-end testers, Extreme Thin QFN/DFN and LQFP 216L(EP) Stacked Die in 2020. The R&D expense in 2020 was NT\$232 million, accounting for 1.6% of full year revenue.

V. Summary of the 2021 Business Plan

1. Operating Directions and Production and Marketing Policies

- (1) By upholding a customer and service-oriented approach, the Company will enhance its overall quality, technologies, and efficiency in order to provide professional services that satisfy its customers.
- (2) To actively expand product lines to satisfy market and customer needs in order to expand Greatek's market share.
- (3) To invest prudently and to fully utilize our facilities and equipment so as to realize the maximum benefits from our production capacity.
- (4) To actively research and develop new processes and new materials; to reduce costs; to achieve operating goals; and to generate profit.
- (5) Founded on integrity, Greatek will make lasting and stable profits for the Company and its customers and suppliers.
- (6) To establish a fair, reasonable and comprehensive system and to build an ideal work environment for the employees in order to build collective awareness, cohesion, and teamwork.
- (7) The Company will strengthen professional training, encourage lifelong learning, and train talents to achieve sustainable management.
- (8) To upgrade both software and hardware and to build effective preventive systems and management mechanisms; to actively protect Greatek's information security; and to provide a safe operating and production environment.

2. Sales Volume Estimate

Based on the industry outlook, future market demand, and Greatek's production capacity, the estimated sales volume of the Company in 2021 is as follows:

| Sales item | Estimated sales volume |
|-------------|----------------------------|
| Packaging | Approx. 11.1 billion units |
| W/T testing | Approx. 770,000 units |
| F/T testing | Approx. 7.3 billion units |
| WLP | Approx. 210,000 units |
| WLCSP | Approx. 500 million units |

3. Future Growth Strategies

- (1) To actively seize and maintain existing long-term partnerships with customers to increase the share of their demand allocation.
- (2) To actively expand to front-line customers and to strategically expand to world-class customers to strengthen our customer mix and to accelerate revenue growth.
- (3) To stay on top of market trends, to remain aligned to customers' new product development, and to actively plan and build new product capacity.
- (4) Research and develop packaging and testing technologies and skills that cater to market demand to achieve both technical and cost competitiveness.
- (5) To actively introduce relevant certifications that are of international recognitions and standards, in line with applicable laws and regulations to unlock more opportunities for the business.
- (6) To increase equipment automation, increase productivity and product quality, thereby reducing costs and enhancing profitability.
- (7) To strengthen information management and enhance the operating efficiency and quality in production and sales in order to provide better customer service.

The IMF's January 2021 "World Economic Outlook" has indicated that as COVID-19 vaccines are granted approval for launch, and as nations reinforce economic relief policies, economic recovery may be expected. The world economy is expected to resume its growth in 2021, and the IMF predicts that the global GDP in 2021 and 2022 will be 5.5% and 4.2%, respectively. However, IMF has also pointed out that the world would face a new round of COVID-19 attack, along with virus variants, and the crisis of national lockdown, casting a shadow over the economic outlook on the other hand.

Looking forward to 2021, booming industries, including semiconductor, electric vehicles, 5G, and remote needs, will drive demand in sectors such as silicon wafers, foundry, IC design, packaging and testing, Wi-Fi 6, automotive electronics, DRAM, passive components, and 5G equipment. In December 2020, the WSTS estimated that the global semiconductor market is projected to grow by 8.4% in 2021. In January 2021, IC Insights, a research and survey institution, has also estimated the semiconductor market is expected to grow by 12% in 2021. Currently, the biggest challenges are the tight production capacity of foundry and back-end packaging and testing, as well as the hike in raw material prices, incurring extra costs. The demand for end products may be impacted if the pandemic intensifies or if another lockdown is imposed, thereby posing potential threats to the semiconductor industry this year.

Greatek is always on top of the economic and industry changes, and executes the optimal response in terms of production and sales strategies. In addition to developing advanced processes and enhancing R&D capacity, the Company is also committed to developing new customers at home and abroad. Key development objectives in 2021 include: GaN Wafer Sawing, Fine Pitch Sawing and Bonding, High Pin count BGA, Hybrid/High Thermal and RF Testing. In terms of capital expenditures, Greatek will continue to expand capacity in packaging, testing and WLP. As for cost control, the Company will enhance equipment productivity and continue to improve processes and raw materials. Greatek aspires to satisfy the needs of even more customers by relying on our excellent product quality, well-rounded service, and competitive edge in costs, so as to achieve new heights in operating revenues and profits.

Chairman: D.K. Tsai

President: Louis Ning

Accounting Manager: Mei-Ling Lin

Company Overview

I. Date of Incorporation: March 7, 1983

II. Company History

- February 1983 - Company was founded as a limited company under the name of "He Teh Integrated Circuit Co. Ltd." with paid-in capital of NT\$1 million at 11-1F, No. 150, Sec. 1, Zhongxiao E. Rd., Taipei City, Taiwan.
Scope of business included manufacturing and trading of various integrated circuit (IC), IC design, bidding, quotation, and distribution of related products from domestic and overseas enterprises, and import/export of related businesses.
- March 1983 - Company registration was approved.
- June 1984 - Authorized to amend the organizational structure as a company limited by shares.
- August 1995 - Purchased 4,450 square meters (or 1,376 pings) of factory land at No. 358, Hexing Rd. at Zhunan Industrial Area.
Total construction area was 9,474.24 square meters (or 2,865 pings).
- October 1995 - Relocated to No. 1, Ln. 363, Guangfu Rd., 17 Neighborhood, Shanjia Vil., Zhunan Township, Miaoli County.
Company name was amended to "Greatek Electronics Inc."
Additional scope of business: testing and packaging of integrated circuit (IC).
- December 1995 - Authorized to establish the Hexing Plant.
Plant address: No. 358, Hexing Rd., Zhunan Township, Miaoli County.
- March 1996 - Became a public company.
- May 1996 - Hexing Plant officially adopted mass production and Greatek was relocated to No. 358, Hexing Rd., Zhunan Township, Miaoli County.
- June 1997 - Purchased 10,079.44 square meters (or 3,049 pings) of factory land for Gongyi Plant No. 1.
- November 1997 - Began construction of Gongyi Plant I; total construction area was 35,434.31 square meters (or 10,719 pings).
Establishment of Gongyi Plant I was approved.
- April 1998 - Passed and received the ISO 9002 Quality Management System certification.
- July 1998 - Selected as recipient of the "Tax ID Leader of the Year" by the Ministry of Finance.
- September 1998 - Honored with "Asia Pacific Contemporary Outstanding Enterprise Award" from the Chungghwa International Commerce Promotions Association.
- November 1998 - Gongyi Plant I began operation.
- December 1998 - Relocated to No. 136, Gongyi Rd., Zhunan Township, Miaoli County, Taiwan.
"Exemplary Foreign Worker Management Award" from the Miaoli County Police Bureau.
- May 1999 - Received "1999 Private Enterprise with Outstanding Work Environment Award" from the Council of Labor Affairs of the Executive Yuan.
"Disaster Prevention Alliance Outstanding Teamwork Award" from the Council of Labor Affairs of the Executive Yuan.
- June 2000 - Approved to serve as a bonded factory.
- August 2000 - Passed and received QS 9000 Quality Management System certification.
- October 2000 - IPO of Greatek's ordinary shares, which are traded under the stock symbol 2441.
- November 2000 - Received "Industrial Excellence Award" from the Industrial Development Bureau, Ministry of Economic Affairs (MOEA).
- November 2001 - Passed and received ISO 14001 Environmental Management System certification.
- July 2002 - Selected as recipient of the "Tax ID Leader of the Year" by the Ministry of Finance.
Issued NT\$200 million of corporate bonds.
- November 2002 - Received "Golden Merchant Award" from the General Chamber of Commerce of the Republic of China.
- May 2003 - Passed and received the ISO 9001:2000 Quality Management System certification.
- August 2003 - Issued NT\$1 billion of convertible bonds.
Certified as a SONY Green Partner.
- May 2005 - Passed and received the ISO 14001:2004 Environmental Management System certification.

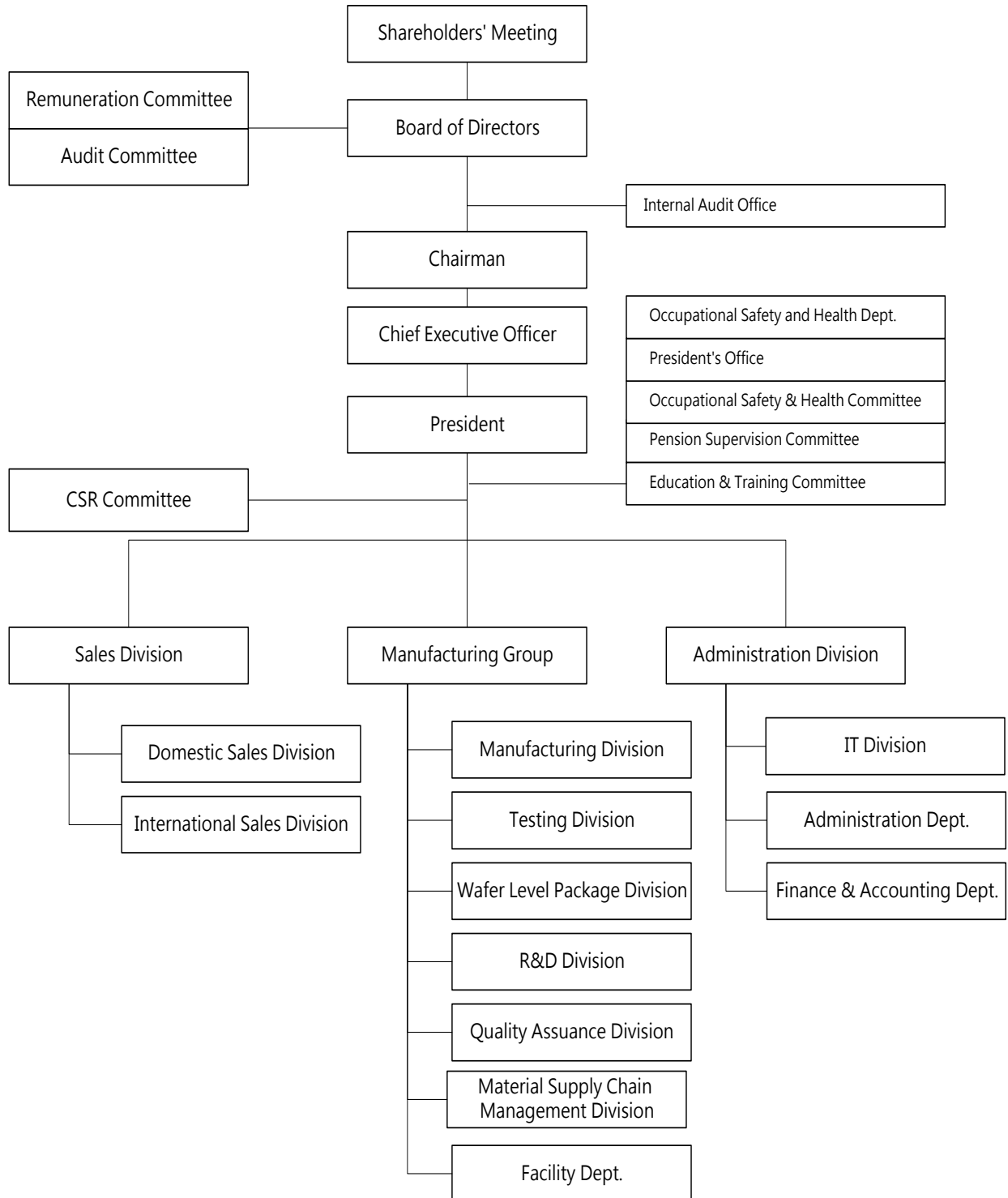
- August 2006 - Purchased 3,414.77 square meters (or 1,033 pings) of factory land for Wafer Testing Plant.
- December 2006 - Began construction of Wafer Testing Plant; total construction area was 7,325.83 square meters (or 2,216 pings).
- January 2007 - Passed and received ISO TS16949 Automotive Quality Management System certification.
- August 2007 - Wafer Testing Plant began operation.
- December 2007 - Received "Recruitment of Indigenous Workers Award" from the Miaoli County Government.
Issued NT\$200 million of employee stock option certificates.
- June 2008 - Received "2007 National Occupational Health and Safety Cooperation Organization Service Excellence" from the Council of Labor Affairs of the Executive Yuan.
- August 2008 - Purchased 17,033.36 square meters (or 5,153 pings) of factory land for Gongyi Plant II.
- November 2008 - Began construction of Gongyi Plant II; total construction area was 41,328.49 square meters (or 12,502 pings).
- September 2009 - Received "Excellent Enterprise for Recruitment of Physically and Mentally Challenged Workers" from the Taoyuan, Hsinchu and Miaoli Area Employment Center of Workforce Development Agency, Ministry of Labor.
- December 2009 - Passed and received ISO 9001:2008 Quality Management System certification.
Passed and received ISO TS16949:2009 Automotive Quality Management System certification.
- January 2010 - Gongyi Plant II began operation.
Disposed of Hexing Plant.
- October 2011 - Received "Outstanding Bonded Factory Award" from Taichung Customs of Customs Administration, Ministry of Finance
- February 2012 - Powertech Technology Inc. publicly acquired 244,064,379 shares of Greatek's ordinary shares and became a major shareholder holding 10% or more of Greatek's shares.
- April 2012 - Re-elections were held during Interim Shareholders' Meeting, and Powertech Technology Inc. officially joined Greatek's management team.
- December 2013 - The first employee stock option certificates issued in 2007 had expired, and cumulatively 17,686,000 shares were subscribed by employees during its subscription period.
- January 2014 - Passed and received IECQ QC 080000:2012 Hazardous Substance Process Management System certification.
- August 2014 - Acquired 25,451.88 square meters (7,699 pings) of factory land for Toufen Plant through tender offer.
- March 2015 - Total construction area of employees' dormitories was 7,028.91 square meters (2,126 pings).
- April 2015 - Total construction area of Toufen Plant I (Greatek Plant III) was 36,100.05 square meters (10,920 pings).
Joined Electronic Industry Citizenship Coalition (EICC) as a Powertech subsidiary. EICC was subsequently reorganized and renamed as Responsible Business Alliance (RBA) on October 17, 2017.
- March 2016 - Employees' dormitories were officially in use.
- October 2016 - Toufen Plant I (Greatek Plant III) began operation.
- September 2017 - Electroplating Plant was built and began operation; total construction area was 6,665.62 square meters (2,016 pings).
Received No. 249 in "2016 Award for International Trade - Outstanding Export/Import Business" from the Bureau of Foreign Trade, MOEA.
- October 2017 - Passed and received ISO 26262:2011 Functional Safety Management System certification.
- December 2017 - Passed and received IATF 16949:2016 Automotive Quality Management System certification.
Passed and received ISO 9001:2015 Quality Management System certification.
- July 2018 - Passed and received ISO 14001:2015 Environmental Management System

- certification.
- September 2018 - Received No. 215 in "2017 Award for International Trade - Outstanding Export/Import Business" from the Bureau of Foreign Trade, MOEA.
- April 2019 - Passed and received ANSI/ESD S20.20-2014 Electrostatic Discharge Control Program certification.
- May 2019 - Passed and received ISO 45001:2018 Occupational Safety and Health Management System certification.
Passed and received CNS 45001 (TOSHMS) Taiwan Occupational Safety and Health Management System certification.
- August 2019 - Gongyi Plant and Toufen Plant have both passed the Validated Assessment Program (VAP) audit from Responsible Business Alliance (RBA).
- September 2019 - Passed and received the IECQ QC080000 Hazardous Substance Process Management System certification.
Received No. 136 in "2018 Award for International Trade - Outstanding Export/Import Business" from the Bureau of Foreign Trade, MOEA.
- September 2020 - Received No. 171 in "2019 Award for International Trade - Outstanding Export/Import Business" from the Bureau of Foreign Trade, MOEA.

Corporate Governance Report

Chapter 1. Organizational System:

I. Organizational Framework



II. Operations of Major Departments

1. Chairman:
Oversees the planning of Greatek's operations and implements continuous supervision and improvement of various internal controls.
2. Chief Executive Officer (CEO):
Oversees the implementation of Greatek's operations and plans overall management strategies, objectives, and supervises their respective implementations.
3. President:
Coordinates Greatek's overall strategic objectives and executes and supervises its operations.
4. Internal Audit Office:
Reviews and evaluates the effectiveness of Greatek's internal control system.
5. CSR Committee:
Formulates, plans, and executes Greatek's corporate social responsibilities (CSR), ethical corporate management, code of ethics and business conduct, as well as business continuity management policies.
6. Occupational Safety and Health Department:
Formulates, plans, supervises, and promotes safety and health management matters and instructs related departments on its implementation.
7. President's Office:
Plans, executes, and analyzes Greatek's operational and strategic plans.
8. Occupational Safety and Health Committee:
Formulates occupational hazard prevention programs, supervises the implementation of occupational safety and health management at each department, and implements relevant training.
9. Pension Supervision Committee:
Supervises and manages pension system and dedicated pension accounts.
10. Education & Training Committee:
Plans, supervises, and instructs matters related to training.
11. Sales Division:
Plans, supervises, and executes operations related to the Sales Division; business expansion, marketing, and customer service.
12. Manufacturing Division:
Oversees packaging products; plans, supervises and executes labor force, production capacity, equipment, new product development, and productivity improvement related to manufacturing; and controls and reduces manufacturing costs.
13. Testing Division:
Processes related to product testing; plans, supervises, and executes relevant labor force, productivity, equipment, testing programs, new product development and process systems; controls and reduces testing costs.
14. WLP Division:
Oversees packaging services including wafer bumping and wafer level chip scale packaging; plans, supervises, and executes relevant labor force, productivity, equipment, new product development and process systems; controls and reduces manufacturing costs.
15. R&D Division:
Researches and develops new products and processes; compares and experiments with new materials and equipment; analyzes product abnormalities and drafts countermeasures.

16. Quality Assurance Division:
Formulates and implements operating systems including quality control, document control, and instrument calibration; handles customer complaints; tests for reliability and analyzes abnormalities.
17. Material Supply Chain Management Division:
Formulates, supervises, and executes operations related to production management, materials management, procurement, export/import and bonded warehousing.
18. Facility Department:
Supplies and maintains equipment related to water, electricity, gas, and air conditioning throughout the plant; carries out fire management training and maintains related facilities; controls and manages air pollution, wastewater, and effluents.
19. Administration Division:
Formulates, supervises, and implements procedures related to management information, administration, HR, and finance and accounting; drafts and amends management systems and promotes public relations.

Chapter 2 Information About Directors, President, Vice President, Assistant Vice President, and Heads of Departments and Branches

I. Information on Directors (I)

As of March 31, 2021

| Title (Note 1) | Nationality/Place of Registration | Name | Gender | Date Elected/Assumed Office | Term (Years) | Date First Elected | Shareholding When Elected | | Current Shareholding | | Shares Held by Spouse & Minor Children | | Shareholding by Nominees | | Experience (Education) (Note 2) | Other Position Concurrently Held at Greatek and Other Companies | Executives, Directors, or Supervisors Who Are Spouses or Within the Second Degree of Kinship | | | Remarks (Note 3) |
|---|--------------------------------------|--|--------|-----------------------------------|-----------------|-----------------------|---------------------------|-----------------------|----------------------|-----------------------|---|-----------------------|--------------------------|-----------------------|--|--|---|------|--------------|---------------------|
| | | | | | | | Shares | Shareholding ratio | Shares | Shareholding ratio | Shares | Shareholding ratio | Shares | Shareholding ratio | | | Title | Name | Relationship | |
| Director | Taiwan (R.O.C.) | Powertech Technology Inc. | - | 2018.05.29 | 3 | 2012.04.03 | 244,064,379 | 42.91% | 244,064,379 | 42.91% | - | - | 0 | 0% | - | Corporate Director of TeraPower Technology Inc. Corporate Director of Powertech Holding (B.V.I.) Inc.; Corporate Director of Powertech Technology (Singapore) Pte. Ltd. Corporate Director of Powertech Semiconductor (Xian) Co., Ltd. Corporate Director of Tera Probe, Inc. | - | - | - | - |
| Representative of Corporate Director | Taiwan (R.O.C.) | Chairman D.K. Tsai | Male | 2018.05.29 | 3 | 2012.04.03 | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | Department of Industrial Engineering, National Taipei University of Technology General Manager of Kingston Technology Far East Corp. Chairman of Kingston Technology Far East Co., Ltd. | Chairman of Powertech Technology Inc. Director of Powertech Holding (B.V.I.) Inc. Director of Powertech Technology (Singapore) Pte. Ltd. Director of PTI Technology (Singapore) Pte. Ltd. Director of Powertech Technology (Suzhou) Ltd. Director of Powertech Technology Akita Inc. Executive Director of Powertech Technology Japan Ltd. Director of Tera Probe, Inc. Independent Director of Compal Electronics, Inc. Independent Director of Chicony Power Technology Co., Ltd. Chairman of PTI Education Foundation | No | No | No | No |
| Representative of Corporate Director | Taiwan (R.O.C.) | Boris Hsieh | Male | 2018.05.29 | 3 | 2012.04.03 | 0 | 0% | 0 | 0% | 0 | 0% | 500,000 | 0.09% | Executive MBA, National Chiao Tung University Vice President of Hon Hai Precision Industry Co., Ltd. President of Kingston Technology Far East Co., Ltd. Senior Vice President of Powertech Technology Inc. President of Chu Cheng Technology Ltd. | Chief Executive Officer of Powertech Technology Inc. Chief Executive Officer of Greatek Electronics Inc. Legal Representative Director of Powertech Technology Inc. | No | No | No | No |
| Representative of Corporate Director | Taiwan (R.O.C.) | Louis Ning (Note 4) | Male | 2018.05.29 | 3 | 1995.11.18 | 2,332,224 | 0.41% | 2,201,224 | 0.39% | 0 | 0% | 0 | 0% | Department of Physics, Chung Yuan Christian University Head of Manufacturing Department at Hua-Hsu Electronics Co., Ltd. | President of Greatek Electronics Inc. | No | No | No | No |
| Representative of Corporate Director | Taiwan (R.O.C.) | J.S. Leu | Male | 2018.05.29 | 3 | 2012.04.03 | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | Department of Mechanical Engineering, Feng Chia University Deputy Director of Packaging Production Division, Powerchip Semiconductor Corporation Senior Vice President of Powertech Technology Inc. | President and COO of Powertech Technology Inc. Director of Powertech Technology Inc. Chairman of Powertech Technology (Suzhou) Ltd. Chairman of Powertech Semiconductor (Xian) Co., Ltd. Director of Powertech Technology (Singapore) Pte. Ltd. Director of PTI Technology (Singapore) Pte. Ltd. | No | No | No | No |
| Representative of Corporate Director | Taiwan (R.O.C.) | Evan Tseng | Male | 2018.05.29 | 3 | 2018.05.29 | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | Master Degree in Accounting, Soochow University Senior Assistant Vice President of Management and Planning at SYSTEX Corporation | CFO and Senior Vice President of Powertech Technology Inc. Chairman of TeraPower Technology Inc. Director of Powertech Technology (Singapore) Pte. Ltd. Director of Powertech Technology Akita Inc. Director of Powertech Semiconductor (Xian) Co., Ltd. Supervisor of Powertech Technology (Suzhou) Ltd. Director of Tera Probe, Inc. Supervisor of Tsai Lin Pu Social Welfare Foundation | No | No | No | No |
| Director | Taiwan (R.O.C.) | Hung-Wei Venture Capital Co., Ltd. (Note 5) | - | 2018.05.29 | 3 | 2007.06.11 | 5,823,602 | 1.02% | 5,823,602 | 1.02% | - | - | 0 | 0% | - | - | - | - | - | - |

| Title (Note 1) | Nationality/Place of Registration | Name | Gender | Date Elected/Assumed Office | Term (Years) | Date First Elected | Shareholding When Elected | | Current Shareholding | | Shares Held by Spouse & Minor Children | | Shareholding by Nominees | | Experience (Education) (Note 2) | Other Position Concurrently Held at Greatek and Other Companies | Executives, Directors, or Supervisors Who Are Spouses or Within the Second Degree of Kinship | | | Remarks (Note 3) |
|---|--------------------------------------|---|--------|-----------------------------------|-----------------|-----------------------|---------------------------|-----------------------|----------------------|-----------------------|---|-----------------------|--------------------------|-----------------------|--|--|---|------|--------------|---------------------|
| | | | | | | | Shares | Shareholding ratio | Shares | Shareholding ratio | Shares | Shareholding ratio | Shares | Shareholding ratio | | | Title | Name | Relationship | |
| Representative of Corporate Director | Taiwan (R.O.C.) | Representative Jr-Neng Chang (Note 5) | Male | 2018.05.29 | 3 | 2007.06.11 | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | Master Degree in Accounting, National Taiwan University | Senior Assistant Vice President of Realtek Semiconductor Corporation Director of Realtek Investment Singapore Private Limited | No | No | No | No |
| Independent Director | Taiwan (R.O.C.) | Chu-Chien Feng | Male | 2018.05.29 | 3 | 2015.06.10 | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | Executive MBA, National Chiao Tung University Chairman and President of Global View Co., Ltd. Chairman of Radiant Innovation Inc. Independent Director of Avita Corporation | Executive Assistant of the President of HTI Digital, Inc. Supervisor of CHC Technology Inc. Independent Director of AMPAK Technology Inc. | No | No | No | No |
| Independent Director | Taiwan (R.O.C.) | Chi-Yung Wu | Male | 2018.05.29 | 3 | 2018.05.29 | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | Department of Electrical Engineering, Feng Chia University Chairman of Holtek Semiconductor Inc. | Chairman of Holtek Semiconductor Inc. Chairman of Holtek Semiconductor (Xiamen) Inc. Chairman of Holtek Semiconductor (China) Inc. Chairman of BestComm RF Electronics Inc. Chairman of Best Solution Technology Inc. Chairman of Best Modules Corp. Chairman of Holtek Investment Co., Ltd. Director of Holtek Semiconductor (Suzhou) Inc. Director of Holtek Semiconductor Holding(BVI) Ltd. Director of Kingtek Semiconductor Holding (BVI) Ltd. Director of Bestcomm RF Electronics Inc. Independent Director of Greatek Electronics Inc. | No | No | No | No |
| Independent Director | Taiwan (R.O.C.) | M.J. Chuang | Male | 2018.05.29 | 3 | 2018.05.29 | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | Department of Electrical Engineering, Musashi Institute of Technology Managing Director of Hikari Glass (H.K.) Limited President of Taiwan Business Division, HOYA Corporation President of Calin Technology Co., Ltd. | Executive Assistant of the Chairman, Overseas President and Representative of Taiwan Office of Union Optech (Zhongshan) Technology Co., Ltd. | No | No | No | No |

Note 1: The corporate shareholder shall be identified by its name and its representative (As a representative of a corporate shareholder, please specify the corporate shareholder's name) and also complete the following Table 1.

Note 2: For experiences related to holding the current position, if one has worked in the auditing accounting firm or its affiliated companies, he/she shall state the job title and duties.

Note 3: Where the Chairman of the Board of Directors and the President or person of an equivalent post (the highest-ranking manager) of the Company are the same person, spouses, or relatives within the first degree of kinship, a description shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (for example, increase the number of Independent Directors, and having more than one-half of all Directors who do not concurrently serve as employees or managers).

Note 4: Representative of Corporate Director Louis Ning served as a natural-person Director of Greatek from November 18, 1995 to April 2, 2012.

Note 5: Director Hung-Wei Venture Capital Co., Ltd. and its Representative Jr-Neng Chang served as Supervisor and Corporate Representative of Greatek from June 10, 2015 to May 28, 2018.

Note 6: Greatek has established an Audit Committee in place of Supervisors as of May 29, 2018.

● Implementation of diversification policy in the composition of the Board:

| Diversified core competences | Concurrent employee | Age | | Years of experience of Independent Director | Operational judgment | Accounting and financial analysis ability | Business management | Crisis management | Industry knowledge | International market perspective | Leadership and decision-making |
|---------------------------------|------------------------|-------------|-------------|--|-------------------------|--|------------------------|----------------------|-----------------------|-------------------------------------|-----------------------------------|
| | | Above 50 | Below 50 | | | | | | | | |
| D.K. Tsai | | V | | | V | V | V | V | V | V | V |
| Boris Hsieh | | V | | | V | V | V | V | V | V | V |
| Louis Ning | V | V | | | V | V | V | V | V | V | V |
| J.S. Leu | | V | | | V | V | V | V | V | V | V |
| Evan Tseng | | V | | | V | V | V | V | V | V | |
| Jr-Neng Chang | | | V | | V | V | V | V | V | V | |
| Chu-Chien Feng | | V | | 6 | V | V | V | V | V | V | V |
| Chi-Yung Wu | | V | | 3 | V | V | V | V | V | V | V |
| M.J. Chuang | | V | | 3 | V | V | V | V | V | V | V |

Table 1: Substantial Shareholders of Corporate Directors as of March 30, 2021

| Name of Corporate Director | Substantial Shareholder of Corporate Directors & Shareholding Ratio |
|------------------------------------|---|
| Powertech Technology Inc. | China Life Insurance Co., Ltd. (Taiwan) 4.64%; Dedicated investment account of Kingston Technology Corporation 3.83%; Cathay Life Insurance Company, Ltd. 2.83%; Dedicated investment account of Mars Investment Holdings in the custody of Bank of Taiwan 2.51%; Nan Shan Life Insurance Company, Ltd. 2.36%; Fubon Life Insurance Co. Ltd 1.91%; New employee pension fund 1.84%; KTC-SUN Corporation 1.77%; Dedicated investment account of Kuwait Investment Division in Asia-Hong Kong in the custody of CitiBank 1.58%; Yuanta Taiwan High-yield Leading Company Fund 1.41% |
| Hung-Wei Venture Capital Co., Ltd. | Realtek Semiconductor Corporation 100.00% |

Note 1: For Director or Supervisor who acts as a corporate shareholder's representative, please specify the name of the corporate shareholder.

Note 2: Please specify names of the substantial shareholders of the given corporate shareholder (top ten shareholders) and the ratio of their respective shareholding. Where the substantial shareholder is a corporation, please complete the following Table II.

Note 3: If the corporate shareholder is not organized as a company, the "Names of Shareholders" and the "Ratio of Shareholding" in the preceding paragraph shall be revised to "Names of Funders or Donors" and the "Ratio of Fund or Donation".

Table 2: Substantial Shareholders of the Substantial Shareholders in Table I that are Corporations as of March 31, 2020

| Name of Corporate Director | Substantial Shareholder of Corporate Directors & Shareholding Ratio |
|---|--|
| China Life Insurance Co., Ltd. (Taiwan) | China Development Financial Holding Corporation 26.16%; KGI Securities Co., Ltd. 8.66%; Cathay Life Insurance Company, Ltd. 3.04%; Videoland Inc. 2.42%; New employee pension fund 1.61%; Lin-Lang Chan 1.24%; Dedicated investment account of Advanced Aggregate International Stock Index Fund from Advanced Starlight Fund in the custody of JPMorgan Chase Bank, N.A., Taipei Branch 1.21%; Dedicated investment account from the Singaporean Government in the custody of CitiBank 1.17%; Dedicated investment account of Norges Bank in the custody of CitiBank Taiwan 1.12%; Labor insurance fund 1.03% |
| Dedicated investment account of Kingston Technology Corporation | John Tu 50%; David Sun 50% |
| Cathay Life Insurance Company, Ltd. | Cathay Financial Holdings Co., Ltd. 100% |
| Nan Shan Life Insurance Company, Ltd. | Dedicated trust from Runcheng Investment Holdings Co., Ltd. in the custody of First Bank 60.01%; Runcheng Investment Holdings Co., Ltd. 29.54%; Ying-Tsung Tu 2.90%; Ruen-Tai-Hsin Co., Ltd. 0.30%; Ruen Hua Dyeing & Weaving Co., Ltd. 0.27%; Ruentex Development Co., Ltd. 0.23%; Ruentex Industries Co., Ltd. 0.21%; Dedicated trust equity and assets account of Cathay Life Insurance in the custody of Taishin Bank 0.21%; Yuan Hsin Investment Co., Ltd. 0.16%; Ruentex Leasing Co., Ltd. 0.13% |

| Name of Corporate Director | Substantial Shareholder of Corporate Directors & Shareholding Ratio |
|-----------------------------------|---|
| Fubon Life Insurance Co. Ltd | Fubon Financial Holding Co., Ltd. 100% |
| KTC-SUN Corporation | David Sun 100% |
| Realtek Semiconductor Corporation | Cotek Pharmaceutical Industry Co., Ltd. 4.34%; Cathay Life Insurance Company, Ltd. 2.62%; Dedicated investment account of BVI Leist International Co., Ltd. in the custody of CTBC Bank 2.47%; Dedicated investment account of JP Morgan Funds in the custody of JPMorgan 1.83%; Enable Educational Technology Co., Ltd. 1.60%; Dedicated investment account from Norges Bank in the custody of CitiBank Taiwan 1.48%; China Life Insurance Co., Ltd. (Taiwan) 1.48%; Nan Shan Life Insurance Company, Ltd. 1.43%; Employee pension fund under the new retirement scheme 1.39%; Dedicated investment account for Vanguard Emerging Markets Stock Index Fund, A series of Vanguard International Equity Index Funds in the custody of JPMorgan Chase Bank, N.A., Taipei Branch 1.34% |

Information on Directors (II) as of March 31, 2021

| Name | Qualification | Meets one of the following professional qualifications, with at least five years of work experience | | | Independence criteria (Note) | | | | | | | | | | | | Number of other public companies where the individual concurrently serves as an Independent Director |
|---|---------------|--|---|--|------------------------------|---|---|---|---|---|---|---|---|----|----|----|--|
| | | An instructor or higher position in a Department of Commerce, Law, Finance, Accounting, or other Academic Department related to the business needs of the Company in a public or private junior college, college or university | A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or other Professional or Technical Specialist who has passed a national examination and has been awarded a certificate in a profession necessary for the business of the Company | Work experience in the area of Commerce, Law, Finance, or Accounting, or otherwise necessary for the business of the Company | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | |
| Chairman Powertech Technology Inc. Representative D.K. Tsai | - | - | V | - | - | V | V | - | - | - | V | V | V | V | - | 2 | |
| Director Powertech Technology Inc. Representative Boris Hsieh | - | - | V | - | - | V | V | - | - | - | V | V | V | V | - | - | |
| Director Powertech Technology Inc. Representative Louis Ning | - | - | V | - | - | V | V | - | V | V | V | V | V | V | - | - | |
| Director Powertech Technology Inc. Representative J.S. Leu | - | - | V | - | - | V | V | - | - | - | V | V | V | V | - | - | |
| Director Powertech Technology Inc. Representative Evan Tseng | - | - | V | - | - | V | V | - | - | - | V | V | V | V | - | - | |
| Director Hung-Wei Venture Capital Co., Ltd. Representative Jr-Neng Chang | - | - | V | V | - | V | V | V | V | V | V | V | V | V | - | - | |
| Independent Director Chu-Chien Feng | - | - | V | V | V | V | V | V | V | V | V | V | V | V | V | 1 | |
| Independent Director Chi-Yung Wu | - | - | V | V | V | V | V | V | V | V | V | V | V | V | V | - | |
| Independent Director M.J. Chuang | - | - | V | V | V | V | V | V | V | V | V | V | V | V | V | - | |

Note: Respective Directors and Supervisors who meet the following qualifications 2 years before assumption of office and during their term of office shall tick the box "✓".

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a Director or Supervisor of the Company or any affiliated business (not applicable in cases where the Independent Director is appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
- (3) Not a natural-person shareholders who holds share, together with those held by the person's spouses, minor children or held under others' name, in an aggregate amount of more than 1% of the total outstanding shares of the Company or ranks among the top ten in shareholdings.
- (4) Not a spouse or relative within the second degree of kinship or lineal relative within the third degree of kinship, of the officer stated in the subparagraph (1) or personnel stated in the subparagraph (2) and (3).
- (5) Not a Director, Supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total outstanding shares of the Company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a Director or Supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act (not applicable in cases where

the Independent Director is appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).

- (6) Not a Director, Supervisor, or employee of a company controlled by a corporate shareholder that holds more than half of the board seats or 50% of the shares with voting rights of the Company (not applicable in cases where the Independent Director is appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
- (7) Not a Director, Supervisor, or employee of a company or institution of which the Chairman, President, or other equivalent titles of the Company are held by the same person or the spouse thereof. (not applicable in cases where the Independent Director is appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
- (8) Not a Director, Supervisor, manager or shareholder holding 5% or more shares of a specific company or institution that also has financial or business dealing with the Company (not applicable if the specified company or institution holds 20% or more and no more than 50% of the total outstanding shares of the Company and in cases where the Independent Director is appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
- (9) Not a professional individual who, or an Owner, Partner, Director, Supervisor, or Manager of a Sole Proprietorship, Partnership, Company, or Institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past two years has received cumulative compensation no more than NT\$500,000, nor a spouse thereof, provided, this restriction does not apply to a member of Compensation Committee, Public Tender Offer Review Committee, or special Committee for M&A, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related regulations.
- (10) Does not have a marital relationship with, or a relative within the second degree of kinship with, any other Director of the Company.
- (11) Does not have any condition defined in Article 30 of the Company Act.
- (12) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.

II. Information about President, Vice President, Assistant Vice President, and Head of Department and Branch

As of March 31, 2021

| Title (Note 1) | Nationality | Name | Gender | Date assuming office | Shareholding | | Shares held by spouse and minor children | | Shareholding by Nominees | | Experience (Education) (Note 2) | Other position concurrently held at Greatek or other companies | Managers who are spouses or within the second degree of kinship | | | Remarks (Note 3) |
|---|--------------------|-----------------------------|--------|----------------------------|--------------|-----------------------|---|-----------------------|-----------------------------|-----------------------|--|---|---|------|----------|---------------------|
| | | | | | Shares | Shareholding ratio | Shares | Shareholding ratio | Shares | Shareholding ratio | | | Position | Name | Relation | |
| Chief Executive Officer | Taiwan (R.O.C.) | Boris Hsieh | Male | 2013.01.01 | 0 | 0% | 0 | 0% | 500,000 | 0.09% | Executive MBA, National Chiao Tung University Vice President of Hon Hai Precision Industry Co., Ltd. President of Kingston Technology Far East Co., Ltd. Senior Vice President of Powertech Technology Inc. President of Chu Cheng Technology Ltd. | Chief Executive Officer of Powertech Technology Inc. Legal Representative Director of Powertech Technology Inc. | No | No | No | No |
| President | Taiwan (R.O.C.) | Louis Ning | Male | 2002.08.01 | 2,201,224 | 0.39% | 0 | 0% | 0 | 0% | Department of Physics, Chung Yuan Christian University Head of Manufacturing Department at Hua-Hsu Electronics Co., Ltd. | No | No | No | No | No |
| Executive Vice President | Taiwan (R.O.C.) | Tonwey Cheng (Note 4) | Male | 2016.09.01 | 0 | 0% | 0 | 0% | 0 | 0% | Department of Electrical Engineering, National Sun Yat-sen University Vice President of Marketing and Sales at Walton Advanced Engineering Inc. Vice President of Operations at King Yuan Electronics Co., Ltd. Senior Vice President at Powertech Technology Inc. President of Powertech Technology (Singapore) Pte. Ltd. | No | No | No | No | No |
| Manufacturing Division Vice President | Taiwan (R.O.C.) | Avis Lee | Male | 2005.06.01 | 257,314 | 0.05% | 56,562 | 0.01% | 0 | 0% | Incomplete Master degree from Chung Hua University Manager of Xi-Feng Silicon Co., Ltd. | No | No | No | No | No |

| Title (Note 1) | Nationality | Name | Gender | Date assuming office | Shareholding | | Shares held by spouse and minor children | | Shareholding by Nominees | | Experience (Education) (Note 2) | Other position concurrently held at Greatek or other companies | Managers who are spouses or within the second degree of kinship | | | Remarks (Note 3) |
|--|--------------------|---------------|--------|----------------------------|--------------|-----------------------|---|-----------------------|-----------------------------|-----------------------|--|---|---|------|----------|---------------------|
| | | | | | Shares | Shareholding ratio | Shares | Shareholding ratio | Shares | Shareholding ratio | | | Position | Name | Relation | |
| Testing Division Vice President | Taiwan (R.O.C.) | Jones Chen | Male | 2018.11.01 | 55,000 | 0.01% | 53,102 | 0.01% | 1,075,038 | 0.19% | Department of Electronics, Feng Chia University Head of Testing Division, Greatek Electronics Inc. | No | No | No | No | No |
| Administration Division Vice President | Taiwan (R.O.C.) | Sheng Chen | Female | 2020.11.01 | 100,000 | 0.02% | 0 | 0% | 0 | 0% | Department of Banking and Insurance, Feng Chia University Head of Administration Division, Greatek Electronics Inc. | No | No | No | No | No |

Note 1: It shall include information of President, Vice President, Assistant Vice President, Supervisors of various Departments and Branches, and any position equivalent to President, Vice President, Assistant Vice President, regardless of job title, shall also be disclosed. Greatek does not have any Assistant Vice President.

