



Hitron Technologies Inc.

2020 Annual Reports

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The content of these annual reports and the relevant information of the Company
can be found in the following website

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

I. Names, positions, contact numbers and e-mail addresses of spokesperson and acting spokesperson

Spokesperson: Amy Liu

Position: General Manager of Group Administration

Telephone No.: (03) 578-6658

E-mail Address: amyliu@hitrontech.com

Acting Spokesperson: Allen Hsu (Acting)

Position: Supervisor of Finance & Accounting Division

Telephone No.: (03) 578-6658

E-mail Address: allen@hitrontech.com

II. Addresses and Telephone Numbers of Headquarters, Subsidiary and Factory Plant

Address of Headquarters: No. 1-8, Li-Hsin 1st Rd., Hsinchu Science Park

Telephone No.: (03) 578-6658

III. Name, Address, Website and Telephone Number of Stock Transfer Agent & Registrar

Name: Registrar Agency Department of Capital securities Corp.

Address: B2, 97, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)

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

Telephone No.: (02) 2702-3999

IV. Name, Accounting Firm, Address, Website and Telephone Number of CPAs

CPAs: Ke-Yi Liu, Kun-Hsi Hsu

Accounting Firm: BDO Taiwan

Address: 10F., No.72, Sec. 2, Nanjing E. Rd., Taipei City 104, Taiwan (R.O.C.)

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

Telephone No.: (02) 2564-3000

V. Information on Overseas Securities: Not Applicable.

VI. Company Website: <http://www.hitrontech.com>

Hitron Technologies Inc.

2020 Annual Report Table of Content

| | <u>Page</u> |
|---|-------------|
| One. Letter to Shareholders ----- | 1 |
| Two. Company Overview | |
| I. Date of Establishment ----- | 6 |
| II. Organization and Operations ----- | 6 |
| Three. Report on Corporate Governance | |
| I. Organization of the Company ----- | 9 |
| II. Information on Directors, General Manager, Deputy General Manager, Assistant Vice President and heads of Departments and Branches ----- | 10 |
| III. Implementation of Corporate Governance ----- | 25 |
| IV. Audit Fees ----- | 52 |
| V. Change in CPA ----- | 53 |
| VI. Names, Positions and Tenure of any of the Company’s Chairman, General Manager, or managerial officers responsible for Financial or Accounting Affairs Being Employed by the Auditor’s Firm or Any of Its Affiliated Company in the Most Recent Year Should Be Disclosed ----- | 54 |
| VII. For the Most Recent Year until the Publication Date of the Annual Report, the Transfer of Equity Interest and Change in Stock Pledge of Directors, managerial officer and Shareholders with Stake of 10% or More ----- | 55 |
| VIII. Shareholding Ratio of Top 10 Shareholders and Their Affiliated Persons, Spouses, or Other Relatives within Two Degrees of Kinship ----- | 57 |
| IX. Number of Shares and Consolidated Shareholding Percentage of Investee Company Held by the Company, Directors and Managerial Officers of the Company, and Entities in which the Company has Direct, managerial officer or Indirect Controlling Interests ----- | 58 |
| Four. Fundraising | |
| I. Capital and Shares ----- | 59 |
| II. Corporate Bonds ----- | 63 |
| III. Preferred Shares ----- | 63 |
| IV. Global Depositary Receipts ----- | 63 |
| V. Subscription of Warrants for Employee ----- | 63 |
| VI. New Employee Restricted Stock Plans ----- | 64 |
| VII. Issuance of New Shares Regarding Acquisitions of the Other Companies ----- | 64 |
| VIII. Execution of Fund Usage Plan ----- | 64 |
| Five. Operational Highlights | |
| I. Business Activities ----- | 65 |
| II. Production and Market Analysis ----- | 77 |

| | |
|--|-----|
| III. Number of Employees, Average Seniority, Average Age and Qualification Distribution and Percentage for the Past Two Years Until the Publication Date of the Annual Report----- | 84 |
| IV. Expenditure on Environmental Protection----- | 84 |
| V. Labor Relations----- | 84 |
| VI. Important Contracts----- | 86 |
| Six. Financial Information | |
| I. Most Recent Five Years Concise Balance Sheet and Comprehensive Income Statement----- | 87 |
| II. Financial Information for the Most Recent Five Years----- | 91 |
| III. Audit Report Issued by the Audit Committee for the Most Recent Financial Statements----- | 94 |
| IV. Most Recent Financial Reports----- | 94 |
| V. Most Recent Standalone Financial Statements Audited by CPAs----- | 94 |
| VI. For the Most Recent Year until the Publication Date of the Annual Report, Financial Position Impacted by Insolvency Incidents Encountered by the Company and Affiliates Should be Detailed----- | 94 |
| Seven. Review of Financial Position, Business Performance, and Risk Issues | |
| I. Financial Position----- | 95 |
| II. Financial Performance----- | 95 |
| III. Cash Flow Analysis----- | 96 |
| IV. Impacts of Major Capital Expenditures in the Most Recent Year to Financial Performance----- | 96 |
| V. Causes of Profit or Loss Incurred on Investments in the Most Recent Year, and Any Improvements or Investments----- | 96 |
| VI. Risk Issues for the Most Recent Year until the Publication Date of the Annual Report----- | 96 |
| VII. Other Material Issues----- | 98 |
| Eight. Special Disclosure | |
| I. Summary of Affiliated Companies----- | 99 |
| II. Private Placement of Securities in the Most Recent Year until the Publication Date of the Annual Report----- | 101 |
| III. For the Most Recent Year until the Publication Date of the Annual Report, the Shareholding or Disposal of Shares of the Company by Subsidiaries----- | 102 |
| IV. Other Supplementary Information----- | 102 |
| V. For the Most Recent Year until the Publication Date of the Annual Report, Matters Affecting Shareholders' Equity Stock Price as Prescribed in the Securities and Exchange Act, article 36 paragraph 3 subparagraph 2----- | 102 |

One.Letter to Shareholders

Dear Shareholders:

Thank you for attending the Shareholders' Meeting of Hitron Technologies Inc. for 2021. On behalf of our Company and employees, I thank you for your support. The following are the business results for 2020 and an overview of the future operational plan:

I. 2020 Financial Performance

(I) Business Results

The sales volume of Hitron Technologies Inc. (referred to as “the Company”) for 2020 slightly increased by 1% as compared to 2019. In 2020, due to measures taken to counter cost increase as a result of the US-China trade war, in addition to adjustment to sales ratio of products, the Company also launched the latest high-priced WI-Fi 6 cable gateway as its main sales item. Despite that the sales volume was limited, it was able to make significant contribution to the revenue of the Company, thereby reducing the overall impact on the sales revenue as compared to our counterparts in the industry. Further, for production capacity and cost control, the construction of the plant in Vietnam is on schedule and even accelerating. In the meantime, the Company is actively increasing inventory turnover, as well as engaging in price bargaining with suppliers to reduce cost. As the pioneer and leading supplier for cable modems in Taiwan, the Company is committed to the business development based on its own brand and aims to become a global business operator. The Company continues to search for a winning strategy to preserve its dominant position in terms of the existing market and products, enlarging its advantages in product differentiation.

The consolidated operating revenue of the Company in 2020 was NT\$10.27846 billion, a decrease of 0.5% from NT\$10.32550 billion in the last year. The yearly consolidated gross margin was 20.9%, an increase of 0.7% from 20.2% in the last year; the operating expenses increased by 6% from last year, and the consolidated operating profit was NT\$446.83 million, a decrease of 7% from NT\$480.55 million in the last year. The net consolidated profit after tax attributable to the parent company was NT\$280.01 million, an increase of 27% from NT\$219.96 million in the last year. The basic earnings per share (EPS) in 2020 was NT0.87.

Unit: NT\$ (thousand)

| Item | 2020 | 2019 | Increase (Decrease) | Change in % |
|---------------------------------------|------------|------------|---------------------|-------------|
| Operating revenue | 10,278,461 | 10,325,500 | (47,039) | (0.46) |
| Operating margin | 2,152,500 | 2,084,765 | 67,735 | 3.25 |
| Operating expenses | 1,705,668 | 1,604,213 | 101,455 | 6.32 |
| Operating income | 446,832 | 480,552 | (33,720) | (7.02) |
| Net non-operating income (expense) | 21,553 | (74,314) | 95,867 | (129.00) |
| Profit before tax | 468,385 | 406,238 | 62,147 | 15.30 |
| Profit after tax | 402,659 | 350,343 | 52,316 | 14.93 |
| Profit attributable to parent company | 208,010 | 219,959 | 60,051 | 27.30 |

(II) Execution of budget: The Company's budget for 2020 was not made public.

(III) Analysis of Financial Income and Profitability

Unit: NT\$ (thousand)

| Analysis | Items | | 2020 | 2019 |
|------------------|---|-----------------------|--------|--------|
| Financial income | Interest income | | 10,680 | 6,217 |
| | Interest expense | | 34,412 | 74,125 |
| Profitability | ROA (%) | | 3.83 | 4.12 |
| | ROE (%) | | 5.66 | 5.30 |
| | Paid-in-capital amount Percentage(%) | Operating income | 13.58 | 14.61 |
| | | Net profit before tax | 14.24 | 12.35 |
| | Net profit margin (%) | | 3.92 | 3.39 |
| | Earnings per share (NT\$) | | 0.87 | 0.98 |

(IV) Research and Development

In 2020, the market share of DOCSIS 3.1 CPE in the overall cable market continued to increase, and the demand for DOCSIS 3.1 CPE in the Central and South America was higher than expected. Despite that the overall sales mainly concentrated on wireless network products, accounted for more than half of the total sales volume, wireless gateway had become the main products in the market. With the addition of Wi-Fi 6 (original 802.11ax) and Wi-Fi extender supporting mesh function, the entire product planning becomes more complete. In 2020, there were three new models qualified the CableLabs certifications, and three new models qualified the Wi-Fi Alliance certifications. In addition, the newly added easyMesh support was also approved by the Wi-Fi Alliance. It is expected that the next generation of standard product of DOCSIS 4.0 CPE will be postponed by two years from the original predefined schedule. The company focuses development on the family internet and user experience.

In terms of software, in addition to the APP support, human-machine interface is also equipped with cloud GUI interface. In comparison to the traditional standalone GUI interface, this is huge step in the development of the human-machine interface. This is the essential function for the overall development towards the cloud management. Hitron has been involving in cloud technology for over many years. We received huge amount of feedbacks this year. The function of allowing multiple online users to view instantly at any time also facilitates the business operators to manage and service customers more effectively. The Company is able to receive instant feedbacks from users rather than messages forwarded from the business operators, which not only significantly differentiates the Company from other OEM competitors but also establishes a solid foundation for value added services of the Company in the future.

Optical fiber products have become more mature. Despite that the planning of MSO has been affected by the COVID-19 pandemic such that its development is slowed down significantly, the Company still believes that it is the correct direction for medium and long term development. For MSO, two box solution is typically selected. For LAN end, the Company also continuously includes the ports of 10G and 2.5G. In terms of WLAN end, the development of Wi-Fi 6/6E Access Point has also been started. Through comprehensive products, the Company expects to increase the purchase volume made by customers and to improve the competitive advantages of the Company. In particular, for the development of mesh wireless, the Company has made a careful determination and decides to cooperate with Plume. For the architecture of OpenSync of Plume, regardless of whether the reception end uses a network gateway from the Company, it is able to achieve cloud management and remote service. Under such architecture, all equipment and devices are to achieve channel setting, transmission power adjustment, verification password synchronization and encrypted remote control. Such architecture is able to assist business operators to allow users to manage wireless equipment, and to provide the functions of cloud backup and remote troubleshooting while increasing the coverage at the same time, thereby reducing the operating costs and improving customer satisfaction.

In 2020, the Automotive Electronics Business Unit of the Company made some adjustments, and it was relocated from Taiyuan Hi-Tech Industrial Park to Alpha Networks. The main products are maintained unchanged, and the image recognition technology in the advanced driver assistance system is provided along with the use of image recognition technology in order to achieve 360-degree detection for any blind spot around the vehicle. When detecting other vehicles at the blind spot, the driver will be alerted. When other vehicles are approaching, it can also provide touch and audio warnings to alert the driver, and thus minimizing the occurrence of an accident. It also provides automatic parking assistance. The key focus of the next development stage will be on the integration with Alpha Networks and Qisda Master Fleet in order to achieve greater development through group collaboration and effort.

II. Summary of 2021 Business plan

(I) Business Strategy

The Company has accumulated decades of experience, sales channels and research and development of the private brand. The goal of business development remains mainly on continuing the development of broadband telecommunication products. Following a substantial increase in the market share in Latin America, the Company shall strengthen its North American market share. For products, in addition to increasing products in the high-value chain in the corporate and commercial service market, and integrating with big data and AI as development directions, the Company shall apply innovative technologies on products to enhance its niche, as well as expanding market share.

In 2017, the company developing Cloud Service Platform and Application to our existing Cable Gateway Products, the application were used by our clients in 2018. In 2019, cloud service platform were gradually used by our clients. As until end of 2020 there are 250,000 daily active users in the family of North American market to use Hitron Cloud Service Platform. By this can easily handling the connecting quality of internet services at home and at the same time reduces the burden of customer service reports for fixing by the telecom operators. In 2021, we looking forward to profiting from the new product line of software services and gradually increasing in revenues. We even hope that this high-quality, friendly, practical cloud services can improve our overall competitiveness, to let our customers benefiting from the software service platform and increasing the engagement to our products and creating extended business opportunities by cross-selling, such as providing Cable Operator Fiber to the Home (FTTB), Home use Wi-Fi extender and other products in a way of selling hardware by providing software. Due to the long-term impasse of the US-China trade war, compounded by the increase in orders, the Company is actively seeking to expand production bases outside of China, shifting the existing production and manufacturing processes to other production bases, so as to stabilize product quality and reduce costs. Our business strategies include:

- (1) Providing service package product line on top of existing products. For existing customers and channels, the Company shall provide more auxiliary services, master core integrative technologies, expand operating revenue and reduce cost. In the meantime, the Company shall position itself for a cost-competitive market, as well as the market for high value-added products.
- (2) Venturing into the service provider market in North America, increasing market share, strengthening presence among MSOs of an emerging market with flexibility and services.
- (3) Creating products with a life cycle of more than 5 years that are in line with the new technological standard of FDX DOCSIS 3.1, DOCSIS4.0 FDX and Wi-Fi 6/6E, and have higher bandwidth.
- (4) Developing products that respond timely to market needs, integrating further with customers' processes, providing value-added services to customers with innovation, and pursuing higher quality in products.
- (5) Using big data and AI to enhance product quality and reduce costs, thus increasing profitability.
- (6) Collaborating globally with production planning and automation equipment, so as to replicate production processes, reduce costs, and increase profit margin, production effectiveness, and product quality.

(II) Important Production and Marketing Policies

1. Production Policy

- (1) Automation in production. Since 2016, the Company has been actively promoting automation, and training company engineers to provide maintenance and further developing automation in production. The Company also seeks to make use of existing spaces to increase production capacity utilization. After introducing automation in production, the Company encountered the US-China trade war and was in need to search for other production bases. Incidentally, the automation brought other additional advantages. The replication of production method no longer relied heavily on trained ground workers, and therefore new factories could go into production faster while maintaining product quality.
- (2) Conditions of Supplying main raw materials: Building up Partnership with upstream manufacturers by maintaining good long-term strategic preparation of raw materials. For the key component, Taiwan Hitron purchasing it directly and delivered to the manufacturing base, except to stabilized the source of supplying

raw materials and also building up smooth market information notification and communication channel, to enhance the ability to perform our contract of manufacturing and delivering. On the other hand, in order to decrease the risk of oligopoly in supply. In recent years, the company actively introducing alternative parts (2nd Source) In the meantime, the Company makes use of its economies of scale to bargain for competitive prices in contracts with suppliers, ensuring stable prices, and supply for components.

2. Marketing Policy

The company handles sales and collections in a triangular trade mode where orders are received from the dedicate region and shipped from the global manufacturing base by the United States Branch, Europe Branch and Taiwan separately. Localization - to increased the support in selling to various places and to shortened the time required to response; increasing the understanding of the local market trend and the relationship with local clients and partners. We established the operating correspondence in the main focused market, and establishing local sales team and technical supplier personnel to provide different variety of product and technical services.

III. The future development strategy of the Company is susceptible to external competition, regulatory environment, and the overall business environment

Regardless whether it is during the period of COVID-19 pandemic or the post-pandemic era, broadband network connection has become the basic needs of living for people, and the connection speed for remote teaching, video conference and other applications demanded by consumers and all sectors are certainly increasing. The cable modem business of the Company will focus more on the functions of easyInstall & easyConnect for customers' individual operations, thereby ensuring continuous growth of the business without being affected by the pandemic. Furthermore, the application of 5G technology is also increasing at the same time. Nevertheless, a greater number of 5G base stations will still not be sufficient to overcome the problem of penetrating through brick walls with millimeter wave in practice, and DOCSIS developed by the technical groups of CableLabs, etc., will become the key options for 5G backhaul, which means that the cable modem business of the Company is expected to have a promising outlook with the increasing popularity of 5G technology. In addition, regarding the wireless reception technology, through years of effort and development, the Company also aims to actively develop an effective method to bring 5G millimeter wave to the indoor environment.

As internet speed is surging and the efficiency of the wafer is getting more robust, The work division of edge and cloud computing has expanded the room for networking communication equipment. Its functions and role are increasingly important as well. The future technological advances of Hitron will lie in the development of gateway application functions. In the meantime, the cloud application is integrated with Hitron's networking communication equipment, and thus creating greater and better value-add to user experience for the customers. As the wireless roaming standard of EasyMesh has been upgraded to version 2.0, integrated Wi-Fi extender continuing from the wireless network communication of Cable Gateway has become an essential part of the entire home network.

In the future, the Company will continue to provide higher-speed quality transmission to existing customers. For R&D, the core technology would be on terminal end and cloud machine learning, and accumulation of big data for optimization and provision of automatic management to reduce operating costs and enhance customer satisfaction. In horizontal expansion, for in-home internet entertainment and lifestyle application, cybersecurity, and confidential data protection, the Company seeks to produce faster and more diversified network technology and more convenient broadband service. In vertical expansion, an all-round solution is a chief focus, where the software design of smart management and cloud network management are key development areas. The Company also actively ventures into emerging markets to increase business opportunities and hence its corporate value, in hope of optimizing the Shareholders' interest.

The shipping volume of the own brand products of the Company in 2020 was maintained at top three manufacturers in the market worldwide. The new production site in Vietnam will play an important role in the future. In comparison to the other top two competitors in the market, where one competitor is heading toward

the direction of high gross margin and the other competitor has just undergone financial restructuring, what the Company aims for is to achieve proper management in logistics and risk control in order to maintain the Company's competitive advantages in the market. Despite that the shipping volume of high-end products of DOCSIS 3.1 CPE in the North American market has exceeded more than half of the total shipping volume of the Company, the Company still values the new emerging market significantly, and the launch of new models in the Central and South America as well as the obtaining of certifications in such region are imperative to the business development of the Company.

For the past two years, the key development area of Hitron has gradually shifted from the traditional hardware solution to an all-round solution of platform service that focuses on software. The key aspects valued by the Company rely on not only providing the best Wi-Fi experience to home users but also utilizing AI and cloud technologies to help customers to save large amount of capital expenditure. Currently, there are more than 7 MSOs in North America that use Hitron Cloud. This is helpful for Hitron in expanding product lines other than cable MSO. Further, more than 150 thousand customers using the Hitron Cloud solution see an improvement in their wireless in-home broadband.

Lastly, we would like to wish you good health and best of luck.

Chairman: April Huang

Two. Company Overview

I. Date of Establishment: March 24, 1986

II. Organization and Operations

| <u>Year</u> | <u>Milestones</u> |
|-------------|---|
| 1986 | Established as an OEM for electronics, with 8 employees. Started with venturing into the military and industrial market. |
| 1987 | Operating as an agent for AI workstations, Hitron began to take root in universities and research institutions and produced great results. |
| 1988 | Computing business unit operating as an agent for SGI workstations, introducing a software application system. Operating projects included computer-aided design/manufacturing, animation, industrial design and real-time simulation. Established telecommunication business unit, distributed multiplex machine of NET exclusively. Ventured into network integration. |
| 1989 | Computing business unit distributed remote sensing software of ERDAS. Ventured into GIS. The telecommunication business unit became an exclusive agency for the number one brand in the teleconference system, PictureTel in Taiwan, and became the first company to introduce the teleconferencing system in the Asia Pacific. |
| 1990 | On top of the existing multiplex machine, telecommunication business unit added models from Republic Telecom, catering to customer needs in terms of flexibility, applicability, and practicality. |
| 1991 | Computing business unit secured substantial CAD/CAM procurement from Jui Li Enterprise Co. Ltd. Ventured into the automotive die-making industry. Laid a deep-rooted foundation for CAD/CAM making and distribution for MSI molecular modeling software. |
| 1992 | Due to expansion in operation, the head office was moved to a new office building in Wugu Industrial Park. Computing business unit distributed ESRI geographical information system exclusively and MultiGen real-time simulation software. Established a subsidiary in Hsinchu Industrial Park, aiming to develop high-tech value-adding products. Established subsidiary, Hitron Technologies (HK) Inc. |
| 1993 | The telecommunication business unit expanded to cross border networking integrated business. The R&D center in Hsinchu started establishing sales locations in Mainland China and took a step toward internationalized marketing. |
| 1994 | Computing business unit collaborated with GIS Consultants and completed many large scale governmental and public enterprise projects, formally venturing into application system development business. Launched digital loop carrier (DLC) developed by Hsinchu subsidiary; in the meantime, the timing clock system passed the examination of Directorate General of Telecommunications, MOTC, and became the first to pass in the country. |
| 1995 | The telecommunication business unit signed a distribution contract with a renowned networking conglomerate, Cisco to provide customers with an overall LAN/WAN solution. Developed automatic remote fiber test system at the Directorate General of Telecommunications end and launched in Mainland China. |
| 1996 | Established I.S.P subsidiary. Received contract from Army Command Headquarters and became the first contractor in the country to design and develop tank training simulator for the army. Became the first in the country to develop Digital European Cordless Telephone (DECT) and prepared to venture into the international market. Conferred Outstanding Corporate and Product Gold Award. |
| 1997 | Approved by Securities and Futures Bureau for IPO. Passed ISO 9001 certification. Won the sixth National Award of Outstanding SMEs conferred by SME Administration, MOEA, and SME Association of ROC. |
| 1998 | Approved by Taiwan Stock Exchange and IPO on Taiwan's OTC on December 10. |

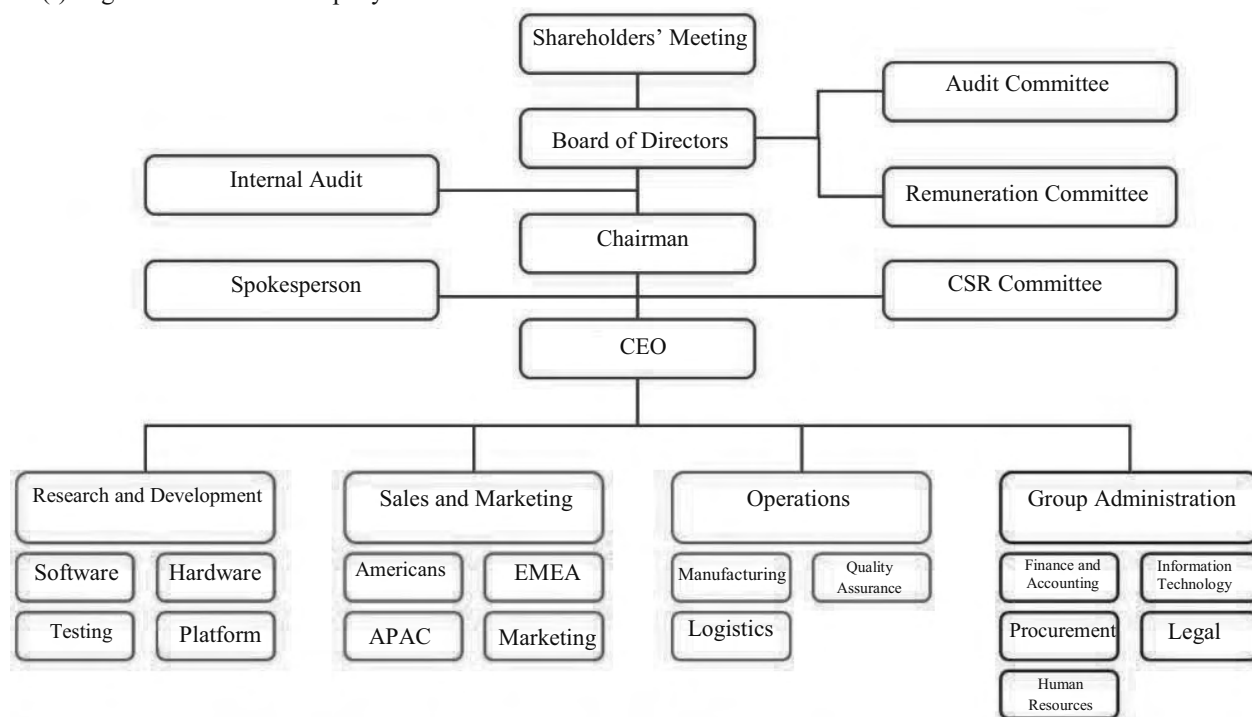
| | |
|------|--|
| | Chairperson, Davis Cheng conferred the 21st ROC Model for Entrepreneurs Award. Conferred "R&D Award" by MOEA. |
| 1999 | Purchased office building in Nankang Software Park. Established subsidiary, Asia Pacific On Line Co., Ltd. |
| 2000 | Sold internet business unit to the subsidiary, Asia Pacific On Line Co., Ltd. Listing of shares switched to Taiwan's main board on September 11. Developed a "portable base station" and made sales to various mobile service providers in the country. Applied for a patent in both Taiwan and Mainland China. Sold shareholdings in the subsidiary, Asia Pacific On Line Co., Ltd. to Eastern Broadband Telecommunications Co., Ltd., totaling 63,000 thousand shares at NT\$12/share, or NT\$756,000 thousand. |
| 2001 | Established subsidiary, Hitron Technologies (US) Inc. |
| 2002 | Factory plant of Hsinchu subsidiary in Hsinchu Science Park held a groundbreaking ceremony. |
| 2003 | Developed V5.2, and formally obtained network license in Mainland China. Established subsidiary, Interactive Digital Technologies Inc. Passed the DOCSIS 1.1 BROADCOM, DOCSIS 1.1T1 and DOCSIS 2.0T1 certification of Cable Television Laboratories, Inc. in the US. |
| 2004 | Developed B-DLC G.SHD.S.L and 5.2 interfaces, and formally obtained network license in Indonesia. Developed CABLEGG commercial router, and assisted customers in obtaining a network license from Comcast in the US. |
| 2005 | Developed ML-eMTA, and obtained ODM orders from major brands in North America. Developed STM-1, Ethernet (EOS) and other service interfaces on the HTC-1100E system, and obtained certification from Chunghwa Telecom. |
| 2006 | Obtained approval per Document No. 09500242350 from Investment Commission, MOEA to invest in Hitron Technologies (SIP) Inc., Mainland China via a third country. Established subsidiary, "Hitron Technologies (SAMOA) Inc.". Developed BRM-35302F, and obtained certification from Philip. Developed FOM, and obtained certification from Chunghwa Telecom. |
| 2007 | Obtained approval per Document No. 09600297080 from Investment Commission, MOEA to increase investment in "Hitron Technologies (SIP) Inc.". Obtained approval per Document No. 09600293480 from Investment Commission, MOEA to invest in "Hwa Chi Technologies (Shanghai) Inc.", Mainland China via a third country. BVG-3642(eMTA) product of the Company obtained certification from CableLab and met the Japanese specifications. |
| 2008 | Obtained approval per Document No. 09700240450 from Investment Commission, MOEA to increase investment in "Hitron Technologies (SIP) Inc.". Developed Docsis 3.0 Cable Modem, and obtained certification from CableLab. Subsidiary, Hitron Technologies (HK) Inc. accomplished its objective and was thus dissolved. Subsidiary, Hitron Technologies (US) Inc. accomplished its objective and was thus dissolved. |
| 2009 | Obtained approval per Document No. 09900001720 from Investment Commission, MOEA to invest in Hitron Technologies (Europe) Co., Ltd. via a third country for CHF500 thousand. |
| 2010 | Obtained approval per Document No. 09900215120 from Investment Commission, MOEA to invest in Jietech Trading (Suzhou) Inc. via a third country for US\$750 thousand. |
| 2011 | Per JGZFF No. 1000059641, FSC approved the second public issuance of a secured convertible corporate bond of NT\$650,000 thousand. On November 28, 2011, Taiwan Stock Exchange approved the Company to continue listing after business transfer. On November 29, 2011, the Board of Directors passed a resolution to establish the base date of the business transfer to be January 1, 2012. Established subsidiary, Hitron Technologies Europe Holding B.V.. |
| 2012 | Established subsidiary, Hitron Technologies (Americas) Inc. |
| 2013 | Per JGZFF No. 1010058399, FSC approved the third public issuance of a secured convertible corporate bond of NT\$500,000 thousand. |
| 2014 | Developed integrated wireless transmission 802.11ac, the most advanced transmission technology. Developed MoCA interface in cable modem router. Developed wireless transmission smart antenna technology in the Hitron Technologies cable modem router. |

| | |
|------|---|
| | Integrated ZigBee and Wi-Fi function in the gateway to facilitate communication between various installations, providing integrative solutions to end users of MSO. Subsidiary, Hitron Technologies (Europe) Co., Ltd. accomplished its objective and was thus dissolved. |
| 2015 | Established subsidiary, InnoAuto Technologies Inc. |
| 2016 | Per JGZFZ No. 1050014740, FSC approved the fourth public issuance of a secured convertible corporate bond of NT\$500,000 thousand. Invested in “Di’s Suzhou Electronic Technology Co., Ltd” to venture into the internet of the vehicle industry. |
| 2017 | Head office shifted from Wugu to Hsinchu Science Park and continued operation. |
| 2018 | Per JGZFZ No. 1070323237, FSC approved capital reduction and returned capital of NT\$241,486 thousand. The Board of Directors passed a resolution to establish a subsidiary in Vietnam. |
| 2019 | Subsidiary, Wei Tech (Samoa) Inc., Ltd. accomplished its objective and was thus dissolved. Established subsidiary, Hitron Technologies Vietnam Company Limited Invited Alpha Networks Inc. to invest via private placement. Alpha Networks became a major Shareholder with a 10% stake. |
| 2020 | Alpha Networks Inc. publicly acquired 100,000,000 common shares of Hitron Technologies. |

Three. Report on Corporate Governance

I. Organization of the Company

(I) Organization of the Company



(II) Role and Responsibility of Various Functions

| Function | Role and Responsibility |
|--------------------------|--|
| Internal Audit | Internal management systems, policies, and procedures audit and control. |
| Research and Development | Advanced technology research, product roadmap planning, and product development and design. |
| Sales | Business development, sales, customer relations management, and post-sales services. |
| Marketing | Market trend analysis, support R&D to plan product roadmap and product marketing. |
| Manufacturing | Produce high-quality products to fulfill demands and required specifications from customers. |
| Quality Assurance | Quality system maintenance, quality assurance engineering, and quality control and inspections. |
| Logistics | Production control, warehouse management, customs, and international trading. |
| Finance and Accounting | Treasury, investment, foreign exchange, accounting, tax, and financial analysis. |
| Information Technology | Network infrastructure management, management information system, and information security. |
| Procurement | Supplier management, price negotiation, buying management and sourcing. |
| Legal | Compliance, contract review, lawsuit, confidentiality protection, IP, and patent management. |
| Human Resources | Organization development, talent and performance management, general affairs, facility, and ESH. |

II. Information on Directors, General Manager, Deputy General Manager, Assistant Vice President and heads of Departments and Branches

(I) Directors

1. Information on Directors

April 13, 2021

| Title | Nationality or place of incorporation | Name | Gender | Elected/Appointment Date | Term | First Elected Date | when elected Shareholding | | current Shareholding | | Spouse & Minor Shareholding | | Shareholding under other person(s) | | Education and experience | Concurrent Position(s) in the Company and other companies | Spouse or Relative within the Second Degree of Kinship Holding Other Managerial, Director or Supervisor Position | | | Remarks |
|----------------------|---------------------------------------|---------------------------------------|--------|--------------------------|------|--------------------|---------------------------|--------------------|----------------------|--------------------|-----------------------------|--------------------|------------------------------------|--------------------|--|--|--|------|--------------|---------|
| | | | | | | | Number of shares | Shareholding Ratio | Number of shares | Shareholding Ratio | Number of shares | Shareholding Ratio | Number of shares | Shareholding Ratio | | | Position | Name | Relationship | |
| | | Alpha Networks Inc. | | February 3, 2020 | 3 | February 3, 2020 | 100,000,000 | 30.40 | 200,000,000 | 60.79 | - | - | - | - | - | - | None | None | None | |
| Chairman (Note 8) | Taiwan | Representatives: April Huang (Note 7) | Female | April 30, 2020 | 3 | February 3, 2020 | - | - | - | - | - | - | - | - | EMBA degree from National Taiwan University Manager of Projector Business Unit of Qisda Corporation Deputy General Manager of Qisda Corporation Chairman of Qisda Optonics Corp. Chairman of Simula Tech. Inc. Chairman of ImmoAuto Technologies Inc. Chairman of Ying-Tai Investment Co., Ltd. Chairman of Alpha Networks Foundation Chairman of Simula Technology Inc. | Chairman and Chief Executive Officer: Alpha Networks Corp. Vice President of Qisda Corporation Director of Qisda Optonics Corp. Chairman of Simula Tech. Inc. Chairman of ImmoAuto Technologies Inc. Chairman of Ying-Tai Investment Co., Ltd. Chairman of Alpha Networks Foundation Chairman of Simula Technology Inc. | | | | |
| Chairman (Note 1, 8) | Taiwan | Davis Cheng | Male | February 3, 2020 | 3 | March 24, 1986 | 7,094,986 | 2.16 | - | - | - | - | - | - | Electrical Engineering from National Taipei University of Technology Manager of Hatian Company | - | Not applicable. | | | |
| Director (Note 1) | Taiwan | Amy Liu | Female | February 3, 2020 | 3 | June 14, 2005 | 1,006,880 | 0.31 | 742,702 | 0.23 | - | - | - | - | Bachelor's degree in International Trade from Ming Chuan University EMBA degree from National Chengchi University Spokesperson of the Company Director of Interactive Digital International Co., Ltd. Chairman of Hitron Technologies (Americas) Inc. Director of Hitron Technologies (SIP) Inc. Director of ImmoAuto Technologies Inc. | Spokesperson of the Company Director of Interactive Digital International Co., Ltd. Chairman of Hitron Technologies (Americas) Inc. Director of Hitron Technologies (SIP) Inc. Director of ImmoAuto Technologies Inc. | None | None | None | |
| Director (Note 1) | Taiwan | Representatives: John Lee (Note 7) | Male | February 3, 2020 | 3 | February 3, 2020 | 100,000,000 | 30.40 | 200,000,000 | 60.79 | - | - | - | - | Electrical Engineering from National Taiwan University | - | None | None | None | |

| Title | Nationality or place of incorporation | Name | Gender | Elected/Appointment Date | Term | First Elected Date | when elected Shareholding | | current Shareholding | | Spouse & Minor Shareholding | | Shareholding under other person(s) | | Education and experience | Concurrent Position(s) in the Company and other companies | Spouse or Relative within the Second Degree of Kinship Holding Other Managerial, Director or Supervisor Position | | Remarks | | |
|-------|---------------------------------------|---------------------------------|--------|--------------------------|------|--------------------|---------------------------|--------------------|----------------------|--------------------|-----------------------------|--------------------|------------------------------------|--------------------|---|---|--|-------------------|---------|------|------|
| | | | | | | | Number of shares | Shareholding Ratio | Number of shares | Shareholding Ratio | Number of shares | Shareholding Ratio | Number of shares | Shareholding Ratio | | | Position | Name/Relationship | | | |
| | | | | | | | | | | | | | | | Thunderbird School of Global Management M.S., International Business Management Bachelor of Mechanical Engineering, National Cheng Kung University General Manager of Technology Product Center EVP of BenQ Corp. | Director and Deputy Chairperson of Alpha Networks Inc. Chairperson and General Manager of Qisda Corporation Chairman of BenQ Medical Technology Corp. Chairman of Partner Tech Corp. Director of DFI Inc. Director of AU Optonics Corp. Director of Darfon Electronics Corp. Director of BenQ Corp. Director of BenQ Materials Corporation Director of Nanjing BenQ Hospital Co., Ltd. Director of Suzhou BenQ Hospital Co., Ltd. Director of BenQ Hospital Management Consulting (Nanjing) Co., Ltd. and BenQ Healthcare Consulting Corporation Director of Darty Venture Inc. Director of Darty 2 Venture, Ltd. Director of Darty Consulting Corporation Director of Qisda (L) Corp. Director of Qisda (Hong Kong) Limited Director of Darty Venture (L) Ltd Director of BenQ BM Holding Cayman Corp. and BenQ BM Holding Corp. Director of BenQ Guru Holding Limited Director of BenQ Foundation | | | | | |
| | | Representatives: Peter Chen | Male | February 3, 2020 | 3 | February 3, 2020 | - | - | - | - | - | - | - | - | | | None | None | None | | |
| | | Representatives: Yu-chin Lin | Male | February 3, 2020 | 3 | February 3, 2020 | - | - | - | - | - | - | - | - | Bachelor's Degree in Electronics and Bioinformatics from Meiji University Master's Degree in College of Technology Management from National Tsing Hua University Senior Director of Alpha Networks Inc. Assistant Vice President of Alpha Networks Inc. General Manager of LAN/MAN Business Unit of Alpha Networks Inc. | Representative of Corporate Director and Manager of Alpha Networks Inc. Chairman of Hiron Technologies Inc. Chairman of Corporate Director, Alpha Solutions Co., Ltd Chairman of Corporate Director, Transnet Corporation, representative of Corporate Director, Enrich Investment Corporation Director of Alpha Networks Foundation | | | None | None | None |
| | | Representatives: Yang-Chih Chou | Male | February 3, 2020 | 3 | February 3, 2020 | - | - | - | 5,000 | 0.00 | - | - | - | MSEE, Polytecnic University Manager of Industrial Technology Research Institute Assistant Vice President of Tecom Co., Ltd. General Manager of Wireless Broadband Business Unit of | Assistant Vice President of Alpha Networks Inc. Representative of Corporate Director, Alpha Solutions Co., Ltd Representative of Corporate Supervisor, Alpha Networks (Changshu) Ltd. Representative of Corporate Director, Transnet Corporation Director of Alpha Networks Foundation | | | None | None | None |