Note 2: For experiences related to holding the current position, if one has worked in the auditing accounting firm or its affiliated companies, he/she shall state the job title and duties.

Note 3: Where the Chairman of the Board of Directors and the President or person of an equivalent post (the highest-ranking manager) of the Company are the same person, spouses, or relatives within the first degree of kinship, a description shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (for example, increase the number of Independent Directors, and having more than one-half of all Directors who do not concurrently serve as employees or managers).

Note 4: Vice President Tonwey Cheng applied for unpaid leave from August 1, 2017 and was transferred to the parent company, Powertech Technology Inc. He resumed his position and his duties were adjusted on February 1, 2021.

Chapter 3 Remuneration Paid to Directors, President, and Vice President in the Most Recent Year

I. Remuneration to Directors and Independent Directors Unit: NT\$ thousands

| Title | Name | Directors' remuneration | | | | | | | | The sum of A, B, C and D in proportion to Net Income after tax (Note 7) | | Remuneration from concurrent position as employees | | | | | | Ratio of total remuneration (A, B, C, D, E, F, and G) to Net Income after tax (Note 7) | | Remuneration Received from Invested Companies other than the Company's Subsidiary, or from Parent Company (Note 9) | | |
|----------------------|---|--|---|--------------|---|--|---|--|---|---|---|--|---|-----------------------|---|------------------------------------|-------|--|-------|--|---------|---|
| | | Base Compensation (A) (Note 1) | | Pensions (B) | | Compensation to Directors (C) (Note 2) | | Fees related to professional practice (D) (Note 3) | | | | Salaries, bonus and special allowance (E) (Note 4) | | Pensions (F) (Note 5) | | Employee Compensation (G) (Note 6) | | | | | | |
| | | Greatek | All companies included in the financial statements (Note 7) | Greatek | All companies included in the financial statements (Note 7) | Greatek | All companies included in the financial statements (Note 7) | Greatek | All companies included in the financial statements (Note 7) | Greatek | All companies included in the financial statements (Note 7) | Greatek | All companies included in the financial statements (Note 7) | Greatek | All companies included in the financial statements (Note 7) | Cash | Share | Cash | Share | | Greatek | All companies included in the financial statements (Note 7) |
| Corporate Director | Powertech Technology Inc. (Note 8) | 0 | 0 | 0 | 0 | 63,895 | 63,895 | 0 | 0 | 2.40% | 2.40% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2.40% | 2.40% | None |
| Chairman | Powertech Technology Inc. Representative D.K. Tsai | 0 | 0 | 0 | 0 | 7,987 | 7,987 | 720 | 720 | 0.33% | 0.33% | 7,304 | 7,304 | 193 | 193 | 3,500 | 0 | 3,500 | 0 | 0.74% | 0.74% | 131,055 |
| Director | Powertech Technology Inc. Representative Boris Hsieh | | | | | | | | | | | | | | | | | | | | | |
| Director | Powertech Technology Inc. Representative Louis Ning | | | | | | | | | | | | | | | | | | | | | |
| Director | Powertech Technology Inc. Representative J.S. Leu | | | | | | | | | | | | | | | | | | | | | |
| Director | Powertech Technology Inc. Representative Evan Tseng | | | | | | | | | | | | | | | | | | | | | |
| Director | Hung-Wei Venture Capital Co., Ltd. Representative Jr-Neng Chang | 4,320 | 4,320 | 0 | 0 | 0 | 0 | 360 | 360 | 0.18% | 0.18% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.18% | 0.18% | 0 | |
| Independent Director | Chu-Chien Feng | | | | | | | | | | | | | | | | | | | | | |
| Independent Director | Chi-Yung Wu | | | | | | | | | | | | | | | | | | | | | |
| Independent Director | M.J. Chuang | <p>1. Please state the policy, system, standard and structure of Independent Directors' remuneration payment, and describe the relevance between the amount of remuneration and the factors including responsibilities, risks, time commitment by the individual, etc.:</p> <p>(1). The policy and system of Independent Directors' remuneration payment is in line with Article 20 of the Articles of Incorporation, "compensations are paid on a monthly basis, and Independent Directors do not participate in the remuneration payments to Directors as stated in Article 24".</p> <p>(2). Standard and structure for remuneration payments to Independent Director is formulated by the Remuneration Committee in consideration of industry characteristics and the nature of Greatek's business. It also takes factors including responsibilities, risks, and time commitment into consideration. The remunerations are individually reviewed and submitted to the Board of Directors for approval.</p> <p>2. In addition to the information disclosed above, has any of the Company's Directors received compensations for providing services (e.g. serving as a non-employee consultant) to any of the companies listed in this financial report in the most recent year:</p> <p>None.</p> | | | | | | | | | | | | | | | | | | | | |

Note 1: refers to the remunerations paid to Directors in the most recent year (including Director's salary, duty allowance, severance pay, bonus and reward, etc.).

Note 2: the amount disclosed is the remuneration payment appropriated for Directors as approved by the Board of Directors on February 26, 2021.

Note 3: Refers to the Directors' professional practicing fees in the most recent year (including transportation allowance, special allowance, various allowances, and provision of such tangible objects as dormitory and car, etc.). If housing, vehicle or other means of transportation, or personal expenses are provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, disclose compensation paid to the driver in a note; however, it shall not be included in the calculation of remuneration payments.

- Note 4: Refers to the salary, duty allowance, severance pay, bonus, reward, transportation allowance, special allowance, various allowances, and provision of such tangible objects as dormitory and car received by the Directors who acted as concurrent employees (including President, Vice President, Managerial Officer and employee) in the most recent year. If housing, vehicle or other means of transportation, or personal expenses are provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, disclose compensation paid to the driver in a note; however, it shall not be included in the calculation of remuneration payments. Additionally, any salary expense listed under IFRS 2 Share-Based Payment, including employee stock options, new restricted employee shares, and cash capital increase by stock subscription, shall also be included in remuneration.
- Note 5: Reserves and pension are recognized and appropriated in line with the Labor Standards Act and Labor Insurance Act.
- Note 6: Employee bonus for Directors in 2020 shall be distributed this year according to the remuneration amounts approved by the Board of Directors on February 26, 2021, which is based on actual distribution percentage in the previous year.
- Note 7: Greatek is not required to prepare Consolidated Financial Statement. For those who have adopted the IFRSs, net income shall refer to the earnings after tax identified in the entity of Individual Financial Statement for the most recent year.
- Note 8: If the total amount of remuneration received by all the Directors from all the companies listed in the financial statements exceeds two (2) percent of its net income after tax, and the amount of remuneration received by any individual Director exceeds NT\$15 million, the Company shall disclose the amount of remuneration paid to that individual Director.
- Note 9: a. Please specify whether the Company's Directors have received remuneration from invested companies other than the Company's subsidiary, or from parent company (If there is none, please fill in "none").
- b. If the Company's Directors have received remuneration from invested companies other than the Company's subsidiary, or from parent company the amount shall be included in Section I of the following table and the section shall be renamed "Parent Company and All the Invested Companies".
- c. The remuneration shall refer to the remuneration, compensation (including employee bonus and professional practicing fees) received by the Company's Directors who acted as the Directors, Supervisors or Managerial Officers of invested companies other than its subsidiaries.

Range of remuneration

| Range of remuneration paid to Directors | Names of Directors | | | |
|---|--|--|---|---|
| | Total of (A+B+C+D) | | Total of (A+B+C+D+E+F+G) | |
| | Greatek | All companies included in the financial statement H (Note) | Greatek | All companies included in the financial statement I (Note) |
| Less than NT\$1,000,000 | Powertech Technology Inc. Representative D.K. Tsai Powertech Technology Inc. Representative Boris Hsieh Powertech Technology Inc. Representative Louis Ning Powertech Technology Inc. Representative J.S. Leu Powertech Technology Inc. Representative Evan Tseng | Powertech Technology Inc. Representative D.K. Tsai Powertech Technology Inc. Representative Boris Hsieh Powertech Technology Inc. Representative Louis Ning Powertech Technology Inc. Representative J.S. Leu Powertech Technology Inc. Representative Evan Tseng | Powertech Technology Inc. Representative D.K. Tsai Powertech Technology Inc. Representative J.S. Leu Powertech Technology Inc. Representative Evan Tseng | Powertech Technology Inc. Representative D.K. Tsai Powertech Technology Inc. Representative J.S. Leu Powertech Technology Inc. Representative Evan Tseng |
| NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive) | Chu-Chien Feng, Chi-Yung Wu, M.J. Chuang | Chu-Chien Feng, Chi-Yung Wu, M.J. Chuang | Chu-Chien Feng, Chi-Yung Wu, M.J. Chuang | Chu-Chien Feng, Chi-Yung Wu, M.J. Chuang |
| NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive) | - | - | - | - |
| NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive) | - | - | Powertech Technology Inc. Representative Boris Hsieh | Powertech Technology Inc. Representative Boris Hsieh |
| NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive) | Hung-Wei Venture Capital Co., Ltd. | Hung-Wei Venture Capital Co., Ltd. | Powertech Technology Inc. Representative Louis Ning Hung-Wei Venture Capital Co., Ltd. | Powertech Technology Inc. Representative Louis Ning Hung-Wei Venture Capital Co., Ltd. |
| NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive) | - | - | - | - |
| NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive) | - | - | - | - |
| NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive) | - | - | - | - |
| NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive) | Powertech Technology Inc. | Powertech Technology Inc. | Powertech Technology Inc. | Powertech Technology Inc. |
| NT\$100,000,000 or more | - | - | - | - |
| Total | 10 | 10 | 10 | 10 |

Note: Greatek has no subsidiary and is therefore exempted from preparing Consolidated Financial Statements. Greatek's parent company is Powertech Technology Inc.

II. Remunerations to President and Vice Presidents

Unit: NT\$ thousands

| Title | Name | Salary (A) (Note 1) | | Severance pay and pension (B) (Note 2) | | Bonus and special allowance (C) (Note 3) | | Employee compensation (D) (Note 4) | | | | Ratio of Total Compensation (A+B+C+D) to Net Income after tax (%) (Note 5) | | Remuneration Received from Invested Companies other than the Company's Subsidiary, or from Parent Company (Note 9) |
|--|-----------------------|------------------------|---|---|---|--|---|---------------------------------------|-------|--|-------|--|---|---|
| | | Greatek | All companies included in the financial statement (Note 5) | Greatek | All companies included in the financial statement (Note 5) | Greatek | All companies included in the financial statement (Note 5) | Greatek | | All companies included in the financial statement (Note 5) | | Greatek | All companies included in the financial statement (Note 5) | |
| | | | | | | | | Cash | Share | Cash | Share | | | |
| Chief Executive Officer | Boris Hsieh (Note 6) | 8,466 | 8,466 | 402 | 402 | 4,319 | 4,319 | 9,896 | - | 9,896 | - | 0.87% | 0.87% | 49,203 |
| President | Louis Ning | | | | | | | | | | | | | |
| Executive Vice President | Tonwey Cheng (Note 7) | | | | | | | | | | | | | |
| Manufacturing Division Vice President | Avis Lee | | | | | | | | | | | | | |
| Testing Division Vice President | Jones Chen | | | | | | | | | | | | | |
| Administration Division Vice President | Sheng Chen (Note 8) | | | | | | | | | | | | | |

Note 1: Salary, job allowance, and severance pay paid to the President and Vice Presidents in the most recent fiscal year.

Note 2: Reserves and pension are recognized and appropriated in line with the Labor Standards Act and Labor Insurance Act.

Note 3: The bonus, reward, transportation allowance, special allowance, various allowances, and provision of such tangible objects as dormitory and car, as well as other remunerations, received by the President and Vice Presidents in the most recent year. If housing, vehicle or other means of transportation, or personal expenses are provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, disclose compensation paid to the driver in a note; however, it shall not be included in the calculation of remuneration payments.

Additionally, any salary expense listed under IFRS 2 Share-Based Payment, including employee stock options, new restricted employee shares, and cash capital increase by stock subscription, shall also be included in remuneration.

Note 4: Employee bonus shall be distributed this year according to the remuneration amounts approved by the Board of Directors on February 26, 2021, which is based on actual distribution percentage in the previous year.

Note 5: Greatek is not required to prepare Consolidated Financial Statements. For those who have adopted the IFRSs, net income shall refer to the earnings after tax identified in the entity of Individual Financial Statement for the most recent year.

Note 6: CEO Boris Hsieh assumed the role of CEO of Powertech Technology Inc. on October 1, 2020, and has not received salaries or 2020 employee compensations from Greatek thereafter.

Note 7: Vice President Tonwey Cheng applied for unpaid leave from August 1, 2017 and was transferred to the parent company, Powertech Technology Inc. He resumed his position and his duties were adjusted on February 1, 2021.

Note 8: Vice President Sheng Chen assumed office on November 1, 2020.

Note 9: a. Please specify whether the Company's Directors have received remuneration from invested companies other than the Company's subsidiary, or from parent company (If there is none, please fill in "none").

b. If the Company's Directors have received remuneration from invested companies other than the Company's subsidiary, or from the parent company, the amount shall be included in Section I of the following table and the section shall be renamed "Parent Company and All the Invested Companies".

c. The remuneration shall refer to the remuneration, compensation (including employee bonus and professional practicing fees) received by the Company's Directors who acted as the Directors, Supervisors or Managerial Officers of invested companies other than its subsidiaries.

Range of remuneration

| Range of remuneration paid to the President and Vice Presidents | Name of President and Vice Presidents | |
|---|---------------------------------------|--|
| | Greatek | All companies included in the financial statements E |
| Less than NT\$1,000,000 | - | - |
| NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive) | Sheng Chen | Sheng Chen |
| NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive) | Tonwey Cheng Jones Chen | Tonwey Cheng Jones Chen |
| NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive) | Boris Hsieh Avis Lee | Boris Hsieh Avis Lee |
| NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive) | Louis Ning | Louis Ning |
| NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive) | - | - |
| NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive) | - | - |
| NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive) | - | - |
| NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive) | - | - |
| NT\$100,000,000 or more | - | - |
| Total | 6 | 6 |

Managerial officers appropriated with employee compensations and the status of such allocation
As of March 31, 2021; Unit: NT\$ thousands; %

| | Title | Name | Share | Cash (Note 2) | Total | Proportion to Net Income After Tax (Note 3) |
|---------|--|--------------|-------|------------------|--------|---|
| Manager | President | Louis Ning | 0 | 10,593 | 10,593 | 0.40% |
| | Executive Vice President | Tonwey Cheng | | | | |
| | Vice President of Manufacturing Division | Avis Lee | | | | |
| | Vice President of Testing Division | Jones Chen | | | | |
| | Vice President of Administration Division and CFO and Chief Corporate Governance Officer | Sheng Chen | | | | |
| | Accounting Manager | Mei-Ling Lin | | | | |

Note 1: The scope of managerial officers shall be defined in the following manner, as per the Board's Directive Letter No. 0920001301 dated March 27, 2003:

- (1) President and equivalents;
- (2) Vice president and equivalents;
- (3) Assistant vice president and equivalents;
- (4) Chief of Finance Dept.;
- (5) Chief of Accounting Dept.;
- (6) Any other persons in charge of the Company's affairs and entitled to sign instruments on behalf of the Company.

Note 2: The employee bonus (including shares and cash) to be distributed to the Managerial Officers as approved by the Board of Directors is impossible to forecast; therefore, the amount to be distributed this year shall be based on the actual distribution amount of last year.

Note 3: For those who have adopted the IFRSs, net income shall refer to the earnings after tax identified in the entity of Individual Financial Statement for the most recent year.

III. Compare and Analyze the Total Remuneration As a Percentage of Net Income Stated in the Parent Company Only Financial Reports or Individual Financial Reports, Paid by the Company and by All Consolidated Entities (Including the Company) for the Most Recent 2 Fiscal Years to Each of the Company's Directors, Supervisors, President, and Vice Presidents, and Describe the Policies, Standards, and Packages For Payment of Remuneration, As Well As The Procedures for Determining Remuneration, And Its Linkage to Business Performance and Future Risk Exposure:

- (I) Analysis of total compensation paid to Directors, President, and Vice Presidents as a percent of net income after tax of Individual Financial Statements for the most recent 2 years

| | 2019 | 2020 |
|---|-----------|-----------|
| Net income after tax (in thousands of NT\$) | 1,895,899 | 2,662,311 |
| Directors' remuneration as a percentage of net income after tax | 3.06% | 2.91% |
| Remuneration of President and Vice Presidents as a percentage of net income after tax | 1.14% | 0.87% |

- (II) The policies, standards, combinations, procedure of decision-making of remunerations, and their relation to business performance and future risk
1. Remuneration policies, including the Compensations Management Method, Employee Compensation Distribution Method, and Year-end Bonus and Incentives Distribution Method, have been formulated in reference to market and industry standards and Greatek's overall operating performance.

2. Remunerations paid to Directors include base compensation, compensations for Directors, and transportation allowance. The aforementioned remunerations have been reviewed based on Greatek's overall operating performance, future business risks, the Articles of Incorporation, Director's individual contributions, and industry standard, and are further submitted to the Board of Directors for approval. In particular, compensations for Directors are paid in line with Article 24 of the Articles of Incorporation: no higher than 3% of the pretax profit shall be appropriated before deducting compensations for employees and compensations for Directors. Independent Directors' remuneration payment is in line with Article 20 of the Articles of Incorporation, "compensations are paid on a monthly basis, and Independent Directors do not participate in the remuneration payments to Directors as stated in Article 24".

In accordance with the provisions of Article 14-4 of the Securities and Exchange Act, Greatek has set up an Audit Committee in place of Supervisors as of May 29, 2018.

3. The compensation packages for Greatek's CEO, President and Vice Presidents include salaries, bonuses, and employees' compensations and more. The Remuneration Committee will individually review the compensations based on Greatek's remuneration policy, the Managerial Officer's duties and responsibilities, individual performance, and level of contribution to Greatek's operations, and then submit to the Board of Directors for approval. The packages are correlated to Greatek's management performance.

(III) Greatek is exempted from compiling a Consolidated Financial Statement.

Chapter 4 Status of Corporate Governance

I. Functions of the Board of Directors:

The Board of Directors has convened 4 meetings (A) in 2020 with the following attendance records:

| Title | Name | Actual attendance (B) | Attendance by proxy | Actual attendance rate (%) (B/A) (Note) | Remarks |
|----------------------|--|-----------------------|---------------------|---|---------|
| Chairman | Powertech Technology Inc. Corporate Representative D.K. Tsai | 4 | 0 | 100 | |
| Director | Powertech Technology Inc. Corporate Representative Boris Hsieh | 4 | 0 | 100 | |
| Director | Powertech Technology Inc. Corporate Representative Louis Ning | 4 | 0 | 100 | |
| Director | Powertech Technology Inc. Corporate Representative J.S. Leu | 4 | 0 | 100 | |
| Director | Powertech Technology Inc. Corporate Representative Evan Tseng | 4 | 0 | 100 | |
| Director | Hung-Wei Venture Capital Co., Ltd. Corporate Representative Jr-Neng Chang | 3 | 1 | 75 | |
| Independent Director | Chu-Chien Feng | 4 | 0 | 100 | |
| Independent Director | Chi-Yung Wu | 4 | 0 | 100 | |
| Independent Director | M.J. Chuang | 4 | 0 | 100 | |

Note: Actual attendance rate (%) shall be calculated based on the number of meetings convened and the actual number of meetings a Director has attended during the term of office.

Other Matters:

I. With regard to the implementation of the Board of Directors, if any of the following circumstances occur, the dates, terms of the meetings, contents of motions, all Independent Directors' opinions and the Company's handling of such opinions shall be specified:

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

In accordance with the provisions of Article 14-4 of the Securities and Exchange Act, Greatek has set up an Audit Committee. The Audit Committee members did not express any objection or reservation to the proposal.

(II) Any recorded or written Board resolutions to which Independent Directors have objections or reservations to be noted in addition to the above:

None.

II. Regarding recusals of Directors from voting due to conflicts of interests, the names of the Directors, contents of motions, reasons for recusal, and results of voting shall be specified:

| Board Meetings | Proposal | Director requiring recusal | Reason for avoiding conflicts of interest | Voting |
|--|--|---|--|--|
| July 29, 2020 10th Meeting from the 9th Board | The 2020 remuneration adjustment proposal for the Managerial Officers and various compensation packages. | Representatives of Powertech Technology Inc. Boris Hsieh Louis Ning | Directors Boris Hsieh and Louis Ning concurrently serve as Greatek's Chief Executive Officer and President, respectively. | Approved without revision and without dissent by all attending Directors (including those attending by proxy) other than the Directors recused from discussion and voting. |
| | Proposal for releasing the Directors and Managerial Officers from non-compete clause. | Representatives of Powertech Technology Inc. Boris Hsieh | Director and Chief Executive Officer Mr. Boris Hsieh proposed for the Board of Directors to approve the release of Directors from non-compete restriction due to his nomination as Director of Powertech Technology Inc. | Approved without revision and without dissent by all attending Directors (including those attending by proxy) other than the Directors recused from discussion and voting. |

| | | | | |
|---|---|---|--|---|
| October 30, 2020 11th Meeting from the 9th Board | Proposal for releasing Managerial Officers from non-compete clause. | Representatives of Powertech Technology Inc. Boris Hsieh | Director and Chief Executive Officer Mr. Boris Hsieh proposed for the Board of Directors to approve the release of Managerial Officers from non-compete restriction due to his appointment as CEO of Powertech Technology Inc. | Approved without revision and without dissent by all attending Directors other than the Directors recused from discussion and voting. |
|---|---|---|--|---|

III. TWSE/TPEX listed companies shall disclose the information of self-evaluation (or peer evaluation) of the Board of Directors, such as evaluation cycle, period, scope, method and contents, and to fill out implementation status of such evaluation:

1. Performance evaluation mechanism and implementation status of the Board of Directors and functional committees:

| Evaluation cycle | Evaluation period | Scope of evaluation | Method of evaluation | Content of evaluation |
|------------------|---|-----------------------|--|--|
| Once a year | From January 1, 2020 to December 31, 2020 | Board of Directors | Internal evaluation of the Board | Evaluation of performance for the Board of Directors include five major aspects: participation in the operation of the Company, enhancing the quality of the Board's decision-making, composition and structure of the Board, election and continuing education of the Directors, and internal control. Upon evaluation and distribution of survey questionnaires, the achievement has been 94%, and the evaluation result indicated that performance was beyond the standard level. |
| | | Individual Director | Self-evaluation of the Board members | Performance evaluation for Board members includes six major aspects: alignment of the goals and missions of the Company; awareness of the duties of a Director; participation in the operation of the Company; management of internal relationship and communication; the Director's professionalism and continuing education; and internal control. Upon collection and compilation of the self-evaluation questionnaires from the nine Board members, the achievement has been 96%, and the evaluation result indicated that performance was beyond the standard level. |
| | | Functional committees | Internal self-evaluation from members of functional committees | Evaluation of performance for functional committees included five major aspects: participation in the operation of the Company, awareness of the duties of the functional committee, enhancing the quality of decisions made by the functional committee, composition of the functional committee and election of its members, and internal control. Upon collection and compilation of the self-evaluation questionnaires from the 3 Independent Directors, the achievement has been 100%. The evaluation result indicated that performance was beyond the standard. |

2. The performance evaluation results have been submitted to the Board of Directors meeting convened on February 26, 2021.

IV. Measures undertaken during the current year and most recent fiscal year to strengthen the functions of the Board of Directors (such as the establishment of an audit committee and improvement of information transparency, etc.) and assessment of their implementation:

1. The 9th Board of Directors has appointed the 4th Remuneration Committee on June 6, 2018.
2. Greatek established the 1st Audit Committee on May 29, 2018.
3. Greatek formulated the "Self-evaluation or Peer Evaluation Method of the Board of Directors" on July 29, 2020, and completed the performance evaluation in the first quarter (Q1) of 2021 and submitted the results of the Board of Directors and Functional Committee Evaluations to the Board's meeting on February 26, 2021.

II. Functions of the Audit Committee

1. The Audit Committee is formed by three Independent Directors, and the goal is to assist the Board of Directors fulfill its supervision over the following matters:
 - (1) The fair presentation of the Company's financial reports.
 - (2) Appointment or dismissal of the Company's CPAs and evaluation of their independence and performance.
 - (3) The effective implementation of the Company's internal control system.
 - (4) The Company's compliance to relevant regulations and rules.
 - (5) Management of existing or potential risks.
2. The Audit Committee was set up in accordance with the Audit Committee Charter and Article 14-5 of the Securities and Exchange Act in 2020, and will review the following matters:
 - (1) Formulate or amend internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
 - (2) Assessment of the effectiveness of the internal control system.
 - (3) Derivative transactions.
 - (4) Appointment, dismissal, and compensation of the Certified Public Accountants.
 - (5) Annual financial statements that bear the signature or seal of the Chairman, Managerial Officers, and the Accounting Manager.
 - (6) Business Report and Earnings Distribution Plan.
 - (7) Other material matters set forth by applicable laws, the competent authority, or by the Company.
- Review of financial statements

The Board of Directors will prepare the Business Report, financial statements and earnings distribution plan, in which the financial statements have been audited and certified by Deloitte Taiwan, and by whom an Audit Report has been issued accordingly.

The aforementioned Business Report, financial statements, and earnings distribution plan have been reviewed and approved to be correct by the Audit Committee.
- Appointment and evaluation of independence and competence of CPAs

The Audit Committee is held responsible for supervising the independence of the CPAs to ensure the reasonableness and reliability of the financial statements.

In general, except for tax-related services or specially authorized projects, the CPAs and its accounting firm shall not provide other services to the Company.

To ensure the independence of the CPAs, the Audit Committee has formulated an Independence and Competence Evaluation Table in line with The Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China No.10 "Integrity, Objectivity, and Independence". Upon resolution from the Audit Committee and the Board of Directors on March 2, 2020 and February 26, 2021 respectively, CPAs Yu-Feng Huang and Cheng-Chih Lin from Deloitte Taiwan have both met the criteria for independence and competence evaluation, and can properly serve as Greatek's CPAs.
- Assessment of the effectiveness of the internal control system

The Audit Committee audits regular reports from Departments, CPAs and the Management to assess the effectiveness of Greatek's internal control system policy and procedures (including control measures over finance, operation, risk management, information security, and legal compliance). The Audit Committee believes that Greatek's risk management and internal control systems are valid, and that Greatek has adopted necessary control mechanisms to supervise and to correct violations and unethical conducts.
3. In 2020, the Audit Committee has convened 4 meetings (A), with the following attendance records from the Independent Directors:

| Title | Name | Attendance in person (B) | Attendance by proxy | Actual attendance rate (%) (B/A) (Note) | Remarks |
|----------------------|----------------|--------------------------|---------------------|---|----------|
| Independent Director | Chu-Chien Feng | 4 | 0 | 100 | Convener |
| Independent Director | Chi-Yung Wu | 4 | 0 | 100 | Member |
| Independent Director | M.J. Chuang | 4 | 0 | 100 | Member |

Note: Actual attendance rate (%) shall be calculated based on the number of Audit Committee meetings convened and the actual number of meetings an Independent Director has attended during the term of office.

Other Matters:

I. If the operation of Audit Committee has one of the following situations, the minutes shall clearly state the meeting date, session, content of the resolution, opinions of all Audit Committee members and the Company's handling of said opinions.

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

| Board Meetings | Proposal | Matters referred to in Article 14-5 of the Securities and Exchange Act | Resolutions not approved by the Audit Committee, but were approved by two-thirds or more of all Directors. |
|--|--|---|--|
| March 3, 2020 8th Meeting from the 9th Board | Amendment to Greatek's internal control system. | V | No |
| | Amendment to Greatek's "Regulation Governing the Procedures for Preparation of Financial Statements". | V | No |
| | 2019 assessment on the effectiveness of internal control system and "Statement of Internal Control System". | V | No |
| | Appointment of 2020 CPA and evaluation on CPA's independence. | V | No |
| | Review of Greatek's 2019 Business Report. | V | No |
| | Review of Greatek's 2019 financial statements. | V | No |
| | Review of Greatek's 2019 earnings distribution plan. | V | No |
| | Resolution from the Audit Committee on March 3, 2020: approved without amendment or dissent by all Directors in attendance. Recommendations from Independent Directors: None. Greatek's handling of the opinions from Independent Directors: approved without amendment or dissent by all Directors in attendance. | | |
| April 28, 2020 9th Meeting from the 9th Board | Application for amount to be used toward engagement in transaction of forward exchange derivatives. | V | No |
| | Review of Greatek's 2020 First Quarter (Q1) financial statements. | V | No |
| | | Resolution from the Audit Committee on April 28, 2020: approved without amendment or dissent by all Directors in attendance. Recommendations from Independent Directors: None. Greatek's handling of the opinions from Independent Directors: approved without amendment or dissent by all Directors in attendance. | |
| July 29, 2020 10th Meeting from the 9th Board | Review of Greatek's 2020 Second Quarter (Q2) financial statements. | V | No |
| | | Resolution from the Audit Committee on July 29, 2020: approved without amendment or dissent by all Directors in attendance. Recommendations from Independent Directors: None. Greatek's handling of the opinions from Independent Directors: approved without amendment or dissent by all Directors in attendance. | |
| October 30, 2020 11th Meeting from the 9th Board | Establish Greatek's 2021 Audit Plan. | V | No |
| | Review of Greatek's 2020 Third Quarter (Q3) financial statements. | V | No |
| | | Resolution from the Audit Committee on October 30, 2020: approved without amendment or dissent by all Directors in attendance. Recommendations from Independent Directors: None. Greatek's handling of the opinions from Independent Directors: approved without amendment or dissent by all Directors in attendance. | |

(II) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all Directors:

None.

II. Regarding recusals of Independent Directors from voting due to conflicts of interests, the names of the Independent Directors, contents of motions, reasons for recusal, and results of voting shall be specified:

None.

III. Communications between the Independent Directors, the Company's chief internal auditor and CPAs (shall include the material items, methods and results of audits of corporate finance or operations, etc.).

1. The chief internal auditor regularly submits the audit results to the Independent Directors via electronic means in the following month after completing audit items.
2. The Audit Committee and the Board of Directors convene quarterly meetings, and the chief internal auditor attends all of these meetings and reports and communicates audit tasks to the Audit Committee and the Board of Directors.
3. Pursuant to provisions stipulated in No. 39 "communications with the component auditor" of the International Standards on Auditing (ISA), during the planning and completion phases, the CPA reports and communicates with the Independent Directors during Audit Committee meetings in each quarter regarding governance matters related to the audit procedures for financial statements.
4. The Independent Directors, chief internal auditors, and the CPA have maintained good communications during the Audit Committee meetings in 2020; key communications have been summarized as follows:

| Audit Committee | Key communication matters with the chief internal auditor | Key communication matters with CPA |
|---|--|---|
| March 3, 2020 7th Meeting from the 1st Audit Committee | <ul style="list-style-type: none"> ● Review of the internal audit report. ● Discussion over the amendments to Greatek's internal control system. ● Discussion over the evaluation over the effectiveness of the 2019 internal control system and issuing the 2019 Statement of Internal Control System. | <ul style="list-style-type: none"> ● Discussion over the audit contents and results of the 2019 financial statements (including notes to the key audit matters and material accounting estimates in the CPA's Review Report). ● Discussion and communications over recent amendments to Securities and Exchange Act and tax related laws. |
| April 28, 2020 8th Meeting from the 1st Audit Committee | <ul style="list-style-type: none"> ● Review of the internal audit report. | <ul style="list-style-type: none"> ● Discussion and communication over audit contents and results of the 2020 Q1 financial statements. |
| July 29, 2020 9th Meeting from the 1st Audit Committee | <ul style="list-style-type: none"> ● Review of the internal audit report. | <ul style="list-style-type: none"> ● Discussion and communication over audit contents and results of the 2020 Q2 financial statements. |
| October 30, 2020 10th Meeting from the 1st Audit Committee | <ul style="list-style-type: none"> ● Review of the internal audit report. ● Discussion over 2021 Internal Audit Plan. | <ul style="list-style-type: none"> ● Discussion and communication over audit contents and results of the 2020 Q3 financial statements, including material risks and key audit matters. ● Discussion and communication over legal compliance to Corporate Governance 3.0. |

Results: the aforementioned matters have all been reviewed or approved by the Audit Committee, and the Independent Directors did not express any dissent or reserved opinion.

III. Status of Corporate Governance, and any variance from the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof:

| Evaluation item | Implementation status | | | Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof |
|--|-----------------------|----|---|--|
| | Yes | No | Explanation | |
| (I) Does the Company establish and disclose its Corporate Governance Best-Practice Principles based on the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"? | V | | Greatek has formulated the Corporate Governance Best-Practice Principles based on the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and disclosed relevant information on the "Corporate Governance" section of its website. | None |
| (II) Shareholding Structure & Shareholders' Rights | | | | |
| 1. Does the Company establish an internal procedure for handling shareholders' suggestions, concerns, disputes, and litigations? Has the procedure been implemented accordingly? | V | | Greatek complies with the Corporate Governance Best-Practice Principles and should shareholders have any question or comment, they can communicate with Greatek via the "Investors" section on company website. Greatek has designated the spokesperson to handle shareholder suggestions, concerns and other relevant matters. | None |
| 2. Has the Company maintained the list of major shareholders and ultimate controllers of the major shareholders? | V | | Greatek discloses shareholding status of major Shareholders, Managerial Officers and related parties on a monthly basis pursuant to provisions required by the Securities and Exchange Act. Additionally, Greatek also discloses a list of shareholders holding 5% or more of Greatek's shares on a quarterly basis in our financial statements. | None |
| 3. Has the Company established and implemented risks control and "firewall" mechanisms between the Company and its affiliates? | V | | Greatek has formulated the "Management Guidelines for Related Party Transactions" and set up regulations regarding financial transactions between affiliated companies. Additionally, "Guidelines for Supervision over Subsidiaries" have also been formulated to establish risk control and firewall mechanisms. | None |
| 4. Has the established internal rules prohibiting insider trading on undisclosed information? | V | | Greatek has formulated "Procedures for the Prevention of Insider Trading" and "Code of Ethical Conduct" and announced them on both Greatek's internal bulletin board and the "Corporate Governance" section of company website. We informs insiders of common violations from time to time, and remind the Board of Directors of relevant confidentiality and responsibilities in the notice letter of quarterly Board meeting. The "Guide to Regulations Governing Directors" and "Directions Concerning Securities Market Regulatory Matters for TWSE Listed Companies and Their Directors, Supervisors, and Major Shareholders" are immediately sent via | None |

| Evaluation item | Implementation status | | | Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof |
|--|-----------------------|----|---|--|
| | Yes | No | Explanation | |
| | | | electronic means to newly elected 9th Board's Directors after the election on May 29, 2018, and the new Directors have immediately signed "Statement of Appointment" and are arranged to pursue relevant continuing education courses. | |
| (III) Composition and Responsibilities of the Board of Directors | | | | |
| 1. Has the Company established a diversification policy for the composition of its Board of Directors and has the policy been implemented accordingly? | V | | The diversification policy for the composition of the Board has been stipulated in Article 20 of Greatek's "Corporate Governance Best Practice Principles". To achieve the ideal corporate governance in practice, we have no more than 2 Directors who concurrently serve as employees, and the term of Independent Directors does not exceed 9 years. The composition of the current Board of Directors has diversified professional knowledge and capabilities, and all members have knowledge, skills, and qualities necessary to fulfill their duties. The composition of the Board of Directors is diverse. Among them, there's only one concurrent Managerial Officer (comprises of less than 1/3 of all Directors), and we have 3 Independent Directors, accounting for 1/3 of all Directors. Two of which have assumed office for less than 3 years, and one has assumed office for 3-9 years. Eight members of the Board are aged over 50 while one is aged below 50. | None |
| 2. In addition to establishing Compensation Committee and Audit Committee in accordance with laws, would the Company voluntarily set up other functional committees? | | V | Currently, Greatek does not have a need to establish other functional committees. | Will be set up based on future needs. |
| 3. Does the Company establish performance assessment measures and methods of Board of Directors, conduct performance assessment regularly every year, submit the performance assessment result to the Board of Directors and use as reference for individual Director pay and nomination of successor? | V | | Greatek's Board of Directors has formulated the "Self-evaluation or Peer Evaluation Method of the Board of Directors" on July 29, 2020, and performance evaluation will be carried out at the end of every fiscal year. The evaluation results will be submitted to the Board of Directors before the end of the following quarter, and results will be used as reference for selecting or nominating Directors. | None |

| Evaluation item | Implementation status | | | Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|-----------------------|----|---|--|-----|----|---|---|--|---|---|--|--|---|--|--|---|--|---|---|--|---|---|--|---|---|--|---|---|--|---|---|--|--|---|--|------|
| | Yes | No | Explanation | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4. Does the Company regularly evaluate the independence of CPAs? | V | | <p>Greatek regularly assesses the independence and the competence of the CPA in each year, and adopts the following assessment procedures:</p> <p>1. Examine whether the CPA and members of the audit team are non-stakeholders and meet the following criteria for independence and competence. (Abstract of important criteria)</p> <table border="1"> <thead> <tr> <th>Evaluation item</th> <th>Yes</th> <th>No</th> </tr> </thead> <tbody> <tr> <td>1. The CPA has not served as Greatek's CPA for 7 years or more.</td> <td>V</td> <td></td> </tr> <tr> <td>2. The CPA has no direct or significant indirect financial interest with Greatek.</td> <td>V</td> <td></td> </tr> <tr> <td>3. There is no financing or guarantee between the CPA and Greatek.</td> <td>V</td> <td></td> </tr> <tr> <td>4. The CPA does not have material and close business relationships with Greatek.</td> <td>V</td> <td></td> </tr> <tr> <td>5. The CPA does not have potential employment with Greatek.</td> <td>V</td> <td></td> </tr> <tr> <td>6. The CPA has no contingent fees related to Greatek's audit cases.</td> <td>V</td> <td></td> </tr> <tr> <td>7. The CPA is not a Director or managers of Greatek during the current or most recent two years, and does not have significant influence on the audits.</td> <td>V</td> <td></td> </tr> <tr> <td>8. There is no kinship relationship between the CPA and any of Greatek's Directors, Supervisors, or personnel who have a significant influence on the audits.</td> <td>V</td> <td></td> </tr> <tr> <td>9. The CPA and the audit service team members have no acceptance of gifts or special offers of great value from Greatek's Directors, Supervisors, or Managerial Officers.</td> <td>V</td> <td></td> </tr> <tr> <td>10. No unloading of a joint CPA within one year as a Director, Supervisor or Managerial Officer of Greatek or a position that has a significant influence.</td> <td>V</td> <td></td> </tr> </tbody> </table> <p>2. Submit the assessment results along with the Statement of Independence (no violation of the Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China No.10) issued by the CPA to the Audit Committee and the Board of Directors.</p> <p>3. For the most recent two years, CPA's independence and competence have been evaluated and separately approved by the Audit Committee and the Board of Directors on March 3, 2020 and February 26, 2021.</p> | Evaluation item | Yes | No | 1. The CPA has not served as Greatek's CPA for 7 years or more. | V | | 2. The CPA has no direct or significant indirect financial interest with Greatek. | V | | 3. There is no financing or guarantee between the CPA and Greatek. | V | | 4. The CPA does not have material and close business relationships with Greatek. | V | | 5. The CPA does not have potential employment with Greatek. | V | | 6. The CPA has no contingent fees related to Greatek's audit cases. | V | | 7. The CPA is not a Director or managers of Greatek during the current or most recent two years, and does not have significant influence on the audits. | V | | 8. There is no kinship relationship between the CPA and any of Greatek's Directors, Supervisors, or personnel who have a significant influence on the audits. | V | | 9. The CPA and the audit service team members have no acceptance of gifts or special offers of great value from Greatek's Directors, Supervisors, or Managerial Officers. | V | | 10. No unloading of a joint CPA within one year as a Director, Supervisor or Managerial Officer of Greatek or a position that has a significant influence. | V | | None |
| Evaluation item | Yes | No | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1. The CPA has not served as Greatek's CPA for 7 years or more. | V | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2. The CPA has no direct or significant indirect financial interest with Greatek. | V | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3. There is no financing or guarantee between the CPA and Greatek. | V | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4. The CPA does not have material and close business relationships with Greatek. | V | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5. The CPA does not have potential employment with Greatek. | V | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 6. The CPA has no contingent fees related to Greatek's audit cases. | V | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 7. The CPA is not a Director or managers of Greatek during the current or most recent two years, and does not have significant influence on the audits. | V | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 8. There is no kinship relationship between the CPA and any of Greatek's Directors, Supervisors, or personnel who have a significant influence on the audits. | V | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 9. The CPA and the audit service team members have no acceptance of gifts or special offers of great value from Greatek's Directors, Supervisors, or Managerial Officers. | V | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 10. No unloading of a joint CPA within one year as a Director, Supervisor or Managerial Officer of Greatek or a position that has a significant influence. | V | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Evaluation item | Implementation status | | | Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof |
|---|-----------------------|----|---|--|
| | Yes | No | Explanation | |
| (IV) Does the Company appoint competent and appropriate corporate governance personnel and corporate governance officer to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by Directors, assisting Directors' compliance of law, handling matters related to Board Meetings and Shareholders' Meetings according to law, and minutes of Board Meetings and Shareholders' Meetings)? | V | | On October 30, 2020, the Board of Directors has approved the appointment of Vice President Sheng Chen from Administrations Division to serve as the Chief Corporate Governance Officer, the highest ranking manager in charge of corporate governance matters: providing information required by the Directors for execution of business, assisting Directors in complying with laws and decrees, providing information on continuing studies to Directors, continuing to maintain communications between Directors and business managers, handling relevant matters of Meetings of the Board of Directors and Shareholders' Meeting, and making minute books of the Meetings of the Board of Directors and Shareholders' Meeting according to law, handling corporate registrations, and convening two Investor Conferences in each year to enhance investor relations and to assist in the functions of functional committees and more. The Chief Corporate Governance Officer is required to complete 18 hours of continuing studies in each year. Please refer to Continuing Studies from Directors and Managers for details. | None |
| (V) Has the Company established channels for communication with stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.), set up a "Stakeholder Section" on the website, and appropriately responded to the major CSR issues that stakeholders were concerned with? | V | | Greatek is committed to communicating with stakeholders, and has set up "Stakeholder" section under the "CSR" section on its website. Additionally, all designated contact persons are required to respond to opinions from stakeholders, and report to the Board of Directors annually regarding the communication between each individual stakeholder. | None |
| (VI) Has the Company delegated a professional shareholder service agency to handle shareholders' meeting? | V | | Greatek has appointed the Share Agency Department at Yuanta Securities Co., Ltd. to handle related shareholder affairs. | None |

| Evaluation item | Implementation status | | | Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof |
|--|-----------------------|----|--|--|
| | Yes | No | Explanation | |
| (VII) Information Disclosure | | | | |
| 1. Does the Company establish a website to disclose information on finance and corporate governance? | V | | The "Investors" section on the website discloses financial, business, and governance information in both Chinese and English. Greatek has implemented the spokesperson system and dedicated personnel are in charge of collecting and disclosing relevant information based on their roles in both Chinese and English on the "Investor" section of company website. Such information disclosure include financial information, Annual Report, Investor Conference, and corporate governance and more. Greatek complies with relevant laws, and handles the information reporting and publication before the prescribed deadlines. | None |
| 2. Does the Company use other information disclosure channels (e.g. maintaining an English website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)? | V | | | None |
| 3. Does the Company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline? | V | | | None |
| (VIII) Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)? | V | | <p>1. Employees' rights: Greatek complies with domestic laws and regulations including the Labor Standards Act, and has implemented the Responsible Business Alliance (RBA) Code of Conduct in practice. Additionally, Greatek has also established the Employee Welfare Committee to handle various employee benefits, while the Pension Supervisory Committee is in charge of formulating the pension system, supervision and management of pension allocations.①②</p> <p>2. Employees' well-being: Greatek is focused on occupational safety and health risks, and we strive to protect the occupational safety and health, both physical and emotional well-being of our employees through achieving the ISO 45001 Occupational Safety and Health Management System Certification. We are committed to caring for our employees, and we organize general and special health checkups for our employees in order to prevent occupational hazards. We also file group insurance for our employees.</p> <p>3. Supplier relations: Greatek sees suppliers as important partners to</p> | None |

| Evaluation item | Implementation status | | | Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof |
|---|-----------------------|----|---|--|
| | Yes | No | Explanation | |
| | | | <p>our operations, and we jointly pursue corporate sustainable management and growth with our suppliers through forming close-knit partnerships. Suppliers for our major materials must pass the supplier evaluation and receive regular audit and evaluation to ensure that they meet our requirements for sustainable management and the quality of our collaboration.</p> <p>4. Investor relations, community engagement, and the rights of stakeholders: Greatek is committed to communicating with various stakeholders. Please refer to Status of Communications with Stakeholders for details.</p> <p>5. Continuing studies from Directors and managers: Please refer to Continuing Studies from Directors and Managers for details.</p> <p>6. Risk management policy and implementation of risk evaluation standard: Greatek has formulated various risk management mechanisms, internal control, and regulations to evaluate and manage all kinds of risks in accordance with laws.</p> <p>7. Implementation of customer policy: Greatek actively develops technologies that meet the needs of our customers, and has passed various Certifications including IECQ QC 080000:2012, IATF 16949:2016, and ISO 9001:2015.</p> <p>8. Purchase of liability insurance for Directors: Greatek renews the liability insurance for Directors and key employees, and has reported relevant information including the insured amount, scope of insurance, and insurance premium rates to the Board of Directors on October 30, 2020.</p> | |
| <p>(IX) Please state the improved situation concerning the corporate governance evaluation result published in recent years of corporate governance center of TWSE and raise priority strengthening matters and measures concerning the ones not improved. (Not required for the companies excluded from the evaluation) To strengthen the structure and functions of the Board of Directors, Greatek has formulated the "Self-evaluation or Peer Evaluation Method of the Board of Directors" on July 29, 2020 and appointed one Chief Corporate Governance Officer on October 30, 2020.</p> | | | | |

(X). Performance in Communicating with Stakeholders over Their Topics of Concern

Greatek collects topics related to sustainability based on the UN Sustainable Development Goals (SDGs), industry regulations and standards, industry benchmarks, and the organization's annual objectives. Representatives from each department communicate with stakeholders using various channels of stakeholder communications on a timely basis and as needed. Additionally, topics of stakeholders' concern have been compiled in reference to the GRI (Global Reporting Initiative) Standards.