| Title | Nationality or place of incorporation | Name | Gender | Elected/Appointment Date | Term | First Elected Date | when elected Shareholding | | current Shareholding | | Spouse & Minor Shareholding | | Shareholding under other person(s) | | Education and experience | Concurrent Position(s) in the Company and other companies | Spouse or Relative within the Second Degree of Kinship Holding Other Managerial, Director or Supervisor Position | | | Remarks |
|-------------------------------|---------------------------------------|-------------------------------|--------|--------------------------|------|--------------------|---------------------------|--------------------|----------------------|--------------------|-----------------------------|--------------------|------------------------------------|--------------------|--|--|--|------|--------------|---------|
| | | | | | | | Number of shares | Shareholding Ratio | Number of shares | Shareholding Ratio | Number of shares | Shareholding Ratio | Number of shares | Shareholding Ratio | | | Position | Name | Relationship | |
| | | | | | | | | | | | | | | | Alpha Networks Inc. | | | | | |
| | | | | | | | | | | | | | | | Univ of Nebraska, Lincoln Master of Science E.E Member of Scientific Staff, Bell Northern Research Senior Engineer, Advance Fiber Communication Manager, TollBridge Technologies Co-Founder, Codent Networks. | President of Hiron Technologies Inc. Director of Hiron Technologies (SIP) Inc. Director of Hiron Technologies (Samoa) Inc. Director of Jietech Trading (Suzhou) Inc. | | | None. | |
| | | Representatives: Patrick Chiu | Male | February 3, 2020 | 3 | February 3, 2020 | - | - | 296,820 | 0.09 | - | - | - | - | | | | | | None. |
| | | | | | | | | | | | | | | | Master's Degree in Accounting of Tungshai University Section Manager of the Accounting Division of Neo Solar Power Corp. Manager of Accounting Division of Camel Precision Co., Ltd. | Supervisor of Finance & Accounting Division of Hiron Technologies Inc. Supervisor of Hiron Technologies (SIP) Inc. Supervisor of Jietech Trading (Suzhou) Inc. | | | None. | |
| | | Representatives: Allen Hsu | Male | February 3, 2020 | 3 | February 3, 2020 | - | - | 20,848 | 0.01 | - | - | - | - | | | | | | None. |
| | | | | | | | | | | | | | | | Ph.D. from the University of Hawaii Professor in the Department of Electrical Engineering, National Taiwan University Professor in Graduate Institute of Communication Engineering, National Taiwan University Independent Director of Alpha Networks Inc. | Professor in the Department of Electrical Engineering, National Taiwan University Professor in Graduate Institute of Communication Engineering, National Taiwan University | | | None. | |
| Independent director (Note 1) | Taiwan | Mao-Chao Lin | Male | February 3, 2020 | 3 | February 3, 2020 | - | - | - | - | - | - | - | - | | | | | | None. |
| | | | | | | | | | | | | | | | Bachelor's Degree in Accounting from Soochow University Finance Manager of Formosa Plastics Group | | | | | |
| Independent director (Note 1) | Taiwan | Harry Huang | Male | February 3, 2020 | 3 | February 3, 2020 | - | - | - | - | - | - | - | - | Chairperson of Corporate Representative, Industrial Bank of Taiwan Independent Director of Alpha Networks Inc. | Supervisor of Formica Optoelectronics Inc. Supervisor of San Fu Chemical Co., Ltd. | | | None. | |

| Title | Nationality or place of incorporation | Name | Gender | Elected/Appointment Date | Term | First Elected Date | when elected Shareholding | | current Shareholding | | Spouse & Minor Shareholding | | Shareholding under other person(s) | | Education and experience | Concurrent Position(s) in the Company and other companies | Spouse or Relative within the Second Degree of Kinship Holding Other Managerial, Director or Supervisor Position | | | Remarks |
|-------------------------------|---------------------------------------|--|--------|--------------------------|------|--------------------|---------------------------|--------------------|----------------------|--------------------|-----------------------------|--------------------|------------------------------------|--------------------|--|---|--|------|-----------------|---------|
| | | | | | | | Number of shares | Shareholding Ratio | Number of shares | Shareholding Ratio | Number of shares | Shareholding Ratio | Number of shares | Shareholding Ratio | | | Position | Name | Relationship | |
| Independent director (Note 1) | Taiwan | Lo-Min Chen | Male | February 3, 2020 | 3 | June 13, 2017 | - | - | - | - | - | - | - | - | National Chengchi University Global Executive Vice President of Diebold Nixdorf, Inc. President, Asia Pacific Area of Diebold Nixdorf, Inc. General Manager of Philips Electronics N.V. China Group General Manager of NCR China Deputy General Manager of NCR Taiwan Senior Consultant of Oki Electric Industry Co., Ltd. | Independent Director of Transcend Information, Inc. | None | None | None | |
| Director (Note 2) | Taiwan | Chih-Shan Asset Management Co., Ltd. Chung-Wan Shu | Male | June 13, 2017 | - | June 13, 2017 | 1,000,000 | 0.44 | - | - | - | - | - | - | National Cheng Kung University Project Manager of HP Inc. | - | - | - | Not applicable. | |
| Director (Note 3) | Taiwan | Jeff Hsue | Male | June 13, 2017 | 3 | June 13, 2008 | 1,128,400 | 0.49 | - | - | - | - | - | - | University of Michigan Senior Manager of GVC Corporation | - | - | - | Not applicable. | |
| Director (Note 4) | Taiwan | Jung-Huang Wang | Male | June 13, 2017 | 3 | June 15, 2011 | 1,337,606 | 0.58 | - | - | - | - | - | - | National Taiwan University | - | - | - | Not applicable. | |
| Director (Note 3) | Taiwan | Chia-Lung Ma | Male | June 13, 2017 | 3 | June 15, 2006 | 1,392,976 | 0.61 | - | - | - | - | - | - | Hwa Hsia School of Industrial Technology | - | - | - | Not applicable. | |
| Director (Note 5) | Taiwan | Ching-Hua Ke i | Male | June 13, 2017 | 3 | June 21, 2012 | 1,681,737 | 0.73 | - | - | - | - | - | - | Feng Chia University | - | - | - | Not applicable. | |
| Director (Note 3) | Taiwan | Ju-Shan Cheng | Female | June 13, 2017 | 3 | June 13, 2017 | 450,000 | 0.20 | - | - | - | - | - | - | National Chengchi University | - | - | - | Not applicable. | |
| Independent director (Note 6) | Taiwan | Hsiao-Chen Chuang | Male | June 13, 2017 | 3 | June 20, 2014 | - | - | - | - | - | - | - | - | University of Taipei Training Seminar of Center for Public and Business Administration Education, National Chengchi University Chairperson of Chu Yun Sports Co., Ltd. Executive Director of Tomson Group Limited Director/General Manager of Tomson Golf (Shanghai) Ltd. | - | - | - | Not applicable. | |

| Title | Nationality or place of incorporation | Name | Gender | Elected/Appointment Date | Term | First Elected Date | when elected Shareholding | | current Shareholding | | Spouse & Minor Shareholding | | Shareholding under other person(s) | | Education and experience | Concurrent Position(s) in the Company and other companies | Spouse or Relative within the Second Degree of Kinship Holding Other Managerial, Director or Supervisor Position | | | Remarks |
|-------------------------------|---------------------------------------|------------------|--------|--------------------------|------|--------------------|---------------------------|--------------------|----------------------|--------------------|-----------------------------|--------------------|------------------------------------|--------------------|--|---|--|------|-----------------|---------|
| | | | | | | | Number of shares | Shareholding Ratio | Number of shares | Shareholding Ratio | Number of shares | Shareholding Ratio | Number of shares | Shareholding Ratio | | | Position | Name | Relationship | |
| | | | | | | | | | | | | | | | Director of InterContinental Shanghai Pudong Director of Shanghai Tomson Real Estate Investment and Development Co., Ltd. Independent director of Chia Chang Co., Ltd. Director of Tomson Pudong Real Estate Development Co., Ltd. Director of Tomson Real Estate Investment & Development Co., Ltd. | | | | | |
| Independent director (Note 6) | Taiwan | Cheng-Lang Huang | Male | June 13, 2017 | 3 | June 13, 2017 | 25,000 | 0.01 | | | | | | | Master's Degree in Computer Engineering of National Chiao Tung University Chairperson of Chief Telecom Inc. Policy Planning and Research Committee Member of Chunghwa Telecom Deputy General Manager of Chunghwa Telecom Deputy General Manager of Northern Taiwan Business Group of Chunghwa Telecom Human Resource Director of Chunghwa Telecom Network Maintenance Director of Chunghwa Telecom Supervisor of RPTI International Ltd. Director of RPTI International Ltd. Chief of Maintenance Center of Chunghwa Telecom Lecturer of Telecom Training Institute | | | | Not applicable. | |

Note 1: Re-election was held on February 3, 2020.

Note 2: Corporate Director, Chih Shan Asset Management Co., Ltd. stepped down on January 2, 2020.
Note 3: Director, Jeff Hsue, Chia-Lung Ma and Ju-Shan Cheng stepped down on January 13, 2020.
Note 4: Director, Jung-Huang Wang stepped down on January 9, 2020.
Note 5: Director, Ching-Huai Ke stepped down on January 8, 2020.
Note 6: Independent Directors, Hsiao-Chen Chuang and Cheng-Lang Huang stepped down on February 3, 2020.
Note 7: On April 30, 2020, Alpha Networks Inc. appointed Director, April Huang as representative. Former representative, John Lee stepped down.
Note 8: On January 4, 2021 the company get informed that Director Davis Cheng transferred his shares exceed half of the shares when he elected on December 25, 2020 and he certainly be discharged. The board of directors elected April Huang as the new Chairman.

Major Corporate Shareholders

| Name of Corporate Shareholder | Major Corporate Shareholders |
|-------------------------------|--|
| Alpha Networks Inc. | Qisda Corporation (54.60%), Wistron Corporation (3.57%), Darly Consulting Corporation (2.35%), Darly Venture Inc. (2.26%), Taiwan Cooperative Bank (0.83%), Darly2 Venture Inc. (0.77%), Wise Cap Limited Company(0.72%),JPMorgan Chase Bank N.A. Taipei Branch in Custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (0.67%), Bank of Taiwan in custody for UOB-Kay Hian (Hong Kong) Limited (0.65%), Chuangtai Investment Inc. (0.48%) |

Major Shareholders of the Company's Corporate Shareholders

| Name of corporate shareholder | Major Shareholders of the Company's Corporate Shareholders |
|---------------------------------------|--|
| Qisda Corporation (Note 1) | AU Optronics Corp. (17.04%), Acer Incorporated (4.15%), Cathay Life Insurance Co., Ltd. (3.58%), Darfon Electronics Corp. (1.86%), Citibank Taiwan in Custody for Norges Bank (1.57%), Polunin Developing Countries Fund, LLC (1.30%), JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.19%), Vanguard Emerging Markets Stock Index Fund, A Series Of Vanguard International Equity Funds (1.07%), CREO VENTURE CORP (0.87%), Dimensional Emerging Markets Value Fund (0.79%) |
| Wistron Corporation (Note 2) | Yunta Taiwan Dividend Plus ETF (1.99%), Norges Bank (1.97%), Acer Incorporated (1.93%), JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.78%), Lin, Hsien-Ming (1.53%), Vanguard Emerging Markets Stock Index Fund, A Series Of Vanguard International Equity Index Funds (1.45%), Management Board of Public Service Pension Fund (1.41%), Labor Pension Fund (1.34%), Dimensional Emerging Markets Value Fund (1.09%), JP Morgan Chase Bank N.A. Taipei Branch in custody for Saudi Arabian Monetary Authority (1.03%) |
| Darly Consulting Corporation (Note 3) | Darly 2 Venture, Ltd. (54.89%), Darly Venture Inc. (45.11%) |
| Darly Venture Inc. (Note 3) | Qisda Corporation (100%) |
| Taiwan Cooperative Bank (Note 3) | Taiwan Cooperative Financial Holding Co., Ltd. (100%) |
| Darly2 Venture, Inc. (Note 3) | BenQ Corporation (100%) |
| Wise Cap Limited Company (Note 3) | Wistron Corporation (100%) |
| Chuangtai Investment Inc. (Note 3) | Wild Star Investment Ltd. (SAMOA) (100%) |

Note 1: Source of information for Qisda Corporation is recorded as of the book closure date of Qisda Corporation on April 21, 2020.

Note 2: Source of information for Wistron Corporation is recorded as of the book closure date of Wistron Corporation on April 20, 2020.

Note 3: Source of information for Department of Commerce, MOEA

2. Professional Qualifications and Independence Analysis of Directors and Supervisors

| Name | Criteria | Having met one of the following professional qualifications, together with at least five years of work experience | | | Independence Criteria (Note 3) | | | | | | | | | | | | Number of other public companies in which the individual is concurrently serving as an independent director |
|---|----------|--|---|--|--------------------------------|---|---|---|---|---|---|---|---|----|----|----|---|
| | | An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college or university | A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialists who have passed a national examination and been awarded a certificate in a profession necessary for the business of the company | Having work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the company | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | |
| Davis Cheng (Note 3) | - | - | V | - | - | - | V | V | V | - | V | V | V | V | V | V | - |
| Amy Liu | - | - | V | - | - | V | V | V | V | V | V | V | V | V | V | V | - |
| Representative of Alpha Networks Inc.: John Lee (Note 2) | - | - | V | V | V | V | V | - | - | V | V | V | V | V | V | - | - |
| Representative of Alpha Networks Inc.: April Huang (Note 2) | - | - | V | V | V | V | V | - | - | V | V | V | V | V | V | - | - |
| Representative of Alpha Networks Inc.: Peter Chen | - | - | V | V | V | V | V | - | - | V | V | V | V | V | V | - | - |
| Representative of Alpha Networks Inc.: Yu-chin Lin | - | - | V | V | V | V | V | - | - | V | V | V | V | V | V | - | - |
| Representative of Alpha Networks Inc.: Yang-Chih Chou | - | - | V | V | V | V | V | - | - | V | V | V | V | V | V | - | - |
| Representative of Alpha Networks Inc.: Patrick Chiu | - | - | V | - | V | V | V | - | - | V | V | V | V | V | V | - | - |
| Representative of Alpha Networks Inc.: Allen Hsu | - | - | V | - | V | V | V | - | - | V | V | V | V | V | V | - | - |
| Mao-Chao Lin | V | - | V | V | V | V | V | V | V | V | V | V | V | V | V | V | - |
| Harry Huang | - | - | V | V | V | V | V | V | V | V | V | V | V | V | V | V | - |
| Lo-Min Chen | - | - | V | V | V | V | V | V | V | V | V | V | V | V | V | V | 1 |

Note 1: Re-election for Directors and Independent Directors was held on February 3, 2020.

Note 2: On April 30, 2020, Alpha Networks Inc. appointed Director, April Huang as representative. Former representative, John Lee stepped down.

Note 3: On January 4, 2021 the company get informed that Director Davis Cheng transferred his shares exceed half of the shares when he elected on December 25, 2020 and he certainly be discharged.

Note 4: Director and Supervisor who meet the following conditions two years before the appointment or during the term of appointment, indicate with “✓” at the corresponding boxes below.

- (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. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the Company or ranks as one of its top ten shareholders.
- (4) Not a managerial officer mentioned in paragraph (1), or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship mentioned in paragraphs (2) and (3).
- (5) Not a director, supervisor, or employee of an institutional shareholder that directly holds 5% or more of the total number of issued shares of the Company, or ranks as its top five shareholders, or the designated representative pursuant to Article 27 Section 1 or 2 in the Company as director/supervisor. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)
- (6) Not a director, supervisor, or employee of other companies with the Board seats or more than half of the voting shares under the control of one person. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)
- (7) Not a Director, General Manager or Employee of other company whose Chairperson or general manager are the same person or spouse of the Company. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)
- (8) Not a director, supervisor, managerial officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the company. (The same does not apply, however, if specified company or institution possessing shareholdings of more than 20% and less than 50% of the total number of issued shares of the Company, and in cases where the person is an independent director of the company, its parent company, or any subsidiary, or subsidiary of the same parent company as appointed in

- accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary).
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or managerial officer of a sole proprietorship, partnership, company, or institution that provides auditing services or for the past two years, has provided commercial, legal, financial, accounting services or consultation amounted to less than a cumulative NTD500,000 to the Company or any affiliate of the company, or a spouse thereof. However, this does not apply to members of the Compensation Committee, Public Tender Offer Review Committee or Special Merger and Acquisition Committee carrying out their duties in accordance with Securities and Exchange Act or Business Mergers and Acquisitions Act.
 - (10) Not a spouse or a relative within two degrees of Kinship to any director.
 - (11) Does not meet any of the criteria described in Article 30 of the Company Act.
 - (12) Not the proxy of any government agency, juridical person, or their representative that is a shareholder in the Company as outlined in Article 27 of the Company Act.

(II) Information on General Manager, Deputy General Manager, Assistant Vice President, Heads of Departments and Branches

April 13, 2021

| Title | Nationality | Name | Gender | Elected/Appointment Date | Shareholding | | Spouse & Minor Shareholding | | Shareholding under other person(s) | | Education and experience | Concurrent Position(s) in the Company or other companies | Spouse or relative within the second degree of kinship Holding Managerial Position | | | Remarks |
|---|-------------|---------------|--------|--------------------------|------------------|--------------------|-----------------------------|--------------------|------------------------------------|--------------------|---|---|--|-------|--------------|---------|
| | | | | | Number of shares | Shareholding ratio | Number of shares | Shareholding ratio | Number of shares | Shareholding ratio | | | Position | Name | Relationship | |
| General Manager (Note 3) | Taiwan | Davis Cheng | Male | March 14, 2006 | - | | - | - | - | - | Electrical Engineering from National Taipei University of Technology Manager of Haitian Company | - | Not applicable. | | | |
| General Manager (Note 3) | Taiwan | Patrick Chiu | Male | 11/01/26 | 296,820 | 0.09 | - | - | - | - | Univ. of Nebraska, Lincoln Master of Science Member of Technical Staff, Northern telecom Senior Engineer, Advance Fiber Comm. Manager, TollBridge Technologies Co-Founder, Cotent Networks. | Director of Hitron Technologies (SIP) Inc. Director of Hitron Technologies (Samea) Inc. Director of Jietech Trading (Suzhou) Inc. | None. | None. | None. | |
| Spokesperson | Taiwan | Amy Liu | Female | January 1, 2009 | 742,702 | 0.23 | - | - | - | - | Bachelor's degree in International Trade from Ming Chuan University EMBA degree from National Chengchi University Deputy Chairperson and Deputy General Manager of Hitron Technologies Inc. General Manager of Interactive Digital International Co., Ltd. | Director of Interactive Digital International Co., Ltd. Chairperson of Hitron Technologies (Americas) Inc. Director of Hitron Technologies (SIP) Inc. Director of InnoAuto Technologies Inc. | None. | None. | None. | |
| Vice president (Note 1) | Taiwan | Jeff Hsue | Male | February 20, 2001 | - | | - | - | - | - | University of Michigan Senior Manager of GVC Corporation | - | Not applicable. | | | |
| Vice president (Note 1) | Taiwan | Jung-Mou Tsai | Male | January 1, 2011 | - | | - | - | - | - | Bachelor's Degree in Electrical Engineering of National Central University | - | Not applicable. | | | |
| Vice president (Note 2) | Taiwan | Hsi-Che Juan | Male | February 7, 2017 | - | | - | - | - | - | University of North Virginia Global Brands Manufacture Ltd. Tu Po Electronics Co., Ltd. Clientron Corp. | - | Not applicable. | | | |
| Vice president | Taiwan | Eric Pan | Male | October 29, 2018 | 12,053 | 0.00 | - | - | - | - | Master's Degree of Institute of Computer Science, National Chiao Tung University Assistant Vice President of R&D Division of CastleNet Technology Inc. Director of Broadband Telecommunication Division, Communication and Visual Products R&D Center, Pegatron Corporation | None. | None. | None. | None. | |
| Vice president (Note 2) | Taiwan | Jimmy Huang | Male | January 1, 2020 | - | | - | - | - | - | Five Years program of Tunghua University Division Director of Shuttle Inc. Deputy General Manager of Diamond Digital Corp. Assistant Vice President of Global Brands Manufacture Ltd. Manager of NEXCOM International Co., Ltd. | None. | None. | None. | None. | |
| Supervisor of Finance & Accounting Division | Taiwan | Allen Hsu | Male | November 10, 2017 | 20,848 | 0.01 | - | - | - | - | Master's Degree in Accounting of Tunghua University Section Manager of the Accounting Division of Neo Solar Power Corp. Manager of Accounting Division of Camel Precision Co., Ltd. | Supervisor of Hitron Technologies (SIP) Inc. Supervisor of Jietech Trading (Suzhou) Inc. | None. | None. | None. | |

Note 1: Vice president, Jeff Hsue and Tsai, Jung-Mou stepped down on March 1, 2020.

Note 2: Vice president, Hsi-Che Juan stepped down on January 1, 2020.; Vice president, Jimmy Huang was appointed on January 1, 2020

Note 3: General Manager, Davis Cheng stepped down on January 4, 2021; General Manager, Patrick Chiu was appointed on January 26, 2021.

(III) Remuneration of Directors, General Manager and Deputy General Manager(s) in the most recent fiscal year
1. Remuneration of Directors (including Independent Directors) (bracket table according to persons)

December 31, 2020; Unit: NT\$ Thousands / Thousands of Shares

| Position | Name | Remuneration to Directors | | | | Sum of A, B, C and D as a percentage of after-tax profit | | Compensation to Directors Also Serving as Company Employees | | | | Sum of A, B, C, D, E, F and G as a percentage of after-tax profit | | Compensation from Affiliates Other than Subsidiaries | | | |
|--|---|---------------------------|--|-------------|--|--|--|---|--|--|--|---|--------------|--|------------------------------------|--|-------|
| | | Remuneration (A) | | Pension (B) | | Remuneration of Director (C) | | Business Department Implementation Fees for Services Rendered (D) | | Salary, Bonuses, and Special Allowances, etc (E) | | Pension (F) | | | Share of Profit as an Employee (G) | | |
| | | The Company | All companies included in the financial statements | The Company | All companies included in the financial statements | The Company | All companies included in the financial statements | The Company | All companies included in the financial statements | The Company | All companies included in the financial statements | Cash amount | Stock amount | | The Company | All companies included in the financial statements | |
| Director | Representative of Alpha Networks Inc.: April Huang (7) | | | | | | | | | | | | | | | | |
| | Davis Cheng (1) (8) | | | | | | | | | | | | | | | | |
| | Amy Liu (1) | | | | | | | | | | | | | | | | |
| | Representative of Alpha Networks Inc.: Peter Chen (1) | | | | | | | | | | | | | | | | |
| | Representative of Alpha Networks Inc.: Yu-chin Lin (1) | | | | | | | | | | | | | | | | |
| | Representative of Alpha Networks Inc.: Yang-Chih Chou (1) | | | | | | | | | | | | | | | | |
| | Representative of Alpha Networks Inc.: Patrick Chiu (1) | 6,402 | 14,319 | 0 | 0 | 6,999 | 6,999 | 480 | 630 | 23,379 | 23,379 | 309 | 309 | 5,228 | 0 | 15.28 | 18.17 |
| | Representative of Alpha Networks Inc.: Allen Hsu (1) | | | | | | | | | | | | | | | | |
| | Representative of Alpha Networks Inc.: John Lee (7) | | | | | | | | | | | | | | | | |
| | Representative of Chih Shan Asset Management Co., Ltd.: Chung-Wan Shu (2) | | | | | | | | | | | | | | | | |
| | Jeff Hsue (3) | | | | | | | | | | | | | | | | |
| | Jung-Huang Wang (4) | | | | | | | | | | | | | | | | |
| Independent director | Chia-Lung Ma (3) | | | | | | | | | | | | | | | | |
| | Ching-Huai Ke (5) | | | | | | | | | | | | | | | | |
| | Ju-Shan Cheng (3) | | | | | | | | | | | | | | | | |
| | Lo-Min Chen (1) | | | | | | | | | | | | | | | | |
| | Mao-Chao Lin (1) | | | | | | | | | | | | | | | | |
| | Harry Huang (1) | 4,689 | 4,689 | 0 | 0 | 0 | 0 | 420 | 420 | 0 | 0 | 0 | 0 | 0 | 0 | 1.82 | 1.82 |
| | Hsiao-Chen Chuang (6) | | | | | | | | | | | | | | | | |
| | Cheng-Lang Huang (6) | | | | | | | | | | | | | | | | |
| 1. The correlation between the policies, regulars, standards, and structure of the remuneration, and the responsibilities, risk and time undertook by the Independent Director: The remuneration is determined by the participation and contribution in the operation of the Company while taking into consideration the performance of counterparts, all of which the Board meeting is authorized to resolve. However, the remuneration of Independent Directors is slightly higher than non-Independent Directors. In addition to the disclosure in the above table, in the most recent fiscal year, the compensation received by Directors from all companies included in the financial statements for service rendered (e.g. in the capacity of non-Employee consultant): None. | | | | | | | | | | | | | | | | | |

Compensation bracket table

| Range of Remuneration for Directors | Name of director | | | |
|---|--|--|---|---|
| | Sum of the first 4 items (A+B+C+D) | | Sum of the first 7 items (A+B+C+D+E+F+G) | |
| | The Company | All companies included in the financial statements | The Company | All companies included in the financial statements |
| Less than NTD\$1,000,000 | April Huang, Peter Chen, John Lee, Yu-chin Lin, Yang-Chih Chou, Patrick Chiu, Allen Hsu, Chih Shan Asset Management Co., Ltd. Chung-Wan Shu, Jung-Huang Wang, Chia-Lung Ma, Ching-Huai Ke, Ju-Shan Cheng, Hsiao-Chen Chuang, Cheng-Lang Huang, Jeff Hsue | April Huang, Peter Chen, John Lee, Yu-chin Lin, Yang-Chih Chou, Patrick Chiu, Allen Hsu, Chih Shan Asset Management Co., Ltd. Chung-Wan Shu, Jung-Huang Wang, Chia-Lung Ma, Ching-Huai Ke, Ju-Shan Cheng, Hsiao-Chen Chuang, Cheng-Lang Huang, Jeff Hsue | April Huang, Peter Chen, John Lee, Yu-chin Lin, Yang-Chih Chou, Chih Shan Asset Management Co., Ltd. Chung-Wan Shu, Jung-Huang Wang, Chia-Lung Ma, Ching-Huai Ke, Ju-Shan Cheng, Hsiao-Chen Chuang, Cheng-Lang Huang, Jeff Hsue | Chih Shan Asset Management Co., Ltd. Chung-Wan Shu, Jung-Huang Wang, Chia-Lung Ma, Ching-Huai Ke, Ju-Shan Cheng, Hsiao-Chen Chuang, Cheng-Lang Huang, Jeff Hsue |
| NTD\$1,000,000 (including) to NTD\$2,000,000 (excluding) | Davis Cheng, Amy Liu, Lo-Min Chen, Harry Huang, Mao-Cho Lin | Davis Cheng, Amy Liu, Lo-Min Chen, Harry Huang, Mao-Cho Lin | Allen Hsu, Chen, Lo-Min, Harry Huang, Mao-Cho Lin | Allen Hsu, Lo-Min Chen |
| NTD\$2,000,000 (including) to NTD\$3,500,000 (excluding) | | | | Harry Huang, Mao-Cho Lin |
| NTD\$3,500,000 (including) to NTD\$5,000,000 (excluding) | | | | Yang-Chih Chou |
| NTD\$5,000,000 (including) to NTD\$10,000,000 (excluding) | Alpha Networks Inc. | Alpha Networks Inc. | Amy Liu, Patrick Chiu, Alpha Networks Inc. | Amy Liu, Patrick Chiu, Alpha Networks Inc. |
| NTD\$10,000,000 (including) to NTD\$15,000,000 (excluding) | | | Davis Cheng | Davis Cheng, April Huang |
| NTD\$15,000,000 (including) to NTD\$30,000,000 (excluding) | | | | John Lee, Yu-chin Lin |
| NTD\$30,000,000 (including) to NTD\$50,000,000 (excluding) | | | | Peter Chen |
| NTD\$50,000,000 (including) to NTD\$100,000,000 (excluding) | | | | |
| More than NTD\$100,000,000 | | | | |
| Total | 22 persons | 22 persons | 22 persons | 22 persons |

Note 1: Re-election was held on February 3, 2020.

Note 2: Corporate Director, Chih Shan Asset Management Co., Ltd. stepped down on January 2, 2020.

Note 3: Director, Jeff Hsue, Chia-Lung Ma and Ju-Shan Cheng stepped down on January 13, 2020.

Note 4: Director, Jung-Huang Wang stepped down on January 9, 2020.

Note 5: Director, Ching-Huai Ke stepped down on January 8, 2020.

Note 6: Independent Directors, Hsiao-Chen Chuang and Cheng-Lang Huang stepped down on February 3, 2020.

Note 7: On April 30, 2020, Alpha Networks Inc. appointed Director, April Huang as representative. Former representative, John Lee stepped down.

Note 8: On January 4, 2021 the company get informed that Director Davis Cheng transferred his shares exceed half of the shares when he elected on December 25, 2020 and he certainly be discharged.

2. Compensation of General Manager and Vice President (s) (bracket table according to persons)

December 31, 2020; Unit: NTD Thousands/ Thousands of Shares

| Position | Name | Salary (A) | | Pension (B) | | Bonuses and Special Allowance etc. (C) | | Employee Earnings Distribution (D) | | | | Sum of A, B, C and D as a percentage of after-tax profit (%) | | Compensation from Affiliates Other than Subsidiaries |
|-------------------------|---------------|-------------|--|-------------|--|--|--|------------------------------------|--------------|--|-------------|--|--------------|--|
| | | The Company | All companies included in the financial statements | The Company | All companies included in the financial statements | The Company | All companies included in the financial statements | The Company | | All companies included in the financial statements | The Company | | | |
| | | | | | | | | Cash amount | Stock amount | | | Cash amount | Stock amount | |
| General Manager | Davis Cheng | | | | | | | | | | | | | |
| Spokesperson | Amy Liu | | | | | | | | | | | | | |
| Vice president (Note) | Jeff Hsue | | | | | | | | | | | | | |
| Vice president (Note) | Jung-Mou Tsai | 17,592 | 17,592 | 539 | 539 | 12,287 | 12,287 | 8,501 | - | | | 13.90 | 13.90 | None. |
| Vice president | Patrick Chiu | | | | | | | | | | | | | |
| Vice president | Eric Pan | | | | | | | | | | | | | |
| Vice president (Note 1) | Jimmy Huang | | | | | | | | | | | | | |

Note: Vice president, Jeff Hsue and Jung-Mou Tsai stepped down on March 1, 2020. Note 1: Vice president, Jimmy Huang appointed on January 1, 2020.

Compensation bracket table

| Range of Compensation Paid to General Manager and Deputy General Managers | Names of General Manager and Deputy General Managers | |
|---|--|--|
| | The Company | All companies included in the financial statements |
| Less than NTD\$1,000,000 | Jung-Mou Tsai, Jeff Hsue | Jung-Mou Tsai, Jeff Hsue |
| NTD\$1,000,000 (including) to NTD\$2,000,000 (excluding) | | |
| NTD\$2,000,000 (including) to NTD\$3,500,000 (excluding) | | |
| NTD\$3,500,000 (including) to NTD\$5,000,000 (excluding) | Eric Pan, Jimmy Huang | Eric Pan, Jimmy Huang |
| NTD\$5,000,000 (including) to NTD\$10,000,000 (excluding) | Davis Cheng, Amy Liu, Patrick Chiu | Davis Cheng, Amy Liu, Patrick Chiu |
| NTD\$10,000,000 (including) to NTD\$15,000,000 (excluding) | | |
| NTD\$15,000,000 (including) to NTD\$30,000,000 (excluding) | | |
| NTD\$30,000,000 (including) to NTD\$50,000,000 (excluding) | | |
| NTD\$50,000,000 (including) to NTD\$100,000,000 (excluding) | | |
| More than NTD\$100,000,000 | | |
| Total | 7 persons | 7 persons |

Note: The compensation of employees for 2020 is pending approval from Shareholders' Meeting for 2021.

3. Earnings granted to managerial officers

Unit: NT\$ (thousand)

| | Position | Name | Stock amount | Cash amount | Total | Total as a percentage of after-tax profit (%) |
|----------|---|---------------|--------------|-------------|-------|---|
| Managers | General Manager | Davis Cheng | | | | |
| | Spokesperson | Amy Liu | | | | |
| | Vice president | Jeff Hsue | | | | |
| | Vice president | Jung-Mou Tsai | | 8,501 | 8,501 | 3.04 |
| | Vice president | Patrick Chiu | - | | | |
| | Vice president | Eric Pan | | | | |
| | Supervisor of Finance & Accounting Division | Allen Hsu | | | | |

Note: The compensation of employees for 2020 is pending approval from Shareholders' Meeting for 2021.

4. Compare and describe the percentage of the total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to Directors, General Manager, and Vice president of the Company, relative to net profit after tax, and the correlation between policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and business performance and future risks.

(1) Analysis of the proportion of the total remuneration of Directors, General Manager and Vice president of the Company paid by the Company and all companies in the consolidated financial statement to net profit after tax in individual financial statements in the most recent two years:

| Position | 2020 | | 2019 | |
|------------------------------------|-------------|---|-------------|---|
| | The Company | All companies included in the consolidated financial statements | The Company | All companies included in the consolidated financial statements |
| Director | 17.10 | 19.99 | 16.59 | 18.40 |
| General Manager and Vice president | 13.90 | 13.90 | 22.09 | 22.09 |

A. The payment method of remuneration to Directors, General Manager and Vice president for the most recent two years has not changed.

B. In 2017, the Company opted to establish the Audit Committee.

(2) The remuneration policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation of remuneration to business performance and future risks.

A. The remuneration of the Director includes salary, honorarium and director incentive under the earnings distribution scheme. In accordance with the Articles 27 of Incorporation, the director incentive is only appropriated when the Company is profitable.

- B. The compensation to General Manager and Vice president include salary, bonus, and employee incentive. The salary and bonus are determined by taking into consideration the salary level offered by counterparts in the industry, the responsibilities of the positions, individual performance, contribution to the Company and the recommendation made by the Remuneration Committee. The employee incentive is determined by the Board of Directors according to the profitability of Company and the percentage of appropriation in pursuant to the Articles of Incorporation.
- C. The relevant compensation is determined by taking into consideration contribution to the Company and the compensation level offered by counterparts in the industry, as well as correlation of the future operational risks of the Company to the business performance, so as to maintain the balance between sustainable development of the business and risk control. Further, the disbursement of compensation is prudent evaluation, and must be approved by the Remuneration Committee before submitting to the Board of Directors for review.

III. Implementation of Corporate Governance

(I) Board of Directors

There were 10 Board meetings for the latest fiscal year. The attendance of Directors is as follows:

| Position | Name | Attendance in Person (%) Times | By proxy Times | Attendance in Person (%) Times | Remarks |
|---|---|--------------------------------|----------------|--------------------------------|--|
| Chairman | Alpha Networks Inc. Representative: April Huang | 5 | 0 | 100 | Appointed on April 30, 2020 (Note) |
| Chairman | Davis Cheng | 6 | 1 | 60 | Re-appointed (Re-elected on February 3, 2020)(Note) |
| Director | Amy Liu | 10 | 0 | 100 | Re-appointed (Re-election February 3, 2020) |
| Director | Alpha Networks Inc. Representative: John Lee | 3 | 0 | 100 | Appointed on February 3, 2020; stepped down on April 30, 2020. |
| Director | Alpha Networks Inc. Representative: Peter Chen | 8 | 0 | 100 | Newly appointed. (Re-election February 3, 2020) |
| Director | Alpha Networks Inc. Representative: Yu-chin Lin | 8 | 0 | 100 | Newly appointed. (Re-election February 3, 2020) |
| Director | Alpha Networks Inc. Representative: Yang-Chih Chou | 8 | 0 | 100 | Newly appointed. (Re-election February 3, 2020) |
| Director | Alpha Networks Inc. Representative: Patrick Chiu | 8 | 0 | 100 | Newly appointed. (Re-election February 3, 2020) |
| Director | Alpha Networks Inc. Representative: Allen Hsu | 8 | 0 | 100 | Newly appointed. (Re-election February 3, 2020) |
| Independent director | Lo-Min Chen | 10 | 0 | 100 | Re-appointed (Re-election February 3, 2020) |
| Independent director | Mao-Chao Lin | 8 | 0 | 100 | Newly appointed. (Re-election February 3, 2020) |
| Independent director | Harry Huang | 8 | 0 | 100 | Newly appointed. (Re-election February 3, 2020) |
| Director | Representative of Chih Shan Asset Management Co., Ltd.: Chung-Wan Shu | 0 | 0 | 0 | Stepped down on January 2, 2020 |
| Director | Jung-Huang Wang | 1 | 0 | 50 | Stepped down on January 9, 2020 |
| Director | Jeff Hsue | 1 | 0 | 50 | Stepped down on January 13, 2020 |
| Director | Chia-Lung Ma | 1 | 0 | 50 | Stepped down on January 13, 2020 |
| Director | Ching-Huai Ke | 1 | 0 | 50 | Stepped down on January 8, 2020 |
| Director | Ju-Shan Cheng | 1 | 0 | 50 | Stepped down on January 13, 2020 |
| Independent director | Hsiao-Chen Chuang | 2 | 0 | 100 | Stepped down (Re-election February 3, 2020) |
| Independent director | Cheng-Lang Huang | 2 | 0 | 100 | Stepped down (Re-election February 3, 2020) |
| Note: On January 4, 2021 the company get informed that Director Davis Cheng transferred his shares exceed half of the shares when he elected on December 25, 2020 and he certainly be discharged. The board of directors elected April Huang as the new Chairman. | | | | | |

Other disclosure matters:

- I. For Board of Directors meetings that meet any of the following descriptions, state the date, session, the discussed topics, Independent Directors' opinions and how the company has responded to such opinions:

(I) Conditions described in Article 14-3 of the Securities and Exchange Act:

| Board of Directors Board Meeting | Content of resolution and follow-up measures | Opinions of entire independent directors and the company's treatment of the independent directors' opinion |
|----------------------------------|--|--|
| March 16, 2020 | 1. Statement of the internal control system for 2019. 2. Amendment of the "internal control system." 3. Amendment of "Procedures for Lending Funds to Other Parties." 4. Proposal to provide endorsement and guarantee for the wholly-owned subsidiary, Hitron Technologies (Americas) Inc. 5. Proposal to provide endorsement and guarantee for the wholly-owned subsidiary, Hitron Technologies Europe Holding B.V. 6. Proposal to provide endorsement and guarantee for the wholly-owned sub-subsidiary, Jietech Trading (Suzhou) Inc. 7. Proposal to provide endorsement and guarantee for the wholly-owned subsidiary, Hitron Technologies (Vietnam) Inc. 8. Proposal to provide endorsement and guarantee for the wholly-owned subsidiary, InnoAuto Technologies Inc. 9. Proposal to lend funds for the wholly-owned sub-subsidiary, Jietech Trading (Suzhou) Inc. 10. Proposal to lend funds for the wholly-owned subsidiary, Hitron Technologies (Vietnam) Inc. | 1. Approved by entire attending independent directors and directors without opinion 2. Response of the Company toward the opinion of Independent Directors: None. |
| April 29, 2020 | Proposal to provide endorsement and guarantee for the wholly-owned subsidiaries and sub-subsidiary. | |
| August 03, 2020 | 1. Proposal to provide lend funds for the wholly-owned subsidiaries and sub-subsidiary. 2. Proposal to provide endorsement and guarantee for the wholly-owned subsidiaries and sub-subsidiary. 3. Proposal to provide capital increase to the company's wholly-owned subsidiary InnoAuto Technologies Inc. | |
| November 4, 2020 | 1. The company's Internal audit plan for 2021. 2. Proposal to provide endorsement and guarantee for the wholly-owned subsidiaries and sub-subsidiary. | |
| March 16, 2021 | 1. The Internal Control System Statement and the Result of Implementing Self-Evaluation in 2020 2. Proposal for Amendments to the "Procedures for Acquisition or Disposal of Assets". 3. Proposal for Amendments to the "Procedures for Lending Funds to Other Parties". 4. Proposal for Amendment to the "Procedures for Endorsements and Guarantees". 5. Proposal to provide endorsement and guarantee for the wholly-owned subsidiaries. 6. Proposal to engage the CPAs for the 2021 Financial Statements 7. Proposal of the 2021 CPAs public fees service | |

(II) Other than the aforementioned matters, any other matters approved by the Board of Directors which an independent director expresses an objection or reservation that has been included in records or stated in writing:
None

- II. For the recusal of Director(s), the name(s) of Director(s), the content of the resolution, the reason for recusal and the participation of voting for the resolution:

- (1) The board of directors discussion on the managers' year-end bonus and performance bonus on January 16, 2020. Except Chairman Davis Cheng and Director Amy Liu as the interested party shall avoid themselves from discussion and voting, Approved by the Acting Chairman the other attending directors agreed unanimously.
- (2) The board of directors discussion on the managers' adjustment of salaries on March 16, 2020. Except Chairman Davis Cheng, Director Amy Liu, Director Patrick Chiu, Director Allen Hsu as the interested party shall avoid themselves from discussion and voting, approved by the Acting Chairman the other attending directors agreed unanimously.
- (3) The board of directors discussion on the managers' adjustment of salaries on August 3, 2020. Except Chairman Davis Cheng, Director Amy Liu, Director Patrick Chiu, Director Allen Hsu as the interested party shall avoid

themselves from discussion and voting, approved by the Acting Chairman the other attending directors agreed unanimously.

(4) The board of directors discussion on the managers' year-end bonus and performance bonus on January 26, 2021. Except Director Ms. Amy Liu, Mr. Patrick Chiu, and Mr. Allen Hsu avoid themselves from discussion and voting, Approved by other attending directors and independent director unanimously. Appointment of General Manager, except Mr. Patrick Chiu avoid himself, the other attending directors and independent directors agreed unanimously.

(5) On March 16, 2021, the Board of Directors discuss on the donations to the BenQ foundation, except Director Mr. Chen, Chi-Hong avoid himself, the case was approved by the attending directors and independent directors unanimously. The Annual Adjustment in Managers' Salary, except Directors Ms. Amy Liu, Mr. Patrick Chiu and Mr. Allen Hsu Avoid themselves, the remaining attending directors and independent directors approved unanimously.

III. Self-assessment of Directors:

| Frequency of assessment | Assessment period | Scope of assessment | Method of assessment | Content of assessment |
|-------------------------|-------------------------------------|--|----------------------|---|
| Once a year | January 1, 2020 ~ December 31, 2020 | Board of directors/Member of the Board of directors/Functional Committee | Self assess | <p>The criteria for Self-Evaluation of Board of Directors should cover the following five aspects: 1. Participation in the operation of the company 2. Improvement of the quality of the board of director's decision-making. 3. Composition and structure of the Board of Directors. 4. Appointment of Director and continued education. 5. Internal control.</p> <p>The criteria for evaluating the performance of the board members should cover the following six aspects: 1. Alignment of the goals and missions of the company 2. Awareness of the duties of a directors 3. Participation in the operation of the company 4. Management of Internal Relationship and Communication 5. The director's professionalism and continuing education 6. Internal Control.</p> <p>The criteria for evaluating the performance of functional committees should cover the following five aspects: 1. Participation in the operation of the company 2. Awareness of the duties of the functional committee 3. Improvement of quality of decisions made by the functional committee 4. Makeup of the functional committee and election of its member and 5. Internal Control.</p> |

IV. Evaluation of the target achievement and execution by the Board of Directors in the current and most recent year (e.g. establishing Audit Committee, increase information transparency):

- (1) In accordance with Rules and Procedures of Board of Directors Meetings, the Board of Directors established Remuneration Committee in 2011 and Audit Committee in 2017, to assist the Board in executing its duties and enhance corporate governance and strengthen information transparency.
- (2) Members of the Board of Directors have participated in various corporate governance courses. Lecturers have also been arranged to hold courses to strengthen the competency of the Board members.

(II) Audit Committee

The Company has appointed 3 Independent Directors in Shareholders' Meeting and established an Audit Committee, which holds a meeting every quarter. Its main duties are as follows:

1. Establish or amend the internal control system in accordance with the Securities and Exchange Act, Article 14-1.
2. Assess the effectiveness of the internal control system.
3. Establish or amend procedures for material financial activities including acquisition or disposal of assets, derivative transactions, funds lending to others, provision of endorsement, or guarantee in accordance with Securities and Exchange Act, Article 36-1.
4. Oversee matters involving conflict of interest of Directors.
5. Oversee transactions involving material assets or derivatives.
6. Oversee material funds lending, and provision of endorsement or guarantee.
7. Oversee offering, issuance, or private placement of equity-type securities.
8. Oversee the hiring or dismissal of a certified public accountant, or their compensation.
9. Oversee appointment or discharge of a financial, accounting, or internal audit Supervisor.
10. Annual financial reports, and second quarter financial reports that must be audited and attested by a certified public accountant, which are signed or sealed by the chairperson, executive officer, and accounting officer.
11. Oversee other material matters as may be required by the Company or by the competent authority.

For the most recent fiscal year, the Audit Committee held 6 meetings and the attendance of Committee Members is as follows:

| Job Title | Name | Attendance in Person | By proxy | Attendance Rate (%) | Remarks |
|----------------------|-------------------|----------------------|----------|---------------------|--|
| Independent director | Lo-Min Chen | 6 | 0 | 100 | Re-appointed (Re-election February 3, 2020) |
| Independent director | Mao-Chao Lin | 6 | 0 | 100 | Newly appointed. (Re-election February 3, 2020) |
| Independent director | Harry Huang | 6 | 0 | 100 | Newly appointed. (Re-election February 3, 2020) |
| Independent director | Hsiao-Chen Chuang | - | - | - | Stepped down (Re-election February 3, 2020) |
| Independent director | Cheng-Lang Huang | - | - | - | Stepped down (Re-election February 3, 2020) |

Other disclosure matters:

I. For Audit Committee meetings that meet any of the following descriptions, state the date, session, the discussed topics, independent directors' opinions, and how the company has responded to such opinions:

(I) Matters described in Article 14-5 of the Securities and Exchange Act:

| Board of Directors Board Meeting | Content of resolution and follow-up measures | Opinions of entire independent directors and the company's treatment of the independent directors' opinion |
|----------------------------------|--|--|
| March 16, 2020 | <ol style="list-style-type: none"> 1. Statement of the internal control system for 2019. 2. Business report and financial statements for 2019 (including consolidated financial statements). 3. Amendment of the "internal control system." 4. Amendment of "Procedures for Lending Funds to Other Parties." 5. Proposal to provide endorsement and guarantee for the wholly-owned subsidiary, Hitron Technologies (Americas) Inc. 6. Proposal to provide endorsement and guarantee for the wholly-owned subsidiary, Hitron Technologies Europe Holding B.V. 7. Proposal to provide endorsement and guarantee for the wholly-owned sub-subsidiary, Jietech Trading (Suzhou) Inc. 8. Proposal to provide endorsement and guarantee for the wholly-owned subsidiary, Hitron Technologies (Vietnam) Inc. 9. Proposal to provide endorsement and guarantee for the wholly-owned subsidiary, InnoAuto Technologies Inc. 10. Proposal to lend funds for the wholly-owned sub-subsidiary, Jietech Trading (Suzhou) Inc. 11. Proposal to lend funds for the wholly-owned subsidiary, Hitron Technologies (Vietnam) Inc. | <ol style="list-style-type: none"> 1. All Committee members passed the resolution unanimously. 2. Response of the Company toward the opinion of Audit Committee: All attending Directors |
| April 29, 2020 | <ol style="list-style-type: none"> 1. Consolidated financial statements for 2020 Q1. 2. Proposal to provide endorsement and guarantee for the wholly-owned subsidiaries and sub-subsidiary. | |
| August 03, 2020 | <ol style="list-style-type: none"> 1. Consolidated financial statements for 2020 Q2. 2. Proposal to provide lend funds for the wholly-owned subsidiaries and sub-subsidiary. 3. Proposal to provide endorsement and guarantee for the wholly-owned subsidiaries and sub-subsidiary. 4. Proposal to provide capital increase to the company's wholly-owned subsidiary InnoAuto Technologies Inc. | |
| November 4, 2020 | <ol style="list-style-type: none"> 1. Consolidated financial statements for 2020 Q3. 2. The company's Internal audit plan for 2021. 3. Proposal to provide endorsement and guarantee for the wholly-owned subsidiaries and sub-subsidiary. | |
| March 16, 2021 | <ol style="list-style-type: none"> 1. The Internal Control System Statement and the Result of Implementing Self-Evaluation in 2020 2. The 2020 Business Report, Financial statements and Operating Plan 3. Proposal for Amendments to the "Procedures for Acquisition or Disposal of Assets". 4. Proposal for Amendments to the "Procedures for Lending Funds to Other Parties". 5. Proposal for Amendment to the "Procedures for Endorsements and Guarantees". 6. Proposal to provide endorsement and guarantee for the wholly-owned subsidiaries. 7. Proposal to engage the CPAs for the 2021 Financial Statements 8. Proposal of the 2021 CPAs public fees service | |

(II) Resolution that has not been passed by the Audit Committee but passed by two-thirds or more of all Directors: None

II. For the recusal of Independent Director(s), the name(s) of Independent Director(s), the content of the resolution, the reason for recusal and the participation of voting for the resolution: None.

III. Method of communication between Independent Directors, the Internal Audit Supervisor, and CPA:

- (I) In addition to the monthly internal audit report, the Independent Directors also receive a quarterly internal audit report at the Audit Committee meetings. If there are special circumstances, they can timely report back to the Audit Committee. In 2020, no special circumstances were noted.
- (II) The CPAs will report the audit results of the quarterly financial reports at the quarterly Audit Committee meetings and communicate any regulatory matters. If special circumstances arise, they will timely report to the Audit Committee. In 2020, no special circumstances were noted. The communication between the Audit Committee and CPAs remains effective.

IV. Annual Operation Highlight

- 1. Review on the Financial statements and communication on the key audit matters
- 2. Internal control system and related policy and procedures
- 3. Enacted of laws and regulation and compliance
- 4. Review on the the derivatives, funding to others, endorsement and guarantee guideline and transaction
- 5. Evaluation on the independence and qualification of the CPAs
- 6. Checking the effectiveness of Internal Control

(III) Corporate Governance Implementation and Deviations from the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

| Assessment criteria | Actual governance | | | Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies |
|---|-------------------|----|---|---|
| | Yes | No | Summary description | |
| I. Has the company established and disclosed its corporate governance principles based on the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?” | V | | In accordance with “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies,” the Company has established “Corporate Governance Best-Practice Procedures” and make relevant disclosure on Market Observation Post System and the Company website: http://www.hitrontech.com . | No differences. |
| II. Shareholding structure and shareholders’ interests (I) Has the Company implemented a set of internal procedures to handle Shareholders’ recommendations, queries, disputes, and litigations? (II) Is the Company constantly informed of the identities of its major Shareholders and the ultimate controller? (III) Has the Company established and implemented risk management practices and firewalls for companies it is affiliated with? (IV) Has the Company established internal policies that prevent insiders from trading securities against non-public information? | V | | (I) The Company has also appointed a spokesperson, acting spokesperson and stock transfer agent to take actions pertinent to the issues above. (II) In addition to obtaining shareholder information from the stock transfer book during the closing period and timely monitor the change of shareholding of major Shareholders, the Company makes a monthly declaration on the shareholding of internal personnel in accordance with the Securities and Exchange Act, Article 25. (III) The Company has established procedures to govern the management of affiliated companies in its internal control system. Moreover, the Company has also established “Procedures for Transactions with Specified and Affiliated Companies,” implementing risk control and firewall mechanism. (IV) The company enacted “Procedures for Handling Material Inside Information” and stated the prevention of insider trading and other related matters | No differences. |
| III. Composition and responsibilities of the Board of Directors (I) Has the Board established and implemented policies to ensure the diversity of its members? | V | | (I) Article 20 of the company’s “Corporate Governance Best Practice Principle” stated that the diversification policy for board member composition. When planing of the formation of the board of directors shall consider the appropriateness and diversity of the professional background of the board members and the nomination and the election of the board members were according to the Article of Incorporate under the candidates nominating system. Except assessing the education and experience qualification and also consider the opinion of stakeholders to ensure the members of board of directors are qualified with the rules. The members of the board with experienced professional background and ability of | No differences. |

| Assessment criteria | Actual governance | | | Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies |
|--|-------------------|----|--|---|
| | Yes | No | Summary description | |
| <p>(II) Apart from the Remuneration Committee and Audit Committee, has the Company assembled other functional committees at its own discretion?</p> <p>(III) Has the Company established a set of policies and assessment methodology to evaluate the performance of the Board? Is regular performance evaluation conducted, at least once a year, and the evaluation result is submitted to the Board to serve as a reference in determining the remuneration of individual Directors and a nomination for re-election?</p> | | | <p>technology or industry, operational management, finance, accounting and etc.</p> <p>The company also valued the gender equity of the composition of the board members, the target goal for female directors as more than 10%. Currently, the company with 10 directors, including 2 female directors, the percentage as 20%. The disclosure of diversification policy for board member composition please refer to attachment table 1.</p> <p>(II) The company established remuneration committee and audit committee by law. Currently the company established Corporate Social Responsibility Committee with the chairman as the convener and the members were the general manager of each entity. The committee identify the risk, opportunity and the management of the corporate environmental sustainability, happy workplace, society charity, corporate governance and other issues.</p> <p>(III) The company enacted the “Self-Evaluation or Peer Evaluation of the Board of Directors” on May 3, 2019 and revised on November 4, 2020. The evaluation done by the external institute or external experts and scholars shall conducted once every three year.</p> <p>At the end of every year the board of directors, members of functional committees and the agenda working group evaluating on the entire board of directors, individual board member and functional committee on their performance. The criteria for evaluating the performance of the board of directors should cover the following five aspects: Participation in the operation of the company; Improvement of the quality of the board of directors’ decision making; Composition and Structure of the board of directors; election and continuing education of the directors and internal control with 50 evaluation items. The criteria for evaluating the performance of functional committees should cover the following five aspects: Participation in the operation of the company; Awareness of the duties of the functional committee; Improvement of quality of decisions made by the functional committee; makeup of the functional committee, election of its members and internal control with 22 evaluating items. The Evaluation Result divided</p> | |

| Assessment criteria | Actual governance | | | Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies |
|---|-------------------|----|---|---|
| | Yes | No | Summary description | |
| (IV) Does the Company assess the independence of external auditors regularly? | | | <p>into four levels : Excellent, Good, Standard and Need to be improved.</p> <p>In January 2021, the Company completed the performance assessment for the entire Board of Directors and functional committees on 2020. On January 16, 2021, the performance reported to the Board meeting is evaluated as excellent.</p> <p>According to the Article 29 of the Articles of Incorporate, the directors remuneration shall not exceed 2 %. The remuneration of directors were set by the remuneration committee and board of directors in accordance of operational result, “guidelines for compensating directors and members of functional committee”, and the result of evaluation.</p> <p>(IV) On May 3, 2019, the Board of Directors passed a resolution to establish the “Procedures for Assessment of the Independence and Qualification Auditing CPAs,” in which the assessment will be conducted once a year. The assessment items include the years of experience of CPAs in offering auditing service, disciplinary record, significant position undertaken in a company, and if the spouses and minor children have been taken up funds lent by the Company or have profit-sharing projects with the Company. A resolution had been passed on March 16, 2021 by the Audit Committee and Board of Directors on the assessment for 2020. According to the assessment, both CPAs from BDO Taiwan, Ke-Yi Liu and, Kun-Hsi Hsu satisfied the independence and qualification requirements and were qualified to be the CPAs of the Company.</p> | |
| III. Does the TWSE/TPEX listed company dedicate competent managers or a sufficient number of managers to take charge of corporate governance, and designate supervisors thereof to oversee the corporate governance affairs (including but not limited to providing information required for director/supervisor's operations, assisting the Board and Supervisors in legal compliance, convening Board/Shareholders' meetings in accordance with the | V | | The company appointed Allen Hsu as the Corporate Governance Officer by the approval of board of directors on March 16, 2021. He will be in charge of monitoring and planning of Corporate Governance and he is qualified by the criteria of Corporate Governance Supervisor stated on Paragraph 1, Article 3-1 of the Corporate Governance Best Practice Principles. The duties of Corporate Governance Officer includes furnishing information required for the business execution by directors and audit committee, updating information for newly revised laws and regulations and future revised trend to the directors and audit committee, assisting directors and audit committee compliance of law and regulations, report to the corporate governance committee and board of | No differences. |

| Assessment criteria | Actual governance | | | Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies |
|--|-------------------|----|--|---|
| | Yes | No | Summary description | |
| law, applying for/changing company registry, and producing meeting minutes of Board/Shareholders' meetings)? | | | <p>directors for the functioning of corporate governance, handling matters relating to board meetings and shareholders meetings, producing minutes of board meetings and shareholders meetings, assisting directors and member of audit committee to be appointed, continuous studies and etc.</p> <p>The implementation highlight of corporate governance in 2020 as follows</p> <ol style="list-style-type: none"> 1. Liabilities Insurance of the company's directors and important employees and reported to the board of directors after completion of procedures. 2. 7 board of directors' meetings and 4 Audit Committee meetings were convened in 2020 3. 1 Shareholders' Meeting Convened in 2020 4. Board Members shall complete at least 6 or more credits of continuous courses. 5. Handling the performance evaluation of board of directors and functional committee, the evaluation result of the board of directors, audit committee, remuneration committee were exceed the standards. | |
| IV. Has the Company established a means of communicating with its stakeholders (including but not limited to Shareholders, Employees, customers, suppliers, et cetera) or created a stakeholder section on the Company website? Does the Company respond to stakeholders' questions on corporate responsibilities? | V | | The Company has established a stakeholder section on its website for communication with parties including investors, customers, suppliers and employees, so as to timely respond to corporate responsibilities issues that the stakeholders are concerned with. | No differences. |
| VI. Does the Company appoint the professional stock transfer agent to handle the affairs of the shareholders' meeting? | V | | The Company has appointed the Registrar Agency "Department of Capital Securities Corp." to handle the affairs of the Shareholders' meeting. | No differences. |
| <p>VII. Information disclosure</p> <p>(I) Has the company established a website that discloses financial, business, and corporate governance-related information?</p> <p>(II) Does the Company adopt other avenues for information disclosure (e.g. setting up an English website, designating specific personnel to collect and provide disclosure on the Company, implementing spokesperson system, disclosing</p> | V | | <p>(I) The company Website: https://www.hitrontech.com/zh-hant/ and with English Website https://www.hitrontech.com/ and the company disclosed the related financial and operational information on the website of competent authority.</p> <p>(II) The Company has appointed a spokesperson and acting spokesperson and designated a specific person to oversee the collection and disclosure of information. The Company is committed to implementing the spokesperson system. The presentation, visual and audio information on institutional investor conferences is disclosed on Market Observation Post System and the</p> | No differences. |

| Assessment criteria | Actual governance | | | Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies |
|--|-------------------|----|---|---|
| | Yes | No | Summary description | |
| <p>the process of institutional investor conferences on the Company website and et cetera)?</p> <p>(III) Does the Company publicly announce and file the annual financial reports within two months after the accounting year-end, and publicly announce and file the first, second and third quarterly financial reports and monthly operating status reports before the stipulated deadlines?</p> | | | <p>Company website.</p> <p>(III) The 2020 consolidated and parent only financial statement announced and declared on March 16, 2021. The financial statement of 2020 first quarter announced within the specified period. The financial report for the 2020 second and third quarter and the revenue of each month were announced and declared on the MOPS, and uploaded on the company's website.</p> | |
| <p>VIII. Does the Company have other important information for better understanding the Company's corporate governance system (including but not limited to interests and rights of Employees, care for Employees, investor relations, relations with suppliers, relations with interested parties, continuing education of directors and supervisors, execution of risk management policies and risk measuring standards, execution of customer policies, liability insurance for the Company's directors and supervisors)?</p> | V | | <p>1. Interests and rights of Employees care for employees: The Company has established the Staff Benefits Committee, in which members are elected by open ballot. The fund is allocated to the Committee as a benefit to promote various welfare activities for the employees. Further, a pension fund is appropriated in accordance with labor law regulations and regular meetings between the Management and labor representatives are held to ensure effective communication taking place.</p> <p>2. Investor relations: The Company makes honest disclosure in accordance with regulations to protect the basic rights and interests of the investors.</p> <p>3. Relations with suppliers: The Company maintains a long term and interactive relationship with its suppliers.</p> <p>4. Relations with interested parties: The Company has established a section for interested parties on its website to protect their relevant rights and interests.</p> <p>5. Continuing education of directors: The Directors have taken securities-related courses in accordance with regulations, and satisfy the number of training hours stipulated.</p> <p>6. Execution of risk management policies and risk measuring standards: The Company undertakes various risk management and assessment measures in accordance with major internal policies.</p> <p>7. Execution of customer policies: The Company maintains a stable and constructive relationship with its customers to create more profits for the Company.</p> <p>8. The company purchases liability insurance for directors and managers, evaluates the insurance coverage regularly every year, and reports the directors' liability insurance renewal status to the board of directors.</p> | No differences. |

| Assessment criteria | Actual governance | | | Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies | |
|--|-------------------|----|---|---|--|
| | Yes | No | Summary description | | |
| IX. Please describe improvements that have been made about the results of the corporate governance evaluation as prescribed by the Taiwan Stock Exchange Corporate Governance Center, as well as priorities and measures for matters that have yet to be improved. | | | | | |
| Assessment indicator | | | Strengthen measures that take precedence | | |
| Does the company convene the shareholders’ meeting before end of the May? | | | The company scheduled the shareholders’ meeting at the end of May, 2022. | | |
| Does the company formulate an intellectual property management plan connected to its operational goals, and disclose its implementation on the company's website or annual report, and reported to the board of directors at least once a year? | | | Proposal on enacting “Procedures for managing Intellectual Property” and report regularly to the board of directors | | |

Table 1

| Diversified Core Item | Basic Composition | | | | | | | | Professional Background and Ability | | | | | | |
|--------------------------|----------------------|--------|--|----------------|----------------|----------------|-------------------------------------|--------------|-------------------------------------|---|------------------------|---------------------------|----------------------------------|---|------------------------------|
| Name of director | Nationality | Gender | Concurrently as the employees of the company | Age | | | Terms of Independent director | | | Crisis Management and International Market Perspective | Business management | Industry or Technology | Leadership decision making | Making judgments about operation | Finance and Accounting |
| | | | | 41 to 60 | 61 to 80 | 81 to 90 | Less than 3 years | 3-9 years | Over 9 years | | | | | | |
| April Huang | Republic of China | Female | | V | | | | | | V | V | V | V | V | V |
| Davis Cheng (Note) | Republic of China | Male | V | | V | | | | | V | V | V | V | V | V |
| Amy Liu | Republic of China | Female | V | | V | | | | | V | V | V | V | V | V |
| Peter Chen | Republic of China | Male | | V | | | | | | V | V | V | V | V | V |
| Yu-chin Lin | Republic of China | Male | | V | | | | | | V | V | V | V | V | V |
| Yang-Chih Chou | Republic of China | Male | | V | | | | | | | V | | | | |
| Patrick Chiu | Republic of China | Male | V | V | | | | | | V | V | V | V | V | |
| Allen Hsu | Republic of China | Male | V | V | | | | | | | V | | | | V |
| Lo-Min Chen | Republic of China | Male | | | V | | | V | | | V | V | V | V | V |
| Mao-Chao Lin | Republic of China | Male | | | V | | V | | | | V | | | | |
| Harry Huang | Republic of China | Male | | | | V | V | | | V | V | V | | V | V |

Note: On January 4, 2021 the company get informed that Director Davis Cheng transferred his shares exceed half of the shares when he elected on December 25, 2020 and he certainly be discharged. The board of directors elected April Huang as the new Chairman.

(i) If the Company has established the Remuneration Committee, its composition, responsibilities, and operation should be disclosed:

The Remuneration Committee consists of all three Independent Directors of the Company and holds at least two meetings every year.

Members of the Committee should assume the managerial role with bona fides, faithfully execute the following duties, submit recommendations to the Board of Directors for discussion, establish and regularly review the performance assessment and remuneration policies, system, standard and structure of the Directors and managerial officers, and regularly evaluate and assess the remuneration of the Directors and managerial officers.

1. Professional Qualifications and Independence Analysis of Remuneration Committee Members

| Title (Note 1) | Criteria Name | Having met one of the following professional qualifications, together with at least five years of work experience | | | Independence Criteria (Note 2) | | | | | | | | | | Number of Other Public Companies in which the Individual is Concurrently Serving as a Remuneration Committee Member | 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 specialists who have passed a national examination and been awarded a certificate in a profession necessary for the business of the company | Having work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the company | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | | |
| Independent director | Harry Huang | - | - | V | V | V | V | V | V | V | V | V | V | V | - | Newly appointed. (Re-election February 3, 2020) |
| Independent director | Mao-Chao Lin | V | - | V | V | V | V | V | V | V | V | V | V | V | - | Newly appointed. (Re-election February 3, 2020) |
| Independent director | Lo-Min Chen | - | - | V | V | V | V | V | V | V | V | V | V | V | 1 | Re-appointed (Re-election February 3, 2020) |
| Independent director | Hsiao-Chen Chuang | - | - | V | V | V | V | V | V | V | V | V | V | V | - | Stepped down (Re-election February 3, 2020) |
| Independent director | Cheng-Lang Huang | - | V | V | V | V | V | V | V | V | V | V | V | V | - | Stepped down (Re-election February 3, 2020) |

Note 1: For the title, please indicate the position as Director, Independent Director, or others.

Note 2: Member who meets the following conditions two years before the appointment or during the term of appointment, indicate with "v" at the corresponding boxes below.

- (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. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the Company or ranks as one of its top ten shareholders.
- (4) Not a managerial officer mentioned in paragraph (1), or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship mentioned in paragraphs (2) and (3).
- (5) Not a director, supervisor, or employee of an institutional shareholder that directly holds 5% or more of the total number of issued shares of the Company, or ranks as its top five shareholders, or the designated representative pursuant to Article 27 Section 1 or 2 in the Company as director/supervisor. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)
- (6) Not a director, supervisor, or employee of other companies with the Board seats or more than half of the voting shares under the control of one person. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)
- (7) Not a Director, General Manager or Employee of other company whose Chairperson or general manager are the same person or spouse of the Company. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)

- (8) Not a director, supervisor, managerial officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the company. (The same does not apply, however, if specified company or institution possessing shareholdings of more than 20% and less than 50% of the total number of issued shares of the Company, and in cases where the person is an independent director of the company, its parent company, or any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary).
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or managerial officer of a sole proprietorship, partnership, company, or institution that provides auditing services or for the past two years, has provided commercial, legal, financial, accounting services or consultation amounted to less than a cumulative NTD500,000 to the Company or any affiliate of the company, or a spouse thereof. However, this does not apply to members of the Compensation Committee, Public Tender Offer Review Committee or Special Merger and Acquisition Committee carrying out their duties in accordance with Securities and Exchange Act or Business Mergers and Acquisitions Act.
- (10) Does not meet any of the criteria described in Article 30 of the Company Act.

2. The information on the operation situation of Remuneration Committee Meetings

(1) The total number of members in the Remuneration Committee amounts to three persons.

(2) Term of appointment of the 3rd Committee: June 13, 2017 to June 12, 2020, Term of appointment of the 4th Committee: February 3, 2020 to February 2, 2023. The Remuneration Committee held 5 meetings in the latest year. The attendance of the members is as follows:

| Position | Name | Attendance in Person | By proxy | Attendance in Person (%) | Remarks |
|------------------|-------------------|----------------------|----------|--------------------------|---|
| Convener | Harry Huang | 4 | - | 100 | Newly appointed. (Re-election February 3, 2020) |
| Committee member | Mao-Chao Lin | 4 | - | 100 | Newly appointed. (Re-election February 3, 2020) |
| Committee member | Lo-Min Chen | 5 | - | 100 | Re-appointed (Re-election February 3, 2020) |
| Committee member | Hsiao-Chen Chuang | 1 | - | 100 | Stepped down (Re-election February 3, 2020) |
| Committee member | Cheng-Lang Huang | 1 | - | 100 | Stepped down (Re-election February 3, 2020) |

| Date of Remuneration Committee Meeting | Content of resolution | Voting result of resolution | Response of the Company toward the opinion of Remuneration Committee |
|--|---|--|---|
| January 16, 2020 | Proposal for year-end and performance bonuses for managers of the Company. | All Committee members passed the resolution unanimously. | Submitted to the Board of Directors and resolution was passed unanimously by all attending Directors. |
| March 16, 2020 | Appropriation of employee compensation and Directors' and Supervisors' remuneration for 2019. Proposal for yearly salary adjustment for managers of the Company. | All Committee members passed the resolution unanimously. | Submitted to the Board of Directors and resolution was passed unanimously by all attending Directors. |
| August 03, 2020 | Disbursement of remuneration of Directors for 2019. Disbursement of managerial officers and employee compensation for 2019. | All Committee members passed the resolution unanimously. | Submitted to the Board of Directors and resolution was passed unanimously by all attending Directors. |
| January 26, 2021 | Proposal for year-end and performance bonuses for managers of the Company. | All Committee members passed the resolution unanimously. | Submitted to the Board of Directors and resolution was passed unanimously by all attending Directors. |
| March 16, 2021 | Appropriation of employee compensation and Directors' and Supervisors' remuneration for 2020. Proposal for yearly salary adjustment for managers of the Company. | All Committee members passed the resolution unanimously. | Submitted to the Board of Directors and resolution was passed unanimously by all attending Directors. |

Other notes:

- I. If the Board of Directors declines to adopt or modify a recommendation of the remuneration committee, it should specify the date of the meeting, the session, the nature of motion, the resolution made by the Board of Directors, and the Company's response to the remuneration committee's opinion (e.g., if the amount of remuneration passed by the Board of Directors has a discrepancy with the recommended amount by the Remuneration Committee, the circumstances and cause for the difference shall be specified): None.
- II. If resolutions of the Remuneration Committee are objected by members or become subjected to a qualified opinion, which has been recorded or declared in writing, then the date of the meeting, the session, the nature of the motion, all members' opinions, and the response to members' opinions should be specified: None.