Greatek reports to the Board of Directors the topics of stakeholders' concern and effectiveness of such communications on an annual basis.

| Stakeholders and their significance to Greatek | Topics of concern | Communication channel/frequency | Communication channel/feedback method | 2020 Communications Performance |
|---|---|--|--|---|
| Employees Most important asset; the driver to our productivity growth and foundation to our sustainable operations. | Sustainable performance Operational status Corporate governance Equal opportunity Safety and health Employee rights and interests Diversified workplace | Employment relations conference (quarterly) Employee mailbox (as needed) Internal/external website (from time to time) Employee Welfare Committee (quarterly) | Manager Ned Chen of Administration Department E-mail: ned@greatek.com.tw | <input checked="" type="checkbox"/> Organize employee health checkup (annually) <input checked="" type="checkbox"/> 0 employee grievance <input checked="" type="checkbox"/> Full participation in occupational health and safety training for at least 1 hour |
| Customers Important business partners, fulfill customers' needs to create win-win situations | Customer relations management Product R&D and innovation Green operations Sustainable supply chain Legal compliance | Monthly Sales Report (monthly) Customer audit (from time to time) Customer service platform (from time to time) Customer satisfaction survey (annually) Quarterly customer business review meeting (quarterly) | Divisional Head Aaron Chiu from Sales Division E-mail: aaron@greatek.com.tw | <input checked="" type="checkbox"/> Customer satisfaction survey result has reached 86 points <input checked="" type="checkbox"/> No incidents of customer complaint from breaching customer confidentiality |
| Suppliers Important partner and jointly pursue sustainable operation. | Environmental management Greenhouse gas emissions Employee rights and interests Technical skills and service Sustainable supply chain | Grievance mailbox (from time to time) Supplier audit (annually) Supplier management system (annually) Supplier questionnaire survey (annually) | Manager Ned Chen of Administration Department E-mail: ned@greatek.com.tw | <input checked="" type="checkbox"/> 100% of raw material procurement have met legal compliance requirements. <input checked="" type="checkbox"/> Maintains 100% rate of not using conflict minerals. <input checked="" type="checkbox"/> Supplier audit results reached 80 points or above. |
| Shareholders Persist in ethical operations and strive to achieve sustainable governance to create value for shareholders. | Corporate governance Sustainable performance Ethical management Risk management Legal compliance | Company website (monthly) Financial statements (quarterly) Shareholders' Meeting (annually) MOPS (from time to time) Communications meetings (monthly) | Spokesperson Vice President Sheng Chen E-mail: sheng@greatek.com.tw | <input checked="" type="checkbox"/> ROE for shareholders reached 15.4% <input checked="" type="checkbox"/> No incidents of corruption or violation had occurred. <input checked="" type="checkbox"/> Shareholders' Meeting to be convened before the end of May. |
| Governmental institutions Important driver behind relevant sustainability policies. | Legal compliance Environmental management Greenhouse gas emissions Labor conditions | Written correspondence (from time to time) Questionnaire survey and visits (from time to time) Project and initiatives (from time to time) Communications meetings/forums/seminars (from time to time) | Manager Ned Chen of Administration Department E-mail: ned@greatek.com.tw | <input checked="" type="checkbox"/> Income tax expense reached NT\$446,772 thousand <input checked="" type="checkbox"/> Voluntarily conducted GHG inventories. <input checked="" type="checkbox"/> Waste recycling and reuse reached 25.2% |
| Communities Community engagement and care to build a harmonious relationship. | Green operations Social engagement Environmental management Occupational safety Employment | Company website (monthly) External communication mailbox (timely) Factory grievance hotline (timely) Community engagement and | Manager Ned Chen of Administration Department E-mail: ned@greatek.com.tw | <input checked="" type="checkbox"/> Recycled 513,243 tons of processing wastewater. <input checked="" type="checkbox"/> Saved 1% of electricity from power-saving measures <input checked="" type="checkbox"/> Donated to Friend's of |

| Stakeholders and their significance to Greatek | Topics of concern | Communication channel/frequency | Communication channel/feedback method | 2020 Communications Performance |
|--|--|---|--|--|
| | opportunities | activities (from time to time) Visit residents and village/neighborhood chiefs in communities surrounding Greatek's operations (from time to time) | | Miaoli Police Association.\$30,000 <input checked="" type="checkbox"/> Donated to Shanjia Neighborhood Watch at Zhunan Township. Donated NT\$20,000 |
| Financial institutions Important driver behind relevant sustainability policies. | Ethical management Legal compliance and ethical regulations Corporate governance | Investors' Conference (semi-annually) Financial statements (quarterly) Company website (monthly) MOPS (from time to time) Company website (monthly) | Spokesperson Vice President Sheng Chen E-mail: sheng@greatek.com.tw | <input checked="" type="checkbox"/> Held two Investors' Conferences. <input checked="" type="checkbox"/> Did not receive any whistleblowing report against unethical conduct. |

IV. In case the Company has set up a Remuneration Committee, its composition, functions, and operations shall be disclosed.

Greatek's Remuneration Committee is formed by the three Independent Directors. It is operated in line with Greatek's "Remuneration Committee Charter" and its main duties include the following:

1. Periodically reviewing the Remuneration Committee Charter and making recommendations for amendments.
2. Establishing and regularly reviewing the Board of Directors and Managerial Officer's performance evaluation in conjunction with the remuneration policies, systems, standards, and structure.
3. Periodically assessing the degree to which performance goals for the Directors and Managerial Officers have been achieved, setting the types and amounts of their individual compensation based on the results of the reviews conducted in accordance with the performance assessment standards.

(I) Information on the Members of the Remuneration Committee

| Title (Note 1) | Qualification | Meets one of the following professional qualifications, with at least five years of work experience | | | Compliance to independence (Note 2) | | | | | | | | | | Number of other public companies where the individual concurrently serves as a member of the Remuneration Committee | Remarks | |
|----------------------|----------------|--|---|--|-------------------------------------|---|---|---|---|---|---|---|---|----|---|---------|--|
| | | An instructor or higher position in a Department of Commerce, Law, Finance, Accounting, or other Academic Department related to the business needs of the Company in a public or private junior college, college or university | A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or other Professional or Technical Specialist who has passed a national examination and has been awarded a certificate in a profession necessary for the business of the Company | Work experience in the area of Commerce, Law, Finance, or Accounting, or otherwise necessary for the business of the Company | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | | | |
| Independent Director | Chu-Chien Feng | - | - | V | V | V | V | V | V | V | V | V | V | V | V | 1 | |
| Independent Director | Chi-Yung Wu | - | - | V | V | V | V | V | V | V | V | V | V | V | V | - | |
| Independent Director | M.J. Chuang | - | - | V | V | V | V | V | V | V | V | V | V | V | V | - | |

Note 1: For title, please identify whether the person is a Director, Independent Director or other.

Note 2: Please check "✓" the corresponding boxes if the remuneration committee members meet the following conditions during the two years prior to the nomination and during the term of office.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a Director or Supervisor of the Company or any of its affiliates (not applicable in cases where the Independent Director is appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent)
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or ranking in the top 10 in shareholdings.
- (4) Not a spouse, or a relative within the second degree of kinship or lineal relative within the third degree of kinship, of the officer stated in the subparagraph (1) or personnel stated in the subparagraph (2) and (3).

- (5) Not a Director, Supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total outstanding shares of the Company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a Director or Supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act (not applicable in cases where the Independent Director is appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent)
- (6) Not a Director, Supervisor, or employee of a company controlled by a corporate shareholder that holds more than half of the board seats or 50% of the shares with voting rights of the Company (not applicable in cases where the Independent Director is appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
- (7) Not a Director, Supervisor, or employee of a company or institution of which the Chairman, President, or other equivalent titles of the Company are held by the same person or the spouse thereof. (not applicable in cases where the Independent Director is appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
- (8) Not a Director, Supervisor, manager or shareholders holding 5% or more shares of a specific company or institution that also has financial or business dealing with the Company (not applicable if the specified company or institution holds 20% or more and no more than 50% of the total outstanding shares of the Company and in cases where the Independent Director is appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent)..
- (9) Not a Professional individual who, or an Owner, Partner, Director, Supervisor, or Manager of a Sole Proprietorship, Partnership, Company, or Institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past two years has received cumulative compensation no more than NT\$500,000, nor a spouse thereof, provided, this restriction does not apply to a member of Compensation Committee, Public Tender Offer Review Committee, or special Committee for M&A, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related regulations.
- (10) Does not have any condition defined in Article 30 of the Company Act.

(II) Information on the operations of the Remuneration Committee

1. Greatek's Remuneration Committee consists of three members.
2. Term of the current Remuneration Committee: from June 6, 2018 to May 28, 2021; in 2020, the Remuneration Committee has convened 3 meetings (A), the Directors' qualifications and attendance are as follows:

| Title | Name | Attendance in person (B) | Attendance by proxy | Actual attendance rate (%) (B/A) (Note) | Remarks |
|----------|----------------|--------------------------|---------------------|---|---------|
| Convener | Chu-Chien Feng | 3 | 0 | 100 | |
| Member | Chi-Yung Wu | 3 | 0 | 100 | |
| Member | M.J. Chuang | 3 | 0 | 100 | |

Other Matters:

- I. If the Board of Directors refuses to adopt or amend a recommendation of the Remuneration Committee, the date of the meeting, session, content of the motion, resolution by the Board of Directors, and Greatek's response to the Remuneration Committee's opinion (e.g., if the compensations approved by the Board of Directors exceeds the recommendation of the Remuneration Committee, the circumstances and cause for the difference shall be specified) shall be specified:
None.
- II. If there is any member who opposes or has reservations to the resolution of the Remuneration Committee and there is a record or a written statement for it, that record or statement should contain the date of the meeting, session, the content of the proposal, and opinions of all members and the follow-up treatments:
None.
- III. Discussions and resolutions from the Remuneration Committee, and Greatek's treatment of the Remuneration Committee's opinions:

| Remuneration Committee | Reason for discussion | Resolution | Opinion from Remuneration Committee | Greatek's treatment of the Remuneration Committee's opinion |
|---|---|---|-------------------------------------|---|
| March 3, 2020 5th Meeting from the 4th Remuneration Committee | Review of the proposal for the amount appropriated in 2019 employee compensation and Directors' remuneration distribution plan. | Approved by all members of the Committee. | None | Approved upon discussion from the Board of Directors. |
| | Review of the proposal to amend Greatek's "Remuneration Committee Charter". | Approved by all members of the Committee. | None | Approved upon discussion from the Board of Directors. |
| July 29, 2020 6th Meeting from the 4th Remuneration Committee | Review of the proposal for 2019 employee compensation for Managerial Officers. | Approved by all members of the Committee. | None | Approved upon discussion from the Board of Directors. |
| | Review of the proposal for 2019 Directors' remuneration. | Approved by all members of the Committee. | None | Approved upon discussion from the Board of Directors. |
| | Review of the proposal for Managerial Officers' salaries and compensations for 2020. | Approved by all members of the Committee. | None | Approved upon discussion from the Board of Directors. |
| October 30, 2020 7th Meeting from the 4th Remuneration Committee | Review of the compensations for Mr. Sheng Chen, Vice President of the Administration Division. | Approved by all members of the Committee. | None | Approved upon discussion from the Board of Directors. |

- Note: (1) Where members of the Remuneration Committee resign before the end of the year, the Notes column shall be annotated with the date of resignation. Actual attendance rate (%) shall be calculated using the number of Remuneration Committee meetings convened and the actual number of meetings a member has attended during the term of office.
- (2) If any member was re-elected before the end of the year, the new and old members shall be listed accordingly, and the Remark column shall indicate whether the member's status is "New", "Old" or "Re-elected", and the date of re-election. Actual attendance rate (%) shall be calculated using the number of Remuneration Committee meetings convened and the actual number of meetings a member has attended during the term of office.

(V) Fulfillment of Social Responsibilities and Discrepancies with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, and the reasons thereof

| Evaluation Item | Implementation status (Note 1) | | | Discrepancies with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, and the reasons thereof |
|--|--------------------------------|----|---|---|
| | Yes | No | Summary (Note 2) | |
| (I) Has the Company assessed the environmental, social, and corporate governance risks related to its operations based on the principle of materiality, and established related risk management policies or strategies? (Note 3) | V | | Greatek is always paying attention to trends and topics related to global sustainability and corporate social responsibilities (CSR), and conducts risk evaluation based on the materiality principle. Such evaluations encompass governance, economics, social, and environmental aspects that are related to Greatek's operations. We have identified potential risks and challenges as well as market opportunities and growth through stakeholder engagement, and formulated risk management policy accordingly. Faced with operational risks, financial risks and environmental risks encountered by enterprises around the world, Greatek has formulated risk management mechanisms to manage potential risks that could have possible effects on our operations and profitability, allowing us to rapidly respond when facing such risks in order to reduce losses and to continue to maintain the rights and interests of stakeholders. | None |
| (II) Does the Company establish an exclusively (or part-time) dedicated unit for promoting Corporate Social Responsibility? Is the unit authorized by the Board of Directors to implement CSR activities at the executive level? Does the unit report the progress of such activities to the Board of Directors? | V | | Greatek's CSR Committee, which reports directly to the President's Office, is responsible to jointly promote activities related to CSR along with representatives from each department via the PDCA Cycle. The status of CSR and ethical business management executions in 2019 were reported to the Board of Directors on July 29, 2020, and such activities have included operations of the risk management policy and risk management measures, as well as sustainable development performance, etc. | None |
| (III) Environmental Issues 1. Has the Company established a suitable environmental management system based on the characteristics of its industry? | V | | Greatek has acquired the certifications for ISO 14001 and IECQ QC 080000 and received GP certification from major enterprises including SONY and CANON. In terms of the EU regulations, we meet both ROHS and REACH requirements, and have successively received ISO 26262:2011 Road Vehicles Functional Safety Management System certification and IATF 16949:2016 Automotive Quality Management System certification in 2017, and implemented RBA Code of Conduct in order to expand our customer base. | None |

| Evaluation Item | Implementation status (Note 1) | | Summary (Note 2) |
|--|--------------------------------|----|---|
| | Yes | No | |
| 2. Has the Company committed to improving the efficient use of various resources and utilizing recycled materials with a low impact on the environment? | V | | <p>Greatek is committed to enhancing the utilization and efficient use of various resources and have installed wastewater recycling system and utilizing recycled materials and reduce the use of one-time products. Greatek will continue to promote waste reduction and recycling programs to move toward the ecology and the environment.</p> |
| 3. Has the Company assessed the potential risks and opportunities arising from climate change at present and in the future and taken related countermeasures? | V | | <p>1. Risks of climate change exposed on enterprises Greatek continues to promote energy-saving and carbon reduction programs in response to the abnormal weather conditions caused by global climate change. To ensure that the risks from climate change do not affect Greatek's operations, we believe that the government, business organizations and industrial circles should join forces to address the risks and to actively work in line with the government's policies.</p> <p>2. Opportunities for enterprises provided by climate change Greatek believes that business competitiveness can be enhanced by taking proper control over the risks of climate change, leading to new opportunities. Therefore, we continue to implement energy-saving and reduction programs, such as enhancing water utilization efficiency and reducing wastewater usage. By conducting regular and irregular disaster drills to enhance responsiveness to natural disasters, we can reduce the risk of business interruptions and possible losses. Additionally, we will promote power-saving measures to save costs.</p> |
| 4. Has the Company calculated the greenhouse gas emissions, water consumption, and total weight of waste over the past two years and established the policies with regard to energy conservation and carbon reduction, greenhouse gas reductions, water consumption, and waste management? | V | | <p>To enhance environmental management performance and achieve synergistic growth with the environment, Greatek has formulated an environmental policy and disclosed it on company website. Greatek has voluntarily conducted greenhouse gas (GHG) inventory and disclosure in order to achieve our GHG emission reduction goals. In addition, we also installed wastewater recycling system and continue to promote energy-saving among our staff in order to achieve our 1% energy conservation goal. We have also set our 2021 goal of promoting wastewater recycling 3,000 m3 higher than our 2020 goal. For the Data and Implementation of Energy Saving Measures for the Last Two Years for details.</p> |

| Evaluation Item | Implementation status (Note 1) | | | Discrepancies with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, and the reasons thereof |
|---|--------------------------------|----|--|---|
| | Yes | No | Summary (Note 2) | |
| (IV) Social Issues | | | | |
| 1. Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights? | V | | <p>Greatek has adopted the Responsible Business Alliance (RBA) Code of Conduct, which is in line with the United Nations Guiding Principles on Business and Human Rights, Declaration of Fundamental Principles and Rights at Work, and the Universal Declaration of Human Rights. We have also formulated and comply with the "Management Guidelines for Social Responsibility". Greatek complies with relevant laws including the Labor Standards Act, and have formulated the Work Rules to protect the legitimate rights and interests of our employees. The Administration Department is responsible for staying up-to-date on the legal amendments to labor laws and to update the administrative systems on a timely manner.</p> <p>To facilitate the employees' understanding of their own rights and interests and the management policy and procedures of Greatek, orientation training related to human rights is given to every new employee on their first day of work. Training has been provided to 915 national and foreign workers in 2020.</p> | None |
| 2. Has the Company established and offered proper employee benefits (including salary, leave, and other benefits) and reflected the business performance or results in employee compensation appropriately? | V | | <p>Greatek complies with laws and regulations including the Labor Standards Act in handling wages, work hours, leaves, retirement, and compensations for occupational hazards. Employee performance evaluation is conducted regularly, and annual salary adjustment procedures and employee bonus-sharing procedures have been formulated and serve as the standard for employee evaluation, salary adjustment, and incentives. Greatek shares operational performance or results with employees, and Article 24 of the Articles of Incorporation stipulates that 9% to 15% of the pretax net profit before deducting employee and Directors' remuneration will be allocated as employees' compensations. Additionally, to inspire employees to strive for Greatek's operational objectives, Year-end Bonus Distribution Procedures and Incentive Bonus Distribution Procedures have been formulated. Due to the Company's goals were achieved, incentive bonuses were distributed 3 times in 2020.</p> | None |
| 3. Has the Company provided employees with a safe and healthy working environment and routinely conducted safety and health education for employees? | V | | <p>Greatek complies with the Occupational Safety and Health Act and relevant laws and regulations, and have formulated the "Safety and Health Principles" as the basis for compliance from all employees. We control potential hazards and offer necessary protective measures for employees, including the following:</p> | None |

| Evaluation Item | Implementation status (Note 1) | | | Discrepancies with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, and the reasons thereof |
|--|--------------------------------|----|--|---|
| | Yes | No | Summary (Note 2) | |
| 4. Has the Company established an effective competency development career training program for employees? | V | | <p>Wear proper personal protective gear; formulate emergency response procedures to reduce damages; organized 115 evacuation drill practices in 2020; organized employee health checkup annually to prevent and manage occupational damages and diseases; offer on-site physicians to provide health education service (9 times per month); provide employee safety and health training for each new employee upon arrival; and set up adequate number of emergency rescue personnel and safety and health managers as stipulated by the laws. Greatek received ISO 45001 and CNS 45001 (TOSHMS) system certifications in 2019, and actively provide a safe and healthy work environment to our staff and to raise awareness for safety and health through promoting occupational safety and health management systems. We have constantly maintained a friendly and safe work environment.</p> <p>High-performing talent is the key to enhancing technological competencies and to achieve sustainable growth. Therefore, we strive to develop talent and to build a training system. Our Education & Training Committee aligns Greatek's educational and training objectives throughout the Company, while departmental supervisors and staff will participate in the planning, execution, and performance review of relevant training. The key objectives to Greatek's training is to strengthen professional knowledge and skills and to enhance employees' quality and professional skills in order to foster professional talent and management personnel required by Greatek's developmental needs.</p> | None |
| 5. Has the Company followed relevant laws, regulations and international guidelines for the customer health and safety, customer privacy, and marketing and labeling of its products and services and established related consumer protection policies and grievance procedures? | V | | <p>We establish product and process-related management procedures and standards based on customer requirements to ensure that our products comply with international standards such as RBA and ROHS, so as to protect the health and safety of customers of end-user products and services.</p> <p>We value customer privacy and confidential information and have stipulated comprehensive standards and information management to ensure confidentiality.</p> | None |

| Evaluation Item | Implementation status (Note 1) | | | Discrepancies with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, and the reasons thereof |
|--|--------------------------------|----|---|---|
| | Yes | No | Summary (Note 2) | |
| 6. Has the Company established the supplier management policies requesting suppliers to comply with laws and regulations related to environmental protection, occupational safety and health or labor rights and supervised their compliance? | V | | <p>Greatek conducts annual customer satisfaction survey and analyze the results. To ensure the protection of customers' rights and to continuously improve and to enhance quality standards, we have formulated customer complaint management procedures.</p> <p>We treat suppliers as partners and strive to implement supply chain management to achieve mutual sustainable operations. We continuously audit topics including quality, lead time, cost, environmental system, and corporate social responsibilities through visits and audits. The auditing systems include: (1) quality management system; (2) environmentally hazardous substance system; (3) manufacturing system; and (4) corporate social responsibilities. In case of violation and the lack of timely corrections, procurement from that particular supplier will be terminated. 14 suppliers were audited in 2020. 4 suppliers were newly added in 2020. Audit results: all suppliers have passed the audits Supplier audit results: 80 points or above.</p> | None |
| (V) Has the Company followed internationally recognized guidelines in preparation of reports such as its Corporate Social Responsibility report to disclose non-financial information of the Company? Has the Company received assurance or certification of the aforesaid reports from a third party accreditation institution? | V | | The content framework for Greatek's 2020 CSR Report is prepared in line with the Core Option of the GRI Standards, announced by the Global Sustainability Standard Board (GSSB). It has been publicly disclosed on the "CSR" section of Greatek's website. | None |
| (VI) If the Company has established the corporate social responsibility best practice principles based on the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies", please describe any discrepancy between the Principles and their implementation: We are committed to corporate social responsibility, and our operations do not show any discrepancy with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies. | | | | |

| Evaluation Item | Implementation status (Note 1) | | | Discrepancies with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, and the reasons thereof |
|---|--------------------------------|----------------------------|------------------|---|
| | Yes | No | Summary (Note 2) | |
| (VII) Any important information helpful to facilitate the understanding of CSR operations: Data and Implementation of Energy Saving Measures for Most Recent Two Years: | | | | |
| | 2019 | 2020 | Change % | |
| GHG emissions amount | 94,064.3316 ton CO2e/year | 121,090.6339 ton CO2e/year | 28.73% | |
| Tap water intake | 888,922 tons | 1,048,833 tons | 17.99% | |
| Processing water recycled | 402,153 tons | 513,243 tons | 27.62% | |
| Power consumption | 174,402,400 kWh | 189,922,296 kWh | 8.90% | |
| Energy conservation | 2,152,968 kWh | 2,407,250 kWh | 11.81% | |
| Total waste generation | 1,887.8901 tons | 2,466.2511 tons | 30.64% | |
| Waste recycling and reuse | 527.2376 tons | 621.2235 tons | 17.83% | |
| In line with the government's energy conservation and carbon reduction policy, Greatek has established our energy conservation goal to be 1% of the total power consumption. The energy conservation in 2020 has been increased by approximately 9.7% from 2019, or saving as much as 209,306 Kwh annually. In addition, carbon reductions have also reached 110.7 tons CO2e. | | | | |

Note 1: If Implementation Status is specified "Yes," please explain the key policies, strategies and measures taken and the current progress; if Implementation Status is specified "No," please provide reasons and explain any policy, strategy and measure planned for the future.

Note 2: If the Company has prepared a CSR report, Implementation Status may be completed by providing index pages to the CSR report instead.

Note 3: Materiality principle refers to environmental, social and corporate governance issues that are of material impact to the Company's investors and stakeholders.

VI. Performance of Ethical Corporate Management and Discrepancy with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof

| Evaluation item | Implementation status | | | Discrepancy with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof |
|---|-----------------------|----|--|---|
| | Yes | No | Summary | |
| (I) Establishment of Corporate Conduct and Ethics Policy and Implementation Measures | | | | |
| 1. Has the Company established the ethical corporate management policies approved by the Board of Directors and specified in its rules and external documents the ethical corporate management policies and practices and the commitment of the Board of Directors and senior management to rigorous and thorough implementation of such policies? | V | | Greatek faithfully treats current customers and suppliers with honesty and integrity to develop long-term partnerships. We pursue sustainable operations through prudent and practical financing, and strive to innovate our core business and have set the most rigorous quality requirements in order to provide the best services. Therefore, our corporate ethos are founded on being "faithful, practical, innovative, and quality", and the Board of Directors have approved of and formulated "Ethical Corporate Management Best Practice Principles" for compliance. | None |
| 2. Has the Company established a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within its business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly, which shall at least include the preventive measures specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies"? | V | | Greatek's "Ethical Corporate Management Best Practice Principles" specifies that any Greatek personnel shall prevent unethical conduct in the course of their duties, including: directly or indirectly provides, receives, promises, or requests any improper benefits, or commits a breach of ethics, unlawful act, or a breach of fiduciary duty for the purposes of acquiring or maintaining benefits. | None |
| 3. Has the Company specified in its prevention programs the operating procedures, guidelines, punishments for violations, and a grievance system and implemented them and reviewed the prevention programs on a regular basis? | V | | Greatek's "Ethical Corporate Management Best Practice Principles" specifies procedures for handling personnel with unethical conduct, and responsible unit shall submit to the Board of Directors a report on the unethical conduct, actions taken, and subsequent reviews and corrective measures. Disciplinary and grievance system have also been specified in the "Ethical Corporate Management Best Practice Principles". | None |

| Evaluation item | Implementation status | | | Discrepancy with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof |
|--|-----------------------|----|--|---|
| | Yes | No | Summary | |
| (II) Ethic Management Practice | | | | |
| 1. Has the Company assessed the ethics records of whom it has business relationship with and include business conduct and ethics related clauses in the business contracts? | V | | Before transacting with any new counterparty, Greatek will conduct credit rating to prevent undertaking business dealings with unethical subjects. In addition, we also specify the provisions of ethical corporate management in contracts we sign with transacting counterparties or when signing the RBA Code of Conduct Statement. | None |
| 2. Has the Company set up a dedicated unit under the Board of Directors to promote ethical corporate management and regularly (at least once every year) report to the Board of Directors the implementation of the ethical corporate management policies and prevention programs against unethical conduct? | V | | Greatek's designated the Administration Department as the unit for promoting Ethical Corporate Management Best Practice Principles is, which also reports its promotions, supervision and implementation of the ethical corporate management policy to the Board of Directors on an annual basis. No unethical conduct has been found nor have any whistleblowing reports been received during the most current report for the last fiscal year to the Board of Directors on July 29, 2020. | None |
| 3. Has the Company established policies to prevent conflicts of interest and provided appropriate communication channels to implement policies properly? | V | | Besides Ethical Corporate Management Best Practice Principles, Greatek has also specified the recusal of conflicts of interest in the Code of Ethics and Business Conduct and Employee Code of Ethics, and it has also been stipulated in the Work Rules and in our procurement contracts. Please refer to the implementation of recusal of Directors from voting due to conflicts of interest for details. | None |
| 4. Has the Company established effective accounting systems and internal control systems to implement ethical corporate management and had its internal audit unit, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans and audit the compliance with the prevention programs accordingly or entrusted a CPA to conduct the audit? | V | | Greatek has appointed a large-scale accounting firm in Taiwan for auditing and verification matters, and the accounting firm and its CPAs verify our financial position and internal control through an independent stance while complying with legal regulations. Unethical conduct has been included into the internal control procedures for each department. Internal auditors will formulate annual Audit Plan based on risk evaluations, and regularly audit and report to the Audit Committee and the Board of Directors. | None |
| 5. Does the Company regularly holds internal and | | | Greatek publicly discloses the Code of Ethics and Business Conduct | None |

| Evaluation item | Implementation status | | | Discrepancy with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof |
|--|-----------------------|----|--|---|
| | Yes | No | Summary | |
| external education and training on ethical corporate management? | V | | and Ethical Corporate Management Best Practice Principles on company website and intranet, and every new employee will immediately receive training related to ethical corporate management on the day of their arrival. In 2020, a total of 915 trainees have received internal training related to ethical corporate management. Please see Continuing Studies of Directors and Managerial Officers for external training. | |
| (III) Operations of the corporate whistleblowing channel | | | | |
| 1. Has the Company established a specific whistleblowing and reward system, set up convenient whistleblowing channels and designated appropriate personnel to the accused party? | V | | Greatek has stipulated whistleblowing and reward system in the "Communications Management Procedures", and the designated personnel is the Administration Department. The whistleblowing procedure has been announced on Greatek's website. | None |
| 2. Has the Company established the standard operating procedures for investigating reported misconduct, follow-up measures to be adopted after the investigation, and related confidentiality mechanisms? | V | | Investigation procedures and confidentiality mechanisms have been formulated in the whistleblowing system, which is a part of the "Communications Management Procedures". | None |
| 3. Has the Company adopted protection against inappropriate disciplinary actions taken against the whistleblower? | V | | To prevent unfair treatment or retaliations, whistleblower protection measures have been formulated in the whistleblowing system as part of the "Communications Management Procedures". | None |
| (IV) Strengthening information disclosure Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company's website and Market Observation Post System ("MOPS")? | V | | Greatek discloses the "Ethical Corporate Management Best Practice Principles" and its implementation results on its website. | None |
| (V) If the Company has established its own Ethical Corporate Management Best Practice Principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies", please describe any discrepancies between the prescribed best practices and the actual activities taken by the Company: Greatek is focused on ethical corporate management, and no discrepancy has been found in our practices. | | | | |
| (VI) Other important information to facilitate a better understanding of the Company's ethical corporate management policies (e.g. review and amend its policies): None. | | | | |

VII. If the Company has established the Corporate Governance Best Practice Principles and related regulations, the searching methods shall be disclosed:

1. Company website: Investors → Corporate Governance.
2. Market Observation Post System: Corporate Governance → Establishment of related corporate governance regulations and rules.

VIII. Other material information that can enhance the understanding of corporate governance shall be disclosed:

(I) Continuing Studies from Directors and Managerial Officers

| Title | Name | Training period | Organizer | Course name | Number of hours |
|--|----------------|-------------------------------------|--|---|-----------------|
| Chairman | D.K. Tsai | November 5, 2020 | Taiwan Corporate Governance Association | Impact of Latest Tax Regulation Changes on Corporate Operation and the Adaptive Strategy (1) and (2) | 6.0 |
| Independent Director | Chi-Yung Wu | November 4, 2020 | Taiwan Corporate Governance Association | Corporate Internal Control and Risk Management - Analysis of the World's Top 10 Risks | 3.0 |
| | | March 5, 2020 | Taiwan Corporate Governance Association | Protection of Trade Secrets 2.0 | 3.0 |
| Independent Director | Chu-Chien Feng | October 6, 2020 | Accounting Research and Development Foundation | Strengthening Self-preparation Skills for Financial Reporting: Internal Control, Internal Audit, and Information Technology | 3.0 |
| | | July 31, 2020 | Accounting Research and Development Foundation | Effects of COVID-19 on Corporate Governance and Response Measures from Enterprises | 3.0 |
| Independent Director | M.J. Chuang | November 12, 2020 | Taiwan Stock Exchange | 2020 Promotions of Corporate Governance and Ethical Business Conduct to Directors and Supervisors | 3.0 |
| | | September 11, 2020 | Accounting Research and Development Foundation | Role and Functions of Independent Directors in Corporate Governance | 3.0 |
| | | August 21, 2020 | Accounting Research and Development Foundation | Comparison, Legal Responsibility and Case Analysis of "Economic Espionage Crime" in the United States and "Trade Secrets Act" in Taiwan | 3.0 |
| Vice President of Administration Division and CFO and Chief Corporate Governance Officer | Sheng Chen | December 14, 2020 | The Institute of Internal Auditors-Chinese | Practical Operations After the Implementation of the Company Act and Analysis on its Latest Letters of Explanation | 6.0 |
| | | September 11, 2020 | Taiwan Association of Board Governance | 2nd Board of Directors Governance Performance Forum | 3.0 |
| Accounting Manager | Mei-Ling Lin | From June 11, 2020 to June 12, 2020 | Accounting Research and Development Foundation | Continuous Training for the Principal Accounting Officer of Issuers, Securities Firms and Securities Exchanges | 12.0 |

(II) Composition of the Board of Directors and Key Management Succession Plan and Related Operations

1. Succession Plan of Directors and Key Management:

The succession plan of Greatek's Directors and key management officers are planned by parent company Powertech Technology Inc.

Greatek's CEO Mr. Boris Hsieh was elected as Director of parent company Powertech Technology Inc. and entered its Board of Directors on May 28, 2020. On August 7, 2020, Powertech passed the resolution to form a new successive generation of management, and the former President and CEO Mr. J.Y. Hung retired and Mr. Boris Hsieh assumed the Group's CEO position as of October 1, 2020. He is focused on the marketing development, strategic partnership with key customer accounts, business objectives, and the future business plan of the Group, and has successfully accomplished the succession plan.

2. Succession of corporate management vision and experiences from mid-tier and Senior Managerial Officers

(1). Systemized management vision and management experiences:

By having Senior Managerial Officers systemizing the management visions and their management experiences, and building proper core competencies, management skills, and function-specific systems, we can pass on and extend existing visions and experiences.

(2). Formulation and participation in key conferences

Mid-tier and senior executives will be further familiarized with the management core, learn management visions, and understand industry trends and Greatek's developmental plans and strategies by participating in management meetings, sales meetings, manufacturing meetings, production/sales meetings and R&D meetings and more.

3. Talent training and development plans

Greatek implements performance management through open performance evaluation system. The function of which has been revised to reflect on "prioritizing employee development over performance evaluation" to achieve the balanced objectives of both evaluation and developmental needs. Additionally, Greatek has also formulated "Guidelines to Promotions toward Management Functions", which defines the basic criteria needed for each management role. When vacancies show up throughout the organization, Greatek will adopt a fair, just, and objective perspective to promote suitable management talent through internal recommendations.

IX. Internal Control System Execution Status

(I) Statement of Internal Control

Greatek Electronics Inc.

Statement of Internal Control System

Dated: February 26, 2021

Greatek's internal control system for 2020 is announced based on the results of self-evaluation. The following is our statement:

1. Greatek acknowledges the establishment, implementation and maintenance of the internal control system (ICS) are the responsibilities of the Board of Directors and the Managerial Officers, and Greatek has established the said system accordingly. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance, and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws, and regulations.
2. The internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and Greatek takes immediate remedial actions in response to any identified deficiencies..
3. Greatek evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the“Regulations”). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Within each component, it has more projects included. For more information, please refer to the “Regulations”.
4. Greatek has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of the aforementioned evaluation, Greatek believes that, on December 31, 2020, we have maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries) to provide reasonable assurance over our operating effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
6. This Statement will be an integral part of Greatek’s Annual Report and Prospectus, and will be made public. Any falsehood, concealment, or other illegality made with regard to the above contents will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This statement has been approved by the Board of Directors on February 26, 2021, With none of the nine attending Directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Greatek Electronics Inc.

Chairman: D.K. Tsai

President: Louis Ning

(II) The CPA's review report shall be disclosed if any CPA is commissioned to review the ICS:

None.

X. In the most recent fiscal year up to the publication date of this Annual Report, there has been punishment of the Company or its internal personnel, or punishment of the Company to its internal personnel for violating internal control system regulation, and its punishment results might have significant influence on shareholders' equity or securities' price, the punishment, main deficiencies and improvements shall be listed:

None.

XI. Major resolutions adopted by the Shareholders' Meeting and the Board of Directors in 2020 and up to the publication date of this Annual Report:

(I) Disclosure of resolutions from Shareholders' Meeting on May 27, 2020 and their Implementations:

1. Adoption of 2019 Business Report and financial statements.

Resolution: 444,595,471 votes in favor, accounting for 96.27% of all voting rights (461,777,969 votes). This proposal from the Board of Directors has been approved without amendment.

2. Adoption of 2019 earnings distribution plan.

Resolution: 444,679,673 votes in favor, accounting for 96.29% of all voting rights (461,777,969 votes). This proposal from the Board of Directors has been approved without amendment.

Implementation status: ①The 10th meeting from the 9th Board of Directors convened on July 29, 2020 has approved the ex-dividend date for cash dividend distribution to be September 1, 2020, and the distribution date to be September 26, 2020.

②Cash dividend of NT\$2.3 per share to be distributed on September 26, 2020 pursuant to the resolution from the Board of Directors.

3. Proposal to amend the "Regulations Governing Loaning of Funds"

Resolution: 444,645,706 votes in favor, accounting for 96.28% of all voting rights (461,777,969 votes). This proposal from the Board of Directors has been approved without amendment.

Implementation status: "Regulations Governing Loaning of Funds" was formulated in accordance with legal regulations. No loaning of funds was made in 2020.

4. Proposal to amend the "Regulations Governing Making of Endorsements/Guarantees".

Resolution: 444,659,301 votes in favor, accounting for 96.29% of all voting rights (461,777,969 votes). This proposal from the Board of Directors has been approved without amendment.

Implementation status: "Regulations Governing Making of Endorsements / Guarantees" was formulated in accordance with legal regulations. No making of endorsements / guarantees was made in 2020.

(II) Major Resolutions from the Board of Directors

| Board of Directors Meeting | Major resolutions |
|--|--|
| <p>March 3, 2020 8th Meeting from the 9th Board</p> | <p>Approved the 2019 remuneration for employees and Directors. Approved the 2020 Business Plan. Approved the 2019 financial statements. Approved the 2019 Annual Operating Report. Approved the 2019 earnings distribution plan. Approved the proposal to amend the internal control system. Approved the proposal to amend the "Regulations Governing the Procedures for Preparation of Financial Statements", a part of the internal control system. Approved the 2019 assessment on the effectiveness of internal control system" and "Statement of Internal Control System". Approved appointment of 2020 CPA and evaluation on CPA's independence. Approved the proposal to amend the "Remuneration Committee Charter". Approved the convention of the 2020 Annual General Shareholders' Meeting.</p> |
| <p>April 28, 2020 9th Meeting from the 9th Board</p> | <p>Presented the 2020 First Quarter (Q1) financial statements. Approved the application for amount to be used toward engagement in transaction of forward exchange derivatives. Approved the credit lines from financial institutions. Approved the amendment to the "Ethical Corporate Management Best Practice Principles". Approved the amendment to the "Corporate Social Responsibility Best Practice Principles".</p> |
| <p>July 29, 2020 10th Meeting from the 9th Board</p> | <p>Presented the 2020 Second Quarter (Q2) financial statements. Approved the credit lines from financial institutions. Established the ex-dividend date and distribution date of cash dividends for 2019. Approved the 2020 remuneration adjustment proposal for the Managerial Officers and various compensation packages. Approved the proposal to lift the non-compete restrictions from Directors and Managerial Officers. Approved the formulation of "Self-evaluation or Peer Evaluation Method of the Board of Directors".</p> |
| <p>October 30, 2020 11th Meeting from the 9th Board</p> | <p>Presented the 2020 Third Quarter (Q3) financial statements. Approved the application for credit lines from financial institutions. Approved the proposal to lift the non-compete restrictions from Managerial Officers. Approved the promotions of a Managerial Officer. Approved the appointment of one Chief Corporate Governance Officer Approved the proposal to amend the "Rules of Procedure for Board of Directors Meetings". Approved the proposal to amend "Corporate Governance Best Practice Principles". Approved the 2021 Audit Plan.</p> |
| <p>February 26, 2021 12th meeting from the 9th Board</p> | <p>Approved the 2020 remuneration for employees and Directors. Approved the 2021 Business Plan. Approved the 2020 financial statements. Approved the 2020 Annual Operating Report. Approved the 2020 earnings distribution plan. Approved the proposal to amend the internal control system. Approved the 2020 assessment on the effectiveness of internal control system" and "Statement of Internal Control System". Approved appointment of 2021 CPA and evaluation on CPA's independence. Approved the proposal to appoint contractors to construct a new plant on Greatek's own land. Approved the proposal to amend "Procedures for Election of Directors". Approved the election of Directors. Approved the removal of non-compete restrictions on the newly appointed Directors. Approved the convention of the 2021 Annual General Shareholders' Meeting.</p> |

XII. In 2020 and up to the publication date of the Annual Report, if any Directors have expressed any dissenting opinions with respect to a material resolution passed by the Board of Directors, which has been recorded or prepared as a written declaration, the principal content thereof shall be disclosed:

None.

XIII. Resignation and dismissal of the Company's Chairman, President, Head of Accounting, Head of Finance, Chief Internal Audit Officer, Chief Corporate Governance Officer and Head of R&D in 2020 and as of the date of publication of the Annual Report:

None.

Chapter 5 Information on CPA Fees:

Unit: NTD thousands

| CPA firm | Name of CPAs | Audit fee (Note 1) | Non-audit fee | | | | | Audit Period | Remarks |
|--------------------|------------------------|-----------------------|------------------|--------------------------|-------------------|----------------------|----------|--|--|
| | | | System Design | Business Registration | Human Resource | Other (Note 2) | Subtotal | | |
| Deloitte Taiwan | CPA Yu-Feng Huang | 3,600 | 0 | 0 | 0 | 189 | 189 | From January 1, 2020 to December 31, 2020 | NT\$80 thousand for review of Annual Report and NT\$109 thousand for key-in and printing |
| | CPA Cheng- Chih Lin | | | | | | | | |

(I) If the non-audit fees paid to CPA, accounting firm and affiliated companies of the CPA are more than one fourth of the audit fees, the amount of audit fees and non-audit fees and the content of non-audit services shall be disclosed:

None.

(II) If the CPA firm is replaced and the audit fee paid in the replacement year is lower than the audit fee in the previous year, the amount of the audit fee before and after the replacement shall be disclosed and the reason:

None.

(III) When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed:

None.

Note1: Audit fee refers to service fee paid to external auditor regarding the audit and review of financial statement, review of financial forecast and tax compliance audit.

Note 2: The non-audit fees shall be listed according to the non-audit services. If the "other" non-audit fees are 25% or more of the non-audit fees paid thereto, the details of non-audit services shall be disclosed in the remarks column.

Chapter 6 Information on Replacement of CPAs: Where Greatek Changed CPA During the Last Two Years and the Period After That, the Following Matters Shall Be Disclosed:

I. Regarding the former CPAs

| | | | |
|--|--|-----|------------------------------------|
| Date of Replacement | February 25, 2019 | | |
| Reason for Replacement and Explanation | Internal adjustment of the accounting firm | | |
| Statement on whether the authorizing party or the CPA terminated or declined the engagement | Situation / Counterparty | CPA | The Authorizing Party |
| | Voluntarily terminated the engagement | - | - |
| | Declined (further) engagement | - | - |
| The opinion and reason for issuing an audit report expressing other than an unqualified opinion during the 2 most recent years | No | | |
| Different opinions from the issuer | Yes | - | Accounting principles or practices |
| | | - | Disclosure of financial statements |
| | | - | Scope or procedure of auditing |
| | | - | Other |
| | No | V | |
| Description | | | |
| Other disclosures (Where Subparagraph 1-4 to Subparagraph 1-7, Paragraph 6, Article 10 of the Regulations shall be disclosed) | No | | |

II. Regarding the succeeding CPAs

| | |
|--|--|
| CPA firm | Deloitte Taiwan |
| Name of CPAs | CPA Yu-Feng Huang and CPA Cheng-Chih Lin |
| Date of Engagement | Approved by the Board of Directors on February 25, 2019. |
| Subjects discussed and the consultation results with the newly engaged CPAs regarding the accounting treatment of or application of accounting principles to a specified transaction, or the type of audit opinion that might be rendered on the Company's financial report prior to the formal engagement | Not Applicable. |
| Written views from the successor CPAs regarding the matters on which they did not agree with the former CPAs | Not Applicable. |

III. The former CPA's reply to Subparagraph 1 and Subparagraph 2-3, Paragraph 6, Article 10 of the Regulations:
Not applicable.

Chapter 7 Company Chairman, President, or Any Managerial Officer in Charge of Finance or Accounting Matters in the Most Recent Fiscal Year Holding A Position at the Company's CPA Accounting Firm or at an Affiliated Enterprise of Such Accounting Firm:

None.

Chapter 8 Equity Transfer or Changes of Equity Pledged by Directors, Managerial Officers, and Shareholders with 10 Percent Shareholdings or More in the Most Recent Year and Up to the Date of Publication of the Annual Report:

I. Regarding the Changes in Equity of Chairman, Managers and Shareholders

Unit: thousand shares

| Title | Name | 2020 | | As of March 31, 2021 | |
|--|------------------------------------|--------------------------------------|--|--------------------------------------|--|
| | | Addition (reduction) of shareholding | Addition (reduction) of pledged shares | Addition (reduction) of shareholding | Addition (reduction) of pledged shares |
| Substantial shareholder and Corporate Director | Powertech Technology Inc. | 0 | 0 | 0 | 0 |
| Representative of Corporate Director and Chairman | D.K. Tsai | 0 | 0 | 0 | 0 |
| Representative of Corporate Director and Chief Executive Officer | Boris Hsieh | 0 | 0 | 0 | 0 |
| Representative of Corporate Director and President | Louis Ning | -41 | 0 | 0 | 0 |
| Representative of Corporate Director | J.S. Leu | 0 | 0 | 0 | 0 |
| Representative of Corporate Director | Evan Tseng | 0 | 0 | 0 | 0 |
| Corporate Director | Hung-Wei Venture Capital Co., Ltd. | 0 | 0 | 0 | 0 |
| Representative of Corporate Director | Jr-Neng Chang | 0 | 0 | 0 | 0 |
| Independent Director | Chu-Chien Feng | 0 | 0 | 0 | 0 |
| Independent Director | Chi-Yung Wu | 20 | 0 | -20 | 0 |
| Independent Director | M.J. Chuang | 0 | 0 | 0 | 0 |
| Executive Vice President | Tonwey Cheng | 0 | 0 | 0 | 0 |
| Vice President of Manufacturing Division | Avis Lee | 0 | 0 | 0 | 0 |
| Vice President of Testing Division | Jones Chen | 0 | 0 | 0 | 0 |
| Vice President of Administration Division and CFO and Chief Corporate Governance Officer | Sheng Chen | 0 | 0 | 0 | 0 |
| Accounting Manager | Mei-Ling Lin | 0 | 0 | 0 | 0 |

II. Information on share transfer: None.

III. Information on changes in equity pledge: None.

Chapter 9 Relationship Information on the Company's Ten Largest Shareholders who are Related Parties or Relatives within the Second Degree of Kinship
As of March 30, 2021

| Name (Note 1) | Shares held in person | | Shares held by spouse and minor children | | Shareholding by nominee arrangement | | The titles or names and relationships of the top ten shareholders who are affiliates, spouses, or relatives within the second degree of kinship. (Note 3) | | Remarks |
|---|-----------------------|---------------------|--|---------------------|-------------------------------------|---------------------|---|--------------|---------|
| | Shares | Shareholding ratio% | Shares | Shareholding ratio% | Shares | Shareholding ratio% | Title | Relationship | |
| Powertech Technology Inc. Company Representative D.K. Tsai | 244,064,379 | 42.91 | - | - | - | - | None | None | |
| | 0 | 0 | - | - | - | - | None | None | |
| Weltrend Semiconductor, Inc. Company Representative Sam Lin | 9,789,000 | 1.72 | - | - | - | - | None | None | |
| | 120,000 | 0.02 | - | - | - | - | None | None | |
| Dedicated investment account from Norges Bank in the custody of CitiBank Taiwan | 7,273,000 | 1.28 | - | - | - | - | None | None | |
| CTBC Bank Co., Ltd. Company Representative Ming-Shieh Li | 6,975,000 | 1.23 | - | - | - | - | None | None | |
| | 0 | 0 | - | - | - | - | None | None | |
| Su-Yu Wu | 6,500,000 | 1.14 | 5,359,438 | 0.94 | - | - | Chuang-Hsien Chueh | Spouse | |
| Hung-Wei Venture Capital Co., Ltd. Company Representative: Po-Jen Yeh | 5,823,602 | 1.02 | - | - | - | - | None | None | |
| | 0 | 0 | - | - | - | - | None | None | |
| Chiu-Hsia Yang | 5,731,763 | 1.01 | - | - | - | - | None | None | |
| Chang Wah Electromaterials Inc. Chia-Neng Huang | 5,717,000 | 1.01 | - | - | - | - | None | None | |
| | 0 | 0 | - | - | - | - | None | None | |
| Chuang-Hsien Chueh | 5,359,438 | 0.94 | 6,500,000 | 1.14 | - | - | Su-Yu Wu | Spouse | |
| Dedicated investment account of Georgetown Emerging Market Fund commissioned to external manager Value Partners Hong Kong Co., Ltd. in the custody of Citibank Taiwan, Ltd. | 5,335,000 | 0.94 | - | - | - | - | None | None | |

Note 1: The top ten shareholders' names shall be identified separately (in the case of corporate shareholders, the corporate shareholders' names and representatives' names shall be identified separately).

Note 2: The ratio of shareholding is calculated in terms of shares held in person, shares held by spouse & children underage or shareholdings by nominee arrangement.

Note 3: Relationship between the aforementioned shareholders (including corporate shareholders and natural persons) shall be disclosed according to Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Chapter 10 Total Number of Shares Held by the Company, its Directors, Managerial Officers, and Companies Directly or Indirectly Controlled by the Company:
Greatek does not have any investment accounted for using the equity method.

Capital Overview

Chapter 1 Capital and Shares

I. Sources of Capital

Unit: 1,000 shares; NT\$1,000

| Month/Year | Issue Price (Per Share) | Authorized capital | | Paid-in capital | | Remarks | | | |
|------------|-------------------------|--------------------|-----------|-----------------|-----------|---|--------------------|--|--|
| | | Shares | Amount | Quantity | Amount | Sources of capital | | Capital increase by assets other than cash | Other |
| 02/1983 | 10 | 100 | 1,000 | 100 | 1,000 | Total capital at incorporation | | None | - |
| 06/1984 | 10 | 1,000 | 10,000 | 1,000 | 10,000 | Capital increase by cash | 9,000 | None | - |
| 07/1986 | 10 | 2,000 | 20,000 | 2,000 | 20,000 | Capital increase by cash | 10,000 | None | - |
| 08/1987 | 10 | 3,000 | 30,000 | 3,000 | 30,000 | Capital increase by cash | 10,000 | None | - |
| 09/1988 | 10 | 4,000 | 40,000 | 4,000 | 40,000 | Capital increase by cash Capital increase by retained earnings | 4,000 6,000 | None | - |
| 11/1995 | 10 | 60,000 | 600,000 | 18,000 | 180,000 | Capital increase by cash | 140,000 | None | MOEA (85) No. 120246 on January 17, 1996 |
| 04/1996 | 10 | 60,000 | 600,000 | 30,000 | 300,000 | Capital increase by cash | 120,000 | None | Tai-Cai-Zheng- (1) No. 20596 on March 26, 1996 |
| 07/1997 | 10 | 60,000 | 600,000 | 60,000 | 600,000 | Capital increase by cash | 300,000 | None | Tai-Cai-Zheng- (1) No. 42708 on May 30, 1997 |
| 07/1998 | 10 | 200,000 | 2,000,000 | 121,375 | 1,213,750 | Capital increase by cash Capital increase by retained earnings | 400,000 213,750 | None | Tai-Cai-Zheng- (1) No. 46158 on May 27, 1998 |
| 07/1999 | 10 | 200,000 | 2,000,000 | 149,481 | 1,494,809 | Capital increase by retained earnings | 281,059 | None | Tai-Cai-Zheng- (1) No. 60663 on July 5, 1999 |
| 06/2000 | 10 | 200,000 | 2,000,000 | 184,282 | 1,842,819 | Capital increase by retained earnings Capital surplus | 310,640 37,370 | None | Tai-Cai-Zheng- (1) No. 42525 on May 16, 2000 |
| 07/2001 | 10 | 390,000 | 3,900,000 | 223,672 | 2,236,722 | Capital increase by retained earnings | 393,903 | None | Tai-Cai-Zheng- (1) No. 140400 on June 26, 2001 |
| 08/2002. | 10 | 390,000 | 3,900,000 | 237,382 | 2,373,820 | Capital increase by retained earnings | 137,098 | None | Tai-Cai-Zheng- (1) No. 139597 on July 16 |
| 08/2003 | 10 | 390,000 | 3,900,000 | 267,823 | 2,678,230 | Capital increase by retained earnings | 304,407 | None | Tai-Cai-Zheng- (1) No. 132113 on July 17 |
| 01/2004 | 10 | 390,000 | 3,900,000 | 268,626 | 2,686,263 | Conversion of convertible bonds | 8,036 | None | MOEA No. 09301010410 on January 19 |
| 04/2004 | 10 | 390,000 | 3,900,000 | 285,946 | 2,859,462 | Conversion of convertible bonds | 173,199 | None | MOEA No. 09301068910 on April 27 |
| 07/2004 | 10 | 390,000 | 3,900,000 | 286,743 | 2,867,426 | Conversion of convertible bonds | 7,964 | None | MOEA No. 9301133050 on July 29 |

| Month/Year | Issue Price (Per Share) | Authorized capital | | Paid-in capital | | Remarks | | | |
|------------|-------------------------|--------------------|-----------|-----------------|-----------|--|--|-------|--|
| | | Shares | Amount | Quantity | Amount | Sources of capital | Capital increase by assets other than cash | Other | |
| 09/2004 | 10 | 390,000 | 3,900,000 | 319,603 | 3,196,028 | Conversion of convertible bonds Capital increase by retained earnings | 29,346 299,256 | None | MOEA No. 09301175420 on September 21 Tai-Cai-Zheng- (1) No. 132638 on July 21 |
| 01/2005 | 10 | 390,000 | 3,900,000 | 325,028 | 3,250,279 | Conversion of convertible bonds | 54,251 | None | MOEA No. 09401010480 on January 18 |
| 05/2005 | 10 | 390,000 | 3,900,000 | 327,425 | 3,274,246 | Conversion of convertible bonds | 23,967 | None | MOEA No. 09401075860 on May 2 |
| 07/2005 | 10 | 390,000 | 3,900,000 | 327,631 | 3,276,311 | Conversion of convertible bonds | 2,065 | None | MOEA No. 09401132870 on July 14 |
| 09/2005 | 10 | 490,000 | 4,900,000 | 366,810 | 3,668,102 | Capital increase by retained earnings | 391,791 | None | FSC(1) No. 0940127168 on July 6 |
| 10/2005 | 10 | 490,000 | 4,900,000 | 370,632 | 3,706,325 | Conversion of convertible bonds | 38,223 | None | MOEA No. 09401206040 on October 17 |
| 01/2006 | 10 | 490,000 | 4,900,000 | 372,132 | 3,721,325 | Conversion of convertible bonds | 15,000 | None | MOEA No. 09501008350 on January 16 |
| 04/2006 | 10 | 490,000 | 4,900,000 | 372,193 | 3,721,927 | Conversion of convertible bonds | 602 | None | MOEA No. 09501066890 on April 20 |
| 07/2006 | 10 | 490,000 | 4,900,000 | 372,475 | 3,724,751 | Conversion of convertible bonds | 2,824 | None | MOEA No. 09501148210 on July 17 |
| 09/2006 | 10 | 490,000 | 4,900,000 | 421,246 | 4,212,459 | Capital increase by retained earnings | 487,708 | None | FSC(1) No. 0950129104 on July 7 |
| 10/2006 | 10 | 490,000 | 4,900,000 | 421,553 | 4,215,530 | Conversion of convertible bonds | 3,071 | None | MOEA No. 09501233690 on October 17 |
| 01/2007 | 10 | 490,000 | 4,900,000 | 425,099 | 4,250,989 | Conversion of convertible bonds | 35,459 | None | MOEA No. 09601010340 on January 16 |
| 09/2007 | 10 | 600,000 | 6,000,000 | 474,230 | 4,742,303 | Capital increase by retained earnings | 491,314 | None | FSC(1) No. 0960037711 on July 19 |
| 09/2008 | 10 | 600,000 | 6,000,000 | 519,556 | 5,195,556 | Capital increase by retained earnings | 453,253 | None | FSC(1) No. 0970037456 on July 24 |
| 09/2009 | 10 | 600,000 | 6,000,000 | 540,338 | 5,403,379 | Capital increase by retained earnings | 207,822 | None | FSC(Fa) No. 0980037015 on July 23 |
| 04/2010 | 10 | 600,000 | 6,000,000 | 541,103 | 5,411,029 | Exercise of employee stock option | 7,650 | None | MOEA No. 09901075700 on April 26 |
| 09/2010 | 10 | 600,000 | 6,000,000 | 541,235 | 5,412,349 | Exercise of employee stock option | 1,320 | None | MOEA No. 09901207440 on September 14 |

| Month/Year | Issue Price (Per Share) | Authorized capital | | Paid-in capital | | Remarks | | | |
|------------|-------------------------|--------------------|-----------|-----------------|-----------|---------------------------------------|--|-------|-------------------------------------|
| | | Shares | Amount | Quantity | Amount | Sources of capital | Capital increase by assets other than cash | Other | |
| 09/2010 | 10 | 600,000 | 6,000,000 | 552,057 | 5,520,569 | Capital increase by retained earnings | 108,221 | None | FSC(Fa) No. 0990038283 on July 22 |
| 11/2010 | 10 | 600,000 | 6,000,000 | 552,888 | 5,528,879 | Exercise of employee stock option | 8,310 | None | MOEA No. 09901256230 on November 16 |
| 04/2011 | 10 | 600,000 | 6,000,000 | 553,538 | 5,535,379 | Exercise of employee stock option | 6,500 | None | MOEA No. 10001073230 on April 14 |
| 04/2012 | 10 | 600,000 | 6,000,000 | 554,038 | 5,540,379 | Exercise of employee stock option | 5,000 | None | MOEA No. 10101065010 on April 13 |
| 04/2013 | 10 | 600,000 | 6,000,000 | 554,073 | 5,540,729 | Exercise of employee stock option | 350 | None | MOEA No. 10201066700 on April 12 |
| 05/2013 | 10 | 600,000 | 6,000,000 | 554,125 | 5,541,249 | Exercise of employee stock option | 520 | None | MOEA No. 10201088280 on May 13 |
| 01/2014 | 10 | 600,000 | 6,000,000 | 568,846 | 5,688,459 | Exercise of employee stock option | 147,210 | None | MOEA No. 10301007440 on January 15 |

As of March 30, 2021; Unit: shares

| Type of shares | Authorized capital | | | Remarks |
|----------------|--------------------|-----------------|-------------|--------------------------|
| | Outstanding shares | Unissued shares | Total | |
| Ordinary share | 568,845,921 | 31,154,079 | 600,000,000 | Shares of listed company |

Note: Greatek did not offer and issue securities by shelf registration.

II. Shareholder Structure as of March 30, 2021

| Item \ Structure | Government Agencies | Financial institutions | Other Corporate Shareholders | Domestic Natural Persons | Foreign Institutions and Natural Persons | Total |
|------------------------|---------------------|------------------------|------------------------------|--------------------------|--|-------------|
| Number of shareholders | 5 | 28 | 127 | 30,040 | 256 | 30,456 |
| Shares held | 6,801,247 | 25,392,770 | 283,771,181 | 156,216,368 | 96,664,355 | 568,845,921 |
| Shareholding ratio (%) | 1.20 | 4.46 | 49.89 | 27.46 | 16.99 | 100.00 |

Note: The Company does not have shares held by investors from Mainland China.

III. Distribution of Shares As of March 30, 2021

| Shareholding range | Number of shareholders | Shares held (in number of shares) | Shareholding ratio (%) |
|---------------------|------------------------|-----------------------------------|------------------------|
| 1 - 999 | 7,913 | 1,354,896 | 0.24% |
| 1,000 - 5,000 | 18,059 | 35,291,711 | 6.20% |
| 5,001 - 10,000 | 2,203 | 17,062,802 | 3.00% |
| 10,001 - 15,000 | 704 | 8,874,586 | 1.56% |
| 15,001 - 20,000 | 418 | 7,657,978 | 1.35% |
| 20,001 - 30,000 | 373 | 9,563,990 | 1.68% |
| 30,001 - 50,000 | 287 | 11,567,845 | 2.03% |
| 50,001 - 100,000 | 199 | 13,928,462 | 2.45% |
| 100,001 - 200,000 | 124 | 17,511,282 | 3.08% |
| 200,001 - 400,000 | 62 | 17,019,130 | 2.99% |
| 400,001 - 600,000 | 32 | 15,313,448 | 2.69% |
| 600,001 - 800,000 | 21 | 14,277,393 | 2.51% |
| 800,001 - 1,000,000 | 8 | 7,165,916 | 1.26% |
| 1,000,001 or more | 53 | 392,256,482 | 68.96% |
| Total | 30,456 | 568,845,921 | 100.00% |

IV. List of Substantial Shareholders as of March 30, 2021

| Name of substantial shareholder | Shareholding | Shares held (in number of shares) | Shareholding ratio (%) |
|---|--------------|-----------------------------------|------------------------|
| Powertech Technology Inc. | | 244,064,379 | 42.91% |
| Weltrend Semiconductor, Inc. | | 9,789,000 | 1.72% |
| Dedicated investment account from Norges Bank in the custody of CitiBank Taiwan | | 7,273,000 | 1.28% |
| CTBC Bank Co., Ltd. | | 6,975,000 | 1.23% |
| Su-Yu Wu | | 6,500,000 | 1.14% |
| Hung-Wei Venture Capital Co., Ltd. | | 5,823,602 | 1.02% |
| Chiu-Hsia Yang | | 5,731,763 | 1.01% |
| Chang Wah Electromaterials Inc. | | 5,717,000 | 1.01% |
| Chuang-Hsien Chueh | | 5,359,438 | 0.94% |
| Dedicated investment account of Georgetown Emerging Market Fund commissioned to external manager Value Partners Hong Kong Co., Ltd. in the custody of Citibank Taiwan, Ltd. | | 5,335,000 | 0.94% |

V. Information on Market Value, Net Value, Earnings, and Dividends Per Share

| Item | | Year | | | |
|---------------------------------|--|----------------------------------|---------|-------------------------------|---|
| | | 2019 | 2020 | As of March 31, 2021 (Note 8) | |
| Market value per share (Note 1) | Highest | 48.15 | 58.40 | 76.1 | |
| | Lowest | 39.85 | 33.90 | 54.4 | |
| | Average | 42.94 | 48.46 | 66.63 | |
| Net worth per share (Note 2) | Before distribution | 29.28 | 31.64 | - | |
| | After distribution | 26.98 | - | - | |
| Earnings per share (EPS) | Weighted average number of shares (in thousand shares) | 568,846 | 568,846 | - | |
| | Earnings per share, EPS (Note 3) | 3.33 | 4.68 | - | |
| Dividends per share | Cash dividends | | 2.30 | 3.10 | - |
| | Share dividends | Dividends from retained earnings | - | - | - |
| | | Dividends from capital surplus | - | - | - |
| | Accumulated undistributed dividends (Note 4) | | - | - | - |
| Return on Investment Analysis | Price-to-earnings ratio (Note 5) | | 12.89 | 10.35 | - |
| | Price-to-dividends ratio (Note 6) | | 18.67 | 15.63 | - |
| | Dividend yield (Note 7) | | 5.36% | 6.40% | - |

* In the case of shares distribution from retained earnings or capital surplus, please also disclose the information about the market value and cash dividend adjusted retroactively based on the quantity of shares distributed.

Note 1: Please identify the highest market value and the lowest market value of the ordinary shares in each year, and calculate the average market price for each year based on the trading value and volume for each year.

Note 2: Please apply the quantity of shares already issued at the end of the year and identify the status of distribution according to the resolution made by the Shareholders' Meeting held in the following year.

Note 3: If it is necessary to make adjustment retroactively due to share dividends, please identify the EPS before and after the adjustment.

Note 4: If the terms and conditions under which the equity securities are issued provide that the stock dividend retained in the year may be accumulated until the year in which there are allocable earnings available, please disclose the retained stock dividend accumulated until the then year.

Note 5: Price-to-Earnings Ratio=Average Closing Price Per Share in Current Year/Earnings Per Share.

Note 6: Price-to-Dividends Ratio=Average Closing Price Per Share in current year/Cash Dividend Per Share.

Note 7: Dividend Yield=Cash Dividend Per Share/Average Closing Price Per Share in current year.

Note 8: Please identify the net value per share and EPS available in the latest quarterly financial information audited (reviewed) by the independent auditor before the date of publication of the annual report, and the information available until the date of publication of the Annual Report in the Other sections.

VI. Dividend Policy and Implementation Status

(I) Dividend policy in the Articles of Incorporation:

The Company's dividend policy is based on a balanced dividends principle in line with the Articles of Incorporation. Fitting with the Company's long-term development plan, the overall business environment, and the industry growth status, the Company must take into account its capital needs and expansions as well as the Shareholders' rights and interests. Considering all circumstances, a mix of cash and share dividends will be distributed, in which the cash dividend ratio shall be no less than 30% of the total dividends to be distributed.

Pursuant to our dividend policy, dividend distribution accounts for 50% to 80% of the current year's net income. In 2021, a resolution of a cash dividend distribution that accounts for 66% of 2020's net income is proposed for approval at the Shareholders' Meeting.

- (II) Appropriation of dividends proposed at the Shareholders' Meeting:
1. On February 26, 2021, the Board of Directors has approved of cash dividend of NT\$1,763,422,356, based on the current 568,845,921 shares outstanding, each share will be distributed with NT\$3.1.
 2. If the subsequent amendment from competent authority, repurchasing of Greatek's shares, transfer and retirement of treasury stocks, or other factors that affect the number of shares in circulation take place, leading to a change of shareholders' distribution rate, the Board of Directors will be authorized to adjust it accordingly.
 3. Upon resolution from the Shareholders' Meeting, the cash dividend is calculated based on the shares held by the shareholders recorded in the register of shareholders on the ex-dividend record date and is rounded down to the nearest dollar based on the distribution ratio. The fractional amounts are aggregated and recognized in Greatek's other income.
- (III) Any expected material changes to the dividend policy should be further explained.
None.

VII. Effect of allocation of dividends proposed at the Shareholders' Meeting on the operational performance of the Company and the Earnings Per Share:

The proposal regarding earnings distribution, depending resolution from the Shareholders' Meeting, is to distribute NT\$3.1 of cash dividend per share. No share dividend will be issued.

VIII Employee and Directors' Remunerations:

- (I) Proportion or scope of employee and Directors' remuneration as stated in the Company's Articles of Incorporation:
Pursuant to provisions in Article 24 of the Articles of Incorporation: The Company shall appropriate 9% to 15% of the net income before tax of the fiscal year as employees' compensations and no more than 3% as remuneration for Directors.
In the event that the Company has accumulated losses (including adjustment of unappropriated earnings), profit shall first be used to offset accumulated losses. The above remuneration to the employees may be allotted in cash or shares, eligible personnel includes employees at subsidiaries that meet the requirement by the Board. The above remuneration to the Directors can only be in cash.
The preceding two paragraphs shall be determined by the resolution of Board of Directors and reported to the Shareholders' Meeting.
Greatek elected three Independent Directors in the Shareholders' Meeting on May 29, 2018 and established an Audit Committee to take on the duties of Supervisors.
- (II) Basis used for employee and Directors' remuneration for the year, basis used for calculating the number of shares distributed as employee remunerations, and the accounting treatment in case of variances between the actual distribution and the estimates:
The basis of estimation for the employee and Directors' remunerations lies in Article 24 of the Articles of Incorporation. If there is a change in the amounts after the date of publication of the financial statements, the variances shall be treated as a change in the accounting estimate in the following year.
- (III) Information on any approval by the Board of Directors regarding distribution of remuneration:
1. Employee remunerations will be distributed in cash or shares, and Directors' remunerations in cash. If there is any discrepancy between that amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the treatment shall be disclosed:
On February 26, 2021, the Board of Directors has approved of distribution of employees and Directors' remunerations for 2020

| Item | Amount | Ratio of distribution based on Articles of Incorporation |
|-----------------------------|-------------|--|
| Employee cash remuneration | 359,412,032 | 9.62% |
| Directors cash remuneration | 71,882,406 | 1.92% |

There is no deviation found between the Board of Directors' proposed distribution of remunerations for employees and Directors and the amounts recognized in the 2020 financial statements.

2. The amount of any employee remuneration distributed in shares, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee compensation:

Greatek does not distribute share dividends to employees in 2020.

- (IV) The actual distribution of employee and Directors' remuneration in the previous year (including the number, amount and share price of shares appropriated), the deviation between the actual allocation and the estimated figures, if any, and cause and treatment thereof:

On March 3, 2020, the Board of Directors has approved of, and it was announced at the Shareholders' Meeting on May 27, 2020, that NT\$52,582,148 and NT\$262,910,739 would be distributed as Directors' and employees' remunerations, respectively. There was no discrepancy found between the actual distributions and the amounts recognized in the 2019 financial statements.

IX. Share repurchases:

None.

Chapter 2 Corporate Bonds:

None.

Chapter 3 Preferred Shares:

None.

Chapter 4 Overseas Depository Receipts:

None.

Chapter 5 Employee Stock Options:

None.

Chapter 6 Restricted Employee Shares:

None.

Chapter 7 Status of New Shares Issuance in Connection with Mergers and Acquisitions

None.

Chapter 8 Implementation of Capital Utilization Plan

None.

Operational Highlights

Chapter 1 Business Activities

I. Scope of Business

(I) Primary business and services

1. The manufacturing, testing, packaging, and trading business of all kinds of integrated circuit (IC).
2. The design of the preceding business.
3. Bidding and quotation business of products from domestic and foreign IC manufacturers.
4. Import and export business related to IC products.
5. F401021 Telecommunications Control RF Equipment Input Industry
6. In addition to the approved scope of business, the Company may engage in all businesses except those which are otherwise prohibited or restricted by law.

(II) Ratio of major products/services

| | In Yr 2020 | Unit: NT\$ thousands |
|-----------|-----------------------|----------------------|
| Item | Net operating revenue | Revenue Proportion |
| Packaging | 12,322,638 | 83.8% |
| Testing | 2,379,044 | 16.2% |
| Total | 14,701,682 | 100.00% |

(III) The Company's current products (services):

Currently, the Company's major products (services) can be divided into packaging and testing services:

1. Packaging products (services) include:

- Traditional Lead Frame Packaging
- Quad Flat No-Lead (QFN) Packaging
- Ball Grid Array Packaging
- Flip Chip Packaging
- 8" Wafer Level Chip Scale Packaging

2. Testing services include wafer testing and finished products testing.

(IV) New products and services in development:

Based on developments and applications of wireless network communications, smart appliances, mobile products, and the emerging wearable devices, the Internet of Things (IoT) and cloud computing and storage in recent years, it is also necessary to factor in lightweight, thinness, and low-cost into consideration when developing the wafer chip scale packaging for communications, controllers, power management, RAM, and peripheral products. In response to the development of the overall industry and demand from the applications market, Greatek has been actively developing various products ranging from Flip Chip, Bumping Technology, Backend Integration for Wafer Level Chip Scale Packaging (WLCSP), Flash Memory, BGA/LGA production, FC/CSP, Automotive Packages, to Security IC Assembly. The key developments in 2019 included bigger package size of BGA/LGA, 5G Wi-Fi products, FC-SOP series, and FC-TSOT series applications. Concurrently, we are also actively developing System in a Package (SiP) to provide comprehensive, well-rounded services to both domestic and foreign customers. In 2020, we were committed to the research and development (R&D) and mass production of new types of packaging technologies such as Extremely Thin QFN/DFN, and LQFP 216L(EP) Stacked Die, as well as the R&D of High End Testers. Key developments in 2021 will include the following: enhancing GaN Wafer Sawing, Fine Pitch Bonding, High Pin count BGA and RF Testing capabilities, and introducing Hybrid/High Thermal products.

II. Industry Overview:

(I) The semiconductor market:

1. 2020 global semiconductor sales data:

Based on statistical data from WSTS, the annual global sales of semiconductor industry reached US\$440.4 billion, showing a 6.8% growth from 2019; a total of 953.7 billion units were sold, showing a 2.3% growth from 2019; and ASP was US\$0.462, showing a 4.4% growth from 2019.

Among them:

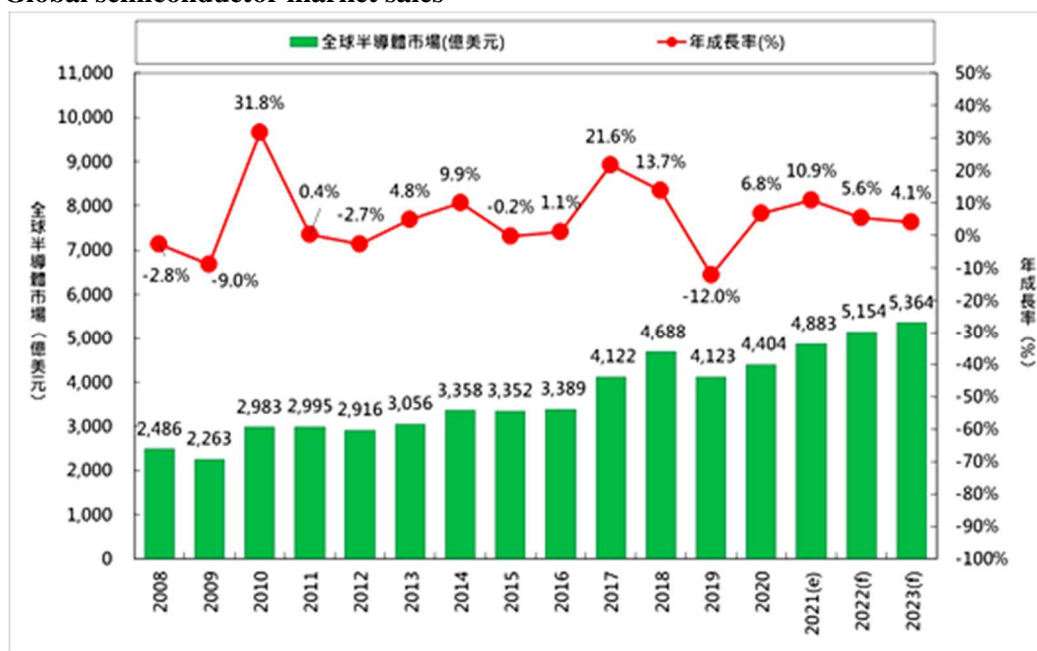
The US semiconductor market sales reached US\$95.4 billion, grew 21.3% YoY;

Japan's semiconductor market sales reached US\$36.5 billion, grew 1.3% YoY;

The European semiconductor market sales reached US\$37.5 billion, declined 5.8% YoY;

and Asia's semiconductor market sales reached US\$271 billion, grew 5.1% YoY;

Global semiconductor market sales



Global semiconductor market (in US\$100 million)

Annual growth rate (%)

Source: World Semiconductor Trade Statistics (WSTS) and Industry, Science & Technology International Strategy Center (ISTI), Industrial Technology Research Institute (ITRI) (February 2021)

2. Global semiconductor market trends in 2021

Though COVID-19 pandemic had affected the global economy, the overall semiconductor market's performance was beyond expectations, benefiting from the demand for 5G, work from home, and remote learning, seeing clear order visibility through the end of second quarter of 2021. According to market survey, forecasts from research institutions, the annual growth rate of the global semiconductor market will hit approximately 10% in 2021. However, the WSTS and IDC are relatively more conservative and have made forecasts of 8.4% and 7.7% growth, respectively. Others include Gartner, which predicts an 11.6% growth, and IC Insights estimates an annual growth rate of up to 12%.

3. Taiwan's semiconductor sales data in 2020

According to statistical data from the Industry, Science & Technology International Strategy Center (ISTI), Industrial Technology Research Institute (ITRI), the output value of Taiwan's IC industry had reached NT\$3.2222 trillion (US\$108.9 billion) in 2020, showing a 20.9% increase from 2019. Among them:

The output of IC design industry had reached NT\$852.9 billion (US\$28.8 billion), showing a 23.1% increase from 2019;

the IC manufacturing industry had reached NT\$1.8203 trillion (US\$61.5 billion),

showing a 23.7% increase from 2019;
the IC packaging industry had reached NT\$377.5 billion (US\$12.8 billion),
showing a 9.0% increase from 2019;
and the IC testing industry had reached NT\$171.5 billion (US\$5.8 billion),
indicating an 11.1% increase from 2019.
The exchange rate of the New Taiwan Dollar (NTD) to the US Dollar is set at 29.6.