(V) Corporate Social Responsibility:

| Assessment criteria | Actual governance | | | Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies |
|---|-------------------|----|---|--|
| | Yes | No | Summary description | |
| I. Has the Company performed risk assessment pertaining to the environment, community and corporate governance issues related to the operation of the Company in accordance with the materiality principle, and established the corresponding risk management policies or strategies? | V | | The Company has established a “CSR Committee Procedure” to implement corporate governance, promote a sustainable development environment, and protect social welfare. And enacted the "Internal Control System Self-Assessment Procedures" and "Risk Management Policies and Procedures" have been formulated to evaluate and manage risks related to company operations and corporate governance issues. | No differences. |
| II. Does the company have a unit that specializes (or is involved) in CSR practices? Is the CSR unit run by senior management and report its progress to the Board of Directors? | V | | The company established the Corporate Social Responsibility Committee in 2019 and the chairman of the board serves as the chairman of the committee. The management office is instructed to set up a concurrent unit of the corporate social responsibility team. The human resources department will perform all comprehensive business and fulfill social responsibility activities through daily operations. Report to the board of directors and deliver the company's corporate social responsibility implementation results. The board of directors completed the report of the Implementation of Corporate Social Responsibility in 2020 on January 26, 2021. | No differences. |
| III. Environmental issues (I) Has the Company developed an appropriate environmental management system, given the distinctive characteristics of its industry? (II) Is the Company committed to achieving efficient use of resources, and using renewable materials that produce less impact on the environment? (III) Has the Company assessed the present and future potential risks and opportunities posed by climate change to the Company and undertaken countermeasures pertaining to climate change? (IV) Has the Company measured its greenhouse gas emission, water use, and the total weight of waste for the past two years, and established policies pertaining to energy conservation, reduction in carbon and greenhouse gas | V | | (I) The Company has hired a qualified cleaning company to handle the Company's recycled items and designated specific staff to manage the relevant operation in accordance with environmental protection regulations. (II) The Company actively promotes environmental protection and the environment for sustainable development. Apart from sorting and recycling, the Company has also hired legal institute for handling the recycling and encouraged the recycling of papers in the office. (III) Responding to the call of the government in environmental protection, the Company actively promotes electronic documentation to reduce material wastage and adjusting the time in use of air conditioning. (IV) The Company is well aware of the importance of energy conservation and carbon reduction. As such, it has established a control unit to regulate the | No differences. |

| Assessment criteria | Actual governance | | | Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies |
|--|-------------------|----|---|--|
| | Yes | No | Summary description | |
| emission, reduction in water use, or management of waste disposal? | | | central air conditioning and temperature control; and replaced with energy saving lighting to reduce power loss for years. Further, the factory in Suzhou has obtained ISO14064 certification in terms of conformity to the greenhouse gas emission standard. The greenhouse gas emission for 2019 and 2020 amounted to 800,27 metric tonnes and 787.08 metric tonnes respectively, down by 13.19 metric tonnes (approximately down by 1.65%), taking the 2018 as the standard the emission approximately reduced by 4.99%; the water used for 2019 and 2020 amounted to 6,957 metric tonnes and 5,845 metric tonnes respectively, down by 1,112 metric tonnes (approximately down by 15.98%) taking 2018 as the standard the water usage reduced by 18%; the total weight of waste for 2019 and 2020 amounted to 24.5 metric tonnes and 22.16 metric tonnes respectively, down by 2.34 metric tonnes (approximately down by 9.55%), taking 2018 as standard the total weight of waste reduced by 14.77%. The substantial benefits of achieving the goal still coming up. In the future, the Company shall continue to promote energy conservation and carbon reduction policies. | |
| IV. Social Issues (I) Has the company developed its policies and procedures in accordance with laws and the International Bill of Human Rights? (II) Has the Company established and implemented reasonable Employee benefit measures (including salary, leave, and other benefits), reasonably reflecting the operating results in Employee salary? | V | | (I) The Company conforms to the Universal Declaration of Human Rights, International Labor Organization-Declaration of Fundamental Principles and Rights at Work, International Labour Convention, the Sullivan principles and other human rights standards, as well as adopting standards that are in line with Responsible Business Alliance (RBA), complying with the law and regulations of countries which business locations are in, protecting human rights of employees and conforming to Labor Standards Act and internal policies of the Company established in accordance with various law statutes. The Company has also established a “Code of Conduct for Suppliers” and required compliance from its suppliers. (II) The working environment, development and | No differences. |

| Assessment criteria | Actual governance | | | Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies |
|---|-------------------|----|---|--|
| | Yes | No | Summary description | |
| (III) Does the company provide employees with a safe and healthy work environment? Are Employees trained regularly on safety and health issues? | | | protection of our employees are important to us. As such, we make a concerted effort to conform to and respect the local law and regulations, and universally acknowledged human rights. We feel compelled to make each colleague to be treated fairly and respectfully. Apart from providing a safe and healthy work environment, we have also adopted a market-averaged salary policy. Via diversified learning courses and transparency in the promotion process, we ensure that our employees can enjoy growth and development. | |
| (IV) Has the company implemented an effective training program that helps Employees develop skills throughout their career? | | | (III) The Company cares for the work-life balance of its employees and is keen to provide the most comfortable recreational spaces and hold various sporting events from time to time. Further, the Company provides safe and comfortable breastfeeding spaces, regularly provide medical checkups for employees, and hires professional lecturers to hold fire drill exercises, and safety and precaution courses, thus strengthening the crisis response capability of the employees, effectively enhancing the personal safety and reducing property damage. | |
| (V) Pertaining to the health and safety of customers when using the Company's products and services, consumer privacy, marketing and labeling, does the Company comply with the relevant regulations and international standards, and establish relevant policies on consumer protection and complaint procedure? | | | (IV) To enhance the technical and management competency of employees, the Company holds training courses according to functionality and ranking of employees or sends them for external training courses, to cultivate the competency of employees in different professional areas. | |
| (VI) Has the Company established policy on supplier management, demanding suppliers to observe code of conduct pertaining to environmental protection, labor safety, and health or labor rights, and monitoring their implementation? | | | (V) The Company has designated specific personnel and e-mail address and created a stakeholders section on the Company website to provide a channel for responding to customers' queries, complaints or recommendations promptly, and thus providing high-quality services. | |
| | | | (VI) The Company has established supplier evaluation procedures. The suppliers of the Company must sign a declaration statement (environmental protection | |

| Assessment criteria | Actual governance | | | Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies |
|--|-------------------|----|---|--|
| | Yes | No | Summary description | |
| | | | statement, integrity commitment statement and anti-terrorism agreement, etc.) in accordance with these procedures and meet the product safety and business integrity requirements of the Company. The suppliers should undertake CSR. If any violation is found, the Company may terminate contracts with the supplier with immediate effect and request for damages. | |
| V. Does the Company refer to universal standards or guidelines for report preparation when preparing for CSR Report and other non-financial disclosure reports? Does the Company obtain the confirmation or affirmation opinion from a third party for the aforementioned reports? | | V | Currently, the Company has yet to do so. In the future, the Company shall take into consideration international trend and market changes in its report preparation where appropriate. | No differences. |
| V. If the Company has established integrity management principles in accordance with “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies,” please describe the current practices and any deviations from the Best Practice Principles: The Company has established “CSR Best Practice Principles” and is committed to promoting CSR reflected in the principles. | | | | |
| VI. Other information relevant to understanding the company’s business integrity: <ol style="list-style-type: none"> 1. Yearly donation of NT\$120 thousand to Harmony Home Orphanage in Hsinchu. 2. Two blood donation drives every year, three blood donation drives in 2020 and with 67 people. | | | | |

(VI) Implementation of integrity management

| Assessment criteria | Actual governance | | | Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies |
|--|-------------------|----|--|--|
| | Yes | No | Summary description | |
| <p>I. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures</p> <p>(I) Does the Company establish corporate conduct and ethics policy that is approved by the Board of Directors and document such policy and procedure, as well as ensuring the commitment of the Board and Management team in the implementation of the policy thereof, in the bylaws and publicly available documents?</p> <p>(II) Has the Company established a risk assessment mechanism for unethical conduct, analyzed and evaluated activities that contain a higher risk of unethical conduct in the operating aspect on a regular basis, and established measures for the prevention of unethical conduct, which at least covering the business activities prescribed in the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” article 7 paragraph 2?</p> <p>(III) Does the Company establish relevant policies that are duly enforced to prevent unethical conduct, provide and implement operating procedures, behavioral guidelines, the penalty for violation and appeal system in such policies, as well as evaluating and amending the aforementioned policies on a regular basis?</p> | V | | <p>(I) The Company has established “Ethical Corporate Management Best Practice Principles,” “Code of Conduct for Directors and Managers” and other major internal policies to articulate its integrity management and methodology and reflect the commitment of the Board of Directors and Management in implementing their management policies.</p> <p>(II) The “Business Integrity Procedures and Behaviors” established forbids the receiving or giving of gifts, discounts or special treatments, leaking trade secrets, providing illegal political donations, and other violations of integrity conducts. The Company has conducted awareness training and taken preventive measures to implement its integrity management policy.</p> <p>(III) The Company insists on integrity management when conducting business activities. For its suppliers and customers, the Company always first considers the legality in transacting with them and if they have a misconduct record, and requires the suppliers to submit an integrity commitment statement.</p> | No differences. |
| <p>II. Implementation of integrity management</p> <p>(I) Does the Company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?</p> | V | | <p>(I) The Company insists on integrity management when conducting business activities. For its suppliers and customers, the Company always first considers the legality in transacting with them and if they have a misconduct record, and requires the suppliers to</p> | No differences. |

| Assessment criteria | Actual governance | | | Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies |
|---|-------------------|----|---|--|
| | Yes | No | Summary description | |
| <p>(II) Does the Company task a unit that reports directly to the Board of Directors and with promoting ethical standards, making periodical updates (at least once a year) to the Board on business integrity management policy, as well as the supervision of measures for prevention of unethical conduct?</p> <p>(III) Does the Company have any policy that prevents conflict of interest, and channels that facilitate the report of conflicting interests?</p> <p>(IV) Has the Company implemented effective accounting and internal control systems to maintain business integrity? Are these systems reviewed by internal or external auditors on a regular basis?</p> <p>(V) Does the Company conduct internal and external ethical training programs on a regular basis?</p> | | | <p>submit an integrity commitment statement.</p> <p>(II) The Company designates the Human Resources Department as the specific unit in promoting integrity management, interpretation and consultation services, content reporting, account access and documentation, as well as supervision. The Company regularly reports the execution of integrity management to the Board of Directors every year. On January 26, 2021, the execution of integrity management for 2020 had been reported to the Board of Directors.</p> <p>(III) The “Code of Conduct for Directors and Managers,” “Business Integrity Procedures and Behaviors” and “Rules and Procedures of Shareholders Meeting” established stipulate that in case of conflict of interest, parties involved must recuse themselves. The Company provides whistle-blowing channels for reporting illegal activities or misconduct behavior.</p> <p>(IV) The Company has established and implemented accounting and internal control systems, and internal auditors regularly conduct audit reviews to examine its compliance. Audit reports are then submitted to the Board of Directors.</p> <p>(V) The “Ethical Corporate Management Best Practice Principles” and “Business Integrity Procedures and Behaviors” established have been put on the Company website and integrated into the training for new employees, as well as other training seminars, to ensure that employees fully understand the content and conform to them.</p> | |
| <p>III. Implementation of whistle-blowing system</p> <p>(I) Does the Company provide incentives and means for Employees to report malpractice? Does the Company dedicate</p> | V | | <p>The Company has established a specific whistle-blowing mailbox that the Chairperson has direct access, in which the identity of the whistleblower and the content reported are strictly protected. The Chairperson shall designate specific personnel for the</p> | No differences. |

| Assessment criteria | Actual governance | | | Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies |
|---|-------------------|----|--|--|
| | Yes | No | Summary description | |
| <p>personnel to investigate the reported malpractice?</p> <p>(II) Has the Company implemented any standard procedures or confidentiality measures for handling reported malpractices?</p> <p>(III) Does the Company assure malpractice reporters that they will not be mistreated for making such reports?</p> | | | investigation. The “Code of Conduct for Employees” and “Business Integrity Procedures and Behaviors” stipulate that violation of integrity conduct will be punished. | |
| <p>IV. Enhanced information disclosure</p> <p>(I) Has the company disclosed relevant CSR principles and implementation on its website and Market Observation Post System?</p> | V | | “Ethical Corporate Management Best Practice Principles” is disclosed on the Company website and Market Observation Post System. | No differences. |
| <p>V. If the Company has established business integrity policies in accordance with “Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies,” please describe its current practices and any deviations from the Best Practice Principles: No material deviation.</p> | | | | |
| <p>VII. Other information relevant to understanding the Company’s business integrity (e.g. review and amendment of the code of conduct of business integrity etc.):</p> <ol style="list-style-type: none"> 1. The “Rules and Procedures of Board of Director Meetings” provides for the Director recusal system for conflict of interest. For the agenda of the Board meetings in which the Director has any conflict of interest, whether personal or related to the corporates represented, material information regarding the conflict of interest must be disclosed at the Board meeting. If the conflict of interest may damage the Company’s interest, the Director is refrained from participating in the discussion and voting. During the discussion and voting, the Director should excuse oneself and is forbidden to act as a proxy to other Directors in the voting process. 2. The Company has established “Procedures for Treatment of Material Insider Information” which stipulate insiders and personnel who obtain information from their position shall not leak the said information. 3. The Company complies with the Company Act, the Securities and Exchange Act, and other laws and regulations, and is committed to implementing integrity management. | | | | |

(VII) For Corporate Governance Guidelines and Regulations and other relevant internal policies, the Company should disclose how to access to these policies.

Currently, the Company has established “Ethical Corporate Management Best Practice Principles”, “Code of Conduct for Directors and Managers”, “Audit Committee Charter”, “Compensation Committee Charter”, “CSR Best Practice Principles”, “Corporate Governance Best Practice Principles”, “Rules and Scope of Duty of Independent Directors” and other major internal policies and are disclosed on Market Observation Post System and the Company website.

(VIII) Other material information that may enhance the understanding of the corporate governance status of the Company should also be disclosed.

| Job Title | Name | Date of training | Organized by | Course title |
|--|----------------|--------------------|---|--|
| Legal Person Directors Representatives | April Huang | August 18, 2020 | Taiwan Institute of Directors | Corporate transformation in the era of reformation |
| | | November 19, 2020 | Taiwan Institute of Directors | Opportunities and Challenges of the Enterprise under the trading conflicts between US and China |
| Director (Note) | Davis Cheng | June 30, 2020 | Securities and Futures Institute of ROC | Corporate Governance and Securities and Exchange Laws and Regulations |
| | | August 21, 2020 | Taiwan Corporate Governance Association | How to prevent corruption, investigation and building up whistle blowing mechanism by the company for corporate governance enhancement |
| Legal Person Directors Representatives | Peter Chen | August 18, 2020 | Taiwan Institute of Directors | Corporate transformation in the era of reformation |
| | | November 19, 2020 | Taiwan Institute of Directors | Opportunities and Challenges of the Enterprise under the trading conflicts between US and China |
| Director | Amy Liu | September 18, 2020 | Securities and Futures Institute of ROC | 2020 Continued Training on the prevention of insider trading and insiders' share transfers |
| | | October 22, 2020 | Taiwan Stock Exchange | 2020 Disseminating Conference of Corporate Governance and Corporate Integrity for Directors and Supervisors |
| Legal Person Directors Representatives | Yu-chin Lin | August 19, 2020 | Securities and Futures Institute of ROC | Understanding the futures derivatives hedging transaction and operating solid corporate sustainable management practice conference |
| | | September 11, 2020 | Securities and Futures Institute of ROC | 2020 Continued Training on the prevention of insider trading and insiders' share transfers |
| Legal Person Directors Representatives | Yang-Chih Chou | July 6, 2020 | Accounting Research and Development Foundation of ROC | Legal Responsibility and Practice of Legal Compliance Auditing of Company's "Financial Report Fraud" |
| | | August 10, 2020 | Accounting Research and Development Foundation of ROC | Inspection on the business management from the figures of financial statements |
| Legal Person Directors Representatives | Patrick Chiu | August 19, 2020 | Taiwan Corporate Governance Association | Discussions on the human resources and Merger and Acquisition Integration Issues in the Merger and Acquisition Process |
| | | September 18, 2020 | Taiwan Corporate Governance Association | 2020 Continued Training on the prevention of insider trading and insiders' share transfers |
| | | September 25, 2020 | Securities and Futures Institute of ROC | Case Studies of understanding related party transactions and Irregular transactions in practice |
| | | October 23, 2020 | Securities and Futures Institute of ROC | Challenges and Solutions to Information Safety |
| Legal Person Directors Representatives | Allen Hsu | June 30, 2020 | Independent Director Association Taiwan | Practical Operation and Regulation of Preventing Money Laundering and Countering Terrorism |
| | | July 15, 2020 | Independent Director Association Taiwan | Enterprise Growth, Reorganization, Reformation upgrade of Post-Pandemic |
| | | July 21, 2020 | Independent Director Association Taiwan | Case Study Analysis on independent directors how to master the key line of |

| | | | | |
|-----------------------------------|--------------|----------------------------------|---|--|
| | | | | defense. |
| | | August 12, 2020 | Independent Director Association Taiwan | The role of independent directors in the struggle between corporate governance and management rights |
| Independent director | Lo-Min Chen | August 6, 2020 | Taiwan Corporate Governance Association | The reformation of newly revised tax law to the effect to the business operation and measures to it |
| | | August 21, 2020 | Taiwan Corporate Governance Association | How to prevent corruption, investigation and building up whistle blowing mechanism by the company for corporate governance enhancement |
| Independent director | Mao-Chao Lin | August 4, 2020 | Securities and Futures Institute of ROC | The discussion of enterprises facing information security governance - with legal practice as the core |
| | | September 4, 2020 | Taiwan Corporate Governance Association | Operational Practice of Board of directors functional committees |
| Independent director | Harry Huang | August 6, 2020 | Taiwan Corporate Governance Association | How to prevent corruption, investigation and building up whistle blowing mechanism by the company for corporate governance enhancement |
| | | August 21, 2020 | Taiwan Corporate Governance Association | Analysis on the Global Trend-Risks and Opportunities |
| Supervisor of Accounting Division | Allen Hsu | August 13, 2020~ August 14, 2020 | Accounting Research and Development Foundation of ROC | Advanced Studies for Principal Accounting Supervisors of Issuers, Securities Firms, and Securities Exchanges |
| Supervisor of Audit Division | Gina Tseng | July 6, 2020 | The Institute of Internal Auditors | Policy analysis and key discussion on internal audit and internal control practices for enterprises to improve their ability to prepare financial reports on their own |
| | | September 3, 2020 | Accounting Research and Development Foundation of ROC | Practice and case analysis of labor laws and regulations under the COVID-19 pandemic |
| Internal auditor | Polly Chen | August 10, 2020 | The Institute of Internal Auditors | Internal audit essentials for sales and collection cycles and compliance with laws and regulations |
| | | September 29, 2020 | The Institute of Internal Auditors | Power BI- Data Organizing and Analysis |
| | | November 2, 2020 | The Institute of Internal Auditors | Information Technology Matters Check Workshop |

Note: On January 4, 2021 the company get informed that Director Davis Cheng transferred his shares exceed half of the shares when he elected on December 25, 2020 and he certainly be discharged. The board of directors elected April Huang as the new Chairman.

(IX) Internal Control Systems should disclose the following:

1. Statement of Internal Control System

Hitron Technologies Inc.

Statement of Internal Control System

Date: March 16, 2021

The Company declares the following concerning its internal control system during the fiscal year 2020, based on the findings of a self-assessment:

- I. The Company acknowledges that the establishment, implementation, and maintenance of the internal control system are the responsibilities of the Board of Directors and Managers of the Company. As such, the Company has established the aforementioned system. Its objectives are to provide reasonable assurance for the effectiveness and efficiency of its operations (including profitability, performance, and the guarantee of assets safety, etc.), reliable, timely and transparent reporting, and conformity to applicable rules, regulations, and laws.
- II. The internal control system has its inherent limitations. Regardless of how exhaustive the design is, an effective internal control system can only provide reasonable assurance for the achievement of the aforementioned three objectives. Further, due to changes in the environment or circumstances, the effectiveness of the internal control system may vary accordingly. Nevertheless, the Company's internal control system has set up a self-supervision mechanism. Once a deficiency has been identified, the Company will take the remedial actions immediately.
- III. In accordance with the determining criteria for the effectiveness of the internal control system prescribed in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (hereafter the "Regulations"), the Company evaluated the effectiveness of the design and execution for its internal control system. The determining criteria of the internal control system prescribed in the "Regulations" are based on the process of management control, dividing the internal control system into five composite factors: 1. control of the environment, 2. risk evaluation, 3. control of operations, 4. information and communication, and 5. supervision. The composition of each element also includes several items. Please refer to the "Regulations" for the aforesaid items.
- IV. The Company has adopted the aforementioned determining criteria of the internal control system to evaluate the effectiveness of design and execution for its own internal control system.
- V. Based on the evaluation result of the preceding paragraph, the Company believes that its internal control system (including the supervision and management of its subsidiaries) as of December 31, 2020, including understanding the achievement for the objectives of effectiveness and efficiency of its operations, reliability, timeliness and transparency of its reporting and compliance with the applicable law and regulations, was effective in design and execution, and can be reasonably assured of the achievement of the aforementioned objectives.
- VI. This statement will serve as the main content of the Company's annual report and prospectus and will be made available to the public. If the aforesaid public content has any illegal events including falseness or concealment etc., it shall be liable to the legal liabilities stipulated in Article 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This Statement has been passed by the Board of Directors Meeting of the Company held on March 16, 2021, where none of the 10 attending Directors expressed dissenting opinions, and the remainder all affirmed the content of this Statement.

Hitron Technologies Inc.

Chairman: April Huang

President: Patrick Chiu

2. Hiring an accountant to audit the Company's internal control system, the audit report prepared by the CPAs should be disclosed: Not applicable.

(X) For the most recent year until the publication date of the annual report, penalties imposed against the Company and its staff, or penalties imposed by the company against its staff for violations of internal control or regulations. State any corrective actions are taken in the most recent years up to the date of the annual report: None.

(XI) For the most recent year until the publication date of the annual report, major resolutions made in Shareholders' and Board meetings:

1. Material resolutions in Shareholders' Meeting:

| Board Meeting | Major resolutions | Execution |
|---------------|--|--|
| June 18, 2020 | 1. Ratification of business and financial reports for 2019. | The operating revenue of the Company for 2019 amounted to NT\$10,325,500 thousand. Profit attributable to parent company amounted to NT\$219,959 thousand. EPS amounted to NT\$0.98. |
| | 2. Ratification of the earnings distribution for 2019 and cash disbursement using capital surplus. | 1. Earnings distribution for 2019 amounted to NT\$4,842,983 for Director remuneration, NT\$24,214,914 for employee compensation, and NT\$167,718,691 for cash dividend to Shareholders. 2. Proposal of appropriation of NT\$89,335,092 using capital surplus under "differences between the equity purchase price and carrying amount arising from actual acquisition or disposal of subsidiaries." 3. The ex-dividend record date was set on July 22, 2020 and the cash dividend payable date was set on August 14, 2020. |
| | 3. Resolution passed for amendment of "Procedures for Lending Funds to Other Parties" | Adopted the amended procedures. |

2. Material resolutions in Special Shareholders' Meeting:

| Board Meeting | Major resolutions | Execution |
|------------------|--|---|
| February 3, 2020 | 1. Re-election of Directors and Independent Directors. | Resolution passed. The total number of Directors and Independent Directors amounted to 11 persons. The term of appointment commenced on February 3, 2020 and ends on February 2, 2023. Approval was obtained from the Hsinchu Science Park Bureau on February 10, 2020. |
| | 2. Proposal for the rescission of prohibiting the participation in competing businesses for newly appointed Directors. | Resolution passed. |

3. Material resolutions in Board Meeting:

| Board Meeting | Major resolutions |
|------------------|--|
| January 7, 2020 | 1. Resolution passed for the list of nominees of Directors and Independent Directors. 2. Resolution passed for the review of the list of nominees of Directors and Independent Directors submitted by the Board for the first Special Shareholders' Meeting in 2020. 3. Resolution passed for the rescission of prohibiting the participation in competing businesses for newly appointed Directors. |
| January 16, 2020 | Resolution passed for year-end and performance bonuses for managers of the Company. |
| February 3, 2020 | 1. Resolution passed to re-elect the Chairperson and Deputy Chairperson of the Company. 2. Resolution passed for proposal to appoint Remuneration Committee members. |

| Board Meeting | Major resolutions |
|------------------|---|
| March 16, 2020 | <ol style="list-style-type: none"> 1. Resolution passed for Internal Control System Statement for 2019. 2. Resolution passed for business and financial reports for 2019 (including consolidated financial reports). 3. Resolution passed for the earnings distribution for 2019. 4. Resolution passed for cash disbursement using capital surplus. 5. Resolution passed for the appropriation of employee compensation and Directors' and Supervisors' remuneration for 2019. 6. Resolution passed for the rescission of prohibiting the participation in competing businesses for Directors. 6. Resolution passed for amendment of "Procedures for Lending Funds to Other Parties." 7. Resolution passed for amendment of the "internal control system." 8. Resolution passed for yearly salary adjustment for managers of the Company. 9. Resolution passed for the assessment of the independence and qualification of the auditing CPAs. 10. Resolution passed for the provision of endorsement and guarantee for the wholly-owned subsidiary, Hitron Technologies (Americas) Inc. 11. Resolution passed for the provision of endorsement and guarantee for the wholly-owned subsidiary, Hitron Technologies Europe Holding B.V. 12. Resolution passed for the provision of endorsement and guarantee for the wholly-owned sub-subsidiary, Jietech Trading (Suzhou) Inc. 13. Resolution passed for the provision of endorsement and guarantee for the wholly-owned subsidiary, Hitron Technologies (Vietnam) Inc. 14. Resolution passed for the provision of endorsement and guarantee for the wholly-owned subsidiary, InnoAuto Technologies Inc. 15. Resolution passed to lend funds for the wholly-owned sub-subsidiary, Jietech Trading (Suzhou) Inc. 16. Resolution passed to lend funds for the wholly-owned subsidiary, Hitron Technologies (Vietnam) Inc. |
| April 29, 2020 | <ol style="list-style-type: none"> 1. Resolution passed for the consolidated financial reports for 2019Q1. 2. Resolution passed for proposal to provide endorsement and guarantee for the wholly-owned subsidiaries and sub-subsidiary. |
| August 03, 2020 | <ol style="list-style-type: none"> 1. Resolution passed for the consolidated financial reports for 2020 Q2. 2. Resolution passed for the remuneration disbursement to Directors for 2019. 3. Resolution passed for disbursement of Manager compensation for 2019. 4. Passed the proposal of providing lend funds for the wholly-owned subsidiaries and sub-subsidiary. 5. Resolution passed for proposal to provide endorsement and guarantee for the wholly-owned subsidiaries and sub-subsidiary. |
| November 4, 2020 | <ol style="list-style-type: none"> 1. Resolution passed for the consolidated financial reports for 2020 Q3. 2. The company's Internal audit plan for 2021. 3. Approved the establishment of "Risk Management Policy and Procedure" 4. Resolution passed for amendment to the "Procedures for Performance Evaluation of the Board of Directors." 5. Resolution passed for proposal to provide endorsement and guarantee for the wholly-owned subsidiaries and sub-subsidiary. |
| January 4, 2021 | Approved the election of newly appointed Chairman |
| January 26, 2021 | <ol style="list-style-type: none"> 1. Resolution passed for year-end and performance bonuses for managers of the Company. 2. Resolution passed for the appointment of President 3. Resolution passed for proposal to provide endorsement and guarantee for the wholly-owned subsidiaries and sub-subsidiary. |
| March 16, 2021 | <ol style="list-style-type: none"> 1. The Internal Control System Statement and the Result of Implementing Self-Evaluation in 2020 2. Report on 2020 Distribution of Remuneration of Employees, Directors and Supervisors. 3. The 2020 Business Report, Financial statements and Operating Plan 4. Approved the Proposal for 2020 Earnings Distribution 5. Approved the Proposal for Cash Distribution from Capital Reserve. 6. Approved the Proposal for Amendments to the "Articles of Incorporation". 7. Approved the Proposal for Amendments to the "Procedures for Acquisition or Disposal of Assets". 8. Passed the proposal of Amendments to the "Procedures for Lending Funds to Other Parties". 9. Approved the Proposal for Amendment to the "Procedures for Endorsements and Guarantees". 10. Approved the Proposal for Amendments of "Code of Ethical Conduct for Directors and Managers" and "Ethical Corporate Management Best Practice Principles", and Abolishment of "Procedures for Ethical Management and Guidelines for Conduct". 11. Resolution passed for the amendment to the "Business Integrity Procedures and Behaviors," "Code of Conduct for Directors and Managers" |

| Board Meeting | Major resolutions |
|---------------|---|
| | 12. Proposal for Removal of Non-compete Restrictions for Directors and Their Representatives. 13. Resolution passed for yearly salary adjustment for managers of the Company. 14. Approved the donation to BenQ Foundation 15. Resolution passed for yearly salary adjustment for managers of the Company. 16. Approved the establishment of Head of Corporate Governance |

- (XII) For the most recent year until the publication date of the annual report, major issues of record or written statements made by any Director or Supervisor dissenting to important resolutions passed by the Board of Directors: None.
- (XIII) For the most recent year until the publication date of the annual report, resignation or dismissal of the Company's key individuals, including the Chairperson, General Manager, and Supervisors of Accounting, Finance, Internal Audit, and R&D: None.

| Position | Name | Date of Appointment | Date of Dismissal | Reasons for resignation or dismissal |
|-----------------|-------------|---------------------|-------------------|--------------------------------------|
| Chairman | Davis Cheng | March 24, 1986 | December 25, 2020 | Dismissal (Note) |
| General Manager | Davis Cheng | July 21, 2006 | January 4, 2021 | Resigned |

Note: On January 4, 2021 the company get informed that Director Davis Cheng transferred his shares exceed half of the shares when he elected on December 25, 2020 and he certainly be discharged. The board of directors elected April Huang as the new Chairman.

IV. Information on Audit Fees

Bracket Table for Audit Fees

| Accounting Firm | Name of CPA | | Period covered by CPA's audit | Remark |
|-----------------|-------------|-------------|--------------------------------------|--------|
| BDO Taiwan | Ke-Yi Liu | Kun-Hsi Hsu | January 1, 2020 to December 31, 2020 | - |

| Amount | Fee item | Audit fee | Non-audit fee | Total |
|---|----------|-----------|---------------|-------|
| Less than NT\$2,000 thousand | | | | |
| NT\$2,000 thousand (including) to NT\$4,000 thousand | | V | | V |
| NT\$4,000 thousand (including) to NT\$6,000 thousand | | | | |
| NT\$6,000 thousand (including) to NT\$8,000 thousand | | | | |
| NT\$8,000 thousand (including) to NT\$10,000 thousand | | | | |
| More than NT\$10,000 thousand (including) | | | | |

- (I) For non-audit fees paid to CPAs, accounting firms, and affiliated companies thereof that amount to more than 1/4 of the audit fees, the disclosure should be made regarding the amount of audit and non-audit fees, and the service content of audit and non-audit fees.

Unit: NT\$ (thousand)

| Certified Public Accountant Accounting Firm | Certified Public Accountant Name | Voting result of resolution of the Audit Public Fee | Non-audit fee | | | | | Period covered by CPA's audit | Remarks |
|---|----------------------------------|---|------------------------|-----------------------|-----------------|--------|----------|--------------------------------------|---------|
| | | | System (policy) Design | Business Registration | Human Resources | Others | Subtotal | | |
| BDO Taiwan | Ke-Yi Liu Kun-Hsi Hsu | 3,900 | - | - | - | - | - | January 1, 2020 to December 31, 2020 | |

(II) Changes in the accounting firm that result in lesser audit fees paid in comparison to the previous year, and disclosure for the change in audit fee, and the reason for the change: None.

(III) Reduction of audit fees by more than 15% compared to the previous year, and disclosure for the amount and percentage reduced, and the reason for the reduction: None.

V. Accountant Replacement Information:

(I) Regarding the former CPAs

| | | | |
|---|---|-----------------------------|------------------------------------|
| Date of the replacement | March 16, 2021 | | |
| Reasons for replacement and description | With the Internal Rotation within the BDO Taiwan Accounting Firm, the company’s CPAs replaced from Ke-Yi Liu and Kun-His Hsu to Hsu, Kun-His and Shu-Chen Chang | | |
| State whether the appointment is terminated or rejected | <div>Counterparty</div> <div>Situation</div> | Certified Public Accountant | Consignor |
| | Appointment terminated automatically | Not applicable. | Not applicable. |
| | Appointment rejected(discontinued) | Not applicable. | Not applicable. |
| The Opinions other than unmodified Opinion issued in the last two years and the reasons for the said opinions | No such situation | | |
| Is there any disagreement in opinion with the issuer | Yes | | Accounting principle or practice |
| | | | disclosure of financial statements |
| | | | auditing scope or procedures |
| | | | Others |
| | | | |
| | None. | V | |
| | Explanation | | |
| Additional Disclosures (Disclosures Specified in Article 10.6.1.4~7 of the Standards) | Not applicable. | | |

(II) Regarding the successor CPAs

| | |
|---|--------------------------------|
| Accounting Firm | BDO Taiwan |
| Name of CPA | Kun-Hsi Hsu and Shu-Chen Chang |
| Date of Engagement | March 16, 2021 |
| Prior to the Formal Engagement, Any inquiry or consultation on the accounting treatment or accounting principles for specific transactions, and the type of audit opinion that might be rendered on the financial report. | Not applicable. |
| Written Opinions from the Successor CPAs that are Different from the Former CPA's Opinion | Not applicable. |

VI.Names, Positions and Tenure of any of the Company's Chairman, General Manager, or managerial officers responsible for Financial or Accounting Affairs Being Employed by the Auditor's Firm or Any of Its Affiliated Company in the Most Recent Year Should Be Disclosed: None.

VII. For the Most Recent Year until the Publication Date of the Annual Report, the Transfer of Equity Interest and Change in Stock Pledge of Directors, managerial officers and Shareholders with Stake of 10% or More

(I) Changes in the shareholding of Directors, managerial officers and Major Shareholders

Unit: Share

| Title | Name | 2020 | | As of March 31 | |
|---|-----------------------------|----------------------------------|------------------------------------|----------------------------------|------------------------------------|
| | | Shareholding Increase (Decrease) | Shares Pledged Increase (Decrease) | Shareholding Increase (Decrease) | Shares Pledged Increase (Decrease) |
| Director Concurrently as General Manager | Davis Cheng (Note1, 10, 11) | (3,588,000) | (887,325) | - | - |
| Director | Amy Liu (Note 1) | (264,178) | - | - | - |
| Director Shareholder with more than 10% stake | Alpha Networks Inc. | 100,000,000 | | - | |
| | Representative: (Note 1) | | | | |
| | John Lee (Note 9) | - | | - | |
| | April Huang (Note 9, 10) | - | | - | |
| | Peter Chen | - | - | - | - |
| | Yu-chin Lin | - | | - | |
| | Yang-Chih Chou | - | | - | |
| | Patrick Chiu | (142,444) | | - | |
| | Allen Hsu | 20,848 | | - | |
| Independent director | Mao-Chao Lin (Note 1) | - | - | - | - |
| Independent director | Harry Huang (Note 1) | - | - | - | - |
| Independent director | Lo-Min Chen (Note 1) | - | - | - | - |
| General Manager | Patrick Chiu (Note 11) | (142,444) | - | - | - |
| Vice President | Eric Pan | - | - | - | - |
| Vice President | Jimmy Huang (Note 2) | - | - | - | - |
| Supervisor of Finance & Accounting Division | Allen Hsu | 20,848 | - | - | - |
| Director Concurrently as Vice President | Jeff Hsue (Note 4 & 8) | (909,000) | - | - | - |

| | | | | | |
|----------------------|--|----------------|--------|--------|--------|
| Director | Chih Shan Asset Management Co., Ltd. Representative: Chung-Wan Shu (Note 5) | (196,000) - | - - | - - | - - |
| Director | Jung-Huang Wang (Note 6) | (800,000) | - | - | - |
| Director | Chia-Lung Ma (Note 4) | (691,000) | - | - | - |
| Director | Ching-Huai Ke (Note 7) | (1,118,055) | - | - | - |
| Director | Ju-Shan Cheng (Note 4) | (600,000) | - | - | - |
| Independent director | Hsiao-Chen Chuang (Note 3) | - | - | - | - |
| Independent director | Cheng-Lang Huang (Note 3) | - | - | - | - |
| Vice President | Jung-Mou Tsai (Note 8) | (48,000) | - | - | - |
| Vice President | Hsi-Che Juan (Note 2) | - | - | - | - |

Note 1: Re-election was held on February 3, 2020.

Note 2: Vice President, Jimmy Huang was appointed on January 1, 2020; Vice President, Hsi-Che Juan stepped down on January 1, 2020.

Note 3: Independent Directors, Hsiao-Chen Chuang and Cheng-Lang Huang stepped down on February 3, 2020.

Note 4: Director, Ching-Ren Hsu, Chia-Lung Ma and Ju-Shan Cheng stepped down on January 13, 2020.

Note 5: Corporate Director, Chih Shan Asset Management Co., Ltd. stepped down on January 2, 2020.

Note 6: Director, Jung-Huang Wang stepped down on January 9, 2020.

Note 7: Director, Ching-Huai Ke stepped down on January 8, 2020.

Note 8: Vice President, Jeff Hsue and Jung-Mou Tsai stepped down on March 1, 2020.

Note 9: On April 30, 2020, Alpha Networks Inc. appointed Director, April Huang as representative. Former representative, John Lee stepped down.

Note 10: On January 4, 2021 the company get informed that Director Davis Cheng transferred his shares exceed half of the shares when he elected on December 25, 2020 and he certainly be discharged. The board of directors elected April Huang as the new Chairman.

Note 11: General Manager, Davis Cheng stepped down on January 4, 2021; General Manager, Patrick Chiu was appointed on January 26, 2021.

(II) Share transferred: None.

(III) Shares pledged: None.

VIII. Shareholding Ratio of Top 10 Shareholders and Their Affiliated Persons as per IAS 6, Spouses, or Other Relatives within Two Degrees of Kinship.

| Name | His or Her own Shareholding | | Shareholdings of spouse and minor child(ren) | | Total shareholding under other person(s) | | Top 10 Shareholders and Their Affiliated Persons, Spouses, or Other Relatives within Two Degrees of Kinship | | Remarks |
|--|-----------------------------|--------------------|--|--------------------|--|--------------------|---|--------------|---------|
| | Number of shares | Shareholding Ratio | Number of shares | Shareholding ratio | Number of shares | Shareholding ratio | Name (or Name) | Relationship | |
| Alpha Networks Inc. | 200,000,000 | 60.79 | - | - | - | - | - | - | |
| Representative: April Huang | - | - | - | - | - | - | - | - | |
| Standard Chartered International Commercial Bank's business department is entrusted with the pear tree Polaris foreign value small capital fund investment account | 4,308,800 | 1.31 | - | - | - | - | - | - | |
| Fubon Life Insurance Co., Ltd. | 3,265,000 | 0.99 | - | - | - | - | - | - | |
| Representative:Ming-Hsing Tsai | - | - | - | - | - | - | - | - | |
| Davis Cheng | 2,925,986 | 0.89 | - | - | - | - | - | - | |
| Dai-Ying Yang | 1,170,000 | 0.36 | - | - | - | - | - | - | |
| Wen-Feng Liu | 1,085,801 | 0.33 | - | - | - | - | - | - | |
| American JPMorgan Chase is entrusted with custodial JP Morgan Securities Investment Account | 1,021,510 | 0.31 | - | - | - | - | - | - | |
| Wen-Yu Qiu | 806,477 | 0.25 | - | - | - | - | - | - | |
| Amy Liu | 742,702 | 0.23 | - | - | - | - | - | - | |
| Hui-Li Zang | 516,507 | 0.16 | - | - | - | - | - | - | |

IX. Number of Shares and Consolidated Shareholding Percentage of Investee Company Held by the Company, Directors and Managerial Officers of the Company, and Entities in which the Company has Direct or Indirect Controlling Interests

December 31, 2020, Unit: Share/%

| Re-investing business | the company investment | | Held by Directors, Supervisors, managerial officers, and directly/indirectly controlled entities | | comprehensive investment | |
|---|------------------------|----------------------------|--|----------------------------|--------------------------|----------------------------|
| | Amount of shares | Percentage of shareholding | Amount of shares | Percentage of shareholding | Amount of shares | Percentage of shareholding |
| Interactive Digital International Co., Ltd. | 16,703 | 44.28 | - | - | 16,703 | 44.28 |
| Hitron Technologies Europe Holding B.V. | 15 | 100.00 | - | - | 15 | 100.00 |
| Hitron Technologies (Americas) Inc. | 300 | 100.00 | - | - | 300 | 100.00 |
| Hitron Technologies (Samoa) Inc. | 22,300 | 100.00 | - | - | 22,300 | 100.00 |
| Hitron Technologies (SIP) Inc. | - | 100.00 | - | - | - | 100.00 |
| Hwa Chi Technologies (Shanghai) Inc. | - | 44.28 | - | - | - | 44.28 |
| Jietech Trading (Suzhou) Inc. | - | 100.00 | - | - | - | 100.00 |
| InnoAuto Technologies Inc. | 5,000 | 100.00 | - | - | 5,000 | 100.00 |
| Hitron Technologies Vietnam Company Limited | - | 100.00 | - | - | - | 100.00 |
| Imageteck Co., Ltd. | 120 | 1.20 | - | - | 120 | 1.20 |
| Tsunami Visual Technologies Inc. | 1,220 | 9.34 | - | - | 1,220 | 9.34 |
| Pivot Technology Corp. | 198 | 10.94 | - | - | 198 | 10.94 |
| Cardtek Digital Technology Co., Ltd. | 1,000 | 6.45 | - | - | 1,000 | 6.45 |
| Yesmobile Holdings Company Ltd. | 294 | 0.75 | - | - | 294 | 0.75 |
| Chao Long Motor Parts Corp. | 668 | 2.10 | - | - | 668 | 2.10 |
| Codent Networks(Cayman) Limited. (Note) | 1,570 | - | - | - | 1,570 | - |

Note: Long-term investment of the Company. The Company holds the preferred shares of Codent Networks(Cayman) Limited.

Four. Fund Raising

I. Capital and Shares

(I) Source of capital

1. Share types for the most recent year until the publication date of the annual report

Unit: NT\$/share

| Year/Month | Issue price | Authorized Capital | | Paid-in Capital | | Remark | | |
|---------------|-------------|--------------------|---------------|------------------|---------------|--|--|--------|
| | | Amount of shares | Amount | Amount of shares | Amount | Source of capital | Property other than cash provided as capital contributions | Others |
| April 2019 | 10 | 300,000,000 | 3,000,000,000 | 224,689,554 | 2,246,895,540 | Shares converted from corporate bond | — | Note 1 |
| May 2019 | 10 | 300,000,000 | 3,000,000,000 | 227,799,421 | 2,277,994,210 | Shares converted from corporate bond | — | Note 2 |
| August 2019 | 10 | 300,000,000 | 3,000,000,000 | 228,986,229 | 2,289,862,290 | Shares converted from corporate bond | — | Note 3 |
| December 2019 | 10 | 400,000,000 | 4,000,000,000 | 328,986,229 | 3,289,862,290 | Private placement of newly issued shares | — | Note 4 |

Note 1: The capital increase record date for convertible bonds was on March 28, 2019, and the capital increase amounted to NT\$3,956 thousand. The approval document number was HCB No. 1080011240 (April 17, 2019).

Note 2: The capital increase record date for convertible bonds was on May 13, 2019, and the capital increase amounted to NT\$31,099 thousand. The approval document number was HCB No. 1080014914 (May 24, 2019).

Note 3: The capital increase record date for convertible bonds was on August 13, 2019, and the capital increase amounted to NT\$11,868 thousand. The approval document number was HCB No. 1080024677 (August 26, 2019).

Note 4: The record date of the new privately placed shares was on December 17, 2019, and the capital increase amounted to NT\$1,000,000 thousand. The approval document number was HCB No. 1080037612 (December 25, 2019).

| Share type | Authorized capital | | |
|--------------|---------------------------|-----------------|-------------|
| | Outstanding shares (note) | Unissued shares | Total |
| Common stock | 328,986,229 | 71,013,771 | 400,000,000 |

Note: The outstanding common stocks amounted to 328,986,229 shares (including treasury stock of 7,669,000 shares).

- For shelf registration for issuing marketable securities that have been approved, the Company should disclose the approved issue amount, and relevant information on scheduled issuance and issued marketable securities: Not applicable.

(II) Shareholder Structure

April 13, 2021 Unit: Shares/%

| Shareholder structure Amount | Governmental agencies | Financial institutions | Other legal persons | Individual | Foreign institutions and foreign persons | Total |
|------------------------------------|--------------------------|---------------------------|------------------------|-------------|--|-------------|
| Number of People | 0 | 1 | 131 | 31,772 | 72 | 31,976 |
| Shareholding | 0 | 3,265,000 | 208,595,001 | 108,290,765 | 8,835,463 | 328,986,229 |
| Percentage of Shareholding | 0.00 | 0.99 | 63.40 | 32.92 | 2.69 | 100.00 |

(III) Share ownership distribution

April 13, 2021 Unit: Person/Shares/%

| Shareholding Tiers | Number of Shareholders | Shareholding | Percentage of shareholding % |
|---------------------|------------------------|--------------|---------------------------------|
| 1 ~ 999 | 15,998 | 2,465,162 | 0.75 |
| 1,000 ~ 5,000 | 12,311 | 26,973,626 | 8.20 |
| 5,001 ~ 10,000 | 2,059 | 16,710,413 | 5.08 |
| 10,001 ~ 15,000 | 482 | 6,077,331 | 1.85 |
| 15,001 ~ 20,000 | 379 | 7,047,825 | 2.14 |
| 20,001 ~ 30,000 | 283 | 7,165,279 | 2.18 |
| 30,001 ~ 50,000 | 209 | 8,539,107 | 2.59 |
| 50,001 ~ 100,000 | 143 | 10,444,021 | 3.17 |
| 100,001 ~ 200,000 | 66 | 9,301,663 | 2.83 |
| 200,001 ~ 400,000 | 29 | 7,959,368 | 2.42 |
| 400,001 ~ 600,000 | 7 | 3,307,158 | 1.00 |
| 600,001 ~ 800,000 | 1 | 742,702 | 0.23 |
| 800,001 ~ 1,000,000 | 1 | 806,477 | 0.25 |
| More than 1,000,001 | 8 | 221,446,097 | 67.31 |
| Total | 31,976 | 328,986,229 | 100.00 |

(IV) Major Shareholders

April 13, 2021

| Name of Major Shareholder | Share | Shareholding | Percentage of Shareholding |
|--|-------|--------------|----------------------------|
| Alpha Networks Inc. | | 200,000,000 | 60.79% |
| Standard Chartered International Commercial Bank's business department is entrusted with the pear tree Polaris foreign value small capital fund investment account | | 4,308,800 | 1.31% |
| Fubon Life Insurance Co., Ltd. | | 3,265,000 | 0.99% |
| Davis Cheng | | 2,925,986 | 0.89% |
| Dai-Ying Yang | | 1,170,000 | 0.36% |
| Wen-Feng Liu | | 1,085,801 | 0.33% |
| American JPMorgan Chase is entrusted with custodial JP Morgan Securities Investment Account | | 1,021,510 | 0.31% |
| Wen-Yu Qiu | | 806,477 | 0.25% |
| Amy Liu | | 742,702 | 0.23% |
| Hui-Li Zang | | 516,507 | 0.16% |

(V) Market share price, net worth, earnings, dividend and relevant information for the most recent two years

Unit: NT\$

| Item | | Year | 2019 | 2020 | As of March 31, 2021 (Note 9) |
|-----------------------------------|---|-----------------------|---------|---------|----------------------------------|
| Stock price per share (Note 1) | Maximum | | 29.45 | 28.70 | 27.10 |
| | Minimum | | 18.15 | 14.70 | 21.90 |
| | Average | | 20.58 | 21.80 | 24.39 |
| Net value per share (Note 2) | Prior to distribution | | 15.40 | 15.39 | - |
| | After distribution | | 15.40 | Note 8 | - |
| Earnings per share (EPS) | Weighted average outstanding shares (shares in thousands) | | 321,317 | 321,317 | - |
| | EPS (Note 3) | Prior to adjustment | 0.98 | 0.87 | - |
| | | After adjustment | 0.97 | Note 8 | - |
| Dividend per share | Cash dividends | | 0.52 | Note 8 | - |
| | Distribution of cash disbursement using capital surplus | | 0.28 | Note 8 | - |
| | Issuance of bonus share | From earnings | - | - | - |
| | | From capital reserves | - | - | - |
| | Cumulative unpaid dividends (Note 4) | | - | - | - |
| Analysis of investment returns | PE Ratio (Note 5) | | 21 | 25.06 | - |
| | Price to dividend ratio (Note 6) | | 25.73 | Note 8 | - |
| | Dividend Yield (Note 7) | | 3.89% | Note 8 | - |

Note 1: List the highest and lowest stock prices of each year. Compute the average stock price according to turnover in value and trading volume.

Note 2: Indicate based on the number of stocks issued as at year-end, and computed according to the distribution per the resolution of the Shareholders' Meeting in the following year.

Note 3: If retrospective adjustment is needed due to bonus shares, EPS prior to and after adjustments should be presented.

Note 4: If the terms of issuance of equity securities stipulate the unpaid dividend of the year can only be cumulated and disbursed in the year where the Company is profitable, respective disclosure on the cumulative unpaid dividend for the period should be made.

Note 5: PE Ratio = Average closing price for the period / Earnings per share.

Note 6: Price to dividend ratio = Average closing price for the period / Cash dividend per share.

Note 7: Dividend Yield = Cash dividend per share / Average closing price for the period.

Note 8: The earnings distribution proposal for 2020 is yet to be approved in the Shareholders' Meeting.

Note 9: Net value per share and EPS should be presented using the latest audited quarterly report as of the publication of the annual reports; the rest of the information should be presented using the latest yearly report as of the publication of the annual reports.

(VI) Dividend Policy and Implementation Status

1. Dividend policy as stipulated in the Articles of Incorporation

The industrial environment of the Company is ever-changing and the Company is in a stable growth stage. Its dividend policy takes into consideration its future capital need and long-term financial planning to pursue a sustainable development strategy. The Company adopts an excessive dividend policy and its issuance terms, timing and amount are handled according to Article 29-1 of the Articles of Incorporation. The Company establishes plans according to the future capital demands. When there is a surplus earning at the final account of a fiscal year and when the distributable earnings of the current year reaches 2% of the capital, the dividend distribution shall not be less than 10% of the distributable earnings of the current year, and the cash dividend shall not be less than 10% of the total amount of the cash and share dividends issued in the current year.

Article 29-1 of the Articles of Incorporation stipulates that the earning after tax should be first utilized to offset losses from previous years, and next, set aside 10% of the remaining profit as a legal reserve. However, if the legal reserve is on par with the authorized capital, the Company is allowed to stop allocation to the legal reserve, and allocate to a special reserve in accordance with relevant laws and regulations. If there are earnings left, the Board of Directors can devise an earnings distribution proposal using the remaining amount, together with the cumulative unappropriated retained earnings, and submit to the Shareholders' Meeting to disburse as a cash dividend or retain it. When the earnings distribution proposal described in the preceding paragraph is made in the form of cash dividends, the Board of Directors is authorized to reach resolution and to report to the shareholders' meeting.

2. Proposal to distribute cash dividend at the Shareholders' Meeting:

On March 16, 2021, the company's board of directors approved to distribute 2020 shareholders' dividends per share of approximately NT\$0.66, totaling NT\$212,925,286. And, the company's capital reserve of premium on conversion of company bond will be distributed NT\$0.34 per share, a total of NT\$108,391,943. After a resolution is passed in the Shareholders' Meeting, the Company shall request the Shareholders' Meeting to authorize the Board to determine the ex-dividend record date and make disbursement based on ordinary shares outstanding as at the date.

(VII) The impact on the operating performance of the Company and earnings per share by the proposal of the Shareholders' Meeting to issue bonus shares: Not applicable.

(VIII) Employees Bonus and Directors Remuneration

1. Employees' and directors' compensation policies as stated in the Articles of Incorporation:

Articles of Incorporation, Article 29:

When the Company has a profit at the end of each fiscal year, an amount between 5% and 20% of the profit shall be appropriated as the remuneration of employees, which is to be distributed and issued in the form of shares or cash according to the resolution of the Board of Director, and the recipients thereof may include employees of affiliates satisfying a certain criteria, and such criteria is to be specified by the Chairman.

The Company may appropriate the aforementioned profit as the remuneration of directors, in which the appropriation ratio shall not exceed 1% of the profit of the current year.

If there are previous accumulated losses, the losses shall first be offset before allocating compensation and remuneration to employees and directors. The remaining profits may be allocated as aforementioned. The proposal of compensation to employees and remuneration to Directors must be approved by the Board Meeting, in which two-thirds of the Directors have attended and the majority has concurred with the proposal.

2. The estimation basis of the compensation for employees, Directors, and Supervisors for the current period, the computation basis for the number of shares issued as stock dividend serving as Employee compensation,

and accounting treatments for any discrepancies between the amounts estimated and the amounts disbursed: In pursuant to the Company Act and the Articles of Incorporation, to appropriate for compensation to employees and remuneration to Directors, according to Accounting Research and Development Foundation (96) Explanatory Note No. 052, the Company shall make an estimation when preparing for interim and annual reports, and make recognition under the appropriate accounting categories based on the nature of the compensation and remuneration. Afterward, when the actual disbursement approved by the Shareholders' Meeting differs from the estimation in the financial reports, the discrepancy shall be deemed as a change in accounting estimate and recognized as the profit and loss for the period.

3. Employees compensation proposal passed by the Board of Directors:

(1) For the proposal of earnings distribution for 2020, the Shareholders' Meeting on March 16, 2021 had passed a resolution for disbursement of NT\$34,992,774 for employee compensation and NT\$6,998,555 for Director remuneration, all of which were in line with the estimated amount in the previous fiscal year.

(2) Proposal to appropriate employee stock dividends and the ratio of the total employee stock dividends to the net profit after tax for the current period:

Not applicable as there are no employee stock dividends appropriated for the current period.

(3) Considering the proposal for computing the EPS after the appropriation of employee compensation and Director remuneration: Not applicable as both employee compensation and Director remuneration are expensed off.

4. Actual disbursement of employee bonus and remuneration to Directors for the preceding year (including employee stocks, cash disbursement and share prices). In circumstances where any differences between the actual distributed and recognized amount, the difference, reasons and handling of such matter shall be stated as follows:

(1) For the proposal of earnings distribution for 2019, the Shareholders' Meeting on June 18, 2020 had passed a resolution for disbursement of NT\$24,214,914 for employee compensation and NT\$4,842,983 for Director remuneration.

(2) Where the aforementioned disbursement differs from the employee bonus and remuneration to Directors and Supervisors recognized, the difference in amount, the reasons for the deviation, and subsequent actions taken should be provided: No deviation.

(IX) Share Repurchase by the Company

| | |
|--|---------------------------------------|
| Count of share repurchase | 11th time |
| Objective of repurchase | Confer to employees |
| Type of share repurchase | Common stock |
| Ceiling of total share repurchase | NT\$935,528,378 |
| Estimated repurchase period | December 27, 2018 - February 26, 2019 |
| Estimated number of shares repurchased | 10,000,000shares |
| Price bracket of shares repurchased | NT\$13.13 to NT\$29.36 |
| Type and number of shares repurchased | Common stock/7,669,000shares |
| Amount of shares repurchased | NT\$160,670,084 |
| Amount of shares repurchased to Estimated number of shares repurchased (%) | 76.69% |

II. Preferred Shares: Not applicable.

III. Preferred Shares: Not applicable.

IV. Global Depository Receipts: Not applicable.

V. Subscription of Warrants for Employee: Not applicable.

VI. New Employee Restricted Stock Plans: Not applicable.

VII. Issuance of New Shares Regarding Acquisitions of the Other Companies: Not applicable.

VIII. Execution of Fund Usage Plan:

- (I) Content of plan: the private placement of marketable securities for 2019 amounted to NT\$1,611,000 thousand. The capital raised from private placement was used for factory expansion and purchase of machinery and equipment, and thus strengthening the competitiveness of the Company, increasing operational effectiveness and enhancing the financial structure of the Company. It is thus beneficial to the Shareholders' interest.
- (II) Execution: As of March 2021, the private placement used had amounted to NT\$1,124,965 thousand.

Five. Operational Highlights

I. Business Activities

(I) Scope of business

1. Content of main businesses: R&D, manufacturing and sales of network and telecommunication equipment.
2. Revenue distribution

The revenue based on products for 2020 is as follows:

Unit: NT\$ (thousand), %

| Major Products | Sales revenue for 2020 | Weighted in the operation |
|---|------------------------|---------------------------|
| Network and telecommunication equipment | 10,278,461 | 100.00 |

3. Current product (service) range

Broadband CPE: Cable modem, cable router, cable eMTA, cable modem module, downstream signal/video quality monitor, noise generator, fiber optic data access concentrator, fiber optic network unit, Wi-Fi Mesh network system, digital convergence gateway, MoCA, Network Functions Virtualization (NFV) etc.

System integration service: Mainly providing telecommunication and broadband internet service, Wi-Fi transmission, and system integration service to consolidate digital media, cloud and geographical information.

4. New products development (service)

Using the existing technologies and products as its foundation, the Company continues to develop the following new products:

- (1) 8K Video Gateway
- (2) IoT Gateway
- (3) SD-WAN
- (4) 10Gbps Full Duplex DOCSIS 3.1 Cable Gateway (10Gbps downstream speed and Wi-Fi 6 support)
- (5) Mobile Backhaul
- (6) Hitron Cloud Management System
- (7) Wi-Fi 6, Wi-Fi Extender with EasyMesh
- (8) 3.5GHz wireless base station CBRS Small Cell RAN
- (9) 2.5Gbps/10Gps PON ONU
- (10) Solutions of 5G and mmWave

(II) Industry overview

1. Current and future industry prospects

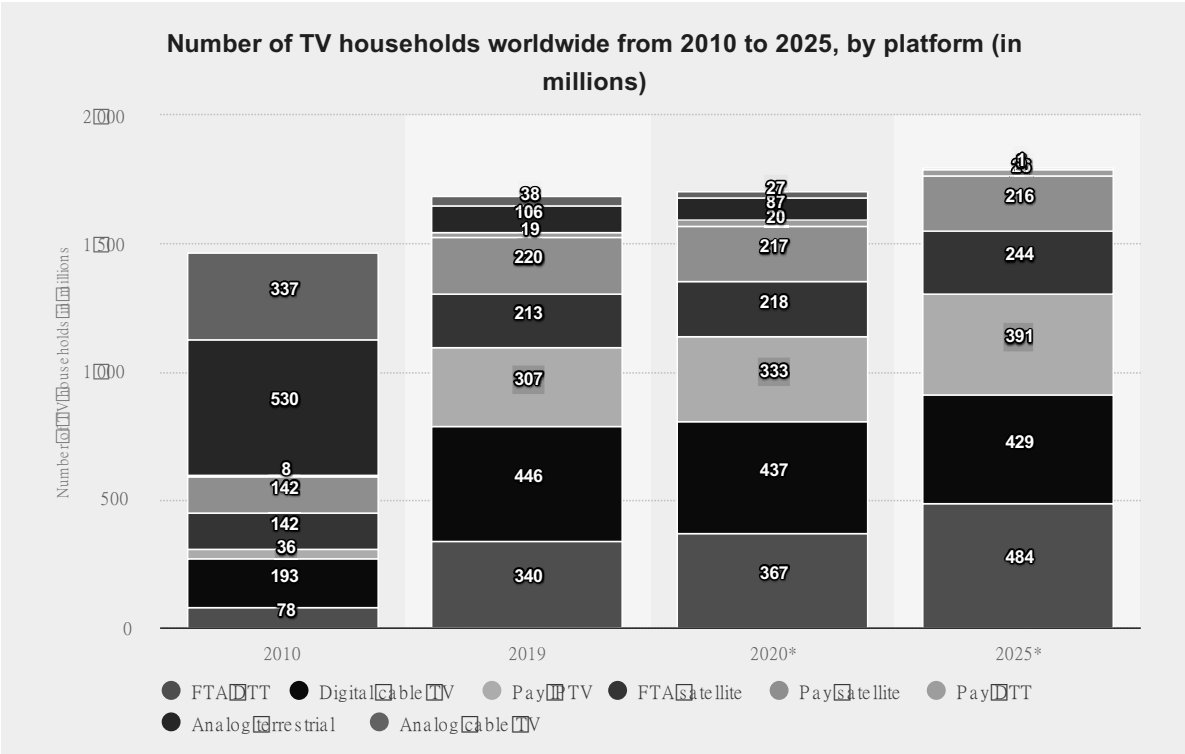


Diagram1 Estimate of Global TV Viewing Technology (source:Digital TV Research)

In 2021, the cable TV viewers which comprise 35% of total global viewers would still be the majority (see Diagram1 Estimate of Global TV Viewing Technology). However, in emerging countries, ground-based wireless TV viewing would grow rapidly.

FromDiagram 3 The Change in Viewership by Region and Impact Affected by OTT TV, Netflix evidently poses a strong threat toward cable TVs in North America and western Europe. Globally, between 2016 and 2021 (within five years), cable TV is estimated to grow by 33 million viewers, slightly more than Netflix of 26 million viewers. However, a single large scale service provider such as Netflix is in the OTT market.

It is estimated in 2020, 8K television will be ubiquitous. The optimism in estimation was rooted in the ability of 8K display technics in incorporating 4K content with AI into the 8K television. The ubiquity of 8K television would not be limited by the content of 8K. Compounding by media content made using 8K cameras, 8K smart mirrors, 4K/8K mobile phones, 8K would become very accessible. Further, Youtube, Netflix, NHK and other viewing platforms are expediting the ubiquity of 8K content. In 2023, it is estimated that 8K televisions will comprise 3% of the global television market. Transmission of 8K visual and audio content on the internet, depending on compression technology, requires broadband of 50Mbps to 100Mbps. The requirement of broadband users naturally raises to 1Gbps. A stable 1Gbps broadband connection would require an external 10Gbps internet network.

The application of virtual reality (VR) is another source of broadband need. To ensure that VR users would not feel dizzy, the frame rate must exceed 45FPS. To enjoy VR comfortably, the frame rate must be between 90FPS and 120FPS. The broadband need would thus raise from 400Mbps to 2.35Gbps. VR is foreseen to be applied in education, medical treatment, gaming, and entertainment.

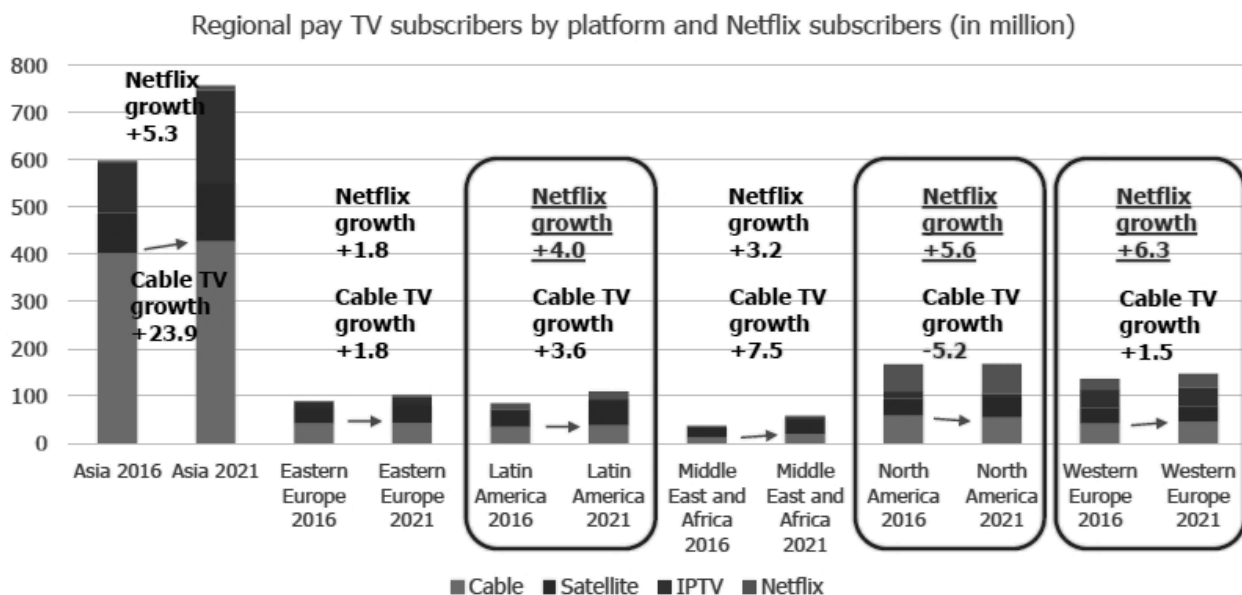


Diagram 3 The Change in Viewership by Region and Impact Affected by OTT TV (Source: SNL Kagan and Digital TV Research)

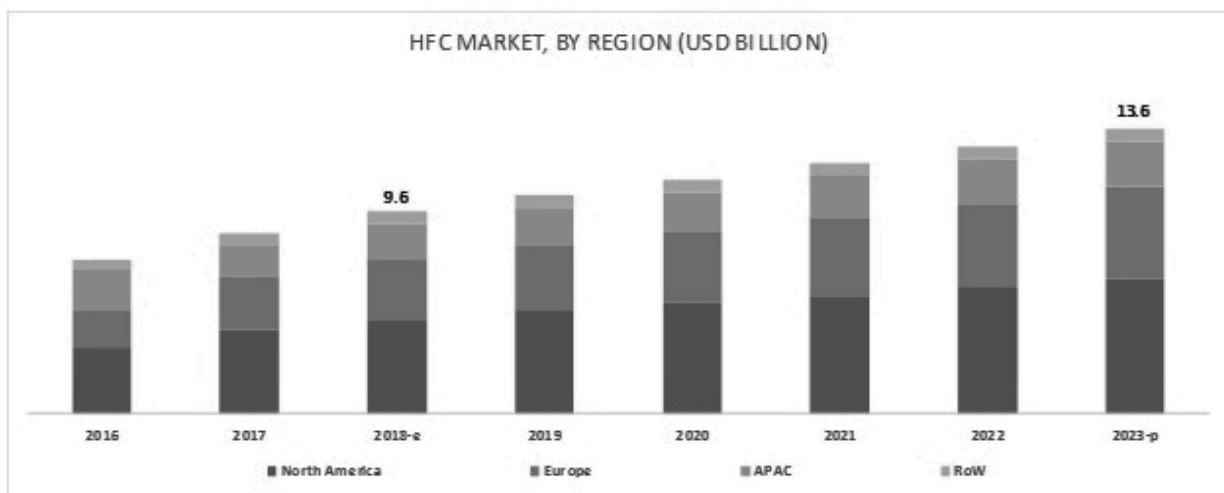
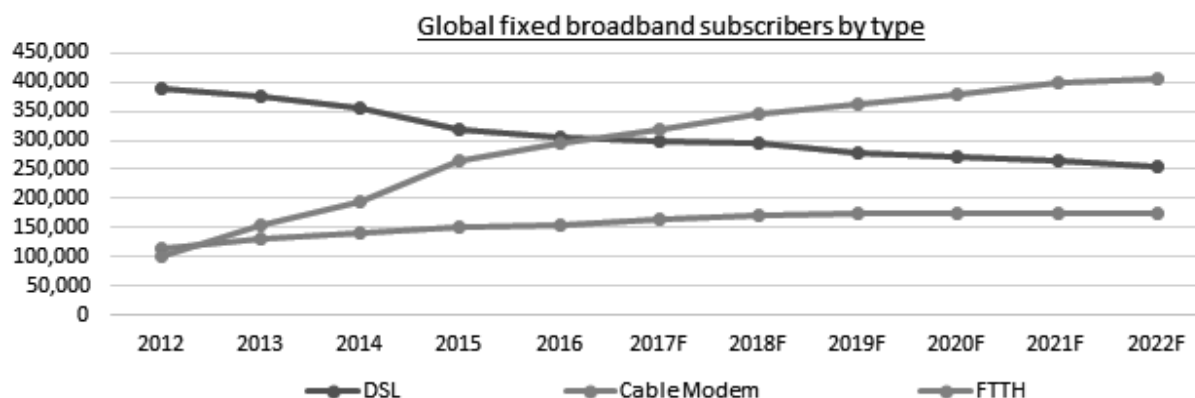


Diagram 2 Estimation of Global Output Value of the Cable TV Industry (Source: MarketsandMarkets)

In 2017, broadband via cable grew by 2.7 million users in North America. However, Telco broadband fell by 625 thousand users. Last year, the revenue from broadband grew by 130% for TV service providers in North America. According to the report of Leichtman Research Group, 14 large scale cable and telephone service providers in the US (95% of the broadband business in the US) saw an increase of 2.1 million broadband users in 2017. The increase was lower than the growth in 2016 of 2.7 million users. In the entire US, the top broadband market consists of a total of 95.1 million users. Approximately 61.2 million users use cable internet. Telecommunication broadband consists of approximately 33.9 million users. In the next several years, (see Diagram 2 Estimation of Global Output Value of the Cable TV Industry (Source: MarketsandMarkets)) it is foreseen that the largest market would still be the North American market, followed by the European market and the Asia Pacific market.

When the bandwidth of broadband service raises to Gbps in a unit, the monthly broadband subscription fee for households would range between US\$70 and US\$140. The difference is mainly due to the competition between the local service providers. However, such a fee range represents the advent of broadband service in Gbps. North America will first change, and Europe, Japan, and Korea will be next. Nevertheless, the

broadband service in Gbps is not without weakness. Currently, many households face a shortage in VR and 4K content services. As such, the growth of users would not be as fast as it used to be. Cable TV service providers would make use of such investment on market segmentation of corporate users and Mobile Backhaul, because this market has a great need for broadband and the profitability is high. As such, the low-priced high-speed internet service is a good backup service, presenting business opportunities to the broadband service providers, commercial users of new corporate service providers and SME users in North America.



Source: Broadbandtrends, Global Market Outlook Report for Fixed Broadband Subscribers (2016-22)

Diagram 4 Estimate of Global Hardwired Broadband Users (Source: Broadbandtrends)

In certain regions, some broadband service providers have rolled out broadband service in 2Gbps. Take the US for example. The monthly subscription fee for service in 2Gbps amounts to US\$300. In HK, the fee ranges from US\$218 to US\$318. In Taiwan, some providers plan to roll out service in 2Gbps in 2025. For equipment manufacturers, for service in 10Gbps, 10Gbps EPON products have since been made available. Cablelab from the US set the specification of the next-generation 10Gbps as the new standard for DOCSIS 4.0.

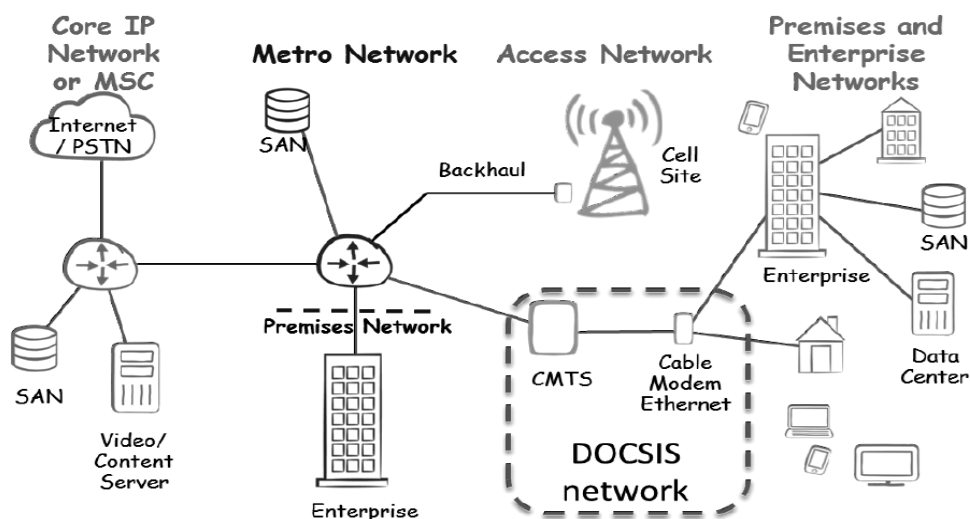
Meanwhile, what broadband service providers find unfair is that higher bandwidth requires a large investment in the construction of infrastructure, but the monthly subscription fee has since gone down year by year, while cloud service providers such as Google, Amazon, and Facebook have taken or are taking a lion share of the profit. Cloud service is needed by end-users. Therefore, the broadband service providers incorporate services of Apple, Google, and Amazon into their offer to increase revenue and profit, as well as binding the users to their services.

The existence of the internet has changed many traditional industries. The traditional pay-TV market is shrinking. Globally, the traditional cable and satellite pay-TV market is shrinking at a rate of 3% per year. Such a trend is also noted in the reports of Kagan and S&P Global Market Intelligent. However, this does not mean that the viewers of traditional pay-TV change from satellite and cable TV to the internet to viewing the pay-TV. The viewership of traditional internet pay-TV is also falling, but the rate of falling is lower than the satellite and cable TVs. The most affected are the satellite pay-TV. For example, in 2017, AT&T lost 147,000 Direct TV satellite TV viewers. Meanwhile, Dish Network lost more than 110 thousand viewers. This was due to content providers of traditional pay-TV provided digital content via the internet, causing the subscription model for the traditional channels to be replaced by the free selection model. Through broadband internet service, some providers can collaborate with streaming service providers like Netflix, TiVO, Amazon, or Apple to reach the viewers. However, traditional viewing is the main revenue source of cable and satellite

TV. As such, they must quickly find a new revenue source and profit-making method. This is evident in the annual reports of some of the cable TV businesses. For example, in 2019, the overall revenue of Comcast Communication amounted to US\$58.082 billion, up by 3.7% as compared to US\$56.033 billion in the preceding year. Of which, the monthly broadband subscription fee revenue amounted to US\$18.752, down by 0.8% as compared to the preceding year. However, revenue from corporate users amounted to US\$7.795 billion, up by 9,3%; revenue from mobile communication amounted to US\$1.167 billion, up by 31.2%. The content service amounted to US\$22.27 billion, down by 2.1%.

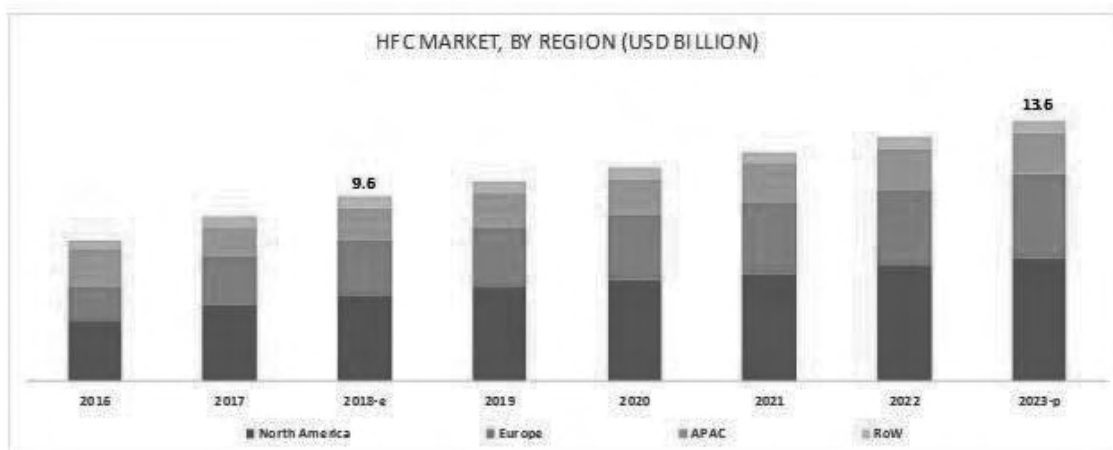


Some cable TV businesses have managed to build a viewing platform successfully, integrating terminal facilities and other content service provider via cloud management platform, and providing one-stop integrative services. When users apply for broadband services, they can apply for a selection of new generation content at the same time and are not limited to one viewing platform. Further, due to the integration of infrastructure, the quality of one-stop integrative services is much more guaranteed than separate applications for different contents. Moreover, the cloud management platform operator can reduce the number of complaints during internet congestion, occurrences whereby users threaten to cancel, and costs. As such, the ability of terminal infrastructure to be managed and incorporated into cloud management is a must in the future.



In addition, as mobile communication becomes the mainstream internet service, some cable TV businesses are venturing into mobile data and value-added network services. Other businesses possess the service framework and licenses for both cable TV and mobile communication service. Cable TV businesses that do not own mobile communication infrastructure will adopt a mobile virtual network operator (MVNO) model to lease the broadband use from mobile network operator (MNO) and re-sell to consumers. The US Comcast launched Xfinity Mobile as followed the mode of MVNO. In 2019, the U.S. cable companies Comcast and Charter both had double-digit percentage growth in customers and revenue of mobile communications service. Firstly, the integration of mobile communication users with cable TV viewers has reached economies of scale. Secondly, data flow and backbone fees must be incorporated as revenue items. In other words, the existing cable TV infrastructure must translate to the new subscriber of mobile communication. However, the revenue from mobile communication is not sufficient to support the expenditure on a large scale or aimless construction of the base station. Therefore, some cable TV providers set their eyes on the corporate private network, Citizens Broadband Radio Service (CBRS) to reach their target market, because the target customers are concentrated, the ROI of infrastructure can be estimated, and it is a blue ocean where existing mobile communication service providers have not taken up much profit. In 2020, the Federal Communications Commission (FCC) approved the business use of CBRS. The approval is expected to be beneficial for the cable TV businesses to fight for the market share of the mobile communication industry.

DOCSIS 3.1 provides the downlink frequency of 5Gbps. The uplink frequency can reach up to 1Gbps, which provides sufficient backbone capacity to corporate and mobile communication users. The standard of DOCSIS 4.0 which governs the stage one FDX DOCSIS confirms to increase the downlink and uplink frequencies to between 108 MHz and 684 MHz and is expected to provide a “two-way,” approximately 10Gbps service. Looking back on 2020, in mature markets like North America and Europe, service providers rolled out broadband service of 500Mbps to 1Gbps. The sales of DOCSIS 3.1 has taken up more than 55% of total sales and will continue to drive high-level hybrid cable modems that integrate voice, data, content and residential internet access, to provide users not only with high-speed internet and cable TV programs, but also the recording of other channels simultaneously, and supporting the transmission of content to mobile devices, notepads, and other network terminals. Further, the service providers in mature markets have gradually adopted the standard of DOCSIS3.1 for terminal devices. More cable TV service providers are launching Hybrid Fiber/Coax (HFC) internet service that combines the DOCSIS 3.1 technology and fiber optics, so that without constructing more optical fiber infrastructure, higher speed broadband internet service can still be provided to users. Due to the aforementioned factors, the output value of the global cable CPE would still be growing.