● Statistical results of Taiwan's IC industry output value in 2020

| in NT\$100 million | Q1 2020 | QoQ % | YoY % | Q2 2020 | QoQ % | YoY % | Q3 2020 | QoQ % | YoY % | Q4 2020 | QoQ % | YoY % | 2020 | YoY % |
|--|---------|-------|-------|---------|-------|-------|---------|-------|-------|---------|-------|-------|--------|-------|
| IC industry output value | 7,238 | -4.0% | 28.3% | 7,497 | 3.6% | 19.9% | 8,670 | 15.6% | 20.1% | 8,817 | 1.7% | 16.9% | 32,222 | 20.9% |
| IC design industry | 1,745 | -7.7% | 18.1% | 1,879 | 7.7% | 10.6% | 2,435 | 29.6% | 30.9% | 2,470 | 1.4% | 30.6% | 8,529 | 23.1% |
| IC manufacturing industry | 4,193 | -1.6% | 36.6% | 4,273 | 1.9% | 27.0% | 4,805 | 12.5% | 19.3% | 4,932 | 2.6% | 15.7% | 18,203 | 23.7% |
| Wafer foundry | 3,786 | -1.7% | 39.0% | 3,828 | 1.1% | 28.0% | 4,314 | 12.7% | 21.1% | 4,369 | 1.3% | 13.5% | 16,297 | 24.2% |
| Memory and other manufacturing | 407 | -1.2% | 18.0% | 445 | 9.3% | 19.0% | 491 | 10.3% | 5.6% | 563 | 14.7% | 36.7% | 1,906 | 19.4% |
| IC packaging industry | 895 | -7.3% | 18.9% | 910 | 1.7% | 12.3% | 990 | 8.8% | 5.9% | 980 | -1.0% | 1.6% | 3,775 | 9.0% |
| IC testing industry | 405 | -4.7% | 18.1% | 435 | 7.4% | 14.5% | 440 | 1.1% | 11.1% | 435 | -1.1% | 2.4% | 1,715 | 11.1% |
| IC product output value | 2,152 | -6.6% | 18.0% | 2,324 | 8.0% | 12.1% | 2,926 | 25.9% | 25.8% | 3,033 | 3.7% | 31.7% | 10,435 | 22.4% |
| Global semiconductor market (in US\$100 million) & Growth rate (%) | - | - | - | - | - | - | - | - | - | - | - | - | 4,404 | 6.8% |

Source: Taiwan Semiconductor Industry Association (TSIA) and Industry, Science & Technology International Strategy Center (ISTI),
Industrial Technology Research Institute (ITRI) (February 2021)

4. Taiwan's semiconductor industry prospects for 2021

As for the IC packaging and testing industry in Taiwan in 2021, Taiwan Semiconductor Industry Association (TSIA) and the ISTI at ITRI have predicted that, given the COVID-19 pandemic conditions are expected to stabilize, the broad rollout of vaccines will gradually rekindle the global economy, and sales of consumer electronics are expected to pick up, Taiwan's IC industry is expected to grow. This is because Taiwan has the world's state-of-the-art packaging and testing capacity and IC heterogeneous integration packaging and testing technologies, enabling us to satisfy the need for highly integrated and high-performance IC required for consumer electronics products around the world. It is expected that Taiwan's IC industry output value will reach NT\$3.4981 trillion in 2021, showing an 8.6% growth over 2020. Among them:

The output of IC design industry is expected to reach NT\$945.9 billion, grew 10.9% YoY;

The output of IC manufacturing industry is expected to reach NT\$1.9657 trillion, grew 8.0% YoY.

The output of IC packaging industry is expected to reach NT\$402.5 billion, grew 6.6% YoY;

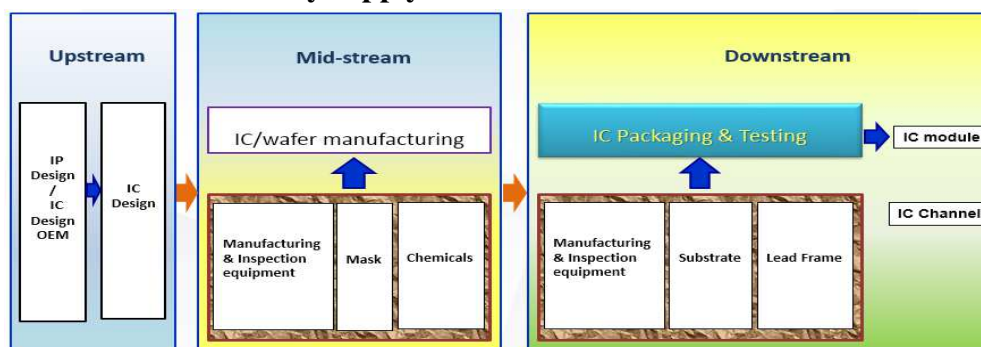
and the output of IC testing industry is expected to reach NT\$184 billion, grew 7.3% YoY.

●Taiwan's IC industry output value from 2017 to 2021

| in NT\$100 million | 2017 | 2017 YoY% | 2018 | 2018 YoY% | 2019 | 2019 YoY% | 2020 | 2020 YoY% | 2021 (e) | 2021 (e) YoY% |
|--|--------|-----------|--------|-----------|--------|-----------|--------|-----------|----------|---------------|
| IC industry output value | 24,623 | 0.5% | 26,199 | 6.4% | 26,656 | 1.7% | 32,222 | 20.9% | 34,981 | 8.6% |
| IC design industry | 6,171 | -5.5% | 6,413 | 3.9% | 6,928 | 8.0% | 8,529 | 23.1% | 9,459 | 10.9% |
| IC manufacturing industry | 13,682 | 2.7% | 14,856 | 8.6% | 14,721 | -0.9% | 18,203 | 23.7% | 19,657 | 8.0% |
| Wafer foundry | 12,061 | 5.0% | 12,851 | 5.0% | 13,125 | 2.1% | 16,297 | 24.2% | 17,675 | 8.5% |
| Memory and other manufacturing | 1,621 | -11.8% | 2,005 | 23.7% | 1,596 | -20.4% | 1,906 | 19.4% | 1,982 | 4.0% |
| IC packaging industry | 3,330 | 2.8% | 3,445 | 3.5% | 3,463 | 0.5% | 3,775 | 9.0% | 4,025 | 6.6% |
| IC testing industry | 1,440 | 2.9% | 1,485 | 3.1% | 1,544 | 4.0% | 1,715 | 11.1% | 1,840 | 7.3% |
| IC product output value | 7,792 | -6.9% | 8,418 | 8.0% | 8,524 | 1.3% | 10,435 | 22.4% | 11,441 | 9.6% |
| Global semiconductor market (in US\$100 million) & Growth rate (%) | 4,122 | 21.6% | 4,688 | 13.7% | 4,123 | -12.0% | 4,404 | 6.8% | 4,883 | 10.9% |

Source: TSIA; Science & Technology International Strategy Center (ISTI), Industrial Technology Research Institute (ITRI) (February 2021) Note: (e) indicates estimate.

5. Industry upstream, midstream, and downstream correlations within the semiconductor industry supply chain



Source: [http://ic.gretai.org.tw/introduce.php? ic=D000](http://ic.gretai.org.tw/introduce.php?ic=D000), Greatek

(II) Product development trends and competition

The global semiconductor industry has been rapidly changing and evolving in recent years. New applications are continuously being developed, and new products are continuously launched to gain new ground. In order to retain existing market shares, various processes and technologies are utilized to lower the costs of existing products. As the sizes of electronic products become even smaller, the development trend for IC packaging models tend to opt for surface adhesion. During this evolutionary process, it has also become mainstream practices for lead frames to become optimally short bond wires, multiple leads, thin profile and custom-made.

1. IC packaging

Taiwan's semiconductor industry has gradually recovered in 2020, and QFN/lead frame have become the major types of package, accounting for 30.8%. This is followed by SO/FP/CC models at 30.3%. As the electronic system products are becoming lighter, thinner, energy-saving, affordable, and faster, the packaging models with the best development opportunities are: COLQFN, FCQFN, Multiple Row QFN, FIWLP, FOWLP, FCBGA, TSV, and 3D IC. Additionally, the trend of integration between logic IC and memory IC has also become more apparent.

2. IC testing

In terms of testing, the long-term goal constantly pursued by testing providers is to test the most number of products in the shortest time frame by using the most

suitable testing equipment. The development of multi-die testing is a crucial way to enhance testing productivity while effectively reducing costs. Also, testing providers can save manpower and time by coordinating with customers' one-stop shop demand. The provision of turnkey service is another fairly important competitive niche. In line with the development of lighter and smaller IC packages, the provision of high-speed, high lead count and highly reliable automated IC testing equipment can reduce human errors, leading to more satisfactory quality and lead time services. This is the long-term objective for IC testing.

3. Competition

Greatek's packaging industry competitors include ASE, SPIL, OSE, and Lingsen, while domestic testing competitors include Sigurd, KYEC, and ChipMOS. There are also a number of competitors from China, including JCET, Tianshui Huatian, Nantong Fujitsu, and UNISEM, who have competed for orders from domestic and foreign customers with low pricing strategy. In addition, the Chinese government is encouraging its semiconductor industry through offering investment incentives such as lease and tax subsidies, helping its wafer OEM, IC design, and packaging/testing industries to penetrate the market with low prices and threatening the existing equilibrium of industry chain.

III. Technology and R&D Overview:

(I) Technology and R&D Overview

1. Strategies:

Lower-end packaging and testing service providers have gradually relocated to China or other low cost regions. It is inevitable for Taiwan's packaging and testing providers to move toward more advanced product technologies in the future. Higher frame count, fine pitch, and multi-die packaging will be the strategy and target for our packaging/testing R&D.

2. Expenses:

The R&D expense in 2020 was approximately NT\$232 million, accounting for 1.6% of the revenues. R&D expense in 2021 will maintain their 2020 level .

(II) Technologies or products developed in the most recent fiscal year

Packaging product development is based on the demand in the consumer electronics market. The trend toward lighter, thinner, and smaller products is making producers scrambling to miniaturize electronic components, resulting in products such as QFN, DFN, multi-array QFN, WLP, and CSP and more. Concurrently, packaging/testing providers have also achieved waste reduction, green, and pollution-free standards under the environmental protection trends and requests.

Greatek has developed the following products and technologies in recent years:

1. The development and introduction of such lighter, thinner, and smaller electronic component packaging products as BGA/LGA, Flip Chip, and more.
2. Introduction and production of green and eco-friendly materials; new materials were developed based on EU's Restriction of Hazardous Substances in Electrical and Electronic Equipment (RoHS) Directive.
3. Introduction of new equipment, development of new technologies, and development and introduction of design for high-density, low-cost carriers under the principle of reducing packaging material costs.

(III) Future R&D strategies and objectives

1. R&D strategies and objectives

In view of the increasing number of competitors in the current IC packaging market, only those who can continuously make accurate R&D investments may survive in the market. Therefore, Greatek has always been focused on R&D investments and we are gradually increasing the number of relevant R&D personnel, leading to positive R&D results and performance. Key R&D targets for 2021 include: GaN Wafer Sawing, Fine Pitch Bonding, High Pin count BGA, Hybrid/High Thermal, and RF Testing. We will also continue to develop wafer level chip scale packaging (WLP chip scale package) products, SiP, and high-density substrates. Greatek will stay on top of market developments and demand, and work in line with customers' new product and technical developments so as to provide satisfactory services to our customers.

2. Description of sources of major technologies

Presently, the development of packaging technologies has entered into a highly competitive phase with countless number of service providers and technologies. CSP alone has as many as 50 methods and specifications that have not been standardized. Each IC manufacturer has a different design; hence, the source of technology is based on the acquisition of core technologies rather than application technologies. Greatek spares no effort in obtaining basic technologies, including circuit and electrical analysis, heat flow analysis, substrate circuit layout, and stress analysis, from ITRI and academic circles, and relevant equipment manufacturers. We also dispatch personnel on overseas visits to learn technologies and to participate in seminars via various collaboration opportunities and strategic alliances. Greatek sets strategic products in each year based on developments in product trends. Besides, we also form partnerships or technical collaborations with renowned domestic and foreign vendors and research institutions to acquire advanced technologies.

IV. Short and Long-term Business Development Plans:

(I) Long-term R&D (2-to-3-year projects)

Greatek's long-term strategic product is focused on integrating bumping technology with multi-die packaging. We will strive to develop lighter and smaller devices, and then coordinate with system vendors to develop SiP with reduced costs and high performance. We will introduce advanced technologies, expand market shares, and increase profitability under the ongoing trend toward lightweight and smaller sized products.

(II) Short-term R&D (1-to-2-year projects)

Currently, Greatek's short-term strategic products are focused on lead frame packaging with copper bonding wire and silver bonding wire technologies, as well as WLCSP packaging, testing, slicing, and winding. To meet customers' new product needs, we will also develop new processes for multi-component packaging, as well as the component testing capacity for high-speed, high-frequency, and mixed-signal components on high-end testing platforms. These efforts will continue to drive our turn-key operating model and help to create opportunities in the mass production market.

Chapter 2 Market and Industry Overview

I. Market Analysis

(I) Sales region of major products

In 2020, most of Greatek's packaging and testing OEM customers are from the domestic IC design industry, who account for approximately 76.92%, while exports account for 23.08%. The Americas accounted for 8.89% of export customers, followed by Europe with 7.88%, and Asia with 6.31%.

(II) Market share

In 2020, Taiwan's IC packaging and testing industry's output value has reached NT\$5.49 trillion, representing a 9.65% growth over 2019. Greatek's 2020 revenues reached NT\$14.7 billion, with a market share of 2.68%.

(III) Future market demand and supply and growth potential

Looking ahead to 2021, the semiconductor industry will continue to grow, as notebook computer and tablets continue to generate strong demand. The shipment of 5G smartphones is also expected to grow. Moreover, Taiwan's semiconductor industry is a market leader; the demand from the global market is still strong, and the overall short supply will drive Taiwan's exports. Therefore, on February 20, 2021, it was announced by the Directorate-General of Budget, Accounting and Statistics of Executive Yuan that Taiwan's economic growth is estimated to reach 4.64% in 2021. Alternatively, TSIA and the ISTI at ITRI have predicted that Taiwan's IC packaging and testing industry's output value will reach NT\$5.865 trillion in 2021, showing a 6.8% increase over 2020.

(IV) Competitive niche

On top of continuing to focus on Lead Frame Packaging technologies and catering to the expanded needs of domestic and foreign customers, Greatek will also actively compete for customers home and abroad, including IDM and Fabless ones. We will develop new products and technologies related to Bumping, and gradually introduce new processes for Wafer Level Packaging (WLP) and Packaging for BGA, LGA, Flip Chip, fan-in WLP, and SiP to meet the new product process requirements of domestic and foreign customers. In terms of testing, we will continue to cater to the domestic testing needs on existing testing platforms, and continue to introduce High-End Testing machines to provide testing services for Radio Frequency (RF) applications and mixing signal devices. Moreover, we will also actively introduce Bumping Wafer Testing and Strip Testing. Greatek will also continue to integrate our R&D department, recruit high-performing talents and technical management personnel. In the future, we will provide new packaging technologies and testing functions on a timely basis. Turn-key is Greatek's competitive advantage. Currently, more than half of our monthly output are turn-key orders. This procedure is a value-added service that is fast, efficient, and flexible, helping customers to achieve faster response and market launch.

(V) Favorable and unfavorable future development factors and countermeasures

1. Favorable factors

- (1) Greatek has complete product lines and continue to expand capacity in order to reach economies of scale.

After years of development, we have achieved a comprehensive product mix with complete product lines, and we are continuing to expand our production capacity, enabling a fair share and position at the market. We can satisfy all customer demand, and have reached economies of scale, helping us to gain competitive grounds.

- (2) Provision of turn-key services

On top of IC packaging, Greatek also provides wafer testing, finished product testing, and tapping & reel services to meet the customers' needs for one stop service. By providing turn-key processes, we can attract more customers.

- (3) Successful product and process R&D results enabled Greatek to provide more comprehensive services

Greatek has always been committed to researching and developing new products and processes to respond to customer needs and market changes. We actively develop new products and technologies and are gradually introducing new processes, such as Flip Chip Packaging (BGA, LGA, and Flip Chip), and fan-in WLP and DPS packages, enabling us to cater to the product development needs from domestic and foreign customers.

- (4) Increased number of suppliers and expanded procurement scale leading to enhanced competitiveness

We have been continuing to expand our production capacity and scale in recent years to achieve even more economies of scale, thereby reducing material costs. In addition, we are partnering with suppliers to integrate our procurement capacity and to realize funding and management synergies, thereby fully increasing our industry competitiveness.

- (5) Approaching customers, building a close relationship, providing a timely and satisfactory service to customers.

Most of the semiconductor manufacturing and design companies are located in northern Taiwan, especially in Hsinchu Science Park. Greatek is located in Zhunan which is in close proximity to northern Taiwan and a mere 20-minute drive from Hsinchu Science Park. This enables us to achieve excellent and timely services whether in terms of communicating with customers, technical exchange, or product delivery. In turn, we established close customer relations. By providing fast and satisfactory services, we will be better positioned to acquire more customers.

- (6) Solid management team and technical team enabling Greatek to counter future expansion needs and challenges

After years of experience, Greatek has developed and formed a solid management team and technical team. We have built good management visions and consensus, good communications framework, operating system, and solid manufacturing and management technologies, enabling us to face and to respond to any future expansion need and challenge.

2. Unfavorable factors

- (1) Low entry barrier to Traditional Lead Frame Packaging could lead to a large number of competitors and price wars

Countermeasures: Improve process and enhance the level of automation to increase productivity. Strengthen R&D capability and introduce new materials and seek for alternative materials and processes such as copper and silver bonding to reduce production costs. Continue to strengthen supplier management to achieve more competitive prices from concentrated procurement and improve competitiveness.

- (2) Large packaging service providers get the lion's share of market share, posing significant market threat

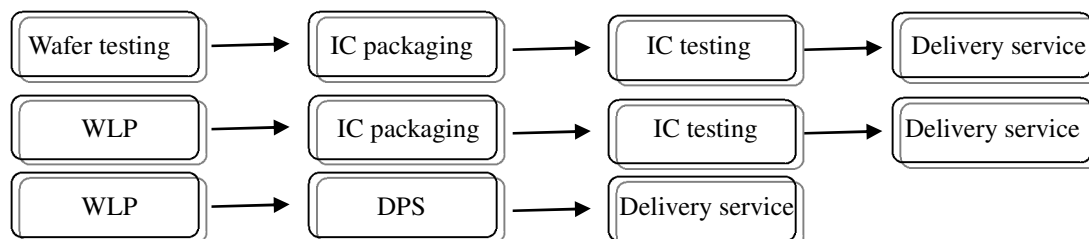
Countermeasures: To continuously enhance competitive advantage to be on par with or even to exceed the strengths of large-scale competitors and to overcome their threat. Moreover, Greatek can acquire new customers and new markets through niche products, thereby building and expanding customer trust and the basis of long-term partnership, thus creating new market opportunities. Additionally, we will also attract international customers to maintain annual business growth and to diversify the risk of sales concentration.

II. Major Applications and Processes of Major Products

1. Key applications of major products:

| Major product | Key applications |
|--|--|
| Integrated Circuit (IC) Packaging and Testing Services | Packaged and tested IC are widely used in: computers, Internet, communications, and consumer electronics products; including laptop computers, tablets, smartphones, functional phones, wearable devices, smart appliances, set-top boxes, automotive electronics, digital cameras, game consoles, the Internet of Things (IoT), and fingerprint sensors and more. |

2. Production process



III. Status of Supply of Primary Materials

The primary materials in IC package include Lead Frames, Epoxy Molding Compound (EMC), gold wire, Palladium Coated Copper wire (PCC), and silver paste, etc., and the most consumed of which is the Lead Frame. Approximately 30% of lead frame is purchased from domestic sources, while the rest comes from China, Singapore, Japan, and Korea. All EMC is locally procured, while the gold wire comes from Singapore and Korea. PCC is purchased from the Philippines, Taiwan, and Korea, while silver paste is purchased from suppliers in Japan and China.

Major suppliers:

| Name of primary material | Main source of supply | Status of supply |
|------------------------------------|---|---|
| Lead frame | Sinko (Japan); ASM Pacific (Holding) Limited (China); Fusheng Electronics Corporation (Taiwan); Mitsui High-Tec (Taiwan) Co., Ltd. (Taiwan) | Supplier of raw material is unstable due to the COVID-19 pandemic. |
| Epoxy molding compound (EMC) | Chang Wah Electromaterials Inc. (Taiwan) | Supplier of raw material is unstable due to effects from the COVID-19 pandemic. |
| Gold wire | TANAKA (Singapore); MK (Korea) | Supply of raw material is relatively stable. |
| Palladium coated copper wire (PCC) | Chroma New Material Corp. (Philippines); MK (Korea); TANAKA (Taiwan) | Supply of raw material is relatively stable. |
| Silver paste | Chang Wah Electromaterials Inc. (Japan); Ablestik (Shanghai) | Supply of raw material is relatively stable. |

IV. Name of Customer and Purchase (Sales) Amount and Ratio for Any Customer whose Order has Accounted for More than Ten Percent of Annual Sales (Purchases) in any of the Most Recent Two Years:

1. Information on major suppliers for the most recent two years Unit: NT\$ thousands

| Item | 2019 | | | | 2020 | | | |
|------|---------------|-----------|--|------------------------------|---------------|-----------|--|------------------------------|
| | Name | Amount | Percentage to annual net purchases (%) | Relationship with the issuer | Name | Amount | Percentage to annual net purchases (%) | Relationship with the issuer |
| 1 | Company A | 442,049 | 12.76 | None | Company A | 557,255 | 12.38 | None |
| 2 | Company B | 417,167 | 12.04 | None | Company B | 512,754 | 11.39 | None |
| | Others | 2,605,472 | 75.20 | - | Others | 3,431,985 | 76.23 | - |
| | Net purchases | 3,464,688 | 100.00 | - | Net purchases | 4,501,994 | 100.00 | - |

Note: For suppliers that have provided at least 10% of the gross procurement in the most recent two years, the names, procurement amount, and percentage should be stated; provided that, suppliers that shall not be disclosed pursuant to contract terms, or individual non-affiliated parties shall be shown in codes.

2. Information on major sales customers in the most recent two years

Unit: NT\$ thousands

| Item | 2019 | | | | 2020 | | | |
|------|-----------|------------|------------------------------------|------------------------------|-----------|------------|------------------------------------|------------------------------|
| | Name | Amount | Percentage to annual net sales (%) | Relationship with the issuer | Name | Amount | Percentage to annual net sales (%) | Relationship with the issuer |
| | Others | 12,030,481 | 100.00 | - | Others | 14,701,682 | 100.00 | - |
| | Net sales | 12,030,481 | 100.00 | - | Net sales | 14,701,682 | 100.00 | - |

Note: For customers that have provided at least 10% of the total sales volume in the most recent two years, the names, procurement amount, and percentage should be stated; provided that, customers that shall not be disclosed pursuant to contract terms, or individual non-related parties may be shown in codes.

V. Production Output in the Most Recent Two Years Unit: thousand units; NT\$ thousands

| Production output volume Major product (or department) | Year | 2019 | | | 2020 | | |
|---|------|---------------------|-------------------|------------------|---------------------|-------------------|------------------|
| | | Production capacity | Production volume | Production value | Production capacity | Production volume | Production value |
| IC packaging | | 8,627,937 | 7,850,455 | 7,468,745 | 11,088,101 | 10,306,641 | 8,604,673 |
| IC testing | | 5,936,550 | 4,996,044 | 1,528,785 | 6,916,012 | 6,713,417 | 1,792,010 |
| Total | | 14,564,487 | 12,846,499 | 8,997,530 | 18,004,113 | 17,020,058 | 10,396,683 |

Note 1: Production capacity refers to production quantity in normal operation with the current production equipment after factoring in necessary down time and holidays.

Note 2: IC tests include wafer testing, package testing, and OEM testing, in which the unit of wafer test is 1,000 units.

VI. Sales Volume in the Most Recent Two Years Unit: thousand units; NT\$ thousands

| Production output volume Major product (or department) | Year | 2019 | | | | 2020 | | | |
|---|------|----------------|-------------|--------------|-------------|----------------|-------------|--------------|-------------|
| | | Domestic sales | | Export sales | | Domestic sales | | Export sales | |
| | | Sales volume | Sales value | Sales volume | Sales value | Sales volume | Sales value | Sales volume | Sales value |
| IC packaging | | 6,341,308 | 7,921,365 | 1,704,386 | 2,267,403 | 7,949,692 | 9,521,723 | 2,376,619 | 2,800,915 |
| IC testing | | 3,710,706 | 1,377,641 | 1,285,226 | 464,072 | 5,075,839 | 1,786,079 | 1,636,753 | 592,965 |
| Total | | 10,052,014 | 9,299,006 | 2,989,612 | 2,731,475 | 13,025,531 | 11,307,802 | 4,013,372 | 3,393,880 |

Chapter 3 Employee Status

Number of Employees for the Most Recent Two Fiscal Years and as of the Date of Publication of the Annual Report

| Year | | 2019 | 2020 | As of March 31, 2021 |
|---|---------------------------|-------|-------|----------------------|
| Number of employees | Direct employee | 2,275 | 2,411 | 2,461 |
| | Indirect employee | 1,459 | 1,576 | 1,602 |
| | Total | 3,734 | 3,987 | 4,063 |
| Average age | | 34.6 | 34.9 | 35.7 |
| Average year of service | | 7.64 | 7.74 | 7.68 |
| Distribution ratio of educational level % | Ph.D. | 0 | 0 | 0 |
| | Master's degree | 5.8 | 5.6 | 5.5 |
| | College/university degree | 62.8 | 64.9 | 65.6 |
| | Senior high school | 21.9 | 20.6 | 20.2 |
| | Below senior high school | 9.5 | 8.9 | 8.7 |

Chapter 4. Environmental Expenditures

Total amount of losses (including compensations and violations against environmental laws found during results of environmental protection audits, for which the date of penalty, number of penalty letter, legal provisions that were violated, content of the violation, and content of penalties shall be disclosed)

caused by environment pollution, and current and future probable losses and countermeasures in the most recent year as of the publication date of the Annual Report; in case a reasonable estimate cannot be provided, the description of the fact that cannot be reasonably estimated shall be provided.

1. Total losses and penalties caused by environmental pollution in the most recent year and as of the date of publication of the Annual Report:
None.

2. Violations against environmental laws found during results of environmental protection audits in the most recent year and as of the date of publication of the Annual Report:

| | |
|-------------------------------------|---|
| Date of penalty | December 28, 2020 |
| Penalized by | Environmental Protection Bureau, Miaoli County Government |
| Penalty Letter No. | Environmental Wastewater Letter No. 1090085592 |
| Reason for penalty and legal basis | Legal basis: Subparagraph 1, Paragraph 1 of Article 31 of the Waste Disposal Act; penalty was handled following the provisions of Subparagraph 1, Article 53 of the Waste Disposal Act Environmental education seminar was imposed pursuant to Article 23 of the Environmental Education Act. |
| Facts violated | Gongyi Plant declared generation of 1.8 tons of other corrosive commercial waste compound (C-0299) in May 2020, which exceeded the maximum permitted generation as stipulated on the approved Commercial Waste Disposal Plan (1 ton) by 10%. In March 2020, 0.74311 tons of waste electronic components, scraps, and defective products (E-0217) were generated, which exceeded the maximum permitted generation (0.54 tons) as stipulated on the approved Commercial Waste Disposal Plan by 10%. |
| Content of penalty | A fine of NT\$60,000 and mandatory environmental education seminar for 2 hours. |
| Improvement and preventive measures | This was an extenuating one-time occurrence and does not occur on a regular basis. We will closely monitor the amount of waste generation on a monthly basis. |

3. Current and future probable losses and countermeasures:

Greatek has passed and received the ISO140012015 Environmental Management System Certification in 2018, and we will manage the pollutions and waste generated from production activities through this management system. We will strengthen legal compliance and practices of the pollution prevention equipment and waste recycling and reuse. To show our commitment to do more for the environment, the "Environmental Policy" has been formulated and serves as the highest guiding principle over environmental management.

| Types of Environmental Expenditure | 2018 | 2019 | 2020 |
|---|------------|------------|------------|
| Environmental expense (NT\$) | 11,650,912 | 26,179,084 | 28,081,965 |
| Pollution prevention equipment expense (NT\$) | 3,018,668 | 4,159,527 | 898,532 |
| Total (NT\$) | 14,669,580 | 30,338,611 | 28,980,497 |

Chapter 5 Labor Relations

I. Describe the Company's employee welfare and benefit measures such as continuing education, training, retirement system and their implementations, and agreements with employers and maintenance of employee rights:

(I) Benefit measures

Greatek allocates employee benefit and welfare funds as stipulated by applicable laws, and was approved by competent authority to set up an Employee Welfare Committee, which oversees the handling of employee benefits. Relevant procedures are carried out in accordance with the "Organization Regulations on Employee Welfare Committee". Current key welfare measures include the following:

1. Pursuant to laws and regulations, Greatek provides: National Health Insurance (NHI), Labor Insurance, Allocations of Pension Reserve, and Allocations of Arrear Wage Payment Fund.

2. Greatek also provides: employee remunerations, free group insurance for employees and their spouses and families, employee canteen, employee food & beverage allowances, employee dormitories, convenience store, nursing rooms, childcare leaves, and paternity leaves and more.
3. Employee Welfare Committee organizes: holiday bonuses, subsidies for weddings/funerals/childbirth, employee discounts at specific stores, and various arts and sporting events and travels (or subsidies) are also organized.

(II) Continuing studies and training system

Annual training plan is prepared in line with Greatek's operational plan. Types of training include: new employee training, general knowledge training, professional training, management training, and language training and more. Greatek enhances employee quality and professional skill-sets through strengthening employees' professional know-how via education and training. We continuously advocate corporate ethics and have formulated a corporate culture that fosters communications.

(III) Retirement system and implementation

Greatek's employee retirement system is implemented in line with the Labor Standards Act, in which pension reserve is allocated on a monthly basis. Additionally, a Pension Supervision Committee, which oversees and reviews matters related to the pension reserve, is set up in accordance with regulations by labor and management. Any employee who has served at Greatek for 15 years or less and is eligible for retirement will be assigned two base points for each year of service. For those who have served at Greatek for over 15 years, two base points will be given for each year of service within the first 15 years, and one base point will be given for each subsequent year. The ceiling is capped at 45 base points. Service years below six months will be counted as six months, and service years over six months but under one year will be counted as one year.

Since July 1, 2005, employees who choose the Labor Pension Act (new labor retirement system) will have their 6% of monthly salary appropriated to the Individual Retirement Account (IRA) at the Bureau of Labor Insurance, Ministry of Labor.

In 2020, pension expenses recognized in the financial statements amounted to NT\$108,068 thousand.

(IV) Employee-employer agreements and measures taken to safeguard employee rights and interests:

Greatek signs employment contracts with each employee and regularly organizes labor relations meetings, so that employees can participate in Greatek's decision-making and communicate over their opinions. Work Rules are also formulated as the basis for employees' compliance. Greatek is committed to maintaining the work safety and physical and mental well-being of our staff. The ISO 45001 and ISO 14001 management systems have been implemented to manage factory hygiene and enhance productivity. Additionally, measures including emergency response plans, fire drill practices and regular 6S evaluation management are also enforced to manage and control occupational risks.

Greatek cares for employees and take an active role in their health. To prevent occupational hazards and to protect the safety and health of employees, general and special employee health checkups are regularly organized. Greatek has also set up an employee grievance hotline, opinion mailbox, and improvement proposal campaign and more, in which designated units will properly handle the relevant matters according to established procedures.

- II In the most recent year and as of the date of publication of the Annual Report, the losses suffered due to the labor disputes (including matters with labor inspection results that violate the Labor Standards Act, the date of penalty, the number of penalty letter, the

provisions of the statute violated, the content of the statute violated, and the punishment content shall be listed), and the current and future estimated losses from relevant violations and countermeasures shall be provided. If it cannot be estimated reasonably, the reason that it cannot be estimated reasonably shall be provided.

(I) Total losses arising from employment relations disputes for the most recent fiscal year up to the publication date of the Annual Report:
None.

(II) Violations of the Labor Standards Act found during labor inspections in the most recent year and as of the date of publication of this Annual Report:

| Date of penalty | March 31, 2020 | April 29, 2020 | December 10, 2020 |
|--------------------------|--|--|--|
| Penalized by | Miaoli County Government | Miaoli County Government | Miaoli County Government |
| Document of Issuance No. | Government Labor Official Letter No. 1090060727 | Government Labor Official Letter No. 1090080898 | Government Labor Official Letter No. 1091318000 |
| Violation of regulation | Paragraph 2, Article 32 of the Labor Standards Act | Paragraph 2, Article 32 of the Labor Standards Act | Paragraph 2, Article 32 of the Labor Standards Act |
| Contents of violation | The extension of working hours referred to in the preceding paragraph, combined with the regular working hours shall not exceed twelve hours a day; the total number of overtime shall not exceed forty-six hours a month. | The extension of working hours referred to in the preceding paragraph, combined with the regular working hours shall not exceed twelve hours a day; the total number of overtime shall not exceed forty-six hours a month. | The extension of working hours, combined with the regular working hours, exceeded 12 hours a day. The total number of overtime exceeded forty-six hours a month. |
| Content of penalty | A penalty of NT\$20,000. | A penalty of NT\$20,000. | A penalty of NT\$20,000. |

(III) Current and future probable losses and countermeasures:
Greatek will continue to advocate for compliance to the Labor Standards Act and continue to recruit new employees.

Chapter 6 Important Contracts

The contracting parties, major content, restrictive clauses, and the commencement dates and expiration dates of supply/distribution contracts, technical cooperation contracts, engineering/construction contracts, long-term loan contracts, and other contracts that would affect the shareholders' equity, where said contracts were either still effective as of the date of publication of the Annual Report or expired in the most recent fiscal year:

| Nature of contract | Counterparty | Term | Major contents | Restrictions |
|----------------------|----------------------------------|--------------------------------|-----------------|--------------|
| Engineering contract | Chien Ming Construction Co. Ltd. | March 11, 2021 to May 10, 2022 | Build a factory | None |

Financial Overview

Chapter 1 Condensed Balance Sheets and Statements of Comprehensive Income

Condensed Balance Sheet

Unit: NT\$ Thousands

| Item | Year | Financial Information for the Last Five Years (Note 1) | | | | |
|---|---------------------|--|------------|------------|------------|------------|
| | | 2016 | 2017 | 2018 | 2019 | 2020 |
| Current assets | | 8,221,075 | 7,476,651 | 7,351,080 | 8,177,381 | 9,444,467 |
| Property, Plant and Equipment (Note 2) | | 8,350,153 | 9,347,380 | 10,160,233 | 10,055,669 | 10,799,817 |
| Intangible Assets | | 20,613 | 74,768 | 85,742 | 80,668 | 63,037 |
| Other Assets (Note 2) | | 777,389 | 1,241,087 | 1,227,505 | 1,202,493 | 1,224,803 |
| Total Asset | | 17,369,230 | 18,139,886 | 18,824,560 | 19,516,211 | 21,532,124 |
| Current Liabilities | Before Distribution | 2,561,758 | 2,396,897 | 2,369,720 | 2,610,535 | 3,262,656 |
| | After Distribution | 4,126,084 | 4,103,435 | 3,905,604 | 3,918,881 | (Note 4) |
| Non-Current Liabilities | | 206,740 | 219,050 | 235,776 | 251,046 | 272,749 |
| Total Liabilities | Before Distribution | 2,768,498 | 2,615,947 | 2,605,496 | 2,861,581 | 3,535,405 |
| | After Distribution | 4,332,824 | 4,322,485 | 4,141,380 | 4,169,927 | (Note 4) |
| Equity Attributable to Owners of the Parent | | 14,600,732 | 15,523,939 | 16,219,064 | 16,654,630 | 17,996,719 |
| Share Capital | | 5,688,459 | 5,688,459 | 5,688,459 | 5,688,459 | 5,688,459 |
| Capital Surplus | | 1,647 | 1,769 | 1,865 | 1,997 | 2,154 |
| Retained Earnings | Before Distribution | 8,910,626 | 9,834,030 | 10,575,169 | 10,924,533 | 12,255,045 |
| | After Distribution | 7,346,300 | 8,127,492 | 8,755,630 | 9,616,187 | (Note 4) |
| Other Equity interest | | - | (319) | (46,429) | 39,641 | 51,061 |
| Treasury Shares | | - | - | - | - | - |
| Non-Controlling Interest | | - | - | - | - | - |
| Total Equity | Before Distribution | 14,600,732 | 15,523,939 | 16,219,064 | 16,654,630 | 17,996,719 |
| | After Distribution | 13,036,406 | 13,817,401 | 14,683,180 | 15,346,284 | (Note 4) |

Note1: The financial statement for any year that has not been audited and attested by a CPA has to be noted.

Note2: Those who have applied for asset revaluation in the year should include the date of processing and the value of the revaluation.

Note 3: As of the date of publication of the annual report, companies that are listed or whose stocks have been traded over the counter of a securities firm have the latest financial information audited and attested by CPAs, such information shall also be disclosed therewith.

Note 4: For the above-mentioned figure of "after distribution", please fill in the situation according to the resolution of the Shareholders' Meeting of the next year (to be approved by the Shareholders' Meeting).

Note 5: For those who have been notified by the competent authority to revise or to recompile their financial information by themselves, all the figures/numbers used shall be the revised or recompiled ones, and the status and reasons for such revision shall be noted.

Condensed Statement of Comprehensive Income

Unit: NT\$ Thousands

| Item | Year | Financial Information for the Last Five Years (Note 1) | | | | |
|--|------|--|------------|------------|------------|------------|
| | | 2016 | 2017 | 2018 | 2019 | 2020 |
| Operating Revenue | | 10,571,712 | 11,951,769 | 12,356,434 | 12,030,481 | 14,701,682 |
| Gross Profit | | 2,945,184 | 3,450,473 | 3,258,239 | 2,799,344 | 3,809,640 |
| Income from Operations | | 2,494,321 | 2,983,650 | 2,817,913 | 2,339,220 | 3,246,093 |
| Non-Operating Income (Expenses) | | 34,848 | (25,336) | 98,076 | 57,845 | 57,158 |
| Net Income Before Tax | | 2,529,169 | 2,958,314 | 2,915,989 | 2,397,065 | 3,303,251 |
| Net Income from Continuing Operations | | 2,238,680 | 2,508,628 | 2,375,453 | 1,895,899 | 2,662,311 |
| Loss from Discontinued Operations | | - | - | - | - | - |
| Net Income (Loss) After Tax | | 2,238,680 | 2,508,628 | 2,375,453 | 1,895,899 | 2,662,311 |
| Other Comprehensive Income (net of tax) | | (25,564) | (21,217) | (67,552) | 75,419 | (12,033) |
| Total Comprehensive Income | | 2,213,116 | 2,487,411 | 2,307,901 | 1,971,318 | 2,650,278 |
| Net Income Attributable to Owners of the Parent | | 2,238,680 | 2,508,628 | 2,375,453 | 1,895,899 | 2,662,311 |
| Net Income Attributable to Non-Controlling Interests | | - | - | - | - | - |
| Total Comprehensive Income Attributable to Owners of the Parent | | 2,213,116 | 2,487,411 | 2,307,901 | 1,971,318 | 2,650,278 |
| Total Comprehensive Income Attributable to Non-Controlling Interests | | - | - | - | - | - |
| Earnings Per Share (EPS) | | 3.94 | 4.41 | 4.18 | 3.33 | 4.68 |

Note 1: The financial statement for any year that has not been audited and attested by a CPA shall be noted.

Note 2: As of the date of publication of the annual report, companies that are listed or whose stocks have been traded over the counter of a securities firm have the latest financial information audited and attested by CPAs, it shall also be disclosed therewith.

Note 3: Loss from discontinued operations shall be listed using the net amount after tax.

Note 4: For those who have been notified by the competent authority to revise their financial information or make the corrections by themselves, all the figures/numbers used shall be the revised or corrected ones, and the status and reasons for such revision shall be noted.