With broadband service provider no longer offering simple broadband service and instead of venturing into the application of IoT, so as to launch various cross-platform smart home/community-related application service via the integration of fixed network and mobile communication networking infrastructure, and with the mobile networking and cloud service gaining popularity, the concept of integration -- IoT has become the focus of development of various corporations in the near future. IoT is not a brand new conception and product. When the internet became popular, electronic appliance manufactures had already come up with the idea. However, the opportunity is only maturing now as compared to before. Its objective is to link devices through radio frequency identification sensing equipment to IoT, implementing smart identification and management. As the internet is more ubiquitous than ever, use of personal mobile devices is prevalent, equipment costs decreasing substantially, platforms from Apple IOS, Google and Amazon offering value-adding software and services, and industry chain becoming more complete, from facilities, services, content to financial integration, the product and service systems are maturing.

Meanwhile, corporates apply IoT technologies extensively and widely used products are applied in different markets. Cases in point include medical equipment, factory automation and industrial robotics, monitoring sensor installation to increase agricultural output, car automation and infrastructural monitoring systems for different areas, such as streets, railway transportation, water and electricity supplies. IoT industry includes the making of hardware and embedded software, telecommunication service and IT services related to IoT.

Currently, most broadband service providers use hybrid access to provide for the last mile wire layout. The internet service providers provide the optical fiber, copper wire transmission, and even services through integrated wireless transmission platform. The traditional operating model of single access or old transmission method has since disappeared. The difference among the service providers is diminishing gradually, leading to even more cutthroat competition.

Our country is the main production settlement for cable CPE manufacturing, comprising more than 80% of global output. The cable CPE manufacturing of our country consists of serving as OEMs for system products, and as brand operators. So far, no other countries or production settlements have emerged to threaten the status of our country. Further, in Taiwan, there is a growing number of manufacturers who bypass brands and get in touch with MSO directly to solicit orders, thus making the Taiwanese manufacturers to quickly come up with product design and manufacturing capability, which helps maintain their product profitability.

For this industry, in terms of comparison of output value or production volume, Taiwan has been the most important R&D and production site globally.

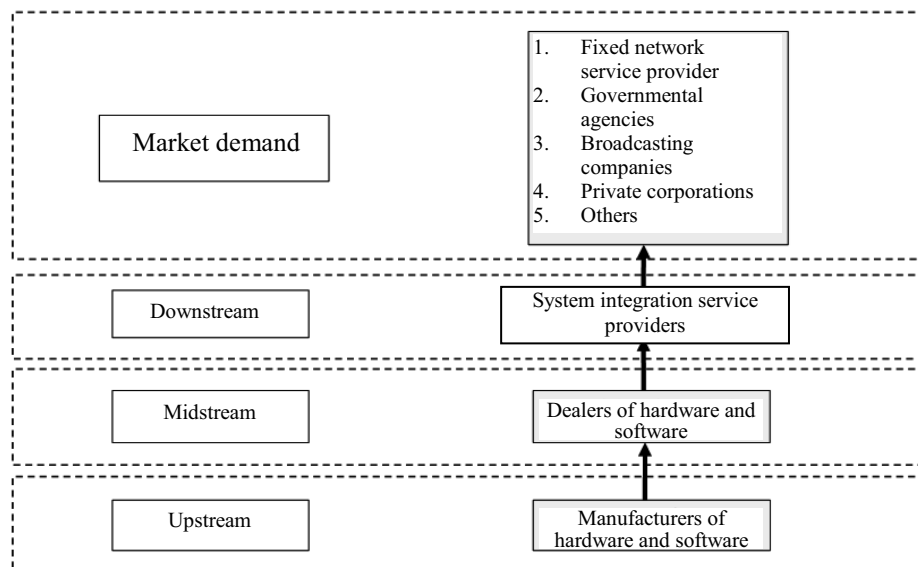
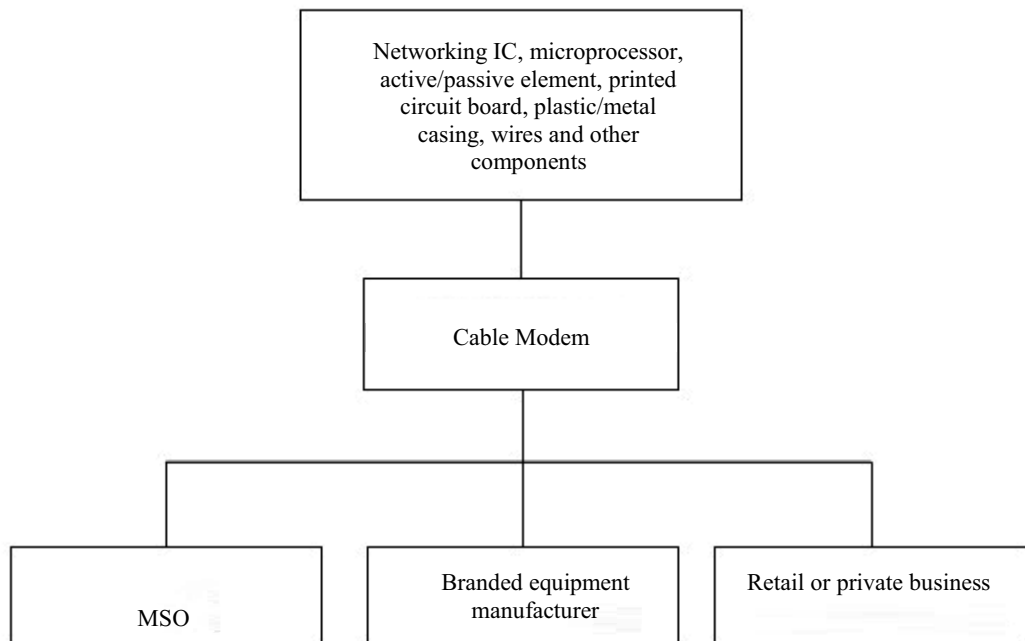
Due to the high cable laying cost and time consumption, the entry barrier for manufacturing cable CPE is relatively higher. Looking at the future outlook, globally, the current number of cable modem users is fewer than ADSL's. However, with the ubiquity of the digitalization of cable TV, compounded by the increase in wire broadcasting users, the revenue of the global telecommunication market will continue to grow. Further, the cable modem is being integrated into the communication module of the set-up box (STB), and the development of DOCSIS technology drives the trend of renewing devices. This development may be where the growth of cable modem lies in the future, especially for large cable user markets, such as the US, Korea, and Japan.

The first batch of 5G products was launched at the end of 2017. Large scale business operation is expected to occur in 2020. The intention of Korean, Russian, and Japanese businesses in building 5G framework is strong, as they hope to showcase their technological prowess in sports events (e.g. PyeongChang 2018 Olympic Winter Games, 2018 FIFA World Cup in Russia and Tokyo 2021 Olympic Summer Games). The 5G target market in Taiwan should set on constructing a mobile networking service for specific areas.

2. The connectivity of target customersservicescontent and supply chain

According to services, the Company re-deconstructs the supply chain of the cable TV industry and no longer positions the value of the Company in terms of a single terminal equipment supply chain. Supplying target customers with in-house brand products requires substantial operating costs. Increasing revenue and profitability for the costs incurred requires an integration strategy, which besides the existing vertical integration business strategy, can enhance the product standard. This is because from the point of view of the customers, they would go for the double equipment supplier while reducing the total number of suppliers strategy, reducing the risk of equipment supply, increase the room for price bargaining and reduce operating costs. As such, if a single equipment supplier is unable to provide more supply for other equipment or services, its revenue will fall while the operating costs remain the same.

The establishment of sales channels requires the time and cultivation of professionals and relationships. The development of new products takes time as well. The building of a brand also requires focus and professionalism. The capability and knowledge of product line and professionalism must also in tandem with the needs of customers.



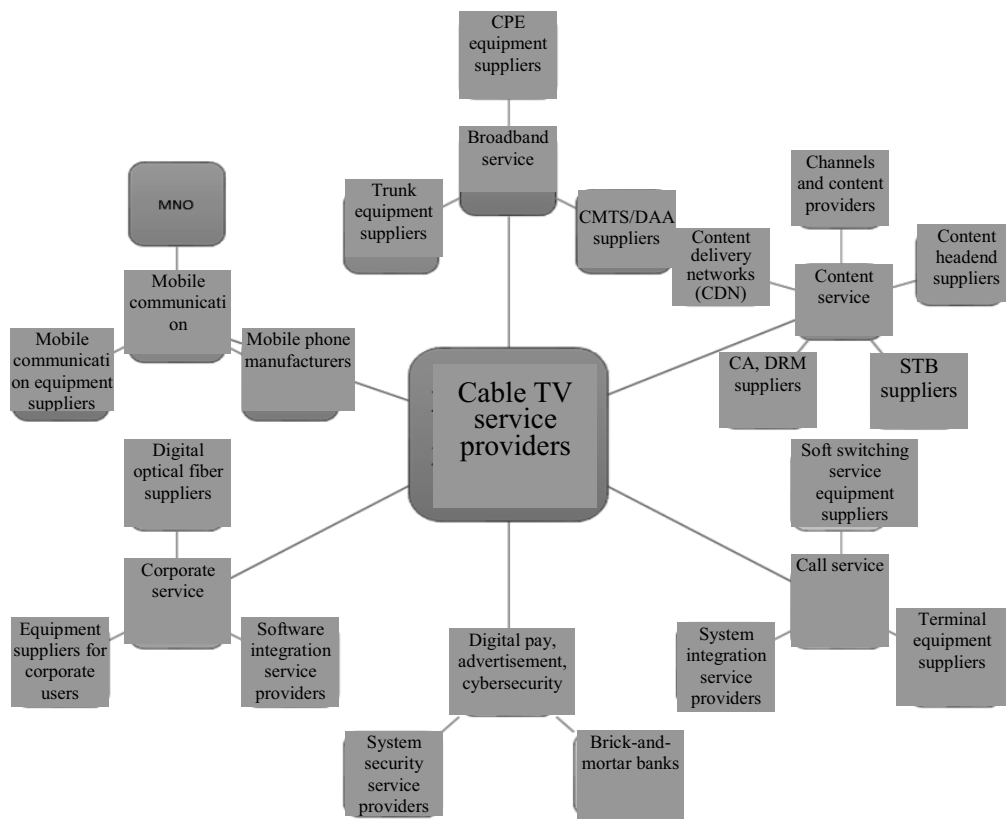


Diagram5 Relationship between services provided to target customers and supply chain

3. Product development trend and competition

CableLabs released the standard for DOCSIS 4.0, supplementing and amending previous generation technology, DOCSIS 3.1. The average downloading and uploading rate can reach up to 10Gbps, including the full-duplex DOCSIS (FDX) which allows the downloading and uploading data to flow in the same band. Further, it has a low delay (target <1ms) and a new DOCSIS (EDS) function of expanding the band to support HFC 1.8GHz (expanded by 600MHz as compared to DOCSIS 3.1) internet data flow. The DOCSIS 3.1 products will take up more than 55% of total sales in 2019. From DOCSIS 3.1 and DOCSIS 1.0 to DOCSIS 3.0, the difference is substantial, with the main difference being DOCSIS 3.1 changing the way frequency is categorized. The uplink frequency has increased from the existing 42MHz to 204 MHz while the starting point of the downlink frequencies has increased to 258 MHz and the ending point has increased to 1218/1794 MHz. This means that the amplifier and splitter at the trunk must be changed. Further, the telecommunication law of the country and the timetable for the re-allocation of the frequency spectrum are filled with uncertainty. The modulation method is going to change to orthogonal frequency division multiplexing (OFDM), which means the use of the existing headend equipment must be discontinued and the service providers must make large scale investment again. In the early stage of introducing DOCSIS 3.1, the market may use 32 downstream DOCSIS 3.0 downlink channel bundling to provide the highest speed service, as the headend equipment is unable to support DOCSIS 3.1 yet. The CPE products for the end-users will be launched in the market first. The specification of the products will also be limited to the existing frequency spectrum. This is similar to the introduction of DOCSIS 2.0 previously. The CPE for the end-users will be ahead of the headend market. However, in the foreseeable future, only optical fiber networks can match it.

| Percentage of end-users of the supplier that use DOCSIS 3.1 | Percentage of the total number of interviewed businesses | |
|---|--|-------------|
| | End of 2017 | End of 2018 |
| Less than 20% | 49% | 17% |
| 21% to 50% | 46% | 57% |
| 51% to 75% | 3% | 20% |
| 76% to 100% | 3% | 6% |

Table 1 In 2017, Kagan interviewed users of 35 cable TV businesses that use DOCSIS 3.1

Hitron Technology has accumulated many years of research and development strength, and the research and development team has deeply captured the confidence and loyalty of customers with customized research and development services. In the future product development, using its existing technologies and products as its R&D basis, the Company will integrate multimedia and diversified service medium with service platforms, providing the broadband products and integrated services, such as Hybrid Video Gateway, SMB Gateway and other diversified terminal equipment of IoT that support content transmission through ultra-high frequency.

Apart from broadband, wireless telecommunication network is the most important demand. In the development of application software, the software design capability of the businesses in our country is one of the best globally. Therefore, for a wireless telecommunication network, in addition to the four capabilities of broadband network, the technological capability of the businesses in our country include the capability of designing the value-adding service of the application software.

Many domestic competing cable modem manufacturers are gradually merging and acquiring one another or bowing out of the market altogether. The main OEMs are Foxconn, Pegatron, Sercomm. Companies with in-house designers are Hitron, CBN, etc. In the future, the Company will develop products that timely cater to market needs, integrating further with customers' processes, providing value-added services to customers with innovation, and pursuing higher quality in products. We expect there is more room for growth in the future.

(III) Technological capability and R&D

In 2018, Hitron Technologies will upgrade the Ethernet interface at the user end to the expansion speed of 2.5Gbps. The PC and notebook interface of end-user provided will be 2.5Gbps as well globally. The new 802.11ax standard of Wi-Fi 6 is also introduced in home-used Wi-Fi. With the main terminal equipment, it can produce a better wireless telecommunication coverage. Users will increase the mini Wi-Fi access points (APs) for the wireless mesh network (WMN). Hitron Technologies will design and manufacture pure wireless APs, and hybrid APs with Wi-Fi and cable network capacities that integrate them with the existing router production line. With the introduction of cloud computing, AI and other technologies, Hitron Technologies will incorporate remote control and telecommunication interface into the new design of network analyzer, providing network analyzer with positioning and range forecast troubleshooting to service providers, and thus giving more value-adding services and functions to new products.

1. Yearly R&D expenditure and the latest successfully developed technologies or products for the most recent year until the publication date of the annual report

Unit: NT\$ (thousand)

| Item \ Year | 2020 | Until March 31, 2021 |
|---|--|----------------------|
| R&D expenses | 384,247 | 98,478 |
| Successfully developed technologies or products | 1.DOCSSIS 3.1 Cable Wi-Fi Gateway: CODA-4680, CODA-4589, CODA-4514, CHITA; DOCSIS 3.0 Wi-Fi 24x8 Cable Gateway CGNV4-28, HUB4, CGNV4-FX4; DOCSIS 3.0 Wi-Fi 16x4, CODA-5712 2.DOCSSIS 3.1 Cable 802.11ax Wi-Fi Gateway: CODA-552X, CODA-553X 3.DOCSSIS 3.0 Cable Network Probe: CGN-DP2, DOCSSIS 3.1 Cable Network Probe: CGN-DP3 4. Optical fiber voice gateway: SVE-3710 5. Outdoor DOCSIS 3.1 Cable Modem: COMA, CHOE. ODIN-1112 6. Wi-Fi 6 Extender ARIA2210, ARIA3411 | |

(IV) Long and Short Term Business Development Plans

1. Short Term Business Development Plans

- (1) Marketing strategy: Continue to expand the existing market by providing products with stable functions and high quality to cater to customer needs, timely provide customization of product specifications to create a 100% top-grade service. In the short term, Hitron Technologies will actively engage service providers to develop products that can increase operational effectiveness. Via the channels of existing brands, the product design will be adjusted to cater to the needs of service providers in terms of profitability and services.
- (2) Increase in product quality and cost reduction: the factory in Vietnam will serve as the production base of Hitron, striving to improve in-house R&D and production technology and increase product quality. To counter the increase in labor costs in Mainland China, the Company will strive to introduce automation, reduce labor needs and improve production capacity, in order to lower production costs and increase the room for profitability.
- (3) Reduce the percentage of customers and products that require a longer development period, so as to increase profit realization from investments and assets.
- (4) Increase the sales of innovative and high value-adding product lines.

2. Long Term Business Development Plans

- (1) Continue to develop cable modem and system integration service, start to venture into integrating products with value-adding services, cloud, and AI big data.
- (2) Expand the scale of a product based on existing products by instilling the results of in-house R&D, so as to master the core technology that can be the lead company in the industry. The scale of the market shall expand globally, catering to customer needs in terms of both cable and wireless products.
- (3) Develop new products and customers in new markets, effectively mitigate risk by diversifying customer groups and regions, and obtain long-term stable ordering to maintain the yearly growth target.
- (4) Continue to explore new opportunities for growth and cross-industry consolidation, develop products related to home-used network gateway and other module inserted TVs that cater to the digital needs of households.

II. Production and Market Analysis

(I) Market Analysis

1. Sales (Service) by Regions

Unit: NT\$ (thousand)

| Region \ Year | | 2020 | | 2019 | |
|-----------------------|----------|------------|--------|------------|--------|
| | | Amount | % | Amount | % |
| Sales domestically | | 2,230,343 | 21.70 | 2,252,527 | 21.82 |
| Sales Internationally | Asia | 198,314 | 1.93 | 186,281 | 1.80 |
| | Americas | 7,239,467 | 70.43 | 7,613,126 | 73.73 |
| | EMEA | 610,337 | 5.94 | 273,566 | 2.65 |
| | Others | - | - | - | - |
| | Subtotal | 8,048,118 | 78.30 | 8,072,973 | 78.18 |
| Total | | 10,278,461 | 100.00 | 10,325,500 | 100.00 |

2. Market Share

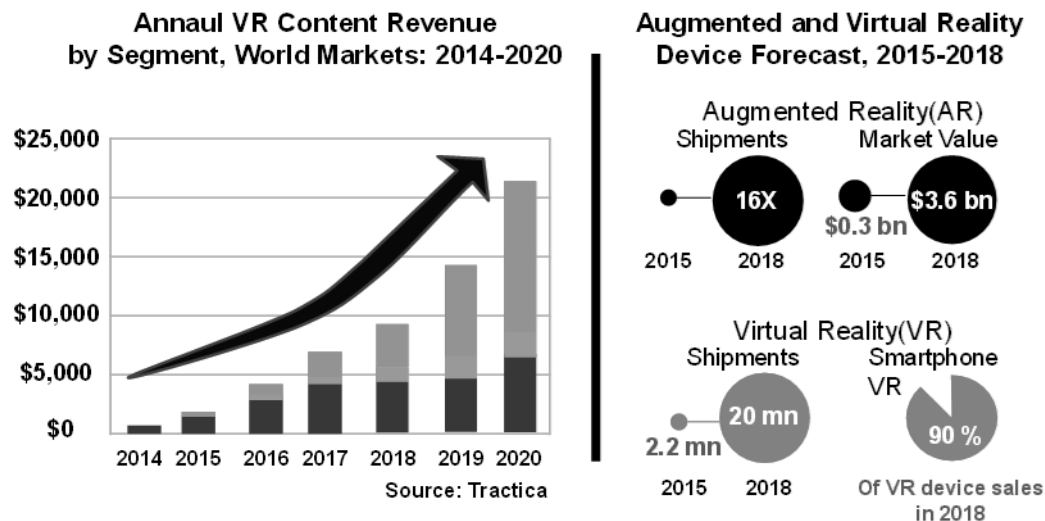
Since 2008, Hitron Technologies has strived to develop in-house brands and provide localized services. In recent years, as customers have widely accepted our product design, functions and quality, the Company has achieved economies of scale and is invited to take part in bidding for high-level mainstream products. Currently, the sales of Hitron Technologies rank number three to four in Taiwan in terms of the export of cable modem products. Of which, more than 70% of the products contain wireless networking function and are deemed as high-level home-used routers. Some customers apply them in SMEs or connecting subsidiaries. Due to the consolidation of in-house R&D, manufacturing and sales of cable modems and system integration service to a one-stop-shop, the Company has more competitive advantage than other cable modem OEMs in the country, such as Foxconn, Pegatron, Askey, Sercomm. Companies with in-house designs are Hitron, CBN. Our main difference is reflected in time-saving and effectiveness in communication, allowing the Company to win over the ultimate users and make direct sales to them. In the future, the Company will develop products that timely cater to market needs, integrating further with customers' processes, providing value-added services to customers with innovation, and pursuing higher quality in products. We expect there is more room for growth in the future.

In 2020, most of the cable TV service providers used DOCSIS 3.1 equipment globally. DOCSIS 3.1 equipment comprised more than 70% of the Company's total sales. With the upgrading to Wi-Fi 6 and the 2.5Gbps Ethernet, the sales of DOCSIS 3.1 products will be driven by the emergence of new products that triggers demand to change devices.

3. Future market supply and demand, and growth

- (1) In the internet era, the ubiquity of broadband can increase the overall competitive advantage of a country. As such, due to the ever-increasing internet users, the need for broadband internet equipment continues to grow, so as to cater to the need of cable TV service providers.
- (2) Automation in households has significant growth potential. The main application lies in home security, home automation, health care and treatment, and smart grid.

- (3) In response to the global digitalization phenomenon, the need for integration of many high-level functions at the end-user equipment is getting more evident. The upgrading of DOCSIS version continues to grow, and thus the global market is expected to grow significantly.
- (4) The application and need for augmented reality (AR) and Virtual Reality (VR) are starting to pick up. The need for internet bandwidth will grow by more than six times, and thus a higher bandwidth technology is in demand.
- (5) Internet from 1Gbps to 2.5Gbps or 10Gbps is becoming ubiquitous.



4. Niche market

The Company can grow in a competitive telecommunication and broadband service market and take up a certain percentage of market share due to the following after an analysis of its niche market strategy:

- (1) A strong R&D team that create a niche

The Company closely follows new technologies such as hybrid cloud computation, big data and AI, and consolidates existing technologies to prepare for the advent of an era where future communication and software-defined network (SDN) are closely integrated.

- (2) Building brand awareness, adding application value and system integration to products

The Company acutely masters telecommunication technologies, the trend of development, while gradually building a well-oiled sales network and servicing group, which can increase professional value-add. This will not only provide an integrative solution to customers but also reduce operational and service costs, creating a three-way win for users, Hitron Technologies, and customers.

- (3) Professional talents with high qualification and experience that can create high productivity

To meet the goals of strengthening technologies and developing the international market, the Company consistently hires professional talents with high qualifications and experience. Take R&D researchers, for example. 100% of the personnel possess at least a bachelor's degree. 50% of them possess at least a master's degree.

- (4) Consistently reduce costs and increase the room for profitability

With an increasing fuel price and standard of living, the survival of companies and their profitability is threatened. New technology is consistently applied to reduce costs and search for new substituting components and manufacturing process. In the future, it will also be beneficial to resist inflation and improve profitability. High automation will reduce the labor need and robots will increase production effectiveness and enhance product standardization.

- (5) Improve cost-performance ratio

When the costing is optimal, to avoid hurting profitability, the Company should not continue to engage in a price war. Instead, it should improve cost-performance ratio. For service providers, services include after-sale service, maintenance, response time to feedback, delivery and tax services. Helping service providers to save costs should be taken into consideration. For example, delivery of products to end-users on behalf of service providers can reduce the storage, dispatch and management costs for service providers.

(6) Vertical integration of production, sales and R&D

Vertical integration of sales and production is an evident costing advantage as opposed to foreign competitors. Further, effective sales channels can shorten the delay from ordering to delivery. The risk of raw material wastage is lowered. Once R&D and sales are vertically integrated, the Company can timely cater to customer needs. When production and R&D are vertically integrated, the Company can effectively improve product quality and production effectiveness.

5. The favorable and unfavorable factors, and countermeasures

(1) Favorable factors

A. Obtaining certification of various countries

Many cable modem products of the Company have passed the DOCSIS1.0/1.1/2.0/3.0/3.1 certification of CableLabs, which is helpful in market development and maintaining technological advantages.

B. Regulations and intellectual property law in securing R&D technologies

The domestic trading regulations and intellectual property law compel businesses to acquire new technologies and invest in R&D, securing the protection of technologies and contributing to the growth and continuance of the Company. The Company possesses a strong R&D team. Currently, it has actively developed transmission products, such as products related to FTTH and Wi-Fi Mesh. The results are promising.

C. The sales channels are well run. Subsidiaries have been established in Mainland China, America, and Europe.

The Company has established many subsidiaries all over the world to conveniently provide technical support and advisory services to their respective regions, giving customers and sales agencies the most accessible and complete services. Establishing regional offices is also part of the Company's plan, so as to further the sales and technical support network.

D. Key innovative technological breakthroughs

The Company has invested in R&D for well over ten years, accumulating new techniques needed in telecommunication technology, message coupling and de-coupling techniques on ASIC and noise-canceling techniques, all of which are core competitive advantage in constructing future telecommunication infrastructure. In recent years, cloud platforms and artificial intelligence (AI) have been introduced in equipment management and service optimization. Except to equipment sales, a new business of charged software services (Software as a service-SaaS) has also been launched.

E. Development of home-based internet/automatic products to cater to market needs.

Nonetheless, the product level has advanced from home networking to home server, or even home automation. In which, home automation sees the greatest growth. For service providers, this helps raise the monthly average revenue per user (APRU) and will reflect in the revenue made off the broadband services. From the point of view of the user, the needs are mainly in home security, home automation, health care and treatment, and smart grid. Currently, the number of machines is at least four times greater than the number of people. This marks a great market potential for the Company.

Hitron possesses first-mover advantage and a comprehensive understanding of users' habits as compared to other platforms and has thus accumulated a large number of application software and product design that provide users with direct interaction and integration with other related information.

(2) Unfavorable factors and countermeasures

A. Merging and acquiring capability that is lagging behind international brands

Countermeasures:

- a. To acquire the niche for its products, the Company shall develop its services and application framework on the niche of the cable modem. The market potential for its products remains promising. As such, in terms of operational strategy, the Company strives to maintain an advantage in its profits, and even expand the niche market share. The Company will make use of the economies of scale accumulated in the niche market to acquire an advantage in cost, to apply pressure to other international brands.
- b. In terms of product functions, the Company must increase new functions or interface to prolong the product cycle life, while focusing on catering to customer needs to maintain its advantages.
- c. Medium to large businesses continue to merge. Their economies of scale will create a substantial difference in terms of cost.
- d. The Company shall consistently develop new technologies and collaborate with suppliers.

B. The shortage of key components is becoming more and more serious, and the components still need to rely on imports

The source of supply of the main chip based on the beginning of the 2020 is under the influence of the US-China trade conflict, coupled with the global shortage of COVID-19. Therefore, in the year 2020, the company can continue to handle the source of the main chip to reduce the main disadvantages. Currently, the domestic high-tech product development is in a mature stage. However, some of the main components, such as ASIC etc. still require importing from large international suppliers.

Countermeasures:

- a. The Company shall strengthen the long-term relationship with suppliers, closely monitoring the change in the upstream industry to obtain the information regarding the supply of raw materials, so as to maintain flexibility in the production schedule and tying down of capital or interruption of raw material supply.
- b. Seeking for design diversity and variety to avoid single supplier

C. Inflation in raw materials and an increase in labor costs

Countermeasures:

- a. The Company extends the preparation time for raw material. Due to the expectation of rising prices, suppliers would stockpile inventories, hoping to make a greater profit subsequently. To avoid the interruption of raw material supply, the Company will increase the preparation time for raw material. However, the shortfall is that inventory turnover will be lowered and more capital will be tied down.
- b. Increase automation. To replace labor with robots.
- c. Expand the scale of the market. Accumulate more price bargaining chips.
- d. Sourcing for substituting materials and suppliers.

D. CSR regulations

CSR is a new concept that is trending in the mid to late 20th century. The influence that large corporations possess, corporate image, pressure from NGOs and international regulations imposed

on exports documented on CSR reports have become the competitive advantage in sustainable development that corporations pursue. Companies showcase their management results, improvement of corporate image and the communication medium with stakeholders by issuing CSR reports. Internationally, the more common CSR standard is as follows:

Global Reporting Initiative (GRI) G3: Provides the preparation principle for sustainable development report writing and standard for disclosure. The reporting comprises three major aspects in voluntary disclosure framework in the economy, environmental protection and social, providing a guideline for sustainable development reporting that is applicable internationally and thus standardizing the reporting of different regions.

Account Ability 1000 (AA 1000): Aims at improving interaction and issues between corporations and stakeholders. The standard is established by maintaining a balance between accounting, auditing and reporting standards. Its principle examines the accommodation, comprehensiveness and responsiveness of the reporting.

Electronic Industry Citizenship Coalition (EICC): Ensures the workplace safety of the network and telecommunication manufacturing industry, and establishes an environment that treats workers with respect and observes eco-friendliness principles in the manufacturing process. Usually, customers (members of EICC) would ask to review suppliers or have suppliers designated an inspection institution.

ISO 26000 (the International Organization for Standardization): Emphasizes the lawfulness of corporations, human rights, care workers, consumer protection, social welfare, environmental protection, contribution to sustainable development in terms of social, economic and environmental aspects. The reporting is for reference only and should not be deemed as third-party certification. The content of the reporting could be made by self-assessment or declaration, or review by a third party.

Countermeasures:

- a. In 2017, Hitron Technologies had passed the certification from Ecovadis CSR and was conferred a silver award. The Company will continue its effort in obtaining SA8000 certification and reviews by a third party.
- b. The Company had introduced cross-border cloud management system integration as a preventive measure to undertake challenges posed by its environment.

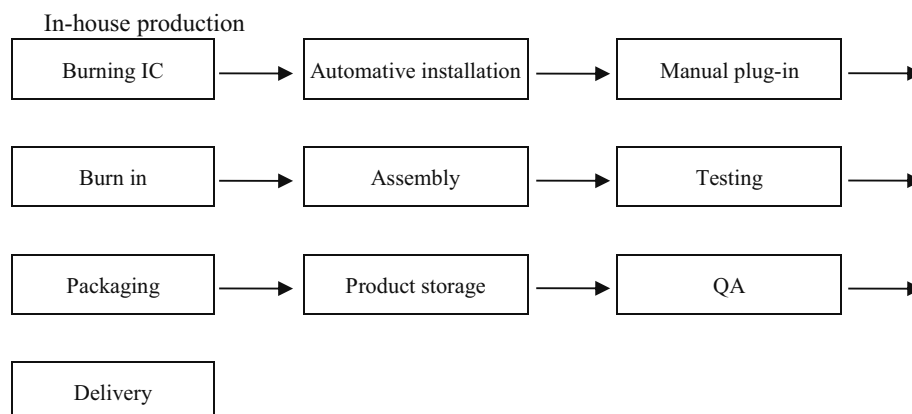
(II) Major Products, their main uses and production processes

1. Main product applications

| Product type Service type | Item | Main Usage |
|------------------------------|--|---|
| Cable Modem Product | <ul style="list-style-type: none"> * Cable modem (Cable Modem) * Multiple line eMTA cable modem (Multiple Line eMTA) * Multiple line eMTA voice gateway (Multiple Line eMTA) * Digital STB with cable modem module (STB eCMM) * Cable network analyzer | <ul style="list-style-type: none"> * Using cable TV HFC network and integrating cable modem, MSO can provide various value-adding services such as internet access, cable telephony, or even VOD etc. * Multiple Dwelling Unit (MDU) in communities, buildings, apartments, VoIP over cable * Digital STB with cable modem module * Internet access of cable TV and message return * Troubleshooting for a cable network |

| | | |
|----------------------------|--|---|
| System integration service | <ul style="list-style-type: none"> * Telecommunication and broadband system and wireless transmission services. | <ul style="list-style-type: none"> * Using cable TV HFC network and integrating cable modem, MSO can provide various value-adding services such as internet access, cable telephony, or even VOD etc. * Multiple Dwelling Unit (MDU) in communities, buildings, apartments, VoIP over cable * Digital STB with cable modem module * Internet access of cable TV and message return * Troubleshooting for a cable network |
|----------------------------|--|---|

2. Manufacturing process



(III) Supply of main raw materials

The suppliers of the main raw materials are from the US, Taiwan, Japan, Korea, and Mainland China. The Company maintains a good relationship and signs a long-term supply contract with major suppliers. Therefore, the supply of raw materials is stable. The sales of the Company is fairly substantial currently. Thus, the bargaining chips of the Company have increased. Suppliers are willing to stock up and thus the supply is fairly stable. As Hitron Technologies possesses technological advantages and control over service providers, major wafer makers deem Hitron important collaborative counterparts and are willing to provide better technical support and competitive pricing.

(IV) For either fiscal year of the two most recent fiscal years, the customers with purchase or sale of 10% or more

1. Major customers for the most recent two years

Unit: NT\$ (thousand)

| Item | 2020 | | | | 2019 | | | |
|------|------------|------------|---|------------------------------|------------|------------|---|------------------------------|
| | Name | Amount | As a percentage of net sales for the year [%] | Relationship with the issuer | Name | Amount | As a percentage of net sales for the year [%] | Relationship with the issuer |
| 1 | Customer C | 3,452,918 | 33.59 | - | Customer C | 3,467,865 | 33.59 | - |
| 2 | Others | 6,825,543 | 66.41 | - | Others | 6,857,635 | 66.41 | - |
| | Net sales | 10,278,461 | 100.00 | - | Net sales | 10,325,500 | 100.00 | - |

Description on change: No significant changes in the most recent two years

2. Major Suppliers for the most recent two years

Unit: NT\$ (thousand)

| Item | 2020 | | | | 2019 | | | |
|------|---------------|------------|---|------------------------------|---------------|------------|---|------------------------------|
| | Name | Amount | As a percentage of net purchases for the year [%] | Relationship with the issuer | Name | Amount | As a percentage of net purchases for the year [%] | Relationship with the issuer |
| 1 | Supplier A | 1,989,153 | 15.43 | - | Supplier A | 1,554,701 | 12.85 | - |
| 2 | Supplier M | 1,702,251 | 13.20 | - | Others | 10,540,062 | 87.15 | - |
| 3 | Others | 9,200,504 | 71.37 | - | - | - | - | - |
| | Net purchases | 12,891,908 | 100.00 | - | Net purchases | 12,094,763 | 100.00 | - |

Description on Changes: Cost of goods purchased from Supplier M increased, due to the merge of Supplier A and Supplier M and as the result the company adjusted the supplies from Supplier M.

(V) Production in the most recent two years

Unit: NT\$ Thousand ; unit

| Production volume/value | Year | 2020 | | | 2019 | | |
|----------------------------|------|-----------------------|-------------------|------------------|-----------------------|-------------------|------------------|
| | | Production Capability | Production Volume | Production Value | Production Capability | Production Volume | Production Value |
| Main products | | | | | | | |
| Cable modem | | - | 5,061,673 | 7,896,891 | - | 5,552,645 | 5,939,642 |
| System integration service | | - | - | - | - | - | - |
| Total | | - | 5,061,673 | 7,896,891 | - | 5,552,645 | 5,939,642 |

(VI) Sales in the most recent two years

Unit: Value: NT\$ (thousand)/device

| Sales volume | Year | 2020 | | | | 2019 | | | |
|----------------------------|------|----------------|-----------|--------------|-----------|----------------|-----------|--------------|-----------|
| | | Domestic sales | | Export sales | | Domestic sales | | Export sales | |
| Main products | | Volume | Value | Volume | Value | Volume | Value | Volume | Value |
| Cable modem | | 260,196 | 479,631 | 4,225,572 | 8,041,074 | 174,449 | 301,729 | 4,260,955 | 8,063,527 |
| System integration service | | - | 1,750,712 | - | 7,044 | - | 1,950,798 | - | 9,446 |
| Total | | 260,196 | 2,230,343 | 4,225,572 | 8,048,118 | 174,449 | 2,252,527 | 4,260,955 | 8,072,973 |

III. Employees Information for the Past Two Years Until the Publication Date of the Annual Report

| Year | | 2019 | 2020 | Until March 31, 2021 |
|---|----------------------|------|-------|----------------------|
| Number of employees | Management employees | 149 | 174 | 164 |
| | Technical employees | 368 | 604 | 528 |
| | Direct labor | 390 | 810 | 599 |
| | Total | 907 | 1,588 | 1,291 |
| Average age | | 31 | 30 | 30 |
| Average years of service | | 4.03 | 2.5 | 2.22 |
| Distribution of academic qualifications | PhD | 2 | 2 | 3 |
| | Master's Degree | 89 | 124 | 125 |
| | Bachelor's Degree | 425 | 765 | 490 |
| | High School | 391 | 697 | 673 |
| | Below High School | 0 | 0 | 1,291 |

IV. Expenditure on Environmental Protection

- (I) For the most recent year until the publication date of the annual report, the total losses (including damages) and fines incurred by the Company due to environmental pollution:

The production process of IT and telecommunication service systems of the Company has never had any pollution issue. Further, the production plant has many pollution prevention facilities and large scale sewage treatment plants that meet the international standard. The requirements imposed by the Park Bureau regarding environmental protection under the care of corporations are also very strict. Since its establishment, the Company has never been punished or has incurred losses due to pollution.

Apart from paying quarterly sewage treatment fees to the Park Bureau, there are no other regulations that compel the Company to apply for a license for installation of anti-pollution facilities or permit for pollutant emission, or designate specific unit and personnel for environmental protection. Moreover, depending on the circumstances, the Management of the Company would hold review meetings to improve the comfort and safety of the work environment.