Name(s) of CPA and Audit Opinions for the Last Five Years

| Year | CPA accounting firm | Name of CPA | Audit opinion |
|------|---------------------|-------------------------------|---------------------|
| 2016 | Deloitte Taiwan | Yu-Feng Huang, Su-Li Fang | Unqualified opinion |
| 2017 | Deloitte Taiwan | Yu-Feng Huang, Su-Li Fang | Unqualified opinion |
| 2018 | Deloitte Taiwan | Yu-Feng Huang, Su-Li Fang | Unqualified opinion |
| 2019 | Deloitte Taiwan | Yu-Feng Huang, Cheng-Chih Lin | Unqualified opinion |
| 2020 | Deloitte Taiwan | Yu-Feng Huang, Cheng-Chih Lin | Unqualified opinion |

Chapter 2 Financial Analysis

I. Financial Analyses for the Last Five Years

| Analysis item (Note 3) | | Financial Analysis for the Last Five Years | | | | |
|--|--|--|--------|--------|--------|--------|
| | | 2016 | 2017 | 2018 | 2019 | 2020 |
| Financial Structure | Debt to Asset Ratio (%) | 15.94 | 14.42 | 13.84 | 14.66 | 16.42 |
| | Long-term Capital to Property, Plant and Equipment (%) | 177.33 | 168.42 | 161.95 | 168.12 | 169.16 |
| Liquidity | Current Ratio (%) | 320.92 | 311.93 | 310.21 | 313.25 | 289.47 |
| | Quick Ratio (%) | 289.30 | 275.72 | 285.75 | 292.59 | 265.36 |
| | Times Interest Earned | - | - | - | - | - |
| Operating Performance Analysis | Average Collection Turnover (times) | 4.13 | 4.50 | 4.25 | 4.05 | 4.48 |
| | Average Collection Period | 88 | 81 | 86 | 90 | 81 |
| | Inventory Turnover (times) | 10.08 | 10.21 | 12.70 | 16.70 | 16.68 |
| | Average Payment Turnover (times) | 12.11 | 12.39 | 13.95 | 12.88 | 12.27 |
| | Average Inventory Turnover Days | 36 | 36 | 29 | 22 | 22 |
| | Property, Plant and Equipment (PP&E) Turnover (times) | 1.38 | 1.35 | 1.27 | 1.19 | 1.41 |
| | Total Assets Turnover (times) | 0.64 | 0.67 | 0.67 | 0.63 | 0.72 |
| Profitability | Return on Total Assets (%) | 13.49 | 14.13 | 12.85 | 9.89 | 12.97 |
| | Return on Equity (ROE) (%) | 15.79 | 16.65 | 14.97 | 11.53 | 15.37 |
| | Pre-tax Income to Paid-in Capital Ratio (%) (Note 7) | 44.46 | 52.01 | 51.26 | 42.14 | 58.07 |
| | Net Margin (%) | 21.18 | 20.99 | 19.22 | 15.76 | 18.11 |
| | Earnings Per Share (EPS) (NT\$) | 3.94 | 4.41 | 4.18 | 3.33 | 4.68 |
| Cash Flow | Cash Flow Ratio (%) | 148.84 | 185.79 | 191.51 | 159.40 | 155.99 |
| | Cash Flow Adequacy Ratio (%) | 1.09 | 1.02 | 0.97 | 0.99 | 0.85 |
| | Cash Flow Reinvestment Ratio (%) | 10.82 | 11.51 | 10.22 | 8.69 | 11.53 |
| Leverage | Operating Leverage | 2.42 | 2.36 | 2.56 | 2.92 | 2.59 |
| | Financial Leverage | 1 | 1 | 1 | 1 | 1 |
| Reasons for the changes in various financial ratios in the most recent two years. (Analysis is not required if the change is within 20%) | | | | | | |
| 1. Increases in Return on Total Assets, Return on Total Equity, Pre-tax Income to Paid-in Capital Ratio, and Earnings Per Share (EPS) are mostly attributable to the Net Profit having increased by 40%. | | | | | | |
| 2. Increase in Cash Flow Reinvestment Ratio is mostly attributable to the 22% increase in Net Cash Inflow from Operating Activities. | | | | | | |

Note 1: The year financial statements not audited and attested by a CPA have to be noted.

Note 2: As of the date of publication of the annual report, companies that are listed or whose stocks have been traded over the counter of a securities firm have the latest financial information audited and attested by CPAs, such information shall be analyzed.

Note 3: The formulas of the above tables are as follows:

1. Financial structure
 - (1) Debt to Asset ratio = Total Liabilities / Total Assets.
 - (2) Property, Plant, and Equipment (PP&E) Turnover Ratio = (Shareholders' Equity + Non-Current Liabilities) / Property, Plant and Equipment, net.
2. Liquidity Analysis
 - (1) Current Ratio = Current Assets / Current Liabilities.
 - (2) Quick Ratio = (Current Assets – Inventory - Prepaid Expenses) / Current Liabilities.
 - (3) Times Interest Earned = Earnings Before Interest and Taxes (EBIT) / Interest Expenses
3. Operating Performance Analysis
 - (1) Average Collection Turnover = Net Sales / Average Receivables Balance (including accounts receivable and notes receivable arising from business operations).
 - (2) Average Collection Period = 365 / Accounts Receivable Turnover Ratio
 - (3) Inventory Turnover = Cost of Goods Sold (COGS) / Average Inventory.
 - (4) Average Payment Turnover = COGS / Average Payable Balance (including accounts payable and notes payable arising from business operations)
 - (5) Average Inventory Turnover Days = 365/Inventory Turnover.
 - (6) Property, Plant and Equipment (PPE) Turnover = Net Sales/Average Property, Plant, and Equipment, net
 - (7) Total Assets Turnover = Net Sales/Average Total Assets.
4. Profitability Analysis
 - (1) Return on Total Assets = (Net Income after Tax + Interest Expenses * (1 - Effective Tax Rate)) / Average Total Assets.
 - (2) Return on Total Equity = Net Income after Tax/Average Total Equity
 - (3) Net Margin = Net Income after Tax/Net Sales
 - (4) Earnings Per Share = (Net Income Attributable to Owners of Parent Company - Preferred Shares Dividends) / Weighted Average Number of Shares Outstanding. (Note 4)
5. Cash Flow
 - (1) Cash Flow Ratio = Net Cash Flow from Operating Activities/Current Liabilities
 - (2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend
 - (3) Cash Flow Reinvestment Ratio = (Net Cash Flow from Operating Activities - Cash Dividends) / (Gross Property, Plant, and Equipment + Long-term Investment + Other Non-Current Assets + Working Capital). (Note 5)
6. Leverage:
 - (1) Operating Leverage = (Net Operating Revenue - Variable Operating Costs and Expenses) / Income from Operations. (Note 6)
 - (2) Financial leverage = Income from Operations / (Income from Operations - Interest Expenses).

Note 4: Special attention shall be paid to the following matters when using the calculation formula of EPS above:

1. Shares outstanding is based on weighted average shares, and not based on year-end shares outstanding.
2. For capitalization with cash or treasury stock trade, the stock circulation must be included for consideration to calculate weighted average shares.
3. For capitalization with retained earnings and capital surplus, the earnings per share calculated semi-annually and annually must be adjusted retroactively and proportionally to the capitalization but without considering the issuance period of the capitalization
4. If preferred shares are non-convertible and cumulative, the dividend of the year (whether it is distributed or not) shall be deducted from net income or added to the net loss. If preferred shares are not cumulative, preferred dividend shall be deducted from net income after tax in the event of net profits, but no adjustment is needed if there are losses. .

Note 5: Special attention should be paid to the following when measuring Cash Flow Analysis:

1. Net Cash Flow from Operating Activities refers to Net Cash Inflow from Operating Activities in the Cash Flow Statement.
2. Capital expenditures are Cash Outflows from the year's Capital Investments.
3. Inventory increases are only counted when the ending balance is greater than the beginning balance. If inventory has decreased at year-end, inventory increase will be zero.
4. Cash dividends include cash dividends from common shares and preferred shares.
5. Gross Property, Plant, and Equipment refers to Total Property, Plant, and Equipment before deducting Accumulated Depreciation.

Note 6: The issuer shall classify the operating costs and operating expenses as either fixed or variable as per their nature. If such classification involves estimation or subjective judgment, it must be made reasonably and consistently

Note 7: Where the Company's shares have no par value or where the par value per share is not NT\$10, any calculations that involve paid-in capital and its ratio shall be replaced with the equity ratio attributable to the owner of the parent in the balance sheet.

Chapter 3 Audit Committee's Report on the Financial Statements for the Most Recent Fiscal Year

Review Report from the Audit Committee

The Board of Directors has prepared Greatek's 2020 Business Report, financial statements and Proposal for Earnings Distribution, among which the financial statements have been audited by Deloitte Taiwan, by whom an Independent Auditor's Report has been issued accordingly. The aforementioned Business Report, financial statements, and Proposal for Earnings Distribution, have been examined and reviewed by the Audit Committee, and no irregularities were found. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this Report.

To

2021 Annual Shareholders' Meeting of Greatek Electronics Inc.

Greatek Electronics Inc.

Chairman of the Audit Committee:

Chu-Chien Feng

Published on February 26, 2021

IV. Financial Statements for the Most Recent Fiscal Year

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Greatek Electronics Inc.

Opinion

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

In our opinion, the accompanying company only financial statements present fairly, in all material respects, the company only financial position of the Corporation as of December 31, 2020 and 2019, and the company only financial performance and the company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation 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 financial statements of the Corporation for the year ended December 31, 2020, are described as follows:

Contract assets and revenue recognition

1. The sales revenue is material to the Corporation. Please refer to Note 19 to the accompanying financial statements for details on sales revenue. The major type of revenue is subcontract revenue. The types of subcontracting transactions include:
 - 1) Semiconductor assembly
 - 2) Semiconductor testing
 - 3) Wafer testing
2. Assembly services: Since the customers have ownership of the assets, assume significant risks and

rewards of ownership of the assets, have the right to determine the disposal of the assets and can prevent the Corporation from obtaining the benefits of the assets, revenue should be recognized over time in accordance with the requirements of paragraph 35(b) of International Financial Reporting Standards No. 15.

3. Testing services: In accordance with the requirements of paragraph 35(a) of International Financial Reporting Standards No. 15. As the Corporation conducts testing services, the customers obtain and consume the benefits provided by the Corporation's testing services at the same time. Therefore, revenue should also be recognized over time as well.
4. The Corporation recognizes the contract assets and revenue of assembly and testing services at the end of each month based on the completion schedule. Since the above-mentioned process includes estimates and manual controls, there is a risk that contract assets and revenue may not be recognized correctly as a result of human error.
5. We reviewed the Corporation's revenue recognition policy, assessed the reasonableness of its contract assets and revenue recognition, and confirmed against relevant supporting documents and accounts records to verify the accuracy of the monetary amounts of contract assets and revenue recognition.

Capitalization of property, plant and equipment

1. The capital expenditure of the Corporation relating to property, plant and equipment is significant to its financial statements. Refer to Note 12 to the accompanying financial statements for details on property, plant and equipment.
2. To ensure the accuracy of the cost amounts, the requisition, purchasing, verification and recording of the Corporation's property, plant and equipment are all subject to appropriate sign-off procedures. The Corporation will regularly examine items that were not capitalized for more than three months after their purchase and ask the department using the item to explain the circumstances surrounding why each item which should be capitalized has as of yet remained uncapitalized.
3. Because of the significance of such expenditure amounts, delays in capitalization or errors in cost amounts thereof may lead the financial statements to not be fairly presented.
4. We reviewed the Corporation's property, plant and equipment capital expenditure policy, assessed the reasonableness of the timing of capitalization, and conducted the following procedures:
 - 1) Selecting samples of newly acquired items from the lists of asset details of the year to verify whether the costs are recognized in the appropriate period.
 - 2) Selecting samples from the list of Advance Payments and Construction in Progress at the year end and perform on-site count to observe whether such items were not ready for their intended use.
 - 3) Selecting samples of items that were not capitalized over three months from the list of Advance Payments and Construction in Progress to examine whether the reasons of such items not capitalized explained by applicants or users were approved by supervisors.

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

Management is responsible for the preparation and fair presentation of the company only 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 parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the company only financial statements, management is responsible for assessing the Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Corporation'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 Corporation'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 Corporation'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 Corporation to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the company only 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 audit resulting in this independent auditors' report are Yu-Feng Huang and Cheng-Chih Lin.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 26, 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. The English version have not audited by Deloitte & Touche. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

GREATEK ELECTRONICS INC.

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

| ASSETS | 2020 | | 2019 | | LIABILITIES AND EQUITY | 2020 | | 2019 | |
|---|----------------------|------------|----------------------|------------|---|----------------------|------------|----------------------|------------|
| | Amount | % | Amount | % | | Amount | % | Amount | % |
| CURRENT ASSETS | | | | | CURRENT LIABILITIES | | | | |
| Cash and cash equivalents (Notes 4 and 6) | \$ 3,934,707 | 18 | \$ 3,618,463 | 18 | Financial liabilities at fair value through profit or loss - current (Notes 4, 5 and 7) | \$ 5 | - | \$ 26 | - |
| Financial assets at fair value through profit or loss - current (Notes 4, 5 and 7) | 129,296 | 1 | 54,221 | - | Contract liabilities - current (Notes 4 and 19) | 56,676 | - | 50,340 | - |
| Financial assets at amortized cost - current (Notes 4, 5 and 9) | 300,000 | 1 | 250,388 | 1 | Notes payable | 3,535 | - | 8,276 | - |
| Contract assets - current (Notes 4, 19 and 25) | 648,393 | 3 | 562,604 | 3 | Accounts payable | 957,905 | 4 | 805,324 | 4 |
| Notes receivable (Notes 4, 5, 10 and 19) | 119,529 | - | 63,517 | - | Payables to equipment suppliers (Note 25) | 320,723 | 2 | 356,303 | 2 |
| Accounts receivable (Notes 4, 5, 10 and 19) | 3,051,269 | 14 | 2,643,937 | 14 | Accrued compensation to employees and remuneration to directors (Notes 4 and 20) | 431,294 | 2 | 315,493 | 2 |
| Receivables from related parties (Notes 4, 5, 19 and 25) | 350,627 | 2 | 338,123 | 2 | Current income tax liabilities (Notes 4 and 21) | 448,165 | 2 | 256,584 | 2 |
| Inventories (Notes 4 and 11) | 772,626 | 4 | 533,376 | 3 | Lease liabilities - current (Notes 4, 5 and 13) | 1,229 | - | 1,208 | - |
| Prepaid expenses and other current assets (Notes 4, 15 and 25) | 138,020 | 1 | 112,752 | 1 | Accrued expenses and other current liabilities (Notes 4, 16 and 25) | 1,043,124 | 5 | 816,981 | 4 |
| Total current assets | 9,444,467 | 44 | 8,177,381 | 42 | Total current liabilities | 3,262,656 | 15 | 2,610,535 | 14 |
| NON-CURRENT ASSETS | | | | | NON-CURRENT LIABILITIES | | | | |
| Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8) | 585,533 | 3 | 264,470 | 1 | Deferred income tax liabilities (Notes 4 and 21) | 5,858 | - | 839 | - |
| Financial assets at amortized cost - noncurrent (Notes 4, 5 and 9) | 500,001 | 2 | 800,003 | 4 | Lease liabilities - noncurrent (Notes 4, 5 and 13) | 8,311 | - | 9,540 | - |
| Property, plant and equipment (Notes 4, 12 and 25) | 10,799,817 | 50 | 10,055,669 | 52 | Guarantee deposits | 16 | - | 16 | - |
| Right-of-use assets (Notes 4, 5 and 13) | 9,385 | - | 10,661 | - | Net defined benefit liability - noncurrent (Notes 4, and 17) | 258,564 | 1 | 240,651 | 1 |
| Intangible assets (Notes 4 and 14) | 63,037 | - | 80,668 | - | Total non-current liabilities | 272,749 | 1 | 251,046 | 1 |
| Deferred income tax assets (Notes 4 and 21) | 39,186 | - | 36,754 | - | Total liabilities | 3,535,405 | 16 | 2,861,581 | 15 |
| Other noncurrent assets (Notes 4, 15 and 26) | 90,698 | 1 | 90,605 | 1 | EQUITY (Notes 4, 18 and 23) | | | | |
| Total non-current assets | 12,087,657 | 56 | 11,338,830 | 58 | Capital stock | | | | |
| | | | | | Common stock | 5,688,459 | 27 | 5,688,459 | 29 |
| | | | | | Capital surplus | 2,154 | - | 1,997 | - |
| | | | | | Retained earnings | | | | |
| | | | | | Legal reserve | 3,260,735 | 15 | 3,072,210 | 16 |
| | | | | | Special reserve | - | - | 46,429 | - |
| | | | | | Unappropriated earnings | 8,994,310 | 42 | 7,805,894 | 40 |
| | | | | | Other equity | 51,061 | - | 39,641 | - |
| | | | | | Total equity | 17,996,719 | 84 | 16,654,630 | 85 |
| TOTAL | \$ 21,532,124 | 100 | \$ 19,516,211 | 100 | TOTAL | \$ 21,532,124 | 100 | \$ 19,516,211 | 100 |

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

GREATEK ELECTRONICS INC.

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

| | 2020 | | 2019 | |
|--|---------------------|-----------|---------------------|-----------|
| | Amount | % | Amount | % |
| NET SALES (Notes 4, 5, 19, 25 and 29) | \$ 14,701,682 | 100 | \$ 12,030,481 | 100 |
| OPERATING COSTS (Notes 11, 17, 20 and 25) | <u>10,892,042</u> | <u>74</u> | <u>9,231,137</u> | <u>77</u> |
| GROSS PROFIT | <u>3,809,640</u> | <u>26</u> | <u>2,799,344</u> | <u>23</u> |
| OPERATING EXPENSES (Notes 17, 20 and 25) | | | | |
| Selling and marketing | 57,773 | - | 48,018 | - |
| General and administrative | 217,439 | 2 | 187,321 | 2 |
| Research and development | 232,009 | 2 | 203,385 | 2 |
| Expected credit loss | <u>56,326</u> | <u>-</u> | <u>21,400</u> | <u>-</u> |
| Total operating expenses | <u>563,547</u> | <u>4</u> | <u>460,124</u> | <u>4</u> |
| OPERATING INCOME | <u>3,246,093</u> | <u>22</u> | <u>2,339,220</u> | <u>19</u> |
| NONOPERATING INCOME AND EXPENSES (Notes 4 and 20) | | | | |
| Interest income | 27,811 | - | 40,062 | - |
| Other income | 68,545 | - | 43,515 | 1 |
| Other gains and losses | <u>(39,198)</u> | <u>-</u> | <u>(25,732)</u> | <u>-</u> |
| Total nonoperating income and expenses | <u>57,158</u> | <u>-</u> | <u>57,845</u> | <u>1</u> |
| INCOME BEFORE INCOME TAX | 3,303,251 | 22 | 2,397,065 | 20 |
| INCOME TAX EXPENSE (Notes 4 and 21) | <u>640,940</u> | <u>4</u> | <u>501,166</u> | <u>4</u> |
| NET INCOME | <u>2,662,311</u> | <u>18</u> | <u>1,895,899</u> | <u>16</u> |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | |
| Unrealized loss on investments in equity instruments designated as at fair value through other comprehensive income (Notes 4 and 18) | 11,420 | - | 86,070 | - |
| Remeasurement of defined benefit plans (Notes 4 and 17) | <u>(23,453)</u> | <u>-</u> | <u>(10,651)</u> | <u>-</u> |
| | <u>(12,033)</u> | <u>-</u> | <u>75,419</u> | <u>-</u> |
| TOTAL COMPREHENSIVE INCOME | <u>\$ 2,650,278</u> | <u>18</u> | <u>\$ 1,971,318</u> | <u>16</u> |
| EARNINGS PER SHARE (Note 22) | | | | |
| Basic | <u>\$ 4.68</u> | | <u>\$ 3.33</u> | |
| Diluted | <u>\$ 4.62</u> | | <u>\$ 3.29</u> | |

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

GREATEK ELECTRONICS INC.
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)**

| | Share Capital Issued and Outstanding | | Capital Surplus | Retained Earnings | | | Other Equity Unrealized Gain (Loss) on Investments in Equity Instruments Designated as at Fair Value Through Other Comprehensive | Total Equity |
|--|---|--------------|--------------------|-------------------|--------------------|----------------------------|---|---------------|
| | Share (Thousands) | Amount | | Legal Reserve | Special Reserve | Unappropriated Earnings | Income | |
| BALANCE, JANUARY 1, 2019 | 568,846 | \$ 5,688,459 | \$ 1,865 | \$ 2,834,665 | \$ 319 | \$ 7,740,185 | \$ (46,429) | \$ 16,219,064 |
| APPROPRIATION OF 2018 EARNINGS | | | | | | | | |
| Legal reserve | - | - | - | 237,545 | - | (237,545) | - | - |
| Special reserve | - | - | - | - | 46,110 | (46,110) | - | - |
| Cash dividends to shareholders - NT\$2.7 per share | - | - | - | - | - | (1,535,884) | - | (1,535,884) |
| Capital surplus - donations from shareholders | - | - | 132 | - | - | - | - | 132 |
| Net income for the year ended December 31, 2019 | - | - | - | - | - | 1,895,899 | - | 1,895,899 |
| Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax | - | - | - | - | - | (10,651) | 86,070 | 75,419 |
| Total comprehensive income (loss) for the year ended December 31, 2019 | - | - | - | - | - | 1,885,248 | 86,070 | 1,971,318 |
| BALANCE, DECEMBER 31, 2019 | 568,846 | 5,688,459 | 1,997 | 3,072,210 | 46,429 | 7,805,894 | 39,641 | 16,654,630 |
| APPROPRIATION OF 2019 EARNINGS | | | | | | | | |
| Legal reserve | - | - | - | 188,525 | - | (188,525) | - | - |
| Special reserve | - | - | - | - | (46,429) | 46,429 | - | - |
| Cash dividends to shareholders - NT\$2.3 per share | - | - | - | - | - | (1,308,346) | - | (1,308,346) |
| Capital surplus - donations from shareholders | - | - | 157 | - | - | - | - | 157 |
| Net income for the year ended December 31, 2020 | - | - | - | - | - | 2,662,311 | - | 2,662,311 |
| Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax | - | - | - | - | - | (23,453) | 11,420 | (12,033) |
| Total comprehensive income (loss) for the year ended December 31, 2020 | - | - | - | - | - | 2,638,858 | 11,420 | 2,650,278 |
| BALANCE, DECEMBER 31, 2020 | 568,846 | \$ 5,688,459 | \$ 2,154 | \$ 3,260,735 | \$ - | \$ 8,994,310 | \$ 51,061 | \$ 17,996,719 |

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

GREATEK ELECTRONICS INC.

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

| | 2020 | 2019 |
|---|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Current income before income tax | \$ 3,303,251 | \$ 2,397,065 |
| Adjustments to reconcile income before income tax to net cash provided by operating activities: | | |
| Depreciation | 2,602,104 | 2,445,225 |
| Amortization | 27,599 | 25,181 |
| Expected credit loss recognized on accounts receivables | 56,326 | 21,400 |
| Net gain on fair value change of financial instruments designated as at fair value through profit or loss | (25,807) | (3,426) |
| Finance costs | 175 | 192 |
| Premium amortization of financial assets at amortized cost | 390 | 1,146 |
| Interest income | (27,811) | (40,062) |
| Dividend income | (21,375) | (10,560) |
| Net gain on disposal of property, plant and equipment | (262) | (84) |
| Classification from property, plant and equipment to expenses | - | 4 |
| Recognition of inventory valuation and obsolescence losses | 9,919 | 1,556 |
| Net loss on foreign currency exchange | 20,981 | 28,566 |
| Changes in operating assets and liabilities: | | |
| Increase in financial assets at fair value through profit or loss | (49,289) | - |
| Increase in contract assets | (85,789) | (91,579) |
| (Increase) decrease in notes receivable | (56,012) | 14,520 |
| Increase in accounts receivable | (447,664) | (157,124) |
| Increase in accounts receivable from related parties | (12,504) | (53,294) |
| (Increase) decrease in inventories | (249,169) | 37,260 |
| Increase in prepaid expenses and other current assets | (27,108) | (565) |
| Increase in contract liabilities | 6,336 | 11,017 |
| (Decrease) increase in notes payable | (4,741) | 6,327 |
| Increase in accounts payable | 150,777 | 190,199 |
| Increase (decrease) in accrued compensation to employees and remuneration to directors | 115,801 | (61,031) |
| Increase (decrease) in accrued expenses and other accounts payable | 226,143 | (50,981) |
| Decrease in net defined benefit liability | (5,540) | (5,532) |
| Net cash provided by operating activities | 5,506,731 | 4,705,420 |
| Interest received | 29,651 | 41,432 |
| Interest paid | (175) | (192) |
| Income tax paid | (446,772) | (585,444) |
| Net cash provided by operating activities | <u>5,089,435</u> | <u>4,161,216</u> |

(Continued)

GREATEK ELECTRONICS INC.

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

| | 2020 | 2019 |
|--|---------------------|---------------------|
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of financial assets at fair value through other comprehensive income | \$ (309,643) | \$ (32,980) |
| Purchase of financial assets at amortized cost | - | (100,001) |
| Proceeds from financial assets at amortized cost | 250,000 | 200,000 |
| Acquisition of property, plant and equipment | (3,389,660) | (2,091,675) |
| Disposal of property, plant and equipment | 925 | 298 |
| (Increase) decrease in refundable deposits | (93) | 156 |
| Increase in intangible assets | (5,288) | (20,107) |
| Increase in non-current assets | - | (8,700) |
| Dividend received | <u>21,375</u> | <u>10,560</u> |
| Net cash used in investing activities | <u>(3,432,384)</u> | <u>(2,042,449)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Decrease in guarantee deposits | - | (74) |
| Repayment of the principal portion of lease liabilities | (1,208) | (1,188) |
| Cash dividends distributed | (1,308,346) | (1,535,884) |
| Donations from shareholders | <u>157</u> | <u>132</u> |
| Net cash used in financing activities | <u>(1,309,397)</u> | <u>(1,537,014)</u> |
| EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES | <u>(31,410)</u> | <u>(7,233)</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 316,244 | 574,520 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>3,618,463</u> | <u>3,043,943</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 3,934,707</u> | <u>\$ 3,618,463</u> |

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

(Concluded)

GREATEK ELECTRONICS INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Greatek Electronics Inc. (the “Corporation” or “Greatek”) was incorporated in the Republic of China (“ROC”) on March 7, 1983. The Corporation mainly provides semiconductor assembly and testing services on a turnkey basis.

The Corporation’s shares have been listed on the Taiwan Stock Exchange (TSE) on October 26, 2000.

Powertech Technology Inc. (PTI) acquired Greatek’s 44.09% ownership, pursuant to Greatek’s board approval on December 21, 2011. On the reelection of the directors and supervisors of Greatek, PTI holds a majority of the directors seats and become parent. PTI has 42.91% ownership of Greatek as of December 31, 2020 and 2019.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved to the Board of Directors and issued on February 26, 2021.

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

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

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

- b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2021

| New IFRSs | Effective Date 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 |

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

| New IFRSs | Effective Date Announced by IASB (Note 1) |
|--|---|
| “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.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

a. Statement of compliance

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

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.

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 twelve months after the reporting period; and
- 3) Cash.

Current liabilities include:

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

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

d. Foreign currencies

The financial statements are presented in the Corporation's functional currency, the New Taiwan dollar. In preparing the financial statements, transactions in currencies other than the Corporation's functional currency (foreign currencies) are recognized at the exchange rates of Customs in every ten days. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the

rates prevailing at that date. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

Except for the exchange differences on transactions entered into in hedging against certain foreign currency risks, exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period.

e. Inventories

Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to Corporation similar or related items. 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 weighted-average cost.

f. Property, plant, and equipment

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

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Freehold land is not depreciated.

Depreciation is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate 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.

g. 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 estimate accounted for on a prospective basis.

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

h. Impairment of tangible and intangible assets other than goodwill and assets related to contract costs

At the end of each reporting period, the Corporation reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, 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 Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation/Corporate assets are allocated to the smallest Corporation of cash-generating units on a reasonable and consistent allocation basis.

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

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

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

i. Financial instruments

Financial assets and financial liabilities are recognized when a Corporation entity 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 fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement category

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

i. Financial assets at FVTPL

A financial asset is classified as at FVTPL when the financial asset is mandatorily classified as at FVTPL.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 24.

ii. Financial assets at amortized cost

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, debt investments, time deposits with original maturities of more than 3 months, notes and accounts receivable (included related parties), other receivables (included related parties), pledged time deposits and refundable deposits, 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 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.

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

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Corporation 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 Corporation'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 and contract assets

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

The Corporation always recognizes lifetime expected credit losses (i.e. ECLs) for accounts receivable and contract assets. For all other financial instruments, the Corporation 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 the financial instrument has not increased significantly since initial recognition, the Corporation measures the loss allowance for that financial instrument

at an amount equal to 12-month ECLs.

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

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

c) Derecognition of financial assets

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

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

2) Equity instruments

Equity instruments issued by the Corporation are classified as equity in accordance with the substance of the contractual arrangements and the definitions of an equity instrument.

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

3) Financial liabilities

a) Subsequent measurement

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

i. Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividend paid on the financial liability. Fair value is determined in the manner described in Note 24.

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

The Corporation enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate risks.

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

j. Provisions

Provisions, including those arising from contractual obligation specified in service concession arrangement to maintain or restore infrastructure before it is handed over to the grantor, 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, including Indemnification payable, are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

k. Revenue recognition

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

Revenue from services

When the Corporation fulfilled the assembly service contract, the customer controls the goods when they are created or enhanced, the Corporation has the right to perform the collection if partial of the assembly service contract have been fulfilled, and the revenue from assembly service is recognized over time. When the Corporation fulfilled the testing service contract, the customer simultaneously receives and consumes the benefits provided by the Corporation's performance, the Corporation has the right to perform the collection if partial of the testing service contract have been fulfilled, and the revenue from testing service is recognized over time. A contract asset is recognized during the process of semiconductor assembling and testing, and is reclassified to accounts receivable at the point the bills were issued. If the payment exceeds the revenue recognized to date, then the Corporation recognizes a contract liability for the difference. It is recognized as contract asset until the Corporation satisfies its performance.

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

1. Leasing

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

1) The Corporation as lessor

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

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

2) The Corporation as lessee

The Corporation 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 Corporation uses the lessee's incremental borrowing rate.

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

m. Government grants

Government grants are recognized only when there is reasonable assurance that the entity will comply with any conditions attached to the grant and the grant will be received.

The grants are recognized as income over the period necessary to match them with the related costs, for which they are intended to compensate, on a systematic basis.

Grant receivable as compensation for costs already incurred or for immediate financial support, with no future related costs, should be recognized as income in the period in which it is receivable.

n. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Corporation'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.

o. Taxation

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

1) Current tax

According to the Income Tax Law, an additional tax of unappropriated earnings is provided for as income tax 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 to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the 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 Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

Current 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 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 Corporation'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 Corporation 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.

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

Critical Accounting Judgements

a. Business model assessment for financial assets

The Corporation determines the business model at a level that reflects how Corporations of financial assets are managed together to achieve a particular business objective. This assessment includes judgment about all relevant evidence including how the performance of the assets is evaluated, the risks that affect the performance of the assets and how these are managed, and how the managers of the assets are compensated. The Corporation monitors financial assets measured at amortized cost or at fair value through other comprehensive income, and when assets are derecognized prior to their maturity, the Corporation understands the reasons for their disposal and whether the reasons are consistent with the objective of the business for which the assets were held. Monitoring is part of the Corporation's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and, if it is not appropriate, whether there has been a change in the business model such that a prospective change to the classification of those assets is proper.

b. Revenue recognition

Note 4 (k) describes that the Corporation identifies the contract with the customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

c. Lease terms

In determining a lease term, the Corporation considers all facts and circumstances that create an economic incentive to exercise or not to exercise an option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option. Main factors considered include contractual terms and conditions for the optional periods, significant leasehold improvements undertaken over the contract term, the importance of the underlying asset to the lessee's operations, etc. The lease term is reassessed if a significant change in circumstances that are within control of the Corporation occur.

Key Sources of Estimation Uncertainty

a. Estimated impairment of financial assets

The provision for impairment of accounts receivable and investments in debt instruments is based on assumptions about risk of default and expected loss rates. The Corporation uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Corporation's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Fair value measurements and valuation processes

For the Corporation's assets and liabilities measured at fair value that have no quoted prices in an active market, the Corporation should determine whether to engage third party qualified valuers and to determine the appropriate valuation techniques for fair value measurement.

Information about the valuation techniques and inputs used in determining the fair values of various assets and liabilities is disclosed in Note 24.

c. Lessees' incremental borrowing rates

In determining a lessee's incremental borrowing rate used in discounting lease payments, a risk-free rate for the same currency and relevant duration is selected as a reference rate, and the lessee's credit spread adjustments and lease specific adjustments (such as asset type, secured position, etc.) are also taken into account.

6. CASH

| | December 31 | |
|---------------|---------------------|---------------------|
| | 2020 | 2019 |
| Bank deposits | <u>\$ 3,934,707</u> | <u>\$ 3,618,463</u> |

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

| | December 31 | |
|---------------|--------------------|-------------|
| | 2020 | 2019 |
| Bank deposits | 0.06%-0.765% | 0.09%-1.90% |

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | <u>December 31</u> | |
|---|--------------------|------------------|
| | <u>2020</u> | <u>2019</u> |
| <u>Financial assets at FVTPL - current</u> | | |
| Financial assets held for trading - current | | |
| Non-derivative financial assets | | |
| Mutual funds | \$125,900 | \$ 50,652 |
| Derivative financial assets (not under hedge accounting) | | |
| Foreign exchange forward contracts | <u>3,396</u> | <u>3,569</u> |
| | <u>\$129,296</u> | <u>\$ 54,221</u> |
| <u>Financial liabilities at FVTPL - current</u> | | |
| Financial liabilities held for trading - current | | |
| Derivative financial liabilities (not under hedge accounting) | | |
| Foreign exchange forward contracts | <u>\$ 5</u> | <u>\$ 26</u> |

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

| | Currency | Maturity Date | Contract Amounts (In Thousands) |
|---------------------------------|-----------------|---------------------------|--|
| <u>December 31, 2020</u> | | | |
| Sell forward exchange contracts | USD to NTD | 2021.01.12- 2021.03.16 | USD10,900 / NTD309,518 |
| <u>December 31, 2019</u> | | | |
| Sell forward exchange contracts | USD to NTD | 2020.01.09- 2020.03.17 | USD11,400 / NTD345,528 |

The Corporation entered into foreign exchange forward contracts during the 2020 and 2019 to manage exposures due to exchange rate fluctuations of foreign currency denominated assets and liabilities. However, those contracts did not meet the criteria of hedge effectiveness and therefore were not accounted for by using hedge accounting.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | <u>December 31</u> | |
|---|--------------------|-------------------|
| | <u>2020</u> | <u>2019</u> |
| <u>Noncurrent</u> | | |
| Domestic investments | | |
| Listed shares | | |
| Ordinary shares - Powertech Technology Inc. | <u>\$ 585,533</u> | <u>\$ 264,470</u> |

These investments 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.

9. FINANCIAL ASSETS AT AMORTIZED COST - 2020

| | <u>December 31</u> | |
|--|--------------------|-------------------|
| | <u>2020</u> | <u>2019</u> |
| <u>Current</u> | | |
| Domestic investments | | |
| Corporate bonds - P07 Taiwan Power Company 1A Bond | \$ 200,000 | \$ - |
| Corporate bonds - P06 FPC 1A Bond | 50,000 | - |
| Corporate bonds - P06 Taiwan Power Company 3A Bond | 50,000 | - |
| Corporate bonds - 02 Taiwan Power Company 1B Bond | - | 150,388 |
| Corporate bonds - P04 FENC 4 Bond | <u>-</u> | <u>100,000</u> |
| | <u>\$ 300,000</u> | <u>\$ 250,388</u> |
| <u>Noncurrent</u> | | |
| Domestic investments | | |
| Corporate bonds - P06 Taiwan Power Company 1A Bond | \$ 300,000 | \$ 300,001 |
| Corporate bonds - P08 Taiwan Power Company 3A Bond | 100,001 | 100,001 |
| Corporate bonds - P06 Taiwan Power Company 3A Bond | 50,000 | 100,000 |
| Corporate bonds - P06 FPC 1A Bond | 50,000 | 100,000 |
| Corporate bonds - P07 Taiwan Power Company 1A Bond | <u>-</u> | <u>200,001</u> |
| | <u>\$ 500,001</u> | <u>\$ 800,003</u> |

On November 16, 2015, the Corporation bought corporate bonds issued by Far Eastern New Century Corporation, which have an effective interest rate of 1.25%; a premium value of \$100,001 thousand (par value \$100,000 thousand); and maturity date on November 16, 2020.

On September 26, 2016, the Corporation bought corporate bonds issued by Taiwan Power Company with an effective interest rate of 0.63% at premium value \$154,054 thousand (par value \$150,000 thousand), and a maturity date of May 6, 2020.

On April 21, 2017, the Corporation bought corporate bonds issued by Taiwan Power Company with an effective interest rate of 1.13% at premium value \$300,002 thousand (par value \$300,000 thousand), and a maturity date of April 21, 2022.

On May 19, 2017, the Corporation bought corporate bonds issued by Formosa Plastics Corporation with an effective interest rate of 1.09% at par value \$100,000 thousand, and maturity dates of May 19, 2021 and 2022, at par value of \$50,000 thousand, respectively.

On December 15, 2017, the Corporation bought corporate bonds issued by Taiwan Power Company with an effective interest rate of 0.88% at par value \$100,000 thousand, and maturity dates of December 15, 2021 and 2022, at par value of \$50,000 thousand, respectively.

On May 14, 2018, the Corporation bought corporate bonds issued by Taiwan Power Company with an effective interest rate of 0.70% at premium value \$200,001 thousand (par value \$200,000 thousand), and a maturity date of May 14, 2021.

On September 12, 2019, the Corporation bought corporate bonds issued by Taiwan Power Company with an effective interest rate of 0.72% at par value \$100,000 thousand, and maturity dates of September 12, 2023 and 2024, at par value of \$50,000 thousand, respectively.

Refer to Note 24 for information relating to their credit risk management and impairment.

10. NOTES AND ACCOUNTS RECEIVABLE, NET

| | <u>December 31</u> | |
|-------------------------------------|---------------------|---------------------|
| | 2020 | 2019 |
| <u>Notes receivable</u> | | |
| At amortized cost | | |
| Gross carrying amount | <u>\$ 119,529</u> | <u>\$ 63,517</u> |
| <u>Accounts receivable</u> | | |
| At amortized cost | | |
| Gross carrying amount | \$ 3,077,194 | \$ 2,698,817 |
| Less: Allowance for impairment loss | <u>(25,925)</u> | <u>(54,880)</u> |
| | <u>\$ 3,051,269</u> | <u>\$ 2,643,937</u> |

The average credit period of sales of goods was 60 days. No interest was charged on accounts 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 Corporation 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 Corporation's credit risk was significantly reduced.

The Corporation applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all accounts receivables. The expected credit losses on accounts 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. As the Corporation's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Corporation's different customer base.

The Corporation 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. For accounts receivables that have been written off, the Corporation 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 accounts receivables based on the Corporation's provision matrix.