- (II) Countermeasures (including improvement measures) and possible expenditure due to pollution (including estimation of possible losses, fines, and damages due to inaction): The Company has never been punished or has incurred losses due to pollution.

V. Labor Relations

- (I) Availability and execution of employee welfare, education, training and retirement policies. Elaboration of the agreements between employers and employees, and protection of employee rights.

The welfare, education, training, retirement and opinion of employees are important to the Company. As such, labor relations have always been harmonious. There was no labor dispute for the past two years.

1. Employee welfare

The employee welfare includes labor and health insurance, employee group insurance, medical checkup, year-end bonus, performance bonus, employee stock options and dividends, all of which is to increase the sense of belonging of the employees. Further, the Company has established the Staff Benefits Committee, in which members are elected by open ballot. The fund is allocated to the Committee as a benefit to promote various welfare activities for the employees, including staff retreats, wedding congratulatory money, and

bereavement ex gratia payment, childbirth allowance, scholarship for the children of employees, birthday allowance and get-togethers.

2. Education and training

Apart from orientation and on-job training, various departments will hold internal and external training according to their own needs, to cultivate the professional skills of the employees. The Company holds business management, R&D, market development courses regularly, to enhance the service quality and management results. Through a transparent performance evaluation and promotion system, the Company promotes growth in experience and knowledge of employees, gradually leading them to realize their career goals.

3. Retirement system

The employee retirement system is established in accordance with the Labor Standard Act. The Company appropriates pension funds regularly which is deposited in Central Trust of China. Every year-end, the Company appoints an actuary to compute the pension cost to ensure that the pension liability is sufficient. Since July 1, 2005, after the new system was implemented, the Company conforms to the regulations and pays 6% of employees' salaries to their individual accounts at the Bureau of Labor Insurance.

4. Employer-employee communications

Since its establishment, labor relations have always been important to the Company. Employee welfare is well established in accordance with the Labor Standard Act. As such, the labor relations of the Company have always been harmonious. Staff benefits and material measures are announced by the relevant unit, while employees can express themselves and find out the intentions of the Company's regulations via many channels.

5. Work environment and employee safety measures

To protect the safety of employees, the entrances of the Company have access control installation. Security guards are hired to manage the entrances when employees have to work overtime to ensure their safety. The machinery and fire-fighting equipment are regularly maintained or repaired. The Company has also insured against public accident, to provide extra work security to the employees.

6. Has the Company established the protocols for filing complaints against illegal (including bribery) and immoral acts for employees?

(1) Illegal (including bribery) and immoral acts: The Company has established "Working Rules" and "Code of Conduct for Employees" to stipulate the immoral acts against the Company for employees to conform to. A reward and punishment system is also established.

(2) Channel for filing complaints: The Company has established an employee mailbox. Any employee who wishes to file a complaint or provide feedback may send to the employee mailbox.

7. Measures to protect the interests of employees

(1) The Company has established a comprehensive documentation and management system that details various protocols, employees' rights, duties and welfare. Evaluation of the content of these protocols is undertaken regularly to ensure the rights of employees are well protected.

(2) The Company holds a labor mediation meeting quarterly to establish a communication mechanism between labor and the management to protect the interests of employees.

(3) For the most recent year until the publication date of the annual report, actual or estimated losses arising as a result of labor disputes and any countermeasures taken: None.

VI. Important Contracts:

| Type of Contract | People who are involved | Start and Over of the Contract Date | Main Content | Restriction Clause |
|--------------------------|---|--|--|------------------------------|
| Syndicated loan contract | First Commercial Bank, Taipei Fubon Commercial Bank, Chang Hwa Bank, Bank SinoPac, Esun Bank, Land Bank of Taiwan, Mega International Commercial Bank, Cathay United Bank | Five years since the first utilization | Five-year syndicated loan of NT\$2.2 billion | Per syndicated loan contract |

Six. Financial Information

I. Most Recent Five Years Concise Balance Sheet and Comprehensive Income Statement

(I) Concise Balance Sheet and Comprehensive Income Statement (Consolidated) - Based on IFRS

Concise Balance Sheet

Unit: NTS (thousand)

| Item | Year | Financial Analysis of the most recent year (Note 1) | | | | | Financial information for the current year until March 31, 2021 |
|---|-----------------------|---|-----------|-----------|-----------|------------|---|
| | | 2016 | 2017 | 2018 | 2019 | 2020 | |
| Current assets | | 6,595,572 | 6,423,244 | 8,662,314 | 8,255,614 | 10,109,051 | |
| Property, plant and equipment | | 1,183,031 | 1,076,959 | 959,324 | 1,108,216 | 1,876,017 | |
| Intangible assets | | 50,531 | 62,918 | 83,464 | 50,916 | 48,136 | |
| Other assets | | 277,567 | 239,504 | 256,027 | 500,450 | 522,751 | |
| Total assets | | 8,106,701 | 7,802,625 | 9,961,129 | 9,915,196 | 12,555,955 | |
| Current liabilities | Prior to distribution | 3,123,995 | 2,964,876 | 5,884,595 | 3,573,694 | 6,905,165 | |
| | After distribution | 3,497,339 | 3,253,058 | 6,044,149 | 3,741,413 | Note 2 | |
| Non-current liabilities | | 1,066,791 | 694,302 | 195,565 | 797,950 | 67,903 | |
| Total liabilities | Prior to distribution | 4,190,786 | 3,659,178 | 6,080,160 | 4,371,644 | 6,973,068 | |
| | After distribution | 4,564,130 | 3,947,360 | 6,239,714 | 4,539,363 | Note 2 | |
| Equity attributable to owners of the parent company | | 3,387,324 | 3,597,898 | 3,358,146 | 4,947,171 | 4,945,149 | |
| Capital | | 2,262,684 | 2,414,857 | 2,243,105 | 3,289,862 | 3,289,862 | |
| Capital surplus | | 569,274 | 687,987 | 729,418 | 1,401,968 | 1,326,737 | |
| Retained earnings | Prior to distribution | 580,753 | 537,680 | 442,238 | 505,757 | 618,048 | |
| | After distribution | 207,409 | 249,498 | 282,684 | 338,038 | Note 2 | |
| Other equity interests | | (25,387) | (42,626) | (56,615) | (89,974) | (129,056) | |
| Treasury stock | | - | - | - | (160,442) | (160,442) | |
| Non-controlling interest | | 528,591 | 545,549 | 522,823 | 596,381 | 637,738 | |
| Total | Prior to distribution | 3,915,915 | 4,143,447 | 3,880,969 | 5,543,552 | 5,582,887 | |
| | After distribution | 3,542,571 | 3,855,265 | 3,721,415 | 5,375,833 | Note 2 | |
| Total Amount | | | | | | | |

Note 1: The financial information above has been audited by CPAs.

Note 2: The earnings distribution proposal for 2020 is yet to be approved in the Shareholders' Meeting.

Condensed Statement of Comprehensive Income

Unit: NT\$ (thousand)

| Item | Year | Financial Analysis of the most recent year (Note 1) | | | | | Financial information for the current year until March 31, 2021 |
|---|------|---|-----------|------------|------------|------------|---|
| | | 2016 | 2017 | 2018 | 2019 | 2020 | |
| Operating revenue | | 8,762,719 | 8,548,383 | 10,057,776 | 10,325,500 | 10,278,461 | |
| Operating margin | | 2,227,359 | 2,054,772 | 1,847,373 | 2,084,765 | 2,152,500 | |
| Net operating income | | 754,070 | 561,443 | 362,263 | 480,552 | 446,832 | |
| Non-operating income and expenses | | (96,548) | (34,570) | 6,369 | (74,314) | 21,553 | |
| Net profit before tax | | 657,522 | 526,873 | 368,632 | 406,238 | 468,385 | |
| Net income from continuing operations | | 522,894 | 412,362 | 295,935 | 350,343 | 402,659 | |
| Net income | | | | | | | |
| Net loss from discounting operations | | - | - | - | - | - | |
| Net income (loss) | | 522,894 | 412,362 | 295,935 | 350,343 | 402,659 | |
| Other comprehensive income recognized for the period (Profit after tax) | | (49,994) | (13,456) | (13,459) | (30,520) | (39,074) | |
| Total comprehensive income of the current period | | 472,900 | 398,906 | 282,476 | 319,823 | 363,585 | |
| NET PROFIT ATTRIBUTABLE TO: Owners of Parent company | | 449,272 | 327,336 | 191,960 | 219,959 | 280,010 | |
| Net profit attributable to non-controlling interest | | 73,622 | 85,026 | 103,975 | 130,384 | 122,649 | |
| Comprehensive income attributed to owners of the parent | | 399,671 | 313,031 | 178,750 | 189,715 | 240,926 | |
| Comprehensive income attributed to non-controlling interests | | 73,229 | 85,875 | 103,726 | 130,108 | 122,659 | |
| Earnings per share (EPS) | | 1.99 | 1.42 | 0.81 | 0.98 | 0.87 | |

Note 1: The financial information above has been audited by CPAs.

(II) Concise Balance Sheet and Comprehensive Income Statement (Standalone) - Based on IFRS

Concise Balance Sheet

Unit: NT\$ (thousand)

| Year | | Financial Analysis of the most recent year (Note 1) | | | | | Financial information for the current year until March 31, 2021 |
|---|-----------------------|---|-----------|-----------|-----------|-----------|---|
| Item | | 2016 | 2017 | 2018 | 2019 | 2020 | |
| Current assets | | 3,993,276 | 3,815,093 | 5,682,094 | 5,196,479 | 6,558,930 | |
| Property, plant and equipment | | 225,822 | 245,197 | 228,571 | 236,925 | 225,461 | |
| Intangible assets | | 14,740 | 28,183 | 50,948 | 44,418 | 29,896 | |
| Other assets | | 1,333,674 | 1,430,455 | 1,383,833 | 1,645,550 | 1,925,440 | |
| Total assets | | 5,567,512 | 5,518,928 | 7,345,446 | 7,123,372 | 8,739,727 | |
| Current liabilities | Prior to distribution | 1,541,858 | 1,222,989 | 3,764,761 | 1,934,973 | 3,765,943 | |
| | After distribution | 1,915,202 | 1,511,171 | 3,924,315 | 2,102,692 | Note 2 | |
| Non-current liabilities | | 638,330 | 698,041 | 222,539 | 241,228 | 28,635 | |
| Total liabilities | Prior to distribution | 2,180,188 | 1,921,030 | 3,987,300 | 2,176,201 | 3,794,578 | |
| | After distribution | 2,553,532 | 2,209,212 | 4,146,854 | 2,343,920 | Note 2 | |
| Equity attributable to owners of the parent company | | 3,387,324 | 3,597,898 | 3,358,146 | 4,947,171 | 4,945,149 | |
| Capital | | 2,262,684 | 2,414,857 | 2,243,105 | 3,289,862 | 3,289,862 | |
| Capital surplus | | 569,274 | 687,987 | 729,418 | 1,401,968 | 1,326,737 | |
| Retained earnings | Prior to distribution | 580,753 | 537,680 | 442,238 | 505,757 | 618,048 | |
| | After distribution | 207,409 | 249,498 | 282,684 | 338,038 | Note 2 | |
| Other equity interests | | (25,387) | (42,626) | (56,615) | (89,974) | (129,065) | |
| Treasury stock | | - | - | - | (160,442) | (160,442) | |
| Non-controlling interest | | - | - | - | - | - | |
| Total | Prior to distribution | 3,387,324 | 3,597,898 | 3,358,146 | 4,947,171 | 4,945,149 | |
| | After distribution | 3,013,980 | 3,309,716 | 3,198,592 | 4,779,452 | Note 2 | |
| Total Amount | | 3,013,980 | 3,309,716 | 3,198,592 | 4,779,452 | Note 2 | |

Note 1: The financial information above has been audited by CPAs.

Note 2: The earnings distribution proposal for 2020 is yet to be approved in the Shareholders' Meeting.

Condensed Statement of Comprehensive Income

Unit: NT\$ (thousand)

| Item | Year | Financial Analysis of the most recent year (Note 1) | | | | | Financial information for the current year until March 31, 2021 |
|---|------|---|-----------|-----------|-----------|-----------|---|
| | | 2016 | 2017 | 2018 | 2019 | 2020 | |
| Operating revenue | | 6,407,927 | 6,216,407 | 8,565,195 | 7,504,329 | 8,526,047 | |
| Operating margin | | 845,939 | 768,952 | 614,446 | 677,605 | 782,230 | |
| Net operating income | | 302,927 | 242,603 | 25,160 | 89,983 | 115,946 | |
| Non-operating income and expenses | | 221,465 | 104,917 | 172,787 | 123,108 | 191,990 | |
| Net profit before tax | | 524,392 | 347,520 | 197,947 | 213,091 | 307,936 | |
| Net income from continuing operations | | 449,272 | 327,336 | 191,960 | 219,959 | 280,010 | |
| Net income | | | | | | | |
| Net loss from discounting operations | | - | - | - | - | - | |
| Net income (loss) | | 449,272 | 327,336 | 191,960 | 219,959 | 280,010 | |
| Other comprehensive income recognized for the period (Profit after tax) | | (49,601) | (14,305) | (13,209) | (30,244) | (39,083) | |
| Total comprehensive income of the current period | | 399,671 | 313,031 | 178,751 | 189,715 | 240,927 | |
| NET PROFIT ATTRIBUTABLE TO: Owners of Parent company | | 449,272 | 327,336 | 191,960 | 219,959 | 280,010 | |
| Net profit attributable to non-controlling interest | | - | - | - | - | - | |
| Comprehensive income attributed to owners of the parent | | 399,671 | 313,031 | 178,751 | 189,715 | 240,927 | |
| Comprehensive income attributed to non-controlling interests | | - | - | - | - | - | |
| Earnings per share (EPS) | | 1.99 | 1.42 | 0.81 | 0.98 | 0.87 | |

Note 1: The financial information above has been audited by CPAs.

Note 2: Net loss from discounting operations is net of income tax.

(V) Names of CPAs for the past five years and the auditors' Opinions, the reason for the change in CPAs

| Year | CPA firm | CPA | Audit Opinion | Reason for change of CPA |
|------|------------|------------------------------|---------------------|---------------------------------|
| 2016 | BDO Taiwan | Ke-Yi Liu and Shu-Chen Chang | Unqualified opinion | None. |
| 2017 | BDO Taiwan | Ke-Yi Liu and Shu-Chen Chang | Unqualified opinion | None. |
| 2018 | BDO Taiwan | Ke-Yi Liu and Kun-Hsi Hsu | Unqualified opinion | Internal adjustment of CPA firm |
| 2019 | BDO Taiwan | Ke-Yi Liu and Kun-Hsi Hsu | Unqualified opinion | None. |
| 2020 | BDO Taiwan | Ke-Yi Liu and Kun-Hsi Hsu | Unqualified opinion | None. |

II. Financial Information for the Most Recent Five Years

(I) Financial analysis (consolidated) - IFRS

| Analyzed Item (Note 2) | | Year (Note 1) | Financial Analysis within 5 years | | | | | Financial information for the current year until March 31, 2021 |
|---|--|---------------|-----------------------------------|--------|--------|--------|--|---|
| | | 2016 | 2017 | 2018 | 2019 | 2020 | | |
| Financial structure (%) | Total liabilities to total assets | 51.70 | 46.90 | 61.04 | 44.09 | 55.54 | | |
| | Long-term capital to PP&E | 421.18 | 449.20 | 424.94 | 572.23 | 301.21 | | |
| Debt-paying ability (%) | Current ratio | 211.13 | 216.64 | 147.20 | 231.01 | 146.40 | | |
| | Quick ratio | 145.23 | 157.61 | 80.99 | 171.54 | 91.59 | | |
| | Interest protection multiples | 21.42 | 14.67 | 7.11 | 6.48 | 14.61 | | |
| Operating performance | Accounts receivable turnover (times) | 5.63 | 5.81 | 6.20 | 6.03 | 5.72 | | |
| | Average collection days | 64.83 | 62.82 | 58.87 | 60.53 | 63.81 | | |
| | Inventory turnover (times) | 3.99 | 3.98 | 3.34 | 3.14 | 3.15 | | |
| | Accounts payable turnover (times) | 4.50 | 4.87 | 3.97 | 3.92 | 4.66 | | |
| | Average inventory turnover days | 91.48 | 91.71 | 109.28 | 116.24 | 115.87 | | |
| | Property, plant and equipment turnover (times) | 8.31 | 7.56 | 9.88 | 9.99 | 6.89 | | |
| | Total Assets Turnover (times) | 1.15 | 1.07 | 1.13 | 1.04 | 0.91 | | |
| Profitability | ROA (%) | 7.20 | 5.59 | 3.88 | 4.12 | 3.83 | | |
| | ROE (%) | 13.87 | 9.37 | 5.52 | 5.30 | 5.66 | | |
| | Pre-tax profit to paid-in capital (%) | 29.06 | 21.82 | 16.43 | 12.35 | 14.24 | | |
| | Net profit margin (%) | 5.97 | 4.82 | 2.94 | 3.39 | 3.92 | | |
| | Earnings per share (NT\$) | 1.99 | 1.42 | 0.81 | 0.98 | 0.87 | | |
| Cash Flow Analysis | Cash flow ratio (%) | 6.58 | 37.10 | 0.00 | 47.57 | (6.56) | | |
| | Cash flow adequacy (%) | 85.00 | 97.19 | 102.91 | 100.69 | 36.54 | | |
| | Cash flow reinvestment ratio (%) | 0.65 | 13.10 | 0.00 | 22.69 | 0.00 | | |
| Leverage | Operating leverage | 3.66 | 4.56 | 7.69 | 6.12 | 6.50 | | |
| | Financial leverage | 1.04 | 1.07 | 1.20 | 1.18 | 1.08 | | |
| Reasons for all financial ratio fluctuations within the most recent two years. | | | | | | | | |
| 1. Increased in debt to total asset due to increase capital by private equity last year that reduced the liability of accounts payable at a lower debt level. | | | | | | | | |
| 2. Long-term capital to PP&E decreased due to the long-term borrowings decreased and transferred to short-term borrowings. | | | | | | | | |
| 3. Decrease in current ratio and quick ratio due to the increase in short-term borrowings and result in increase in current liabilities. | | | | | | | | |
| 4. The increase in interest protection multiples was due to an decrease in interest expense. | | | | | | | | |
| 5. Property, plant and equipment turnover decrease due to the net value of property, plant and equipment increase | | | | | | | | |
| 6. 6. The decrease in cash flow ratio, cash flow adequacy ratio and Cash flow reinvestment ratio due to the increase in accounts receivable and inventory, resulted in decrease in net cash flow from operating activities. | | | | | | | | |

(II) Financial Analysis (Standalone) - IFRS

| Analyzed Item (Note 2) | | Year (Note 1) | Financial Analysis within 5 years | | | | | Financial information for the current year until March 31, 2021 |
|--|--|---------------|-----------------------------------|---------|--------|---------|--|---|
| | | 2016 | 2017 | 2018 | 2019 | 2020 | | |
| Financial structure (%) | Total liabilities to total assets | 39.16 | 34.81 | 54.28 | 30.55 | 43.42 | | |
| | Long-term capital to PP&E | 1,783 | 1,752 | 1,566 | 2,189 | 2,206 | | |
| Debt-paying ability (%) | Current ratio | 258.99 | 311.95 | 150.93 | 268.56 | 174.16 | | |
| | Quick ratio | 251.31 | 300.19 | 129.54 | 248.47 | 168.47 | | |
| | Interest protection multiples | 105.36 | 31.44 | 10.98 | 8.67 | 20.60 | | |
| Operating performance | Accounts receivable turnover (times) | 4.00 | 3.73 | 4.18 | 21.81 | 23.94 | | |
| | Average collection days | 91.25 | 97.86 | 87.32 | 16.74 | 15.25 | | |
| | Inventory turnover (times) | 51.36 | 48.37 | 17.73 | 12.15 | 28.34 | | |
| | Accounts payable turnover (times) | 4.94 | 5.81 | 4.41 | 3.48 | 5.47 | | |
| | Average inventory turnover days | 7.11 | 7.55 | 20.59 | 30.04 | 12.88 | | |
| | Property, plant and equipment turnover (times) | 28.62 | 26.40 | 36.16 | 32.24 | 36.88 | | |
| | Total Assets Turnover (times) | 1.24 | 1.12 | 1.33 | 1.04 | 1.07 | | |
| Profitability | ROA (%) | 8.77 | 6.08 | 3.24 | 3.35 | 3.69 | | |
| | ROE (%) | 13.87 | 9.37 | 5.52 | 5.30 | 5.66 | | |
| | Pre-tax profit to paid-in capital (%) | 23.18 | 14.39 | 8.82 | 6.48 | 9.36 | | |
| | Net profit margin (%) | 7.01 | 5.27 | 2.24 | 2.93 | 3.28 | | |
| | Earnings per share (NT\$) | 1.99 | 1.42 | 0.81 | 0.98 | 0.87 | | |
| Cash Flow Analysis | Cash flow ratio (%) | (10.23) | 29.76 | (2.40) | 6.02 | (11.03) | | |
| | Cash flow adequacy (%) | 124.79 | 94.45 | 40.92 | 30.24 | (8.33) | | |
| | Cash flow reinvestment ratio (%) | (7.89) | (0.98) | (10.63) | (1.20) | (13.14) | | |
| Leverage | Operating leverage | 6.05 | 7.10 | 87.08 | 21.48 | 19.44 | | |
| | Financial leverage | 1.02 | 1.05 | 4.73 | 1.45 | 1.16 | | |
| Reasons for all financial ratio fluctuations within the most recent two years. | | | | | | | | |
| 1. Increased in debt to total asset due to increase capital by private equity last year that reduced the liability of accounts payable at a lower debt level. | | | | | | | | |
| 2. Decrease in current ratio and quick ratio due to the increase in short-term borrowings and result in increase in current liabilities. | | | | | | | | |
| 3. The increase in interest protection multiples was due to an decrease in interest expense. | | | | | | | | |
| 4. The decrease in accounts payable turnover and an increase in average inventory turnover days were due to a decrease in accounts payable. | | | | | | | | |
| 5. The increase in inventory turnover rate and the decrease in days’ sales in inventories are due to the increase in inventory. | | | | | | | | |
| 6. The increase in the ratio of operating net profit to paid-in capital was due to the increase in operating net profit. | | | | | | | | |
| 7. The decrease in pre-tax profit to paid-in capital was mainly due to capital increase by cash from the private placement. | | | | | | | | |
| 8. The decrease in cash flow ratio, cash flow adequacy ratio and Cash flow reinvestment ratio due to the increase in accounts receivable and inventory, resulted in decrease in net cash flow from operating activities. | | | | | | | | |
| 9. The decrease in operating leverage was due to an decrease. | | | | | | | | |

Note 1: The financial information above has been audited by CPAs.

Note 2: The calculation formulae of the ratios are listed at the end of the table:

1. Financial Structure

(1) Total liabilities to total assets = Total liabilities / Total assets

(2) Long-term capital to PP&E = (Total equity + Non-current liabilities) / Net property, plant and equipment

2. Debt-paying ability

(1) Current ratio = Current Assets / Current liability

(2) Quick ratio = (Current assets - Inventory - Prepaid expenses) / Current liability

(3) Interest protection multiple = Net income before income tax and interest expense / Interest expense

3. Operating performance

(1) Account receivable (including account receivable and notes receivable from operation) turnover = Net sales / the Average of account receivable (including account receivable and notes receivable from operation) balance

(2) Average collection days = 365 / account receivable turnover

(3) Inventory turnover = Cost of goods sold / Average inventory

(4) Account payable (including account payable and notes payable from operation) turnover = Cost of goods sold / the average of account payable (including account payable and notes payable from operation) balance

(5) Average inventory turnover days = 365 / Inventory turnover

(6) Property, plant and equipment turnover = Net sales / Net property, plant and equipment

(7) Total assets turnover = Net sales / Total assets

4. Profitability

(1) ROA = [PAT + Interest expense × (1 - Interest rate)] / Average total assets

(2) ROE = PAT / Average net equity

(3) Net income ratio = PAT / Net sales

(4) EPS = (PAT - Dividend from preferred shares) / Weighted average outstanding shares (Note 4)

5. Cash Flow Analysis

(1) Cash flow ratio = Net cash flow from operating activities / Current liabilities

(2) Cash flow adequacy ratio = Most recent five years cash flow from operating activities / Most recent five years (Capital expenditure + Increase of inventory + Cash dividend)

(3) Cash investment ratio = (Cash flow from operating activities - cash dividend) / (Gross fixed assets in property, plant and equipment + Long-term investment + Other assets + Working capital) (Note 5)

6. Leverage

(1) Operating leverage = (Net revenue - Variable cost of goods sold and operating expense) / Operating income (Note 6)

(2) Financial leverage = Operating income / (Operating income - Interest expenses)

Note 3: For the calculation formula of EPS above, the following should be noted:

1. Based on weighted average common shares, not outstanding shares as at year-end.

2. For transactions of capital increase by cash and treasury stock, weighted average outstanding shares should be used for computation during the circulation period.

3. If there is capital increase by retained earnings or capital reserve, when computing previous year or half-yearly EPS, the retrospective adjustment should be made according to capital increase ratio. The issuance period of the capital increase need not be taken into consideration.

4. If the preferred shares are unconvertible cumulative preferred shares, the dividend of the year (disbursed or otherwise) should be deducted from net profit after tax, or added to a net loss after tax. If the preferred shares are non-cumulative preferred shares, when there is a net profit after tax, the dividend of preferred shares should be deducted from net profit after tax; if there is a net loss after tax, no adjustment is required.

Note 4: For cash flow analysis, the following should be noted:

1. Net cash flow from operating activities is net cash flow from operating activities in Cash Flow Analysis.

2. Capital expenditure refers to cash outflow for capital expenditure every year.

3. Inventory increase is only accounted for if the ending balance is greater than the beginning balance. If the ending balance decreases, the inventory increase amounts to 0.

4. Cash dividends include cash dividends for ordinary and preferred shares.

5. Property, plant, and equipment refer to property, plant, and equipment before depreciation.

Note 5: The issuer should distinguish the various cost of goods sold and operating expense items as fixed or variable. If the estimation of subjective judgment is involved, consistency must be observed.

Note 6: For the Company shares without a face value or with a face value that is not equivalent to NT\$10 per share, the aforementioned equations that involve dividing by paid-in capital should be amended to dividing by equity attributable to parent company shareholders.

III. Audit Report Issued by the Audit Committee for the Most Recent Financial Statements

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2020 Business Report, Financial Statements and Earnings Distribution Proposal. The Financial Statements has been duly audited completely by the two CPAs, CPA Ke-Yi Liu and CPA Kun-Hsi Hsu, of BDO Taiwan retained by the Board of Directors of the Company, and this Audit Report is duly issued. The aforementioned Business Report, Financial Statements and Earnings Distribution Proposal have been examined and determined to be correct and accurate by the Audit Committee. This Report is hereby duly submitted in accordance with the provisions of Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Submitted to:

To:

2021 Annual General Meeting, Hitron Technologies Inc.

Chairman of the Audit Committee: Lo-Min Chen

March 16, 2021

- IV. Financial reports for the most recent fiscal year: Please see page 103 to 176.
- V. Most Recent Parent Only Financial Statements Audited by CPAs: Please see Annual Report page 177 to 240.
- VI. For the Most Recent Year until the Publication Date of the Annual Report, Financial Position Impacted by Insolvency Incidents Encountered by the Company and Affiliates Should be Detailed: None.

Seven. Review of Financial Position, Business Performance, and Risk Issues

I. Financial Position

Financial Position Analysis

Unit: NT\$ (thousand)

| Item \ Year | 2020 | 2019 | Difference | |
|---|------------|-----------|------------|---------|
| | | | Amount | % |
| Current assets | 10,109,051 | 8,255,614 | 1,853,437 | 22.45 |
| non-current assets | 2,446,904 | 1,659,582 | 787,322 | 47.44 |
| Total assets | 12,555,955 | 9,915,196 | 2,640,759 | 26.63 |
| Current liabilities | 6,905,165 | 3,573,694 | 3,331,471 | 93.22 |
| Non-current liabilities | 67,903 | 797,950 | (730,047) | (91.49) |
| Total liabilities | 6,973,068 | 4,371,644 | 2,601,424 | 59.51 |
| Share capital | 3,289,862 | 3,289,862 | 0 | 0.00 |
| Capital surplus | 1,326,737 | 1,401,968 | (75,231) | (5.37) |
| Retained earnings | 618,048 | 505,757 | 112,291 | 22.20 |
| Other equity interests | (129,056) | (89,974) | (39,082) | 43.44 |
| Treasury stock | (160,442) | (160,442) | 0 | 0.00 |
| Total equity interest of parent company | 4,945,149 | 4,947,171 | (2,022) | (0.04) |
| Non-controlling interest | 637,738 | 596,381 | 41,357 | 6.93 |
| Total equity | 5,582,887 | 5,543,552 | 39,335 | 0.71 |

Fluctuation analysis:

Note 1: Increase in non-current assets was mainly due to an increase in property, plant and equipment and right-of-use assets.

Note 2: Decrease in current liabilities was mainly due to a decrease in accounts payable.

Note 3: Increase in non-current liabilities was mainly due to an increase in corporate bonds payable.

Note 4: Decrease in total liabilities was mainly due to an increase in capital increase by private placement, causing accounts payable to decrease substantially.

Note 5: Increase in share capital was mainly due to private placement.

Note 6: Increase in capital surplus was mainly due to private placement.

Note 7: Increase in other equity was mainly due to exchange differences on translation.

Note 8: Increase in treasury stock was mainly due to treasury stock buyback by the Company.

II. Financial Performance

(I) Comparison analysis for operating performance

Unit: NT\$ (thousand)

| Items | 2020 | 2019 | Increase/(decrease) | Change in % |
|---------------------------------------|------------|------------|---------------------|-------------|
| Net operating revenue | 10,278,461 | 10,325,500 | (47,039) | (0.46) |
| Operating cost | 8,125,961 | 8,240,735 | (114,774) | (1.39) |
| Operating margin | 2,152,500 | 2,084,765 | 67,735 | 3.25 |
| Operating expenses | 1,705,668 | 1,604,213 | 101,455 | 6.32 |
| Operating income | 446,832 | 480,552 | (33,720) | (7.02) |
| Non-operating income and expenses | 21,553 | (74,314) | 95,867 | (129.00) |
| Net profit before tax | 468,385 | 406,238 | 62,147 | 15.30 |
| Income taxes (expenses) | (65,726) | (55,895) | (9,831) | 17.59 |
| Net income from continuing operations | 402,659 | 350,343 | 52,316 | 14.93 |

Analysis of fluctuation:

Note 1: Increase in operating income was mainly due to the increase in operating margin.

Note 2: Decrease in net non-operating income was mainly due to exchange differences on translation.

Note 3: Decrease in income tax expense was mainly due to adjustment to the temporary difference of unrealized profit or loss.

III. Cash Flow

(I) Summary of cash flow change analysis in the most recent year

| Cash balance at the beginning of the period (1) | Yearly net cash inflow from operating activities (2) | Yearly net cash inflow from investing activities (3) | Yearly net cash inflow from financing activities (4) | Forex fluctuation (5) | Cash Surplus (Shortage) (1)+(2)+(3)+(4)+(5) | Remedies for cash shortage | |
|--|--|--|--|-----------------------|---|----------------------------|----------------|
| | | | | | | Investment plan | Financing plan |
| 4,607,008 | (453,232) | (976,520) | 765,564 | (7,596) | 3,935,224 | - | - |
| Analysis of fluctuation: (1) Operating activities: The net cash outflow from operating activities is NT\$453,232 thousand, mainly due to the global economic environment being affected by COVID-19, the stay-at-home economy is still growing, and the performance of Hitron related Internet and Communication products is growing. However, the international environment is also lacking due to the pandemic. Due to the extension in delivery period, in order to ensure smooth receiving orders, the inventory was actively prepared, which increased the amount of inventories compared to last year. (2) Investing activities: The cash outflow from investing activities would amount to NT\$ 976,520 thousand, mainly due to expected capital expenditure of establishing factory in Vietnam. (3) Financing activities: The net cash inflow from financing activities was NT\$ 765,564 thousand, which was mainly due to the increase in short-term borrowings in response to the needs of operating turnover. | | | | | | | |

(II) Plans for improving liquidity

The end of period cash balance remaining NT\$3, 935,224 thousand and there is no such condition of insufficient liquidity.

(III) Cash flow analysis for the coming year

Unit: NT\$ (thousand)

| Cash balance at the beginning of the period (1) | Estimated yearly net cash inflow from operating activities (2) | Estimated yearly net cash inflow from investing activities (3) | Estimated yearly net cash inflow from financing activities (4) | Anticipated Cash Surplus (Shortage) (1)+(2)+(3)+(4) | Remedies for cash shortage | |
|---|--|--|--|---|----------------------------|----------------|
| | | | | | Investment plan | Financing plan |
| 3,935,224 | 215,107 | (274,823) | (37,356) | 3,838,152 | - | - |
| Cash Flow Analysis for the Coming Year (1) Operating activities: The cash inflow from operating activities amounted to NT\$215,107 thousand. In 2021, the cost of preparing raw material decreased due to the pandemic is getting better, therefore bet cash inflow is expected. (2) Investing activities: The cash outflow from investing activities would amount to NT\$ 274,823 thousand, mainly due to expansion of production in Vietnam factory and increase in capital expenditure. (3) Financing activities: The cash outflow from financing activities would amount to NT\$37,356 thousand, mainly due to the disbursement of dividends. | | | | | | |

IV. Impacts of Major Capital Expenditures in the Most Recent Year to Financial Performance: None.

V. Causes of Profit or Loss Incurred on Investments in the Most Recent Year, and Any Improvements or Investments

The investment policy of the Company is mainly pertinent to the current basic business operation while searching for reinvestment on related businesses of the Company. Before making an investment, assessment in accordance with the "Procedures for Acquisition or Disposal of Assets" will be conducted.

VI. Risk Issues for the Most Recent Year until the Publication Date of the Annual Report

- (I) The impact of interest rates, exchange rate changes, and inflation on the Company's profit and loss and future response measures for the most recent year and up to the publication date of the annual reports: The Company closely monitors the change in interest rates and undertakes the necessary measures to low the impact on the Company's profit and loss due to interest rate fluctuation.

1. Interest rates: The Company evaluates the bank loan interest rates regularly and maintain a good working relationship

with the Bank to obtain favorable interest rates, so as to decrease the interest expense.

2. Exchange rates: The Company has established concrete strategies on forex maneuvering and strict procedures to monitor the fluctuation of forex rates.
3. Inflation: Due to the nature of the industry, inflation has little impact on the operation of the Company. However, the Company shall monitor the inflation rate from time to time.

(II) For the most recent year until the publication date of the annual report, policies on transactions involving high risks, highly leveraged investments, funds lending to others, endorsement or guarantee and derivatives, the main reasons for the profit or loss of these transactions and future countermeasures:

1. The company focuses on business operations and does not engage in high-risk and high-leveraged investments.
2. The Company and its subsidiaries have engaged in forward foreign exchange contracts and FX swap transactions mainly to hedge the risks arising from fluctuations in exchange rates of assets or liabilities denominated in foreign currencies, which are highly negatively related to the fair value changes of the derivative financial products used as hedging tools, and the assessment is regularly conducted.
3. When the Company and its subsidiaries engage in loaning funds to others, making guarantee/endorsement guarantees and conducting derivatives transactions, in addition to complying with relevant operating procedures, we shall regularly file the announcement in accordance with the regulations of the competent authority.

(III) Future research & development projects and corresponding budget:

1. Future research & development projects:

- * 8K Video Gateway
- * IoT Gateway
- * SD-WAN
- * 10Gbps Full Duplex DOCSIS 3.1 Cable Gateway (10Gbps downstream speed and Wi-Fi 6 support)
- * Mobile Backhaul
- * Hitron Cloud Management System
- * Wi-Fi 6 - Wi-Fi Extender with EasyMesh
- * 3.5GHz wireless base station CBRS Small Cell RAN
- * 2.5Gbps/10Gbps PON ONU

2. Expected R&D expenditure: In 2020, the Company is expected to incur NT\$400,000 thousand in R&D expenditure.
3. For the R&D status, please see Section Five. Operational Highlights, Business Activities (III) Technological capability and R&D for more detail.

(IV) Effects of and response to changes in local and foreign policies and regulations relating to corporate finance and sales:

The Company closely monitors the changes in local and foreign policies and regulations to fully grasp and respond to the changes in the market environment. For the most recent year until the publication date of the annual report, there has been no incident that impacts the corporate finance and sales of the Company.

(V) Effects of and response to changes in technology and the industry relating to corporate finance and sales:

The Company is committed to comprehending the future trends and new technology and thus would continue to invest in high value-adding telecommunication products to create optimal profit and core competitive advantages, while maintaining control on inventories to minimize the impact of the Company's finances. For control on cybersecurity, to implement internal control and policies on protecting cybersecurity, the Company has established IT safety protocols and preventive measures to regulate the information security. Further, the Board of Directors will receive reports regularly regarding cybersecurity issues. Therefore, cybersecurity risk is not a material operational risk for the Company.

(VI) Impact of change in the corporate image on crisis management, and countermeasures:

The business spirit of the Company is "Caring for humanity, leading with technologies." The corporate image is fairly well and for the most recent year until the publication date of the annual report, no incident that giving rise to a

change in corporate image and requiring crisis management has occurred.

(VII) Expected benefits from, risks relating to, and response to merger and acquisition plans: None.

(VIII) Expected benefits from, risks relating to, and response to factory expansion plans:

In response to the impact of US-China trade, the company established a subsidiary in Vietnam and established a new overseas production plant base. Excepting to expanding the group's production capacity, it can further solve the custom tax problem derived from US-China trade and help to enhance the overall product competitiveness. The establishment of the company's Vietnam factory has undergone internal prudential and professional evaluation, and has made effective use of investment expenditures, and has fully understood the investment benefits and possible risks of this investment.