December 31, 2020

| | Not Past Due | Less than 60 Days | 61 to 90 Days | 91 to 120 Days | Over 120 Days | Total |
|-------------------------------|---------------------|--------------------------|----------------------|-----------------------|----------------------|---------------------|
| Gross carrying amount | \$ 3,018,248 | \$ 46,074 | \$ 7,162 | \$ 4,657 | \$ 1,053 | \$ 3,077,194 |
| Loss allowance (Lifetime ECL) | <u>(4,292)</u> | <u>(14,171)</u> | <u>(4,499)</u> | <u>(2,941)</u> | <u>(22)</u> | <u>(25,925)</u> |
| Amortized cost | <u>\$ 3,013,956</u> | <u>\$ 31,903</u> | <u>\$ 2,663</u> | <u>\$ 1,716</u> | <u>\$ 1,031</u> | <u>\$ 3,051,269</u> |

December 31, 2019

| | Not Past Due | Less than 60 Days | 61 to 90 Days | 91 to 120 Days | Over 120 Days | Total |
|-------------------------------|---------------------|--------------------------|----------------------|-----------------------|----------------------|---------------------|
| Gross carrying amount | \$ 2,553,177 | \$ 110,353 | \$ 2,473 | \$ 2,934 | \$ 29,880 | \$ 2,698,817 |
| Loss allowance (Lifetime ECL) | <u>(2,219)</u> | <u>(17,525)</u> | <u>(2,322)</u> | <u>(2,934)</u> | <u>(29,880)</u> | <u>(54,880)</u> |
| Amortized cost | <u>\$ 2,550,958</u> | <u>\$ 92,828</u> | <u>\$ 151</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,643,937</u> |

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

| | For the Year Ended December 31 | |
|---------------------------|---------------------------------------|------------------|
| | 2020 | 2019 |
| Balance at January 1 | \$ 54,880 | \$ 33,480 |
| Add: Impairment loss | 56,326 | 21,400 |
| Less: Amounts written off | <u>(85,281)</u> | <u>-</u> |
| Balance at December 31 | <u>\$ 25,925</u> | <u>\$ 54,880</u> |

11. INVENTORIES

| | December 31 | |
|---------------|--------------------|-------------------|
| | 2020 | 2019 |
| Raw materials | \$ 663,156 | \$ 467,115 |
| Supplies | <u>109,470</u> | <u>66,261</u> |
| | <u>\$ 772,626</u> | <u>\$ 533,376</u> |

The costs of inventories recognized as cost of goods sold were as follows:

| | For the Year Ended December 31 | |
|--|---------------------------------------|---------------------|
| | 2020 | 2019 |
| Provision of inventory valuation and obsolescence losses | <u>\$ 9,919</u> | <u>\$ 1,556</u> |
| Unallocated overheads | <u>\$ 176,069</u> | <u>\$ 229,026</u> |
| Sales of scrapes | <u>\$ (56,274)</u> | <u>\$ (46,848)</u> |
| Operating Costs | <u>\$10,892,042</u> | <u>\$ 9,231,137</u> |

12. PROPERTY, PLANT AND EQUIPMENT

| For the Year Ended December 31, 2019 | | | | | | | | | | |
|--------------------------------------|---------------------|---------------------|-------------------------|--------------------------|------------------|-------------------|------------------------------|--------------------------|-------------------|---------------------|
| | Land | Building | Machinery and Equipment | Transportation Equipment | Office Equipment | Other Equipment | Equipment under Installation | Construction in Progress | Spare Parts | Total |
| Cost | | | | | | | | | | |
| Balance, beginning of year | \$ 1,195,435 | \$ 3,748,774 | \$15,303,709 | \$ 14,534 | \$ 69,524 | \$ 440,842 | \$ 639,810 | \$ 12,195 | \$ 131,821 | \$21,556,104 |
| Additions | 121,366 | 44,346 | 1,139,736 | 190 | 8,076 | 22,827 | 602,306 | 5,983 | 394,774 | 2,339,604 |
| Disposals | - | - | (11,053) | - | - | (280) | - | - | (380,789) | (392,122) |
| Reclassified | - | 12,195 | 633,047 | 1,990 | - | - | (635,041) | (12,195) | - | (4) |
| Balance, end of year | <u>1,316,801</u> | <u>3,805,315</u> | <u>17,065,439</u> | <u>16,714</u> | <u>77,600</u> | <u>463,389</u> | <u>607,075</u> | <u>5,983</u> | <u>145,266</u> | <u>23,503,582</u> |
| Accumulated depreciation | | | | | | | | | | |
| Balance, beginning of year | - | 1,486,687 | 9,610,713 | 6,971 | 36,236 | 255,264 | - | - | - | 11,395,871 |
| Additions | - | 262,210 | 1,735,673 | 2,030 | 10,642 | 52,606 | - | - | 380,789 | 2,443,950 |
| Disposals | - | - | (11,053) | - | - | (66) | - | - | (380,789) | (391,908) |
| Balance, end of year | - | <u>1,748,897</u> | <u>11,335,333</u> | <u>9,001</u> | <u>46,878</u> | <u>307,804</u> | - | - | - | <u>13,447,913</u> |
| Net book value, end of year | <u>\$ 1,316,801</u> | <u>\$ 2,056,418</u> | <u>\$ 5,730,106</u> | <u>\$ 7,713</u> | <u>\$ 30,722</u> | <u>\$ 155,585</u> | <u>\$ 607,075</u> | <u>\$ 5,983</u> | <u>\$ 145,266</u> | <u>\$10,055,669</u> |
| For the Year Ended December 31, 2020 | | | | | | | | | | |
| | Land | Building | Machinery and Equipment | Transportation Equipment | Office Equipment | Other Equipment | Equipment under Installation | Construction in Progress | Spare Parts | Total |
| Cost | | | | | | | | | | |
| Balance, beginning of year | \$ 1,316,801 | \$ 3,805,315 | \$17,065,439 | \$ 16,714 | \$ 77,600 | \$ 463,389 | \$ 607,075 | \$ 5,983 | \$ 145,266 | \$23,503,582 |
| Additions | - | 27,423 | 2,103,894 | 1,500 | 21,444 | 18,692 | 595,060 | 79,764 | 502,542 | 3,350,319 |
| Disposals | - | - | (950,010) | - | (11) | - | - | - | (458,415) | (1,408,436) |
| Reclassified | - | 5,983 | 585,175 | - | 190 | 647 | (590,692) | (5,983) | - | (4,680) |
| Balance, end of year | <u>1,316,801</u> | <u>3,838,721</u> | <u>18,804,498</u> | <u>18,214</u> | <u>99,223</u> | <u>482,728</u> | <u>611,443</u> | <u>79,764</u> | <u>189,393</u> | <u>25,440,785</u> |
| Accumulated depreciation | | | | | | | | | | |
| Balance, beginning of year | - | 1,748,897 | 11,335,333 | 9,001 | 46,878 | 307,804 | - | - | - | 13,447,913 |
| Additions | - | 254,438 | 1,826,951 | 2,067 | 11,110 | 47,847 | - | - | 458,415 | 2,600,828 |
| Disposals | - | - | (949,347) | - | (11) | - | - | - | (458,415) | (1,407,773) |
| Balance, end of year | - | <u>2,003,335</u> | <u>12,212,937</u> | <u>11,068</u> | <u>57,977</u> | <u>355,651</u> | - | - | - | <u>14,640,968</u> |
| Net book value, end of year | <u>\$ 1,316,801</u> | <u>\$ 1,835,386</u> | <u>\$ 6,591,561</u> | <u>\$ 7,146</u> | <u>\$ 41,246</u> | <u>\$ 127,077</u> | <u>\$ 611,443</u> | <u>\$ 79,764</u> | <u>\$ 189,393</u> | <u>\$10,799,817</u> |

The above items of property, plant and equipment were depreciated on a straight-line basis at the following years:

| | |
|---|------------|
| Buildings | |
| Main plants | 26 years |
| Mechanical and electrical power equipment | 6-11 years |
| Others | 6-51 years |
| Machinery and equipment | 2-10 years |
| Transportation equipment | 6 years |
| Office equipment | 3-7 years |
| Other equipment | 2-16 years |
| Spare parts | 0.5 years |

13. LEASE ARRANGEMENTS

a. Right-of-use assets

| | December 31 | |
|--|--------------------------------|------------------|
| | 2020 | 2019 |
| <u>Carrying amounts</u> | | |
| Machinery and Equipment | <u>\$ 9,385</u> | <u>\$ 10,661</u> |
| | | |
| | For the Year Ended December 31 | |
| | 2020 | 2019 |
| <u>Depreciation charge for right-of-use assets</u> | | |
| Machinery and Equipment | <u>\$ 1,276</u> | <u>\$ 1,275</u> |

b. Lease liabilities

| | December 31 | |
|-------------------------|--------------------|-----------------|
| | 2020 | 2019 |
| <u>Carrying amounts</u> | | |
| Current | <u>\$ 1,229</u> | <u>\$ 1,208</u> |
| Non-current | <u>\$ 8,311</u> | <u>\$ 9,540</u> |

Range of discount rate for lease liabilities was as follows:

| | December 31 | |
|-------------------------|--------------------|-------------|
| | 2020 | 2019 |
| Machinery and equipment | 1.695% | 1.695% |

c. Material lease-in activities and terms

The Corporation leases certain machinery equipment for the use of assembly and testing service with lease terms of 14 years. The Corporation has no options to purchase the equipment for a nominal amount at the end of the lease terms.

14. INTANGIBLE ASSETS

| | For the Year Ended December 31, 2019 |
|---------------------------------|---|
| | Computer Software |
| <u>Cost</u> | |
| Balance, beginning of year | \$128,947 |
| Additions | 20,107 |
| Disposals | <u>(6,078)</u> |
| Balance, end of year | <u>142,976</u> |
| <u>Accumulated amortization</u> | |
| Balance, beginning of year | 43,205 |
| Additions | 25,181 |
| Disposals | <u>(6,078)</u> |
| Balance, end of year | <u>62,308</u> |
| Net book value, end of year | <u>\$ 80,668</u> |

(Continued)

| | For the Year Ended December 31, 2020 |
|---------------------------------|---|
| | Computer Software |
| <u>Cost</u> | |
| Balance, beginning of year | \$142,976 |
| Additions | 5,288 |
| Disposals | (12,698) |
| Reclassifications | <u>4,680</u> |
| Balance, end of year | <u>140,246</u> |
| <u>Accumulated amortization</u> | |
| Balance, beginning of year | \$ 62,308 |
| Additions | 27,599 |
| Disposals | <u>(12,698)</u> |
| Balance, end of year | <u>77,209</u> |
| Net book value, end of year | <u>\$ 63,037</u> (Concluded) |

Computer software was amortized on a straight-line basis at 5 years.

15. OTHER ASSETS

| | <u>December 31</u> | |
|-----------------------------|--------------------|-------------------|
| | 2020 | 2019 |
| <u>Current</u> | | |
| Tax refund receivables | \$ 37,876 | \$ 17,712 |
| Inventory of supplies | 27,844 | 26,398 |
| Tax overpaid | 27,813 | 19,354 |
| Other receivables | 19,795 | 29,969 |
| prepayments in advance | 7,911 | 2,545 |
| Payment on behalf of others | 5,618 | 5,670 |
| Interest receivable | 4,936 | 6,776 |
| Others (a) | <u>6,227</u> | <u>4,328</u> |
| | <u>\$ 138,020</u> | <u>\$ 112,752</u> |
| <u>Non-current</u> | | |
| Pledged deposits (b) | \$ 83,700 | \$ 83,700 |
| Refundable deposits | <u>6,998</u> | <u>6,905</u> |
| | <u>\$ 90,698</u> | <u>\$ 90,605</u> |

- a. Other current assets include prepaid insurances, advance payments, and prepaid rents.
- b. Pledge deposits are guarantee deposits for domestic sales and gas volume in CPC Corporation.

16. OTHER LIABILITIES

| | December 31 | |
|----------------------------|--------------------|-------------------|
| | 2020 | 2019 |
| <u>Current</u> | | |
| Accrued expenses | | |
| Bonus | \$ 565,119 | \$ 411,414 |
| Indemnification payable | 111,883 | 55,787 |
| Labor and health insurance | 50,313 | 46,646 |
| Utilities | 33,481 | 29,928 |
| Others (a) | <u>247,860</u> | <u>237,417</u> |
| | <u>1,008,656</u> | <u>781,192</u> |
| Other current liabilities | | |
| Behalf of the collection | 27,453 | 25,290 |
| Temporary receipts | <u>7,015</u> | <u>10,499</u> |
| | <u>34,468</u> | <u>35,789</u> |
| | <u>\$1,043,124</u> | <u>\$ 816,981</u> |

- a. Other accrued expenses include accrued benefit retirement, services, utilization of the foreign employment security, and spare parts.

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

17. RETIREMENT BENEFIT PLANS

- a. Defined contribution plans

The Corporation 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 Corporation 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 six months before retirement. The Corporation contribute amounts equal to 2% 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 Corporation 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 Corporation 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 Corporation has no right to influence the investment policy and strategy.

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

follows:

| | December 31 | |
|--|--------------------|-------------------|
| | 2020 | 2019 |
| Present value of funded defined benefit obligation | \$ 465,709 | \$ 440,532 |
| Fair value of plan assets | <u>(207,145)</u> | <u>(199,881)</u> |
| Net defined benefit liability | <u>\$ 258,564</u> | <u>\$ 240,651</u> |

Movements in net defined benefit liability were as follows:

| | Present Value of the Defined Benefit Obligation | Fair Value of the Plan Assets | Net Defined Benefit Liability (Asset) |
|---|--|--|--|
| Balance at January 1, 2019 | \$ 425,189 | \$(189,657) | \$ 235,532 |
| Service cost | | | |
| Current service cost | 1,065 | - | 1,065 |
| Net interest expense (income) | <u>4,252</u> | <u>(1,897)</u> | <u>2,355</u> |
| Recognized in profit or loss | <u>5,317</u> | <u>(1,897)</u> | <u>3,420</u> |
| Remeasurement | | | |
| Actuarial gain - changes in financial assumptions | (3,790) | - | (3,790) |
| Actuarial loss(gain) - experience adjustments | <u>21,204</u> | <u>(6,763)</u> | <u>14,441</u> |
| Recognized in other comprehensive income | <u>17,414</u> | <u>(6,763)</u> | <u>10,651</u> |
| Contributions from the employer | <u>-</u> | <u>(8,254)</u> | <u>(8,254)</u> |
| Benefits paid | <u>(6,690)</u> | <u>6,690</u> | <u>-</u> |
| Corporation paid | <u>(698)</u> | <u>-</u> | <u>(698)</u> |
| Balance at December 31, 2019 | <u>440,532</u> | <u>(199,881)</u> | <u>240,651</u> |
| Service cost | | | |
| Current service cost | 1,093 | - | 1,093 |
| Net interest expense (income) | <u>3,524</u> | <u>(1,599)</u> | <u>1,925</u> |
| Recognized in profit or loss | <u>4,617</u> | <u>(1,599)</u> | <u>3,018</u> |
| Remeasurement | | | |
| Actuarial loss - changes in financial assumptions | 21,262 | - | 21,262 |
| Actuarial loss(gain) - experience adjustments | <u>8,851</u> | <u>(6,660)</u> | <u>2,191</u> |
| Recognized in other comprehensive income | <u>30,113</u> | <u>(6,660)</u> | <u>23,453</u> |
| Contributions from the employer | <u>-</u> | <u>(8,558)</u> | <u>(8,558)</u> |
| Benefits paid | <u>(9,553)</u> | <u>9,553</u> | <u>-</u> |
| Balance at December 31, 2020 | <u>\$ 465,709</u> | <u>\$(207,145)</u> | <u>\$ 258,564</u> |

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

**For the Year Ended December
31**

| | 2020 | 2019 |
|-------------------------------------|-----------------|-----------------|
| Operating costs | <u>\$ 2,752</u> | <u>\$ 3,108</u> |
| Selling and marketing expenses | <u>\$ 30</u> | <u>\$ 35</u> |
| General and administrative expenses | <u>\$ 78</u> | <u>\$ 96</u> |
| Research and development expenses | <u>\$ 158</u> | <u>\$ 181</u> |

Through the defined benefit plans under the Labor Standards Law, the Corporation 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/corporate 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:

| | December 31 | |
|-----------------------------------|--|--|
| | 2020 | 2019 |
| Discount rates | 0.40% | 0.80% |
| Expected rates of salary increase | 2.95% | 2.95% |
| Mortality rate | Taiwan's life insurance industry Mining parent 5th round experience life table | Taiwan's life insurance industry Mining parent 5th round experience life table |
| Return on plan assets | 0.40% | 0.80% |

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:

| | December 31 | |
|-------------------------------------|--------------------|--------------------|
| | 2020 | 2019 |
| Discount rate(s) | | |
| 0.25% increase | <u>\$ (13,446)</u> | <u>\$ (13,197)</u> |
| 0.25% decrease | <u>\$ 13,988</u> | <u>\$ 13,746</u> |
| Expected rate(s) of salary increase | | |
| 0.25% increase | <u>\$ 12,462</u> | <u>\$ 12,330</u> |
| 0.25% decrease | <u>\$ (12,071)</u> | <u>\$ (11,927)</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.

| | <u>December 31</u> | |
|--|--------------------|-----------------|
| | 2020 | 2019 |
| The expected contributions to the plan for the next year | <u>\$ 8,717</u> | <u>\$ 8,371</u> |
| The average duration of the defined benefit obligation | 12 years | 13 years |

18. EQUITY

a. Ordinary shares

| | <u>December 31</u> | |
|---|---------------------|---------------------|
| | 2020 | 2019 |
| Numbers of shares authorized (in thousands) | <u>600,000</u> | <u>600,000</u> |
| Shares authorized | <u>\$ 6,000,000</u> | <u>\$ 6,000,000</u> |
| Number of shares issued and fully paid (in thousands) | <u>568,846</u> | <u>568,846</u> |
| Shares issued | <u>\$ 5,688,459</u> | <u>\$ 5,688,459</u> |

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and carry a right to dividends.

There are 20,000 thousand shares reserved for employee stock options.

b. Capital surplus

| | <u>December 31</u> | |
|---|--------------------|-----------------|
| | 2020 | 2019 |
| May be used to offset a deficit, distributed as cash dividends, or transferred to share capital | | |
| Share premium | \$ 1,647 | \$ 1,647 |
| <u>May be used to offset a deficit only</u> | | |
| Donations from shareholders | <u>507</u> | <u>350</u> |
| | <u>\$ 2,154</u> | <u>\$ 1,997</u> |

The premium from shares issued in excess of par and donations from shareholders may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital (limited to a certain percentage of the Corporation's capital surplus and once a year). The capital surplus from employee share options and share warrants may not be used for any purpose.

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the amended Articles, the Corporation should make appropriations from its net income in the following order:

- 1) Deducted for accumulated deficits. (include current year's adjusted undistributed earnings)
- 2) Appropriate the 10% as the legal reserve. However when the legal reserve amounts to the authorized capital, this shall not apply.
- 3) Appropriate or reverse the special reserve in accordance with relevant laws or regulations or as requested by the authorities in charge.
- 4) The board of directors will draft a resolution declaring a dividend equaling the sum of previous years' surpluses and current year's adjusted undistributed earnings, less previous expense balances. The shareholders will ultimately decide whether the amount should be distributed as dividends or retained within the Corporation.

For information on the accrued employees' compensation and remuneration to directors and the actual appropriations, please refer to the employee benefit expense shown in Note 20 (f).

Dividends are distributed in the form of cash, common shares or a combination of cash and common shares. In consideration of the Corporation's being in a capital-intensive industry as well as the long-term development, overall environment, industrial growth characteristics, capital demand, capital budget, shareholders' interests, balanced dividend considerations and long-term financial plans, the Corporation's Articles of Incorporation provide that the total of cash dividends paid in any given year should be at least 30% of total dividends distributed.

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

The Corporation appropriates or reverses a special reserve in accordance with Rule No.1010012865 issued by the FSC.

The appropriations of earnings for 2019 and 2018 had been approved in the shareholders' meetings on May 27, 2020 and May 24, 2019, respectively. The appropriations and dividends per share were as follows:

| | Appropriation of Earnings | | Dividends Per Share (\$) | |
|-----------------|----------------------------------|--------------------------|---------------------------------|--------------------------|
| | For Year 2019 | For Year 2018 | For Year 2019 | For Year 2018 |
| Legal reserve | \$ 188,525 | \$ 237,545 | \$ - | \$ - |
| Special reserve | (46,429) | 46,110 | - | - |
| Cash dividends | 1,,308,346 | 1,535,884 | 2.3 | 2.7 |

The appropriations of earnings for 2020 had been proposed by the Corporation's board of directors on February 26, 2021. The appropriations and dividends per share were as follows:

| | Appropriation of Earnings | Dividends Per Share |
|----------------|--------------------------------------|--------------------------------|
| Legal reserve | \$ 263,885 | \$ - |
| Cash dividends | 1,763,422 | 3.1 |

The appropriations of earnings for 2020 are subject to the resolution of the shareholders meeting to be held on May 27, 2021.

d. Special reserve

| | For the Year Ended December 31 | |
|--|---|------------------|
| | 2020 | 2019 |
| Balance at January 1 | \$ 46,429 | \$ 319 |
| Appropriation in respect of Debit to other equity items | - | 46,110 |
| Reversals Reversal of the debits to other equity items | <u>(46,429)</u> | <u>-</u> |
| Balance at December 31 | <u>\$ -</u> | <u>\$ 46,429</u> |

e. Other equity items

Unrealized gain (loss) on financial assets at FVTOCI

| | For the Year Ended December 31 | |
|---|---|------------------|
| | 2020 | 2019 |
| Balance at January 1 | \$ 39,641 | \$(46,429) |
| Other comprehensive income recognized during the period Unrealized gain - equity instruments | <u>11,420</u> | <u>86,070</u> |
| Balance at December 31 | <u>\$ 51,061</u> | <u>\$ 39,641</u> |

19. REVENUE

a. Contract information

| | For the Year Ended December 31 | |
|---------------------------------------|---|----------------------|
| | 2020 | 2019 |
| Revenue from contracts with customers | | |
| Revenue from assembly service | \$ 12,322,638 | \$ 10,188,768 |
| Revenue from testing service | <u>2,379,044</u> | <u>1,841,713</u> |
| | <u>\$ 14,701,682</u> | <u>\$ 12,030,481</u> |

When the Corporation fulfilled the assembly service contract, the customer controls the goods

when they are created or enhanced, the Corporation has the right to perform the collection if partial of the assembly service contract have been fulfilled, and the revenue from assembly service is recognized over time. When the Corporation fulfilled the testing service contract, the customer simultaneously receives and consumes the benefits provided by the Corporation's performance, the Corporation has the right to perform the collection if partial of the testing service contract have been fulfilled, and the revenue from testing service is recognized over time.

b. Contact balances

| | December 31, 2020 | December 31, 2019 | January 1, 2019 |
|---|------------------------------|------------------------------|----------------------------|
| Notes and accounts receivables (Included related parties) (Note 10) | <u>\$ 3,521,425</u> | <u>\$ 3,045,577</u> | <u>\$ 2,899,347</u> |
| Contract assets-current | | | |
| Revenue from services | \$ 648,393 | \$ 562,604 | \$ 471,025 |
| Less: Allowance for impairment loss | <u> -</u> | <u> -</u> | <u> -</u> |
| Contract assets-current | <u>\$ 648,393</u> | <u>\$ 562,604</u> | <u>\$ 471,025</u> |
| Contract liabilities- current | | | |
| Revenue from services | <u>\$ 56,676</u> | <u>\$ 50,340</u> | <u>\$ 39,323</u> |

The changes in the contract asset and the contract liability balances primarily result from the timing difference between the Corporation's performance and the customer's payment

Revenue of the reporting period recognized from the beginning contract liability and from the performance obligations satisfied in previous periods is as follows:

| | For the Year Ended December 31 | |
|---------------------------------------|---|------------------|
| | 2020 | 2019 |
| From the beginning contract liability | | |
| Revenue from services | <u>\$ 36,508</u> | <u>\$ 25,549</u> |

c. Disaggregation of revenue

| | For the Year Ended December 31 | |
|--|---|----------------------|
| | 2020 | 2019 |
| <u>Primary geographical markets</u> | | |
| Taiwan (The location of the Corporation) | \$ 11,307,802 | \$ 9,299,007 |
| America | 1,306,545 | 919,358 |
| Europe | 1,159,066 | 999,593 |
| Asia | 928,179 | 812,477 |
| Africa | <u>90</u> | <u>46</u> |
| | <u>\$ 14,701,682</u> | <u>\$ 12,030,481</u> |

20. NET PROFIT

a. Interest income

| | For the Year Ended December 31 | |
|---|---|------------------|
| | 2020 | 2019 |
| Bank deposits | \$ 18,122 | \$ 29,971 |
| Financial assets measured at amortized cost | 8,898 | 10,059 |
| Repurchase agreements collateralized by bonds | <u>791</u> | <u>32</u> |
| | <u>\$ 27,811</u> | <u>\$ 40,062</u> |

b. Other income

| | For the Year Ended December 31 | |
|-----------------|---|------------------|
| | 2020 | 2019 |
| Dividend income | \$ 21,375 | \$ 10,560 |
| Others | <u>47,170</u> | <u>32,955</u> |
| | <u>\$ 68,545</u> | <u>\$ 43,515</u> |

c. Other gains and losses

| | For the Year Ended December 31 | |
|---|---|--------------------|
| | 2020 | 2019 |
| Net loss on foreign currency exchange | \$ (77,384) | \$ (25,374) |
| Net gain arising on financial instruments classified as held for trading | 39,650 | 1,655 |
| Finance costs | (175) | (192) |
| Others | <u>(1,289)</u> | <u>(1,821)</u> |
| | <u>\$ (39,198)</u> | <u>\$ (25,732)</u> |

d. Depreciation and amortization

| | For the Year Ended December 31 | |
|---|---|---------------------|
| | 2020 | 2019 |
| An analysis of depreciation by function | | |
| Operating costs | \$ 2,570,653 | \$ 2,410,302 |
| Operating expenses | <u>31,451</u> | <u>34,923</u> |
| | <u>\$ 2,602,104</u> | <u>\$ 2,445,225</u> |

| | For the Year Ended December 31 | |
|---|---|------------------|
| | 2020 | 2019 |
| An analysis of amortization by function | | |
| Operating costs | \$ 19,082 | \$ 16,316 |
| Selling and marketing | - | - |
| General and administrative | 2,990 | 3,793 |
| Research and development | <u>5,527</u> | <u>5,072</u> |
| | <u>\$ 27,599</u> | <u>\$ 25,181</u> |

e. Employee benefit expense

| | For the Year Ended December 31 | |
|------------------------------------|---|---------------------|
| | 2020 | 2019 |
| Post-employment benefits (Note 17) | | |
| Defined contribution plans | \$ 105,050 | \$ 95,526 |
| Defined benefit plans | <u>3,018</u> | <u>3,420</u> |
| | 108,068 | 98,946 |
| Other employee benefits | <u>3,602,647</u> | <u>2,944,959</u> |
| Total employee benefit expense | <u>\$ 3,710,715</u> | <u>\$ 3,043,905</u> |

(Continued)

| | For the Year Ended December 31 | |
|---|---|---------------------|
| | 2020 | 2019 |
| An analysis of employee benefit expense by function | | |
| Operating costs | \$ 3,310,849 | \$ 2,720,804 |
| Operating expenses | <u>399,866</u> | <u>323,101</u> |
| | <u>\$ 3,710,715</u> | <u>\$ 3,043,905</u> |

(Concluded)

f. Employees' compensation and remuneration to directors

The Corporation accrued employees' compensation and remuneration of directors at the rates between 9% to 15% and no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2020 and 2019 which have been approved by the Company's board of directors on February 26, 2021 and March 3, 2020, respectively, were as follows:

Accrual rate

| | For the Year Ended December 31 | |
|---------------------------|---|-------------|
| | 2020 | 2019 |
| Employees' compensation | 10% | 10% |
| Remuneration of directors | 2% | 2% |

Amount

| | For the Year Ended December 31 | | | |
|---------------------------|---------------------------------------|--------------|-------------|--------------|
| | 2020 | | 2019 | |
| | Cash | Share | Cash | Share |
| Employees' compensation | \$ 359,412 | \$ - | \$ 262,911 | \$ - |
| Remuneration of directors | 71,882 | - | 52,582 | - |

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

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the financial statements for the year ended December 31, 2019 and 2018.

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

g. Gain or loss on foreign currency exchange

| | For the Year Ended December 31 | |
|-------------------------|---------------------------------------|--------------------|
| | 2020 | 2019 |
| Foreign exchange gains | \$ 46,760 | \$ 72,842 |
| Foreign exchange losses | <u>(124,144)</u> | <u>(98,216)</u> |
| Net losses | <u>\$ (77,384)</u> | <u>\$ (25,374)</u> |

21. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

| | For the Year Ended December 31 | |
|--|---------------------------------------|-------------------|
| | 2020 | 2019 |
| Current tax | | |
| In respect of the current year | \$ 669,760 | \$ 473,059 |
| Income tax on unappropriated earnings | - | 26,724 |
| Adjustments for prior periods | (31,407) | (11,051) |
| Deferred tax | | |
| In respect of the current year | <u>2,587</u> | <u>12,434</u> |
| Income tax expenses recognized in profit or loss | <u>\$ 640,940</u> | <u>\$ 501,166</u> |

The income tax for the years ended December 31, 2020 and 2019 can be reconciled to the accounting profit as follows:

| | For the Year Ended December 31 | |
|---|---------------------------------------|---------------------|
| | 2020 | 2019 |
| Profit before income tax | <u>\$ 3,303,251</u> | <u>\$ 2,397,065</u> |
| Income tax expense calculated at the statutory rate (20%) | \$ 660,650 | \$ 479,413 |
| Nondeductible expenses in determining taxable income | (4,417) | (2,112) |
| Temporary differences | 16,114 | 8,192 |
| Income tax on unappropriated earnings | - | 26,724 |
| Adjustments for prior years' tax | <u>(31,407)</u> | <u>(11,051)</u> |
| Income tax recognized in profit or loss | <u>\$ 640,940</u> | <u>\$ 501,166</u> |

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

b. Current tax liabilities

| | December 31 | |
|-------------------------|--------------------|-------------------|
| | 2020 | 2019 |
| Current tax liabilities | | |
| Tax payable | <u>\$ 448,165</u> | <u>\$ 256,584</u> |

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2020

| | Balance, Beginning of Year | The Movements of Year | Balance, End of Year |
|---|---|--------------------------------------|---------------------------------|
| <u>Deferred Tax Assets</u> | | | |
| Temporary difference | | | |
| Bonus | \$ 13,077 | \$ (2,961) | \$ 10,116 |
| Provisions | 13,573 | 8,804 | 22,377 |
| Depreciation | 4,274 | (662) | 3,612 |
| Unrealized foreign exchange losses | <u>5,830</u> | <u>(2,749)</u> | <u>3,081</u> |
| | <u>\$ 36,754</u> | <u>\$ 2,432</u> | <u>\$ 39,186</u> |
| <u>Deferred Tax Liabilities</u> | | | |
| Temporary difference | | | |
| Financial instruments classified as held for trading | <u>\$ 839</u> | <u>\$ 5,019</u> | <u>\$ 5,858</u> |

For the year ended December 31, 2019

| | Balance, Beginning of Year | The Movements of Year | Balance, End of Year |
|---|---|--------------------------------------|---------------------------------|
| <u>Deferred Tax Assets</u> | | | |
| Temporary difference | | | |
| Bonus | \$ 17,045 | \$ (3,968) | \$ 13,077 |
| Provisions | 19,864 | (6,291) | 13,573 |
| Depreciation | 10,563 | (6,289) | 4,274 |
| Unrealized foreign exchange losses | <u>1,031</u> | <u>4,799</u> | <u>5,830</u> |
| | <u>\$ 48,503</u> | <u>\$(11,749)</u> | <u>\$ 36,754</u> |
| <u>Deferred Tax Liabilities</u> | | | |
| Temporary difference | | | |
| Financial instruments classified as held for trading | <u>\$ 154</u> | <u>\$ 685</u> | <u>\$ 839</u> |

d. Income tax assessments

Income tax returns through 2018 have been examined and cleared by the tax authorities.

22. EARNINGS PER SHARE

Unit: NT\$ Per Share

| | For the Year Ended December 31 | |
|----------------------------|---|----------------|
| | 2020 | 2019 |
| Basic earnings per share | <u>\$ 4.68</u> | <u>\$ 3.33</u> |
| Diluted earnings per share | <u>\$ 4.62</u> | <u>\$ 3.29</u> |

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share from continuing operations were as follows:

Net Profit for the Periods

| | For the Year Ended December 31 | |
|--|---|---------------------|
| | 2020 | 2019 |
| Net profit attributable to owners of the Corporation | \$ 2,662,311 | \$ 1,895,899 |
| Effect to dilutive potential ordinary shares: | | |
| Employees' compensation | <u>-</u> | <u>-</u> |
| Earnings used in the computation of diluted earnings per share | <u>\$ 2,662,311</u> | <u>\$ 1,895,899</u> |

Weighted average number of ordinary shares outstanding (in thousand shares):

| | For the Year Ended December 31 | |
|--|---|----------------|
| | 2020 | 2019 |
| Weighted average number of ordinary shares outstanding in computation of basic earnings per share | 568,846 | 568,846 |
| Effect to dilutive potential ordinary shares: | | |
| Employees' compensation | <u>7,386</u> | <u>6,641</u> |
| Weighted average number of ordinary shares in outstanding computation of dilutive earnings per share | <u>576,232</u> | <u>575,487</u> |

Since the Corporation offered to settle compensation paid to employees in cash or shares, the Corporation assumed the entire amount of the compensation would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

23. CAPITAL MANAGEMENT

The Corporation manages its capital to ensure its ability to continue as going concerns while maximizing the return to stakeholders. The Corporation's overall strategy has no significant variations.

The capital structure of the Corporation consists of comprising issued capital, reserves and retained earnings.

Key management personnel of the Corporation review the capital structure on an annual basis. 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 Corporation may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

24. FINANCIAL INSTRUMENTS

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

Except as detailed in the following table, the management considers that the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values or their fair values cannot be reliably measured.

December 31, 2020

| | Carrying Amount | Fair Value | | | Total |
|------------------------------------|--------------------|------------|------------|---------|------------|
| | | Level 1 | Level 2 | Level 3 | |
| <u>Financial assets</u> | | | | | |
| Financial assets at amortized cost | | | | | |
| Domestic corporate bonds | \$ 800,001 | \$ - | \$ 804,895 | \$ - | \$ 804,895 |

December 31, 2019

| | Carrying Amount | Fair Value | | | Total |
|------------------------------------|--------------------|------------|--------------|---------|--------------|
| | | Level 1 | Level 2 | Level 3 | |
| <u>Financial assets</u> | | | | | |
| Financial assets at amortized cost | | | | | |
| Domestic corporate bonds | \$ 1,050,391 | \$ - | \$ 1,054,730 | \$ - | \$ 1,054,730 |

The fair value of level 2 mentioned above was used quoted price from Taipei Exchange (Taiwan GreTai Securities Market).

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

1) Fair value hierarchy

December 31, 2020

| | Level 1 | Level 2 | Level 3 | Total |
|-----------------------------------|-------------------|-----------------|-------------|-------------------|
| Financial assets at FVTPL | | | | |
| Mutual funds | \$ 125,900 | \$ - | \$ - | \$ 125,900 |
| Forward exchange contracts | <u>-</u> | <u>3,396</u> | <u>-</u> | <u>3,396</u> |
| | <u>\$ 125,900</u> | <u>\$ 3,396</u> | <u>\$ -</u> | <u>\$ 129,296</u> |
| Financial assets at FVTOCI | | | | |
| Investments in equity instruments | | | | |
| Domestic Listed shares | <u>\$ 585,533</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 585,533</u> |
| Financial liabilities at FVTPL | | | | |
| Forward exchange contracts | <u>\$ -</u> | <u>\$ 5</u> | <u>\$ -</u> | <u>\$ 5</u> |

December 31, 2019

| | Level 1 | Level 2 | Level 3 | Total |
|--------------------------------------|-------------------|-----------------|----------------|-------------------|
| Financial assets at FVTPL | | | | |
| Mutual funds | \$ 50,652 | \$ - | \$ - | \$ 50,652 |
| Forward exchange contracts | <u>-</u> | <u>3,569</u> | <u>-</u> | <u>3,569</u> |
| | <u>\$ 50,652</u> | <u>\$ 3,569</u> | <u>\$ -</u> | <u>\$ 54,221</u> |
| Financial assets at FVTOCI | | | | |
| Investments in equity instruments | | | | |
| Domestic Listed shares | <u>\$ 264,470</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 264,470</u> |
| Financial liabilities at FVTPL | | | | |
| Forward exchange contracts | <u>\$ -</u> | <u>\$ 26</u> | <u>\$ -</u> | <u>\$ 26</u> |

There were no transfers between Level 1 and 2 in the current and prior periods.

- 2) Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement

| Financial Instruments | Valuation Techniques and Inputs |
|--|--|
| Derivatives - foreign currency forward contracts | Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties. |

c. Categories of financial instruments

| | December 31 | |
|---|--------------------|-------------|
| | 2020 | 2019 |
| <u>Financial assets</u> | | |
| Fair value through profit or loss (FVTPL) | | |
| Held for trading | \$ 129,296 | \$ 54,221 |
| Financial assets at amortized cost (Note 1) | 8,364,564 | 7,834,876 |
| Financial assets at FVTOCI | | |
| Equity instruments | 585,533 | 264,470 |
| <u>Financial liabilities</u> | | |
| Fair value through profit or loss (FVTPL) | | |
| Held for trading | 5 | 26 |
| Amortized cost (Note 2) | 1,482,372 | 1,359,101 |

Note 1: The balances include financial assets measured at amortized cost, which comprise cash, debt investments, notes and accounts receivables (included related parties), other receivables and other assets.

Note 2: The balances included financial liabilities measured at amortized cost, which comprise notes and accounts payable, payables to equipment suppliers and other payables.

d. Financial risk management objectives and policies

The Corporation's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Corporation through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include foreign currency risk, interest rate risk, credit risk and liquidity risk.

The Corporation sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Corporation's policies approved by the Board of Directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Corporation did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Corporation's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

There had been no change to the Corporation's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Corporation had foreign currency sales and purchases, which exposed the Corporation to foreign currency risk. Approximately 51% and 52% of the Corporation's sales were denominated in currencies other than the functional currency of the Corporation entity making the sale, whilst almost 16% and 16% of costs were denominated in the Corporation entity's functional currency for the year ended December 31, 2020 and 2019. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Corporation's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 27.

The Corporation use forward exchange contracts to eliminate currency exposure. It is the Corporation's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximize hedge effectiveness.

Sensitivity analysis

The Corporation was mainly exposed to the currency USD. The sensitivity analysis included currency USD denominated monetary items at the end of the reporting period. For a 1% strengthening and weakening of New Taiwan dollars against US dollars, the Corporation's pre-tax profit for the year ended December 31, 2020 and 2019 would decrease/increase by \$14,465 thousand and \$13,679 thousand.

b) Interest rate risk

The carrying amount of the Corporation's financial assets with exposure to interest rates at the end of the reporting period was as follows. The Corporation's interest rate risk also comes from borrowings at floating interest rates.

The carrying amount of the Corporation's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows.

| | December 31 | |
|-------------------------------|--------------------|--------------|
| | 2020 | 2019 |
| Fair value interest rate risk | | |
| Financial assets | \$ 3,787,177 | \$ 3,475,576 |
| Cash flow interest rate risk | | |
| Financial assets | 231,230 | 226,587 |

Sensitivity analysis

If interest rates had been 0.5% higher/lower and all other variables were held constant, the Corporation's pre-tax profit for the year ended December 31, 2020 and 2019 would increase/decrease by \$1,156 thousand and \$1,133 thousand, respectively, which was mainly attributable to the Corporation's exposure to interest rates on its variable-rate net assets.

c) Other price risk

The Corporation was exposed to equity price risk through its investments in financial assets classified as fair value through profit or loss (i.e. FVTPL) and fair value through other comprehensive income (i.e. FVTOCI).

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period. If equity prices had been 1% higher/lower, the Corporation's pre-tax profit for the year ended December 31, 2020 and 2019 would increase/decrease by \$1,259 thousand and \$507 thousand, respectively, as a result of the changes in fair value of financial instruments classified as FVTPL. If equity prices had been 1% higher/lower, the Corporation's other comprehensive income for the year ended December 31, 2020 and 2019 would increase/decrease by \$5,855 thousand and \$2,645 thousand, respectively, as a result of the changes in fair value of financial instruments classified as FVTOCI.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Corporation. As at the end of the reporting period, the Corporation's maximum exposure to credit risk which will cause a financial loss to the Corporation due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the condensed balance sheets.

In order to minimize credit risk, the management of the Corporation has set credit and accounts receivable management approach to ensure that follow-up action is taken to recover overdue debts. In addition, the Corporation reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Corporation consider that the Corporation's credit risk was significantly reduced.

The credit risk on liquid funds and derivatives was limited because the counterparties are banks with good credit.

Credit risk management for investments in debt instruments classified as at amortized cost was as follow.

The Corporation only invests in debt instruments that are rated the equivalent of investment grade or higher and have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies. The Corporation's exposure and the external credit ratings are continuously monitored. The Corporation reviews changes in bond yields and other public information and makes an assessment whether there has been a significant increase in credit risk since the last period to the reporting date.

The Corporation considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and industry forecast to estimate 12-month or lifetime expected credit losses. The Corporation's current credit risk grading framework comprises the following categories:

| Category | Description | Basis for Recognizing Expected Credit Losses | Expected Loss Rate |
|-----------------|---|---|-------------------------------|
| Performing | The counterparty has a low risk of default and a strong capacity to meet contractual cash flows | 12m ECL | 0% |

3) Liquidity risk

The Corporation manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed, high liquidity securities and reserve borrowing facilities adequate to finance the Corporation's operations and mitigate the effects of fluctuations in cash flows.

a) Liquidity of non-derivative financial liabilities

The following table details the Corporation's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Corporation can be required to pay.

December 31, 2020

| | On Demand or Less than 3 Month | 3-6 Months | 6 Months to 1 Year | 1-5 Years | 5+ Years |
|---|---|-------------------|-------------------------------|------------------|-----------------|
| <u>Non-derivative financial liabilities</u> | | | | | |
| Notes and accounts payable | \$ 961,440 | \$ - | \$ - | \$ - | \$ - |
| Lease liability | 345 | 345 | 690 | 4,950 | 3,955 |
| Payables to equipment suppliers | 320,723 | - | - | - | - |
| Other payables | <u>200,279</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 1,482,717</u> | <u>\$ 345</u> | <u>\$ 690</u> | <u>\$ 4,950</u> | <u>\$ 3,955</u> |

Additional information about the maturity analysis for lease liabilities:

| | Less than 1 Year | 1-5 Years | 5-10 Years | 10-15 Years | 15-20 Years | 20+ Years |
|-------------------|-----------------------------|------------------|-------------------|--------------------|--------------------|------------------|
| Lease liabilities | <u>\$ 1,380</u> | <u>\$ 4,950</u> | <u>\$ 3,075</u> | <u>\$ 880</u> | <u>\$ -</u> | <u>\$ -</u> |

December 31, 2019

| | On Demand or Less than 3 Month | 3-6 Months | 6 Months to 1 Year | 1-5 Years | 5+ Years |
|---|---|-------------------|-------------------------------|------------------|-----------------|
| <u>Non-derivative financial liabilities</u> | | | | | |
| Notes and accounts payable | \$ 813,600 | \$ - | \$ - | \$ - | \$ - |
| Lease liability | 345 | 345 | 690 | 5,385 | 4,900 |
| Payables to equipment suppliers | 356,303 | - | - | - | - |
| Other payables | <u>189,198</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 1,359,446</u> | <u>\$ 345</u> | <u>\$ 690</u> | <u>\$ 5,385</u> | <u>\$ 4,900</u> |

Additional information about the maturity analysis for lease liabilities:

| | Less than 1 Year | 1-5 Years | 5-10 Years | 10-15 Years | 15-20 Years | 20+ Years |
|-------------------|-----------------------------|------------------|-------------------|--------------------|--------------------|------------------|
| Lease liabilities | <u>\$ 1,380</u> | <u>\$ 5,385</u> | <u>\$ 3,540</u> | <u>\$ 1,360</u> | <u>\$ -</u> | <u>\$ -</u> |

b) Liquidity of derivative financial liabilities

The following table detailed the Corporation's liquidity analysis for its derivative financial instruments. The table was based on the undiscounted gross inflows and outflows on those derivatives that require gross settlement.

December 31, 2020

| | On Demand or Less than 3 Month | 3-6 Months | 6 Months to 1 Year | 1-5 Years | 5+ Years |
|----------------------------|---|-------------------|-------------------------------|------------------|-----------------|
| <u>Gross settled</u> | | | | | |
| Forward exchange contracts | | | | | |
| Inflows | \$ 309,518 | \$ - | \$ - | \$ - | \$ - |
| Outflows | <u>(309,887)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>\$ (369)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

December 31, 2019

| | On Demand or Less than 3 Month | 3-6 Months | 6 Months to 1 Year | 1-5 Years | 5+ Years |
|----------------------------|---|-------------------|-------------------------------|------------------|-----------------|
| <u>Gross settled</u> | | | | | |
| Forward exchange contracts | | | | | |
| Inflows | \$ 345,528 | \$ - | \$ - | \$ - | \$ - |
| Outflows | <u>(341,202)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 4,326</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

25. TRANSACTIONS WITH RELATED PARTIES

The Corporation's parent is PTI, which held 42.91% of common shares of the Corporation as of December 31, 2020 and 2019, respectively.

Details of transactions between the Corporation and related parties are disclosed below.

a. Related party name and relationship

| <u>Related Party Name</u> | <u>Relationship with the Corporation</u> |
|---|--|
| Powertech Technology Inc. | Parent entity |
| Realtek Semiconductor Corp. | Other related parties |
| Realtek Singapore Private Limited | Other related parties |
| Raymx Microelectronics Corp. | Other related parties |
| Powertech Technology (Singapore) Pte Ltd. | Fellow subsidiaries |
| Tera Probe Inc. | Fellow subsidiaries |

b. Revenue

| Account Items | Related Parties Types | For the Year Ended December 31 | |
|---------------------|-----------------------|--------------------------------|---------------------|
| | | 2020 | 2019 |
| Subcontract revenue | Other related parties | \$ 1,240,397 | \$ 1,324,964 |
| | Parent entity | <u>104,191</u> | <u>44,826</u> |
| | | <u>\$ 1,344,588</u> | <u>\$ 1,369,790</u> |

Sales transactions with related parties were made at the Corporation's usual list prices. The selling prices and collection terms for products sold to related parties were similar to those for products sold to third parties.

c. Purchase

| Related Parties Types | December 31 | |
|-----------------------|--------------|-------------|
| | 2020 | 2019 |
| Parent entity | <u>\$ 30</u> | <u>\$ -</u> |

The prices and payment terms were negotiated and thus not comparable with those in the market.

d. Contract assets

| Related Parties Types | December 31 | |
|-----------------------|------------------|------------------|
| | 2020 | 2019 |
| Other related parties | \$ 41,235 | \$ 36,806 |
| Parent entity | <u>1,968</u> | <u>659</u> |
| | <u>\$ 43,203</u> | <u>\$ 37,465</u> |

For the year ended December 31, 2020 and 2019, no impairment loss was recognized for contract assets from related parties.

e. Manufacturing expenses

| Related Parties Types | For the Year Ended December 31 | |
|-----------------------|--------------------------------|---------------|
| | 2020 | 2019 |
| Parent entity | \$ 4,340 | \$ 50 |
| Fellow subsidiaries | <u>3,068</u> | <u>538</u> |
| | <u>\$ 7,408</u> | <u>\$ 588</u> |

The prices and payment terms were negotiated and thus not comparable with those in the market.

f. Operating expenses

| | | For the Year Ended December 31 | |
|------------------------------|--|---|-----------------|
| Related Parties Types | | 2020 | 2019 |
| Parent entity | | \$ - | \$ 800 |
| Fellow subsidiaries | | <u>-</u> | <u>297</u> |
| | | <u>\$ -</u> | <u>\$ 1,097</u> |

The prices and payment terms were negotiated and thus not comparable with those in the market.

g. Trade receivables from related parties

| | | December 31 | |
|--|------------------------------|--------------------|-------------------|
| Account Items | Related Parties Types | 2020 | 2019 |
| Trade receivables from related parties | Other related parties | \$ 318,707 | \$ 327,284 |
| | Parent entity | <u>31,920</u> | <u>10,839</u> |
| | | <u>\$ 350,627</u> | <u>\$ 338,123</u> |

h. Other receivables

| | | December 31 | |
|---|-----------------------------------|--------------------|------------------|
| Account Items | Related Parties Types | 2020 | 2019 |
| Prepaid expenses and other current assets | Other related parties | | |
| | Realtek Singapore Private Limited | \$ 3,357 | \$ 1,152 |
| | Other | 354 | 10 |
| | Parent entity | <u>1,348</u> | <u>10,887</u> |
| | | <u>\$ 5,059</u> | <u>\$ 12,049</u> |

i. Payables to equipment suppliers

| | | December 31 | |
|---------------------------------|------------------------------|--------------------|-------------|
| Account Items | Related Parties Types | 2020 | 2019 |
| Payables to equipment suppliers | Parent entity | \$ 37,542 | \$ - |
| | Fellow subsidiaries | <u>2,226</u> | <u>-</u> |
| | | <u>\$ 39,768</u> | <u>\$ -</u> |

j. Accrued expenses and other current liabilities

| Account Items | Related Parties Types | December 31 | |
|--|------------------------------|--------------------|-----------------|
| | | 2020 | 2019 |
| Accrued expenses and other current liabilities | Parent entity | \$ 3,997 | \$ 499 |
| | Fellow subsidiaries | <u>757</u> | <u>533</u> |
| | | <u>\$ 4,754</u> | <u>\$ 1,032</u> |

k. Acquisitions of property, plant and equipment

| | Related Parties Types | For the Year Ended December 31 | |
|--|------------------------------|---------------------------------------|-------------|
| | | 2020 | 2019 |
| | Parent entity | \$ 39,692 | \$ - |
| | Fellow subsidiaries | <u>6,666</u> | <u>-</u> |
| | | <u>\$ 46,358</u> | <u>\$ -</u> |

l. Compensation of key management personnel

| | | For the Year Ended December 31 | |
|--|---------------------|---------------------------------------|------------------|
| | | 2020 | 2019 |
| | Short-term benefits | <u>\$ 99,312</u> | <u>\$ 87,723</u> |

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

26. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets had been pledged as collateral mainly for guarantee deposits for domestic sales and gas volume in CPC Corporation.

| | December 31 | |
|--|--------------------|------------------|
| | 2020 | 2019 |
| Pledge deposits (classified as other asset - noncurrent) | <u>\$ 83,700</u> | <u>\$ 83,700</u> |

27. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Corporation entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

| | December 31, 2020 | | |
|------------------------------|---------------------------|----------------------|------------------------|
| | Foreign Currencies | Exchange Rate | Carrying Amount |
| <u>Financial assets</u> | | | |
| Monetary items | | | |
| USD | \$ 62,548 | 28.430 (USD:NTD) | <u>\$ 1,778,253</u> |
| Non-monetary items | | | |
| Derivative instruments | | | |
| USD | 10,100 | 28.085 (USD:NTD) | <u>\$ 3,396</u> |
| <u>Financial liabilities</u> | | | |
| Monetary items | | | |
| USD | 11,628 | 28.530 (USD:NTD) | 331,752 |
| JPY | 150,580 | 0.2783 (JPY:NTD) | 41,906 |
| EUR | 90 | 35.220 (EUR:NTD) | <u>3,159</u> |
| | | | <u>\$ 376,817</u> |
| Non-monetary items | | | |
| Derivative instruments | | | |
| USD | 800 | 28.085 (USD:NTD) | <u>\$ 5</u> |

| | | | December 31, 2019 |
|------------------------------|-----------------------|---------------------|---------------------|
| | Foreign Currencies | Exchange Rate | Carrying Amount |
| <u>Financial assets</u> | | | |
| Monetary items | | | |
| USD | \$ 56,974 | 29.930 (USD:NTD) | <u>\$ 1,705,220</u> |
| Non-monetary items | | | |
| Derivative instruments | | | |
| USD | 11,000 | 29.999 (USD:NTD) | <u>\$ 3,569</u> |
| <u>Financial liabilities</u> | | | |
| USD | 11,231 | 30.030 (USD:NTD) | 337,281 |
| JPY | 82,043 | 0.2780 (JPY:NTD) | 22,808 |
| EUR | 110 | 33.790 (EUR:NTD) | <u>3,707</u> |
| | | | <u>\$ 363,796</u> |
| Non-monetary items | | | |
| Derivative instruments | | | |
| USD | 400 | 29.999 (USD:NTD) | <u>\$ 26</u> |

For the years ended December 31, 2020 and 2019, realized and unrealized net foreign exchange losses were \$77,384 thousand and \$25,374 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the entities.

28. SEPARATELY DISCLOSED ITEMS

Information about significant transactions and investees:

- a. Loans provided to other parties: None.
- b. Endorsement/guarantee provided: None.
- c. Marketable securities held: Table 1 (attached).
- d. Purchases or sales of the same marketable securities amounting to at least NT\$300 million or 20% of the paid-in capital: Table 2 (attached).
- e. Acquisition of individual real estate at costs of at least \$300 million or 20% of the paid-in capital: None.
- f. Disposal of individual real estate at prices of at least \$300 million or 20% of the paid-in capital: None.

- g. Total purchases from or sales to related parties of at least \$100 million or 20% of the paid-in capital: Table 3 (attached).
- h. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4 (attached).
- i. Derivative transactions: Note 7.
- j. Names, locations, and related information of investees over which the Corporation exercises significant influence: None.
- k. Information on investment in mainland China: None.
- l. Information of major shareholders: Table 5 (attached).

29. SEGMENT INFORMATION

- a. The revenues, operating results and financial information of each plant presented to the chief operating decision maker are consistent with the information in the financial statements. The segment revenues and operating results for the years ended December 31, 2020 and 2019 are shown in the income statements for the years ended December 31, 2020 and 2019. The segment assets as of December 31, 2020 and 2019 are shown in the balance sheets as of December 31, 2020 and 2019.

- b. Revenue from major products and services

The following is an analysis of the Corporation's revenue from its major products and services:

| | For the Year Ended December 31 | |
|-------------------|---------------------------------------|----------------------|
| | 2020 | 2019 |
| Assembly services | \$ 12,322,638 | \$ 10,188,768 |
| Testing services | <u>2,379,044</u> | <u>1,841,713</u> |
| | <u>\$ 14,701,682</u> | <u>\$ 12,030,481</u> |

- c. Geographic information

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

| | Revenue | | Non-current Assets | |
|---------|---------------------------------------|----------------------|---------------------------|----------------------|
| | For the Year Ended December 31 | | December 31 | |
| | 2020 | 2019 | 2020 | 2019 |
| Taiwan | \$ 11,307,802 | \$ 9,299,007 | \$ 10,879,237 | \$ 10,153,903 |
| America | 1,306,545 | 919,358 | - | - |
| Europe | 1,159,066 | 999,593 | - | - |
| Asia | 928,179 | 812,477 | - | - |
| Africa | <u>90</u> | <u>46</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 14,701,682</u> | <u>\$ 12,030,481</u> | <u>\$ 10,879,237</u> | <u>\$ 10,153,903</u> |

Non-current assets exclude financial instruments and deferred tax assets.

- d. Major customers

For the years ended December 31, 2020 and 2019, sales to customers amounting were less than 10% of total gross sales.

GREATEK ELECTRONICS INC.

MARKETABLE SECURITIES HELD

DECEMBER 31, 2020

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

| Holding Company Name | Marketable Securities Type and Issuer | Relationship with the Holding Company | Financial Statement Account | December 31, 2020 | | | | Note |
|---------------------------|---|--|--|--------------------|----------------|----------------|------------|--------|
| | | | | Shares (Thousands) | Carrying Value | % of Ownership | Fair Value | |
| Greatek Electronics Inc. | <u>Fund</u> | | | | | | | |
| | Yuanta Taiwan High-yield Leading Company Fund A | - | Financial assets at fair value through profit or loss - current | 10,000 | \$ 125,900 | - | \$ 125,900 | Note 1 |
| | <u>Bond</u> | | | | | | | |
| | P07 Taipower 1A | - | Financial assets at amortized cost - current | 200 | 200,000 | - | 200,193 | Note 2 |
| | P06 FPC 1A | - | Financial assets at amortized cost - current | 50 | 50,000 | - | 50,343 | Note 2 |
| | P06 Taipower 3A | - | Financial assets at amortized cost - current | 50 | 50,000 | - | 50,421 | Note 2 |
| | P06 Taipower 1A | - | Financial assets at amortized cost - noncurrent | 300 | 300,000 | - | 302,462 | Note 2 |
| | P08 Taipower 3A | - | Financial assets at amortized cost - noncurrent | 100 | 100,001 | - | 100,712 | Note 2 |
| | P06 Taipower 3A | - | Financial assets at amortized cost - noncurrent | 50 | 50,000 | - | 50,421 | Note 2 |
| | P06 FPC 1A | - | Financial assets at amortized cost - noncurrent | 50 | 50,000 | - | 50,343 | Note 2 |
| | <u>Stock</u> | | | | | | | |
| | Powertech Technology Inc. | Parent entity | Financial assets at fair value through other comprehensive profit or loss - noncurrent | 6,170 | 585,533 | 1 | 585,533 | Note 3 |
| | SAMHOP Microelectronics Corp. | - | Financial assets at fair value through profit or loss - noncurrent | 268 | - | 3 | - | Note 4 |
| Terawins Inc. | - | Financial assets at fair value through profit or loss - noncurrent | 643 | - | 2 | - | Note 4 | |
| Airwave Technologies Inc. | - | Financial assets at fair value through profit or loss - noncurrent | 93 | - | 1 | - | Note 4 | |

Note 1: The fair value was based on the net asset value of the fund as of as of December 31, 2020.

Note 2: The fair value was based on trading market in hundreds of new Taiwan dollars as of December 31, 2020.

Note 3: The fair value of common shares was based on stock closing price as of December 31, 2020.

Note 4: The fair value was based on the carrying value as of as of December 31, 2020.

Note 5: As of December 31, 2020, the above marketable securities had not been pledged or mortgaged.

GREATEK ELECTRONICS INC.

MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL
 FOR THE YEAR ENDED DECEMBER 31, 2020
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Company Name | Type and Name of Marketable Securities | Financial Statement Account | Counterparty | Relationship | Beginning Balance (Note) | | Acquisition | | Disposal | | | | Ending Balance (Note) | |
|--------------------------|---|--|--------------|---------------|---------------------------|------------|-------------|------------|----------|--------|-----------------|-------------------------|------------------------|------------|
| | | | | | Shares | Amount | Shares | Amount | Shares | Amount | Carrying Amount | Gain (Loss) on Disposal | Shares | Amount |
| Greatek Electronics Inc. | <u>Stock</u> Powertech Technology Inc. | Financial assets at fair value through other comprehensive profit or loss - noncurrent | - | Parent entity | 2,650 | \$ 264,740 | 3,520 | \$ 309,643 | - | \$ - | \$ - | \$ - | 6,170 | \$ 585,533 |

Note : Beginning balance and ending balance include premium value.

GREATEK ELECTRONICS INC.

TOTAL PURCHASE FROM OR SALE 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)

| Company Name | Related Party | Nature of Relationship | Transaction Details | | | | Abnormal Transaction | | Notes/Accounts (Payable) Receivable | | Note |
|--------------------------|-----------------------------------|---|---------------------|-------------|------------|--|----------------------|---------------|-------------------------------------|------------|------|
| | | | Purchase/Sale | Amount | % to Total | Payment Terms | Unit Price | Payment Terms | Ending Balance | % to Total | |
| Greatek Electronics Inc. | Realtek Semiconductor Corp. | Parent company of the corporate director | Sale | \$1,018,222 | 7 | Net 60 days from monthly closing dates | Note | - | \$ 241,517 | 7 | - |
| | Realtek Singapore Private Limited | Same parent company with the corporate director | Sale | 201,186 | 1 | Net 60 days from monthly closing dates | Note | - | 59,786 | 2 | - |
| | Powertech Technology Inc. | Parent company | Sale | 104,191 | 1 | Net 90 days from monthly closing dates | Note | - | 31,920 | 1 | - |

Note : Sales transactions with related parties were made at the Corporation's usual list prices.

GREATEK ELECTRONICS INC.

RECEIVABLE FROM RELATED PARTIES AMOUNTING TO AT LEAST \$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 | Nature of Relationship | Ending Balance | Turnover Rate | Overdue | | Amounts Received in Subsequent Period | Allowance for Bad Debts |
|--------------------------|-----------------------------|---|----------------|---------------|---------|--------------|--|----------------------------|
| | | | | | Amount | Action Taken | | |
| Greatek Electronics Inc. | Realtek Semiconductor corp. | Parent company of the corporate director | \$ 241,517 | 3.68 | \$ - | - | \$ 150,303 | \$ - |

TABLE 5**GREATEK ELECTRONICS INC.****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2020**

| Name of Major Shareholder | Shares | |
|----------------------------------|-------------------------|------------------------------------|
| | Number of Shares | Percentage of Ownership (%) |
| Powertech Technology Inc. | 244,064,379 | 42.91 |

Chapter 5 CPA Certified Parent Company Only Financial Statement for the Most Recent Fiscal Year:

Not applicable.

Chapter 6. If the Company or its Affiliates Experienced Financial Difficulties in the Most Recent Year, up to the Date of the Annual Report Publication, the Annual Report Shall Explain How Said Difficulties Will Affect the Company's Financial Situation:

None.

Review and Analysis of Financial Position and Financial Performance Review and Risk Evaluations

Chapter 1 Financial Position

Main reasons and effects for material changes in asset, liabilities, and shareholders' equity in the most Recent two years, future response measures shall be described in case of material impact.

Unit: NT\$ thousands

| Item | Year | 2019 | 2020 | Changes | |
|--|------|------------|------------|-----------|-------|
| | | | | Amount | % |
| Current Assets | | 8,177,381 | 9,444,467 | 1,267,086 | 15.50 |
| Property, Plant and Equipment | | 10,055,669 | 10,799,817 | 744,148 | 7.40 |
| Other Assets | | 1,283,161 | 1,287,840 | 4,679 | 0.36 |
| Total Asset | | 19,516,211 | 21,532,124 | 2,015,913 | 10.33 |
| Current Liabilities | | 2,610,535 | 3,262,656 | 652,121 | 24.98 |
| Total Liabilities | | 2,861,581 | 3,535,405 | 673,824 | 23.55 |
| Capital | | 5,688,459 | 5,688,459 | - | - |
| Capital Surplus | | 1,997 | 2,154 | 157 | 7.86 |
| Retained Earnings | | 10,924,533 | 12,255,045 | 1,330,512 | 12.18 |
| Total Shareholders' Equity | | 16,654,630 | 17,996,719 | 1,342,089 | 8.06 |
| Analysis and description of increase/decrease: | | | | | |
| Increases in Current Liabilities and Total Liabilities are mostly attributable to increases in Accounts Payable and Current Tax Liabilities. | | | | | |

Note: Source of financial information comes from financial statements prepared in accordance with IFRSs and audited and attested by CPA.

Chapter 2 Financial Performance

- I. Main reasons for material changes in operating revenue, operating net income, and pretax profit in the most recent two years

Unit: NT\$ thousands

| Item | Year | 2019 | 2020 | Increase/decrease | |
|--|------|------------|------------|-------------------|-------|
| | | | | Amount | % |
| Operating Revenue | | 12,030,481 | 14,701,682 | 2,671,201 | 22.20 |
| Operating Costs | | 9,231,137 | 10,892,042 | 1,660,905 | 17.99 |
| Gross Profit | | 2,799,344 | 3,809,640 | 1,010,296 | 36.09 |
| Operating Expenses | | 460,124 | 563,547 | 103,423 | 22.48 |
| Income from Operations | | 2,339,220 | 3,246,093 | 906,873 | 38.77 |
| Other Income | | 83,577 | 96,356 | 12,779 | 15.29 |
| Other Gains (Losses) | | (25,732) | (39,198) | 13,466 | 52.33 |
| Net Income Before Tax | | 2,397,065 | 3,303,251 | 906,186 | 37.80 |
| Income Tax Expenses | | 501,166 | 640,940 | 139,774 | 27.89 |
| Net Income | | 1,895,899 | 2,662,311 | 766,412 | 40.42 |
| Analysis and description of increase/decrease: | | | | | |
| 1. Increases in Operating Revenue, Gross Profit, Income from Operations, Net Income Before Tax, Income Tax Expenses and Net Income are attributable to the prosperity in the semiconductor industry in 2020. | | | | | |
| 2. Increase in Operating Expenses is mostly attributable to recognition of expected credit impairment loss. | | | | | |
| 3. Increase in Other Losses is mostly attributable to increase in foreign exchange losses. | | | | | |

Note: Source of financial information comes from financial statements prepared in accordance with IFRSs and audited and attested by CPA.

- II. Expected sales volume and basis, and possible effects to the Company's future finance and operations and response measures.

In February 2021, Taiwan Semiconductor Industry Association (TSIA) and Industry, Science & Technology International Strategy Center (ISTI), Industrial Technology Research Institute (ITRI) predicted that Taiwan's packaging and testing industry's 2021 output value is expected to reach NT\$586.5 billion, a 6.8% increase of growth over 2020.

Greatek has made the following sales forecast for 2021 based on industry prospect, future market demands, and Greatek's capacity:

| Sales item | Estimated sales volume |
|-------------|----------------------------------|
| Packaging | Approximately 11.1 billion units |
| W/T testing | Approximately 770,000 units |
| F/T testing | Approximately 7.3 billion units |
| WLP | Approximately 210,000 units |
| WLCSP | Approximately 500 million units |

Chapter 3 Cash Flow

- I. Analysis and Description of Changes in Cash Flow for the Current Year:

| Item | Year | | |
|--|--------|--------|----------------------------------|
| | 2019 | 2020 | Ratio of increase (decrease) (%) |
| Cash Flow Ratio | 159.40 | 155.99 | (2.14) |
| Cash Flow Adequacy Ratio | 0.99 | 0.85 | (14.14) |
| Cash Flow Reinvestment Ratio | 8.69 | 11.53 | 32.68 |
| Analysis and description of increase/decrease: Increase in Cash Flow Reinvestment Ratio was mostly attributable to the 22% increase in Net Cash Inflow from Operating Activities. | | | |

- II. Improvement Plan for Insufficient Liquidity: Not applicable.

- III. Cash Flow Analysis for the Following Year:

Unit: NT\$ thousands

| Cash Balance at the Beginning of the Year ^① | Expected Annual Net Cash Inflow from Operating Activities ^② | Expected Annual Net Cash Outflow ^③ | Expected Cash Balance (deficit) ① + ② - ③ | Remedial Measures for Expected Cash Deficit | |
|--|--|---|--|---|----------------|
| | | | | Investment Plan | Financing Plan |
| 3,934,707 | 4,309,329 | 6,467,274 | 1,776,762 | - | - |
| <p>1. Analysis of changes in Cash Flow:</p> <p>(1) Operating activities: Greatek is expected to generate net income; therefore, net cash inflow from operating activities is expected.</p> <p>(2) Investing activities: mostly from equipment purchases.</p> <p>(3) Financing activities: mostly from distribution of cash dividends.</p> <p>2. Remedial measures and analysis of liquidity deficit: None.</p> | | | | | |

Chapter 4 The Effect Upon Financial Operations of Any Major Capital Expenditures During the Most Recent Fiscal Year

I. Utilization of major capital expenditure and sources of capital: Unit: NT\$ thousands

| Project | Actual or expected sources of fund | Actual or expected date of completion | Total funding required | Actual or expected capital utilization | | |
|----------------------|------------------------------------|---------------------------------------|------------------------|--|-----------|-----------|
| | | | | 2019 | 2020 | 2021 |
| Land | Greatek's own funds | 2019 | 121,366 | 121,366 | - | - |
| Plant | Greatek's own funds | 2019 | 44,346 | 44,346 | - | - |
| Equipment and others | Greatek's own funds | 2019 | 1,779,114 | 1,779,114 | - | - |
| Plant | Greatek's own funds | 2020 | 27,423 | - | 27,423 | - |
| Equipment and others | Greatek's own funds | 2020 | 2,820,354 | - | 2,820,354 | - |
| Plant | Greatek's own funds | 2021 | 1,645,766 | - | - | 1,645,766 |
| Equipment and others | Greatek's own funds | 2021 | 3,298,645 | - | - | 3,298,645 |

Note: The actual or expected capital utilization indicated in this table refers to increases in Property, Plant and Equipment, and does not include replacement parts.

II. Expected Benefits:

Expected increase in production/sales volume, value, and gross profit: Unit; Volume: 1,000 units; Amount: NT\$ thousands

| Year | Item | Production volume | Sales volume | Sales value | Gross profit |
|------|--------------------------|-------------------|--------------|-------------|--------------|
| 2021 | IC packaging and testing | 1,612,784 | 1,612,784 | 1,262,773 | 304,455 |
| | Wafer level packaging | 69 | 69 | 189,769 | 45,753 |

Descriptions of other benefits: Enhancement in quality and technologies for products including IC packaging and testing.

Chapter 5 Company Reinvestment Policy for the Most Recent Fiscal Year, Main Reasons for Profits/Losses Generated Thereby, Plans for Improving Reinvestment Profitability, and Investment Plans for the Coming Year: Not applicable.

Chapter 6 Risk Analysis and Assessment

I. Effects of interest rate and exchange rate fluctuations and changes in inflation rate on Greatek's profit and loss, and future response measures:

(I) Effect of changes in interest rate on Greatek's profit and loss and future response measures

1. Effects of changes in interest rate on profit and loss

Unit: NT\$ thousands

| | 2019 | 2020 |
|--|------------|------------|
| Investment Gains and Interest Income (A) | 40,062 | 27,811 |
| Net Operating Revenue (B) | 12,030,481 | 14,701,682 |
| (A)/(B) | 0.33% | 0.19% |
| Interest Expenses (C) | 192 | 175 |
| Net Operating Revenue (D) | 12,030,481 | 14,701,682 |
| (C)/(D) | - | - |

Greatek's investment gains and interest income in 2019 and 2020 were NT\$40,062

thousand and NT\$27,811 thousand, respectively; accounting for 0.33% and 0.19% of the net operating revenues. The interest rates in 2019 and 2020 were 0.09% to 1.90% and 0.06% to 1.015%, respectively. As the investment gains and interest income did not constitute a significant percentage of the years' respective operating revenues, changes in interest rate will have limited effects on the profit and loss.

Greatek did not have interest expenses on bank borrowings in 2019 and 2020; therefore, the changes in interest rate will have limited effects on the profit and loss.

2. Future response measures

- (1) Dedicated personnel will pay close attention to information on changes in interest rate to stay on top of interest rate trends.
- (2) Greatek will prioritize the adoption of financing proposals with lower interest rates when the need for working capital arises.
- (3) Capital utilization will take both safety and yield into consideration during times of low interest rate to make the best funding decisions.

(II) Effect of changes in exchange rate on Greatek's profit and loss and future response measures

1. Effects of changes in exchange rate on profit and loss

Unit: NT\$ thousands

| | 2019 | 2020 |
|--|------------|------------|
| Revenues denominated in foreign currencies | 6,297,839 | 7,519,323 |
| Net operating revenue (B) | 12,030,481 | 14,701,682 |
| (A)/(B) | 52.35% | 51.15% |
| Purchases made in foreign currencies | 1,686,308 | 2,249,037 |
| Net purchases (D) | 3,464,688 | 4,501,994 |
| (C)/(D) | 48.67% | 49.96% |

Greatek's foreign currency revenues in the most recent two years accounted for 52.35% and 51.15% of the net operating revenues in 2019 and 2020, respectively. Most of our quotations are offered in USD; therefore, changes in exchange rate do pose a certain level of effect on our operating revenue.

Greatek's foreign currency purchases in 2019 and 2020 accounted for 48.67% and 49.96% of net purchases, respectively. Due to cost, lead time, and quality considerations, Greatek has purchased equipment and materials including lead frames, epoxy molding compound (EMC), gold wires and copper wires from overseas, whose quotes are mostly denominated in the USD and JPY. Therefore, changes in exchange rate do pose a certain degree of effect on our profitability.

2. Future response measures

- (1) Dedicated personnel will pay close attention to information on changes in exchange rate to stay on top of foreign exchange rate trends.
- (2) At times of exchange rate fluctuations, Greatek will trade currencies at proper times to reduce the unfavorable effects from changes in exchange rate.
- (3) Effects from changes in exchange rate will be factored in our sales quotes; when purchasing raw materials, Greatek will also negotiate prices with suppliers to adjust the material costs and ensure profitability.
- (4) Use derivative trading such as forward exchange contracts to hedge against assets or liabilities denominated in foreign currencies and the expected exchange rate risks arising from transactions.

(III) Effect of inflation on Greatek's profit and loss and future response measures

Presently, inflation has no material effect on Greatek's profit and loss.

II. Greatek's policy regarding high risk investments, highly leveraged investments, provisions of loans, endorsements and/or guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future:

1. As of the date of publication of the Annual Report, Greatek has not engaged in any high-risk, high-leverage investment, or provided loans, endorsements and/or guarantees.
2. In 2020 and as of the date of publication of the Annual Report, the only derivative transactions Greatek has engaged are short-term foreign exchange transactions with the purpose of hedging against exchange rate risks from net assets or net liabilities denominated in foreign currencies. These transactions are for hedging in nature, and Greatek has not engaged in any speculative transaction and no material profits or losses will result from these transactions.

III. Future R&D Plan and Expected R&D Expenses:

In response to changes in IC packaging technologies and the customers' needs for IC design, Greatek's key R&D products in 2021 will be focused on applications for GaN Wafer Sawing, Fine Pitch Bonding, High Pin count BGA, Hybrid/ High Thermal, and RF Testing.

R&D expenses in 2020 amounted to NT\$232 million, accounting for 1.6% of the annual revenues. The 2021 R&D expense will be on par with the previous year's level.

IV. Effects on the Company's finance and operations from domestic and overseas major policies and legal environment changes, and response measures:

Greatek consults relevant units including attorneys and CPAs for matters related to domestic and overseas important policies and legal environment changes. The Company also asks these parties to evaluate, recommend and plan response measures accordingly to comply with laws and to reduce the effects on our finance and operations.

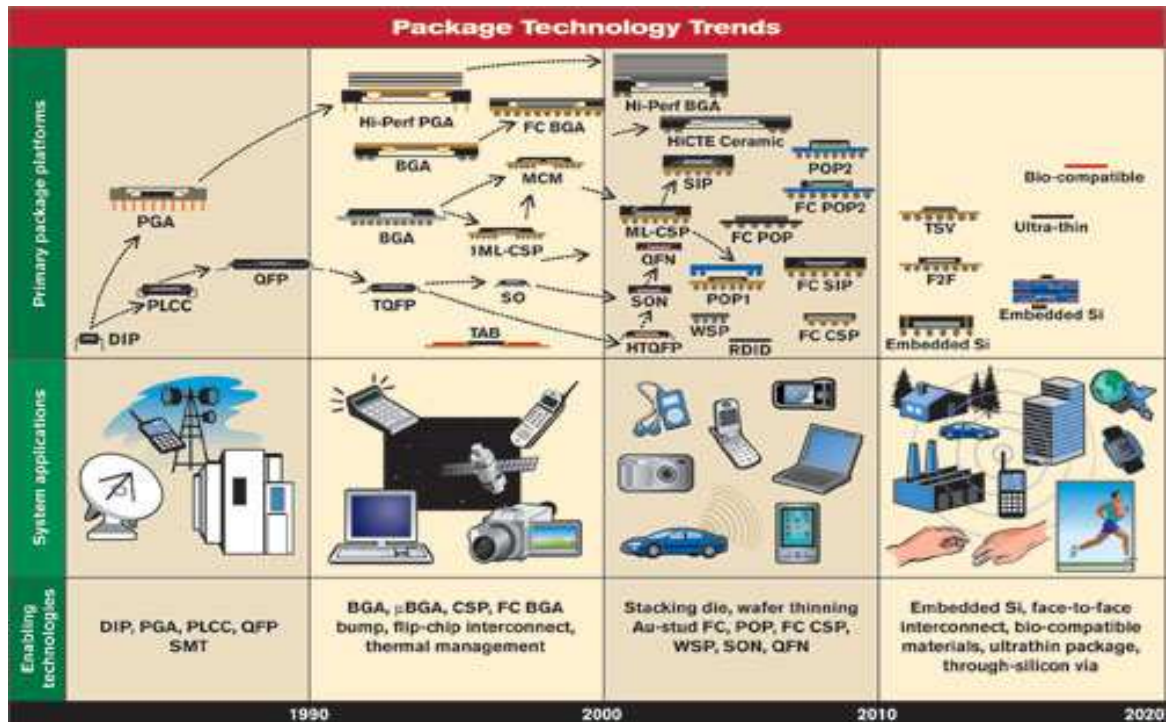
V. Effects on the Company's finance and operations from changes in technology and industry, and response measures:

As mobile applications become more diversified, such as HD video services, social networks, and cloud-based services, the era of online users' big data is coming. The wireless network communications technologies have transformed to LTE, 5G, and even 6G, bringing the convenience of wider bandwidth, promoting technological applications in living, transportation, entertainment, work, education, and medical healthcare and more. These trends have also driven consumers to spend more on consumer electronic products. With the birth of the Internet of Things (IoT) and the increasing demand of wearable devices, smart vehicles, smart healthcare, artificial intelligence (AI), and high-speed computing have formed new applications market and opportunities. They all bring about the opportunities for technology to change human life.

As the semiconductor industry continues to prosper and to increase its capital expenditures, with an on-going competition over the latest packaging technologies, these demands have led to the rise of new packaging technologies such as SiP and BGA, which happen to be the areas that Greatek consider investing in.

The R&D expenses do not pose unfavorable effects on Greatek's finance and operations, and will offer significant benefits toward our future business development.

Development trend chart of IC packaging products:



VI. Effects on Greatek's crisis management of changes in its corporate image, and response measures:

Greatek has consistently maintained a good corporate image and there has been no changes in this aspect.

VII. Expected benefits and possible risks associated with any mergers and acquisitions, and response measures:

None.

VIII. Expected benefits and possible risks associated with facilities expansion, and response measures:

In response to future operational expansion needs and to solve the dilemma of insufficient plant capacity, the Board of Directors has approved of approximately NT\$1.5 billion of capital expenditure on February 26, 2021, in which a new plant (Toufen Plant II, also named Greatek Plant V) will be constructed at Minsheng Road at Toufen Village with Greatek's own funds. A factory building and office consisting of two floors below ground and five floors above ground will be constructed. The construction area will be 33,203 square meters (approximately 10,044 ping), and is expected to be completed before June 2022. The plant is expected to commence operation by the second half of the year.

IX. Risk from centralized purchasing or sales, and response measures:

Greatek's largest sales customer only accounts for 6.93% of our net sales, indicating no concentration of sales. Additionally, there are two suppliers accounting for 10% or more of the net purchases. The two vendors are for different raw materials; therefore, there is no concentration of purchases.

X. Effect upon and risk to Greatek in the event a major quantity of shares belonging to a Director or shareholder holding greater than a 10% stake in the Company has been transferred or has otherwise changed hands, and response measures:

None.

XI. Effect upon and risk to Greatek associated with any change in governance personnel or top management, and response measures:

None.

XII. If there has been any substantial impact upon shareholders' equity or prices for the Greatek's securities as a result of any litigation, non-litigious proceeding, or administrative dispute involving Greatek that was finalized or remained pending, the facts in dispute, amount in dispute, commencement date, main parties involved, and current status of the case up to the publication date of this annual report shall be disclosed:

None.

XIII. Other important risks and countermeasures:

None.

Chapter 7 Other Important Matters:

None

Special Disclosure

Chapter 1. Information Related to the Company's Affiliates:

I. Profiles of affiliates:

Greatek does not have any subsidiary.

II. Shareholders in Common of Greatek with Deemed Control and Subordination:

None.

III. Information on Directors, Supervisors, and Presidents of Affiliates:

None.

IV. Overview of Affiliate Operations:

None.

V. Overview of Relations between Subsidiary and Controlling Company Unit: Shares; %

| Name of controlling company | Reason for control | Details of shareholdings and pledges | | | Directors, Supervisors or managerial officers appointed to the subordinate company by the controlling company | |
|-----------------------------|---|--------------------------------------|----------------|--------------------------|--|--|
| | | Number of Shares | Shareholding % | Number of pledged shares | Title | Name |
| Powertech Technology Inc. | Obtained one-half of the total Director seats | 244,064,379 | 42.91% | 0 | Chairman Representative Director and Chief Executive Officer Representative Director and President Representative Director Representative Director | D.K. Tsai Boris Hsieh Louis Ning J.S. Leu Evan Tseng |

VI. Purchases/Sales with Controlling Company:

Unit: NT\$ thousands; %

| Transaction with the controlling company | | | | Trading terms with the controlling company | | General transaction terms | | Reason for difference | Accounts receivable (payable), Notes receivable (payable) | | Overdue accounts receivable | | | Remarks |
|--|---------|----------------------------------|--------------|--|---------------|---------------------------|---------------|-----------------------|---|---|-----------------------------|-----------|------------------------------|---------|
| Purchase (sale) of goods | Amount | Ratio to total purchases (sales) | Sales margin | Unit price (NT\$) | Credit period | Unit price (NT\$) | Credit period | | Balance | Ratio to total accounts receivable (payable) and notes receivable (payable) | Amount | Treatment | Allowance for doubtful debts | |
| Purchases | 30 | - | - | - | Net 30 to 90 | - | Net 30 to 90 | - | - | - | - | - | - | |
| Sales | 104,191 | 0.71% | - | - | Net 90 | - | Net 30 to 90 | - | 31,920 | 0.91% | - | - | - | |

VII. Asset Transactions with the Controlling Company:

Unit: NT\$ thousand

| Type of transaction (acquisition or disposal) | Name of asset | Transaction date or date of occurrence | Transaction amount | Terms of delivery or payment | Details of the receipt/payment of transaction price | Gain or loss on disposal (Note 1) | Reason for transacting with the controlling company | Information on the previous transfer (Note 2) | | | | Method used to determine the transaction terms (Note 3) | Reference or basis for determining transaction price | Purpose and use of acquisition or disposal | Other contract terms |
|---|--|--|--------------------|--------------------------------------|---|-----------------------------------|---|---|-----------------|------------------|--------|---|--|--|----------------------|
| | | | | | | | | Relationship of owner | with the issuer | Date of transfer | Amount | | | | |
| Acquisition | Machinery and transportation equipment | 202007~202012 | 39,692 | in accordance with transaction terms | Paid in full | - | - | - | - | - | - | Highest-ranking officer for procurement | - | Operations and production | None. |

Note 1: Those who have acquired the property are exempt.

Note 2: (1) For the acquisition of property, the original acquisition information of the controlling companies should be listed. For the disposal of the property, the original acquisition information of the subsidiaries should be listed.

(2) The "Relationship with the Company" column should state the relationship between the owner with the subsidiaries and the controlling companies.

(3) If the counterpart of the previous transfer transaction is a related person, the information on the previous transfer of the related person shall be added in the same column.

Note 3: The decision level of the transaction should be described.

VIII. Implementation of Capital Financing:

None.

IX. Asset Leasing Status:

| Type of transaction (Lessor or Lessee) | Target to be leased | | Lease Term | Nature of Lease (Note 1) | Basis for determining the Lease Payment (rent) | Collection (payment) method | Comparison with General Lease Standard | Total rent for the period | Current payment/collection status | Other contract terms (Note 2) |
|--|---------------------|----------|-------------------|--------------------------|--|--------------------------------------|--|---------------------------|-----------------------------------|-------------------------------|
| | Name | Location | | | | | | | | |
| Lessee | Machinery equipment | Toufen | 2020/10 ~ 2020/11 | Operating Lease | Negotiated and agreed by both parties | in accordance with transaction terms | Equivalent to market price | 300 | Paid in full | None. |

Note 1: Whether the nature is Capital Lease or Operating Lease shall be stated.

Note 2: If any other rights are established, such as surface rights, mortgage, easement, etc., they shall be indicated.

X. Status of Provision of Endorsement/Guarantees:

None.

XI. Affiliation Report

Statement of the Affiliation Report

The preparation of Greatek's 2020 (from January 1, 2020 to December 31, 2020) Affiliation Report follows the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises", and there is no material discrepancy in the information disclosure with the relevant information disclosed in the Notes to Financial Statements for the aforementioned period.

Hereby certified by

Company Name: Greatek Electronics Inc.

Chairman: D.K. Tsai

Chapter 2 Private Placement of Securities During the Most Recent Fiscal Year up to the Date of Publication of the Annual Report:

None.

Chapter 3 Holding or Disposal of Shares in the Company by the Company's Subsidiaries During the Most Recent Fiscal Year up to the Date of Publication of the Annual Report:

Greatek does not have any subsidiary.

Chapter 4 Other Matters Requiring Additional Description:

None.

Any Matter which May Materially Affect Shareholders' Equity or the Price of the Company's Securities

Chapter 1 Any Matter which May Materially Affect Shareholders' Equity or the Price of the Company's Securities:

None.

Greatek Electronics Inc.

Chairman: D.K. Tsai