(IX) Risks relating to and responses to excessive concentration of purchasing sources and excessive customer concentration: None.

(X) Effects of, risks relating to, and response to large share transfers or changes in shareholdings by Directors, or Shareholders with shareholdings of over 10%: None.

(XI) Effects of, risks relating to, and response to the changes in management: None.

(XII) For litigation or non-litigation cases involving the Company, Directors, Supervisors, General Manager, actual persons in-charge or major Shareholders with a stake of 10% or more that have been concluded or are still pending, and have a material impact on the Shareholders' interest or security prices, the disclosure should be made regarding the content of the disputes, the sum of penalty or claim, the commencement date of the suits, the parties involved and the status as of the publication date of the annual report:

HT and eASPNET Taiwan Inc. ("eASPNET") entered into the "Agreement for Establishment of Kaohsiung City Wireless Common Platform" (the "Agreement"). The Kaohsiung City Government rescinded the relevant contract for the reason that its performance thereunder failed the inspection. eASPNET then requested HT to rescind the Agreement. HT, instead of accepting such request, brought a lawsuit against eASPNET and claimed for the contract payment of NT\$86,619 thousand. And HT has obtained the favorable judgment made by Taiwan Shilling District Court dated Feb. 17, 2011, the civil judgment was decided that eASPNET has to pay HT NT\$ 72,916 thousand and the interest collected based on 5% of the annual interest rate from April 12, 2008 till paying off day, the objection and application of provisional execution raised by eASPNET were rejected and eASPNET has provided NT\$ 72,916 thousand as securities for purposes of being exempted from provisional execution in April. 2011. On May 31, 2013, Taiwan High Court declared that HT won the court case. However, eASPNET did not accept the outcome and the Supreme Court of Appeal; the Supreme Court on Nov 18, 2013 abandoned the original judgment, back to the Taiwan High Court trial update. On March 29, 2016, in the first retrial, Taiwan High Court declared that HT won the court case. The civil judgment was decided that eASPNET has to pay HT NT\$ 71,115 thousand. However, the two parties both filed appeals; the Supreme Court on January 5, 2017 abandoned the original judgment except provisional execution and returned the case back to the Taiwan High Court. On October 20, 2020, in the second retrial, Taiwan High Court ruled to abandon the judgement of the first retrial. Based on law experts' opinion, the case is still undecided and able to be appealed. The Company filed an appeal on November 17, 2020, and the High Court transferred the entire case to the Supreme Court on January 25, 2021.

(XIII) Other important risks, and mitigation measures: None.

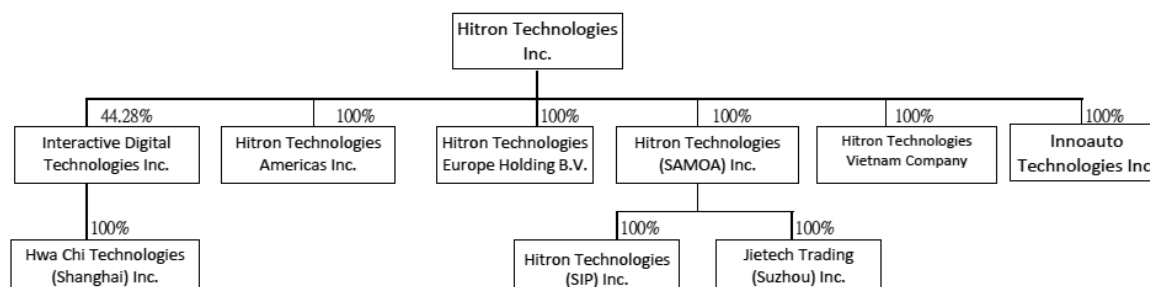
VII. Other Material Issues: None.

Eight. Special Disclosure Item

I. Summary of Affiliated Companies

(I) Consolidated business reports with affiliated enterprises

1. Organizational chart of affiliated companies



2. Affiliated companies

December 31, 2020 Unit: Shares/%

| Name of Company | Establish Board Meeting | Address | Paid-in-capital amount | Principle business |
|---|-------------------------|--|------------------------|---|
| Interactive Digital Technologies Inc. | May 14, 2003 | No.38-1,Wugong 5th Rd.,Wugu District, New Taipei City, Taiwan, R.O.C. | NTD377,178 | Telecommunications and broadband network systems and services |
| Hitron Technologies (SAMOA) Inc. | July 13, 2006 | TrustNet Chambers,P.O.Box 1225,Apia,Samoa. | USD22,300 | International trade |
| Hitron Technologies (SIP) Inc. | October 11, 2006 | No.158 Fengli Street, Suzhou Industrial Park | USD20,500 | Produce and sell the wireless communication and telecom products |
| Hwa Chi Technologies (Shanghai) Inc. | October 11, 2001 | Room 702, Block A, Shengnuoya Building, 1759 Jinshajiang Road, Putuo District, Shanghai | USD200 | Technical consulting, researching, maintenance and after service of electronic and telecom products |
| Jietech Trading (Suzhou) Inc. | July 20, 2010 | No.158 Fengli Street, Suzhou Industrial Park | USD1,800 | Sales of broadband network products and related services |
| Hitron Technologies Europe Holding B.V. | July 1, 2011 | Kingsfordweg 151,1043GR Amsterdam | EUR1,500 | International trade |
| Hitron Technologies Americas Inc. | October 21, 2011 | 9000 E Nichols Ave Suite 103 Centennial, CO 80112 | USD3,000 | International trade |
| Innoauto Technologies Inc. | June 11, 2015 | 3F., No. 365, Sec. 2, Gongdao 5th Rd., East Dist., Hsinchu City , Taiwan, R.O.C. | NTD50,000 | Investment and automotive electronics products |
| Hitron Technologies Vietnam Company Limited | May 24, 2019 | No.15, Road No.17, VSIP Hai Phong, Thuy Trieu Commune, Thuy Nguyen District, Hai Phong City, Vietnam | USD18,000 | Produce and sell the wireless communication and telecom products |

3. Common Shareholders of the company presumed to have a relationship of control and subordination: Not Applicable.

4. The industries covered by the business operated by affiliates:

The businesses operated by the company and its affiliates include research development, production, sales and related consulting services of communications and telecommunications products; and international trade business.

5. Directors, Supervisors and General Managers of Affiliated Companies

December 31, 2020; Unit: Shares

| Name of Company | Title | Name or Representative | Shareholding | |
|---|----------------------|--|---|----------------------------|
| | | | Number of shares | Percentage of shareholding |
| Interactive Digital Technologies Inc. | Chairman | Representative of Hitron Technologies Inc.: Davis Cheng | 16,702,600 | 44.28 |
| | Director | Representative of Hitron Technologies Inc.: Amy Liu | | |
| | Director | Representative of Hitron Technologies Inc.: Yu-chin Lin | | |
| | Director | Representative of Calais Development Ltd.: Jung-Huang Wang | | |
| | Independent Director | Yu Cheng | | |
| | Independent Director | Hsiao-Chen Chuang | | |
| | Independent Director | Chao-Fu Shih | | |
| | General Manager | Tang-Chieh Hsue | | |
| Hitron Technologies (SAMOA) Inc. | Chairman | Representative of Hitron Technologies Inc.: Davis Cheng | USD 22,300,000 (Contribution amount) | 100 |
| Hitron Technologies (SIP) Inc. | Chairman | Representative of Hitron Technologies (SAMOA) Inc.: Davis Cheng | USD20,500,000 (Contribution amount) | 100 |
| | Director | Representative of Hitron Technologies (SAMOA) Inc.: Amy Liu | | |
| | Director | Representative of Hitron Technologies (SAMOA) Inc.: Patrick Chiu | | |
| | Supervisor | Representative of Hitron Technologies (SAMOA) Inc.: Jeff Hsue | | |
| | General Manager | Jimmy Huang | | |
| Hitron Technologies Americas Inc. | General Manager | Representative of Hitron Technologies Inc.: Amy Liu | USD3,000,000 (Contribution amount) | 100 |
| Hitron Technologies Europe Holding B.V. | Chairman | Representative of Hitron Technologies Inc.: Davis Cheng | EUR1,500,000 (Contribution amount) | 100 |
| Hitron Technologies Vietnam Company Limited | Chairman | Representative of Hitron Technologies Inc.: Davis Cheng | USD18,000,000 (Contribution amount) | 100 |
| Innoauto Technologies Inc. | Chairman | Representative of Hitron Technologies Inc.: Davis Cheng | 5,000,000 | 100 |
| | Director | Representative of Hitron Technologies Inc.: Amy Liu | | |
| | Director | Representative of Hitron Technologies Inc.: Jeff Hsue | | |
| | Supervisor | Representative of Hitron Technologies Inc.: Aresa Chen | | |
| Jietech Trading (Suzhou) Inc. | Chairman | Representative of Hitron Technologies (SAMOA) Inc.: Davis Cheng | USD1,800,000 (Contribution amount) | 100 |
| | Supervisor | Representative of Hitron Technologies (SAMOA) Inc.: Jeff Hsue | | |
| | General Manager | Amy Liu | | |
| Hwa Chi Technologies (Shanghai) Inc. | Chairman | Representative of Interactive Digital Technologies Inc.: Davis Cheng | USD200,000 (Contribution amount) | 44.28 |
| | Supervisor | Representative of Interactive Digital Technologies Inc.: Jeffrey Lee | | |

6. Operational Highlights of Affiliated Companies

December 31, 2020. Unit: NT\$ (thousand)

| Name of Company | Paid-in-capital amount | Total assets | Total liabilities | Net value | Operating revenue | Operating income | Current profit (loss) | Earnings per share (EPS) |
|---|------------------------|--------------|-------------------|-----------|-------------------|------------------|-----------------------|--------------------------|
| Interactive Digital Technologies Inc. | 377,178 | 2,966,296 | 1,810,575 | 1,155,721 | 1,853,959 | 270,554 | 234,242 | 6.33 |
| Hitron Technologies (SAMOA) Inc. | 669,031 | 752,846 | 0 | 752,846 | 0 | 0 | (36,491) | - |
| Hitron Technologies (SIP) Inc. | 641,763 | 2,109,289 | 1,393,101 | 716,188 | 6,238,056 | (18,381) | (35,546) | - |
| Hitron Technologies Americas Inc. | 90,082 | 1,699,596 | 1,575,737 | 123,859 | 6,562,788 | 56,192 | 62,380 | - |
| Hitron Technologies Europe Holding B.V. | 59,604 | 135,173 | 143,859 | (8,686) | 582,353 | 68,296 | 70,410 | - |
| Hitron Technologies Vietnam Company Limited | 550,355 | 2,892,570 | 2,457,656 | 434,914 | 3,090,061 | (13,907) | (17,147) | - |
| Innoauto Technologies Inc. | 50,000 | 4,948 | 12,864 | (7,916) | 9,270 | (32,678) | (32,139) | - |
| Jietech Trading (Suzhou) Inc. | 57,473 | 34,259 | 3,629 | 30,630 | 31,642 | (727) | (945) | - |
| Hwa Chi Technologies (Shanghai) Inc. | 5,814 | 5,973 | 81 | 5,892 | 6,602 | 2,374 | 2,255 | - |

II. For the private placement of Securities in the most recent year until the publication date of the annual report, the date and amount approved by the Shareholders' and Board Meetings, basis and rationale of the price determined, selection method of the specific persons and reasons why the private placement was necessary, and the status of use of the capital raised through the private placement of common shares, the implementation progress of the plan:

| | | | | | |
|--|--|---|-------------------------|---|---|
| Items | First private placement in 2019 Date of issuance: December 16, 2019 | | | | |
| Types of private placement of marketable securities | Common stock | | | | |
| Date and amount approved by the Shareholders' and Board Meetings | Date of Shareholders' Meeting: December 19, 2018 Issuance amount: Within the ordinary share limit of 100,000 thousand shares, depending on the market and specific persons, the Company will undertake once or a few (at most, not more than two) issuances. | | | | |
| Basis and rationale for the price established | In accordance to the first Special Shareholders' Meeting in 2018 (December 19, 2018), the price of the private placement is not lower than 80% of the higher of the following computation before the price determination date: (1) The simple average closing price of the common shares for either 1, 3, or 5 business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends or capital reduction; (2) The simple average closing price of the common shares for the 30 business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends, or capital reduction. According to the price determination principle above, the reference price of the private placement was at NT\$20.13 and the price of the private placement was set at NT\$16.11, which was 80.03% of the reference price, and was not lower than 80% of the reference price as per the resolution passed in the Special Shareholders' Meeting. The price determination method and conditions were in accordance with the rules and regulations and had taken into consideration the current state and future outlook of the Company, as well as the three-year conversion limitation imposed by the Securities and Exchange Act. | | | | |
| Selection method of specific persons | In accordance with the Securities and Exchange Act, Article 43-6 subparagraph 1 on specific persons | | | | |
| Reasons for private placement | The state of the capital market, the timeliness, feasibility, issue costs of raising capital and the actual need of strategic investors are taken into consideration. Further, the transfer of privately placed securities is subject to a three-year restriction. This can ensure the long-term collaboration between the Company and its strategic investors. As such, the Company opted for private placement instead of public issuance of shares. | | | | |
| Number of shares (or number of corporate bonds) | 100,000,000 shares | | | | |
| Payment completion date | December 16, 2019 | | | | |
| Delivery date | January 10, 2020 | | | | |
| Subscriber | Target subscriber | Eligibility requirement | Number of shares placed | Relationship with the Company | Participation in the management of the Company |
| | Alpha Networks Inc. | In accordance with the Securities and Exchange Act, Article 43-6 subparagraph 1 on specific persons | 100,000 thousand shares | After cash capital increase by private placement, Alpha has become a major shareholder with more than 10% stake | Acquired more than half of the Board of Directors |
| Subscription price | NT\$16.11 per share | | | | |
| Difference between subscription price and reference price | The reference price was NT\$20.13. The subscription price was NT\$16.11, which was not lower than the minimum price that was set in the resolution of the Shareholders' Meeting. | | | | |
| Impact of the private placement on Shareholders' interest | The capital raised in the private placement was used for the construction of a factory plant and the purchase of equipment in Vietnam, which posed no negative impact on Shareholders' interest. | | | | |
| The use of capital raised in the private placement and the implementation of plans | Funds are expected to be completed used by 2021Q4. | | | | |
| Benefit of private placement | The private placement is expected to strengthen the competitiveness of the Company, increase operational effectiveness, and enhance the financial structure of the Company. It is thus beneficial to the Shareholders' interest. | | | | |

III. For the Most Recent Year until the Publication Date of the Annual Report, the Shareholding or Disposal of Shares of the Company by Subsidiaries: None.

IV. Other supplementary information: None.

V. For the Most Recent Year until the Publication Date of the Annual Report, Matters Affecting Shareholders' Equity Stock Price as Prescribed in the Securities and Exchange Act, article 36 paragraph 3 subparagraph 2:

In January 2020, due to Directors transferring more than half of shareholding and thus stepping down, all Directors were re-elected in the Special Shareholders' Meeting in February 2020. The change had no material impact on the Shareholders' interest or the share price.



Tel: +886 2 2564 3000
Fax: +886 2 2561 6123
www.bdo.com.tw

BDO Taiwan
立本台灣聯合會計師事務所
10F., No.72, Sec. 2, Nanjing E. Rd.,
Taipei City 104, Taiwan (R.O.C.)
台北市南京東路二段 72 號 10 樓

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Hitron Technologies Inc.

Opinion

We have audited the accompanying consolidated balance sheets of Hitron Technologies Inc. and its subsidiaries as of December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to Other Matter section), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Hitron Technologies Inc. and its subsidiaries as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the section of Auditor's Responsibilities for the Audit of the Consolidated Financial Statements of our report. We are independent of Hitron Technologies Inc. and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditors, We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key audit matters for the Company's consolidated financial statements of the current period are stated as follows:

BDO Taiwan, a joint accounting firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.



Tel: +886 2 2564 3000
Fax: +886 2 2561 6123
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立本台灣聯合會計師事務所
10F., No.72, Sec. 2, Nanjing E. Rd.,
Taipei City 104, Taiwan (R.O.C.)
台北市南京東路二段 72 號 10 樓

Revenue recognition

Please refer to Note 4(23) to the consolidated financial statements about accounting policy of revenue recognition, Note 5(1) about accounting judgments, key sources of estimates and uncertainty for revenue recognition.

Hitron Technologies Inc. and its subsidiaries mainly engaged in the development, manufacture and sale of broadband CPE. The main products are cable modem, cable router and other telecommunication products. As the market demand changes rapidly, customer needs and contract terms become complex and impact the performance of the management. There remains a risk of sales being recorded in an inappropriate period before the risks and rewards have been transferred to customers. Therefore, we consider this a key audit matter.

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

1. Assess the appropriateness of the accounting policy of revenue recognition.
2. Evaluate and test the design and operating effectiveness of internal controls around revenue recognition.
3. Check customer sales contracts, order status, shipping and collection of the selected transactions, to verify the occurrence of transactions and reasonableness of the timing of revenue recognition.
4. Perform cut-off test and vouching them to supporting evidences.

Valuation for Inventories

Please refer to Note 4(13) to the consolidated financial statements about accounting policy of inventory, Note 5(2) about accounting judgments, key sources of estimation and uncertainty for inventory evaluation, and Note 6(6) for the details of the information about allowance for inventory valuation losses.

Due to the rapid change in consumer needs and the technology development of mobile internet, cloud services and integration, price of goods or services influenced by market competition and functional requirements, resulted in a rapid change in inventory value. The assessment of the inventory valuation require significant management judgement. Therefore we consider this a key audit matter.

Our procedures performed in respect of the inventory valuation included:

1. Understand and assess the internal control procedures and accounting estimates for inventory by management.
2. Sampling market information and assess the reasonableness of inventory net realized value.
3. Observing physical inventory counts and check any obsolete and slow-moving.

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Tel: +886 2 2564 3000
Fax: +886 2 2561 6123
www.bdo.com.tw

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Provisions

Please refer to Note 4(19) to the consolidated financial statements about accounting policy of provisions, Note 5(3) about key sources of estimation and assumptions of uncertainty for provisions.

Hitron Technologies Inc. and its subsidiaries estimates the possible maintenance costs and accrues provisions of the product warranty based on past technical experience and contractual conditions. Considering the uncertainty in estimation, the accrual of warranty provisions has been identified as a key audit matter.

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

1. Understood the evaluation process of provision performed by the management.
2. Evaluate the appropriateness of procedures used and the rationality of estimates in assessing provisions.
3. Sampled warranties not expired and evaluated if there were significant unexpected liabilities.
4. Reviewed the settlements of expired warranties and the relevant authorization and supporting documents.

Other Matter

We did not audit the financial statements of the Hitron Technologies Europe Holding B.V. Thus, the amounts and information of the subsidiary shown within are based solely on the reports of other auditors. Total assets of the subsidiary were NT\$362,527 thousand and NT\$112,828 thousand, constituting 2.89% and 1.14% of the consolidated total assets as of December 31, 2020 and 2019 respectively. Total operating revenues of the subsidiary were NT\$582,353 thousand and NT\$204,598 thousand, constituting 5.67% and 1.98% of the consolidated operating revenues for December 31, 2020 and 2019 respectively.

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

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

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

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In preparing the consolidated financial statements, management is responsible for assessing the ability of Hitron Technologies Inc. and its subsidiaries 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 Hitron Technologies Inc. and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of Hitron Technologies Inc. and its subsidiaries.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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 Ke-Yi Liu and Kun-His Hsu.

BDO Taiwan

BDO TAIWAN

March 16, 2021

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations 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 consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

HITRON TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2020 and 2019

| UNIT : NTD (In Thousands) | | | | | | | | | | | | | |
|---|------|--------------|-------------------|---|-------------------|--------|--|--|-------|-------------------|--------|-------------------|--------|
| Assets | | Notes | December 31, 2020 | % | December 31, 2019 | % | Liabilities & Stockholders' Equity | | Notes | December 31, 2020 | % | December 31, 2019 | % |
| Current assets | | | | | | | | | | | | | |
| Cash and cash equivalents | 6.1 | \$3,935,224 | 31.34 | | \$4,607,008 | 46.46 | Current liabilities | | | | | | |
| Financial assets at fair value through profit or loss - current | 6.2 | 70,488 | 0.56 | | 92,866 | 0.94 | Short-term borrowings | | 6.11 | \$2,417,512 | 19.25 | \$952,701 | 9.61 |
| Financial assets at amortized cost - current | 6.3 | - | - | | 30,000 | 0.30 | Financial liabilities at fair value through profit or loss - current | | 6.2 | 3,449 | 0.03 | - | - |
| Notes receivable, net | 6.5 | 154,954 | 1.23 | | 46,055 | 0.46 | Contract liabilities - current | | 6.21 | 668,057 | 5.32 | 463,355 | 4.67 |
| Accounts receivable, net | 6.5 | 2,042,026 | 16.26 | | 1,284,572 | 12.96 | Notes payable | | | 86 | - | 237 | - |
| Accounts receivable - related parties | 7 | 22 | - | | - | - | Accounts payable | | 7 | 2,178,647 | 17.35 | 1,269,489 | 12.80 |
| Other receivables | | 71,378 | 0.57 | | 58,181 | 0.59 | Accounts payable - related parties | | | 39,951 | 0.32 | - | - |
| Current income tax assets | | 45,114 | 0.36 | | 5,648 | 0.06 | Other payables | | 6.13 | 739,814 | 5.89 | 458,922 | 4.63 |
| Inventories | 6.6 | 3,292,548 | 26.22 | | 1,767,865 | 17.83 | Current income tax liabilities | | | 121,594 | 0.97 | 62,654 | 0.63 |
| Prepayments | 6.7 | 492,353 | 3.92 | | 357,500 | 3.61 | Provisions - current | | 6.12 | 165,676 | 1.32 | 189,104 | 1.91 |
| Other current assets | | 4,944 | 0.05 | | 5,919 | 0.05 | Lease liabilities - current | | 6.9 | 27,681 | 0.22 | 42,474 | 0.43 |
| Sub-total | | 10,109,051 | 80.51 | | 8,255,614 | 83.26 | Other current liabilities | | 6.14 | 542,698 | 4.33 | 134,758 | 1.36 |
| | | | | | | | Sub-total | | | 6,905,165 | 55.00 | 3,573,694 | 36.04 |
| Non-current liabilities | | | | | | | | | | | | | |
| Financial assets at fair value through profit or loss - non-current | | | | | | | Financial liabilities at fair value through profit or loss - non-current | | | - | - | 1,560 | 0.02 |
| Bonds payable | | | | | | | Bonds payable | | 6.15 | - | - | 571,047 | 5.76 |
| Long-term borrowings | | | | | | | Long-term borrowings | | 6.16 | - | - | 150,000 | 1.51 |
| Provisions - non-current | | | | | | | Provisions - non-current | | 6.12 | 45,699 | 0.36 | 41,703 | 0.42 |
| Deferred tax liabilities | | | | | | | Deferred tax liabilities | | 6.25 | 11,782 | 0.09 | 7,070 | 0.07 |
| Lease liabilities - non-current | | | | | | | Lease liabilities - non-current | | 6.9 | 10,138 | 0.08 | 26,152 | 0.27 |
| Other non-current liabilities | | | | | | | Other non-current liabilities | | | 284 | - | 418 | 0.01 |
| Sub-total | | 19,335 | 0.15 | | 21,245 | 0.21 | Sub-total | | | 67,903 | 0.53 | 797,950 | 8.06 |
| Non-current assets | | | | | | | Total Liabilities | | | 6,973,068 | 55.53 | 4,371,644 | 44.10 |
| Financial assets at fair value through other comprehensive income - non-current | 6.4 | | | | | | Equity | | | | | | |
| Property, plant and equipment | 6.8 | 1,876,017 | 14.94 | | 1,108,216 | 11.18 | Equity attributable to owners of the parent | | | | | | |
| Right-of-use assets | 6.9 | 178,015 | 1.42 | | 219,340 | 2.21 | Share Capital | | 6.18 | | | | |
| Intangible assets | | 48,136 | 0.38 | | 50,916 | 0.51 | Common stock | | | 3,289,862 | 26.20 | 3,289,862 | 33.18 |
| Deferred tax assets | 6.25 | 141,431 | 1.13 | | 78,917 | 0.80 | Capital surplus | | 6.19 | 1,326,737 | 10.57 | 1,401,968 | 14.14 |
| Other non-current assets | 6.10 | 183,970 | 1.47 | | 180,948 | 1.83 | Retained earnings | | 6.20 | | | | |
| Sub-total | | 2,446,904 | 19.49 | | 1,659,582 | 16.74 | Legal reserve | | | 248,065 | 1.98 | 226,069 | 2.28 |
| | | | | | | | Special reserve | | | 89,973 | 0.72 | 56,615 | 0.57 |
| | | | | | | | Unappropriated earnings | | | 280,010 | 2.23 | 223,073 | 2.25 |
| | | | | | | | (Accumulated deficit) | | | | | | |
| | | | | | | | Other equity | | | (129,056) | (1.03) | (89,974) | (0.91) |
| | | | | | | | Treasury stock | | | (160,442) | (1.28) | (160,442) | (1.62) |
| | | | | | | | Total equity attributable to owners of the parent | | | 4,945,149 | 39.39 | 4,947,171 | 49.89 |
| | | | | | | | Non-controlling interests | | | 637,738 | 5.08 | 596,381 | 6.01 |
| | | | | | | | Total Equity | | | 5,582,887 | 44.47 | 5,543,552 | 55.90 |
| Total assets | | \$12,555,955 | 100.00 | | \$9,915,196 | 100.00 | Total Liabilities and Equity | | | \$12,555,955 | 100.00 | \$9,915,196 | 100.00 |

The accompanying notes are an integral part of financial statements

HITRON TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2020 and 2019

| UNIT : NTD (In Thousands) | | | | | |
|--|-------|--------------|---------|--------------|---------|
| Item | Notes | 2020 | % | 2019 | % |
| Operating revenue | 6.21 | \$10,278,461 | 100.00 | \$10,325,500 | 100.00 |
| Operating costs | 6.6 | (8,125,961) | (79.06) | (8,240,735) | (79.81) |
| Gross profit (loss) | | 2,152,500 | 20.94 | 2,084,765 | 20.19 |
| Net gross profit (loss) | | 2,152,500 | 20.94 | 2,084,765 | 20.19 |
| Operating expenses | | | | | |
| Selling expenses | | (634,036) | (6.17) | (620,259) | (6.01) |
| General and administrative expenses | | (686,654) | (6.68) | (589,416) | (5.71) |
| Research and development expenses | | (384,247) | (3.74) | (396,516) | (3.84) |
| Expected credit impairment gain (loss) | | (731) | - | 1,978 | 0.02 |
| Total operating expenses | | (1,705,668) | (16.59) | (1,604,213) | (15.54) |
| Operating profit (loss) | | 446,832 | 4.35 | 480,552 | 4.65 |
| Non-operating income and expenses | | | | | |
| Interest income | | 10,680 | 0.10 | 6,217 | 0.06 |
| Other income | | 56,272 | 0.55 | 18,590 | 0.18 |
| Other gains and losses | 6.22 | (10,987) | (0.11) | (24,996) | (0.24) |
| Financial costs | | (34,412) | (0.33) | (74,125) | (0.72) |
| Sub-total | | 21,553 | 0.21 | (74,314) | (0.72) |
| Profit (loss) before income tax | | 468,385 | 4.56 | 406,238 | 3.93 |
| Income tax (expenses) benefit | 6.25 | (65,726) | (0.64) | (55,895) | (0.54) |
| Net profit (loss) from continuing operations | | 402,659 | 3.92 | 350,343 | 3.39 |
| Net profit (loss) | | 402,659 | 3.92 | 350,343 | 3.39 |
| Other comprehensive income (loss) | | | | | |
| Components of other comprehensive income that will not be reclassified to profit or loss | | | | | |
| Gain (loss) on remeasurements of defined benefit plans | | - | - | 258 | - |
| Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income | | (1,911) | (0.02) | 4,737 | 0.05 |
| Income tax relating to components | | - | - | 3,353 | 0.03 |
| Components of other comprehensive income that will be reclassified to profit or loss | | | | | |
| Financial statements translation differences of foreign operations | | (37,163) | (0.36) | (38,868) | (0.38) |
| Other comprehensive income (loss), net of income tax | | (39,074) | (0.38) | (30,520) | (0.30) |
| Total comprehensive income (loss) | | 363,585 | 3.54 | 319,823 | 3.09 |
| Profit (loss) attributable to: | | | | | |
| Shareholders of the parent | | 280,010 | 2.72 | 219,959 | 2.13 |
| Non-controlling interests | | 122,649 | 1.20 | 130,384 | 1.26 |
| Total | | 402,659 | 3.92 | 350,343 | 3.39 |
| Comprehensive income (loss) attributable to: | | | | | |
| Shareholders of the parent | | 240,926 | 2.34 | 189,715 | 1.84 |
| Non-controlling interests | | 122,659 | 1.20 | 130,108 | 1.25 |
| Total | | \$363,585 | 3.54 | \$319,823 | 3.09 |
| Earnings per share | 6.26 | | | | |
| Basic earnings (loss) per share (in dollars) | | \$0.87 | | \$0.98 | |
| Diluted earnings per share (in dollars) | | \$0.87 | | \$0.97 | |

The accompanying notes are an integral part of financial statements

UNIT : NTD (In Thousands)

The accompanying notes are an integral part of financial statements

HITRON TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2020 and 2019

UNIT : NTD (In Thousands)

| Items | 2020 | 2019 |
|--|-------------|-------------|
| Cash flows from operating activities | | |
| Profit (loss) before income tax from continuing operations | \$468,385 | \$406,238 |
| Consolidated profit (loss) before tax | 468,385 | 406,238 |
| Adjustments for | | |
| Income (gain) and expense (loss) items | | |
| Depreciation | 247,539 | 223,278 |
| Amortization | 32,237 | 33,366 |
| Expected credit impairment loss (gain) | 731 | (1,978) |
| Net gain (loss) on financial assets (liabilities) at fair value through profit or loss | (4,933) | (12,322) |
| Interest expense | 34,411 | 74,125 |
| Interest income | (10,680) | (6,217) |
| Dividend income | (4,259) | (5,126) |
| Loss (gain) on disposal and scrap of property, plant and equipment | 949 | 196 |
| Loss (gain) on disposal of investments | 10,021 | (2,038) |
| Loss (gain) on liquidation | - | (16) |
| Loss (gain) on a lease modification | (68) | - |
| Changes in assets and liabilities relating to operating activities | | |
| (Increase) decrease in notes receivable | (108,899) | 6,255 |
| (Increase) decrease in accounts receivable | (758,185) | 690,901 |
| (Increase) decrease in accounts receivable - related parties | (22) | - |
| (Increase) decrease in other receivables | (12,370) | 279,908 |
| (Increase) decrease in inventories | (1,524,827) | 1,542,214 |
| (Increase) decrease in prepaid expenses | (19,855) | (1,451) |
| (Increase) decrease in prepayments | (108,208) | 228,262 |
| (Increase) decrease in other current assets | 975 | (603) |
| Increase (decrease) in contract liabilities | 204,701 | 48,678 |
| Increase (decrease) in notes payable | (151) | (1,576) |
| Increase (decrease) in accounts payable | 909,157 | (1,658,966) |
| Increase (decrease) in accounts payable - related parties | 39,951 | - |
| Increase (decrease) in other payables | 281,231 | (24,902) |
| Increase (decrease) in provisions | (19,431) | (15,436) |
| Increase (decrease) in other current liabilities | 1,476 | 2,680 |
| Increase (decrease) in net defined benefit liabilities | - | 258 |
| Interest received | 9,852 | 5,987 |
| Dividends received | 4,259 | 5,126 |
| Interest paid | (23,169) | (77,669) |
| Income taxes refund (paid) | (104,050) | (39,217) |
| Net cash flows generated from (used in) operating activities | (453,232) | 1,699,955 |
| Cash flows from investing activities | | |
| Proceeds from return of capital reduction on financial assets at fair value through other comprehensive income | - | 158 |
| Repayments of financial assets at amortized cost | 30,000 | - |
| Acquisition of financial assets at fair value through profit or loss | (26,382) | (8,865) |
| Proceeds from disposal of financial assets at fair value through profit or loss | 45,581 | 37,829 |
| Proceeds from disposal of subsidiaries | - | 60,300 |
| Proceeds from return of liquidation on subsidiaries | - | 16 |
| Acquisition of property, plant and equipment | (1,059,318) | (322,316) |
| Proceeds from disposal of property, plant and equipment | 66,076 | 132 |
| Decrease in guarantee deposits | 11,991 | 13,634 |
| Acquisition of intangible assets | (29,454) | (18,856) |
| Acquisition of right-of-use assets | - | (130,255) |
| Increase in other financial assets | - | (1,000) |
| Increase in other non-current assets | - | (2,810) |
| Decrease in other non-current assets | 1,176 | - |
| Increase in prepayments for equipment | (16,190) | (18,934) |
| Net cash flows generated from (used in) investing activities | (976,520) | (390,967) |
| Cash flows from financing activities | | |
| Increase in short-term borrowings | 1,464,811 | - |
| Decrease in short-term borrowings | - | (691,949) |
| Issuance of bonds payable | - | 596,200 |
| Repayment of bonds | - | (1,700) |
| Proceeds from long-term borrowings | - | 55,100 |
| Repayments of long-term borrowings | (270,000) | - |
| Decrease in guarantee deposits received | (177) | (148) |
| Repayment of lease principle | (50,567) | (51,227) |
| Decrease in other non-current liabilities | - | (688) |
| Cash dividends paid | (257,054) | (180,048) |
| Issuance of common stock for cash | - | 1,611,000 |
| The purchase of treasury stock | - | (160,442) |
| Increase (decrease) in minority interest | (121,449) | (97,212) |
| Net cash generated from (used in) financing activities | 765,564 | 1,078,886 |
| Effects of changes in exchange rate on cash and cash equivalents | (7,596) | (22,043) |
| Net increase (decrease) in cash and cash equivalents | (671,784) | 2,365,831 |
| Cash and cash equivalents at beginning of period | 4,607,008 | 2,241,177 |
| Cash and cash equivalents at end of period | \$3,935,224 | \$4,607,008 |

The accompanying notes are an integral part of financial statements

HITRON TECHNOLOGIES INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Amounts in In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. GENERAL

Hitron Technologies Inc. (the “Company”) was incorporated in the Republic of China (R.O.C.) on March 24, 1986 under Company Act. The Company is mainly engaged in integrating communication systems, producing and selling electronic and telecom communication products. Qisda Corporation is the ultimate parent company of the Company.

2. THE AUTHORIZATION OF THE FINANCIAL STATEMENTS

The accompanying consolidated financial statements were approved and authorized for issuance by the Board of Directors on March 16, 2021.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

| New, Revised or Amended Standards and Interpretations | Effective Date Issued by IASB |
|--|--|
| Amendments to IAS 1 and IAS 8 ‘Disclosure Initiative-Definition of Material’ | January 1, 2020 |
| Amendments to IFRS 3 ‘Definition of Business’ | January 1, 2020 |
| Amendments to IFRS 9, IAS 39 and IFRS 7 ‘Interest Rate Benchmark Reform’ | January 1, 2020 |
| Amendments to IFRS 16 ‘COVID-19-related rent concessions’ | June 1, 2020(Note1) |

Note1: Earlier application from January 1, 2020 is allowed by FSC.

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

3.2 Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company :

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

| New, Revised or Amended Standards and Interpretations | Effective Date Issued by IASB |
|---|--------------------------------------|
| Amendments to IFRS 4, 'Extension of the Temporary Exemption from Applying IFRS 9' | January 1, 2021 |
| Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16—Phase 2 'Interest Rate Benchmark Reform' | January 1, 2021 |

The above standards and interpretations have no significant impact to the Company's financial position and operating results.

3.3 Effect of IFRSs issued by IASB but not yet endorsed by the FSC

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

| New, Revised or Amended Standards and Interpretations | Effective Date Issued by IASB |
|--|--------------------------------------|
| Amendments to IFRS 3, 'Reference to the Conceptual Framework' | January 1, 2022 |
| Amendments to IFRS 10 and IAS 28 'Sale or Contribution of Assets Between An Investor and Its Associate or Joint Venture' | To be determined by IASB |
| IFRS 17 'Insurance Contracts' | January 1, 2023 |
| Amendments to IFRS 17, 'Insurance Contracts' | January 1, 2023 |
| Amendments to IAS 1, 'Classification of liabilities as current or non-current' | January 1, 2023 |
| Amendments to IAS 1, 'Disclosure of Accounting Policies' | January 1, 2023 |
| Amendments to IAS 8, 'Definition of Accounting Policies' | January 1, 2023 |
| Amendments to IAS 16 'Property, Plant and Equipment—Proceeds before Intended Use' | January 1, 2022 |
| Amendments to IAS 37, 'Onerous Contracts - Cost of Fulfilling a Contract' | January 1, 2022 |
| Annual Improvements to IFRS Standards 2018-2020 | January 1, 2022 |

The above standards and interpretations have no significant impact to the Company's financial condition and operating results.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1. Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the IFRSs, IASs, IFRIC Interpretations, and SIC Interpretations endorsed by the FSC(the 'IFRSs').

4.2. Basis of Preparation

4.2.1. The consolidated financial statements have been prepared on the historical cost basis except for the followings:

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

4.2.2. The preparation of financial statements in compliance with the IFRSs as endorsed by the FSC requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. Areas involve higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, please refer to Note 5 for more information.

4.3. Basis of Consolidation

4.3.1. Basis for preparation of consolidated financial statements:

- (1) All subsidiaries are included in the consolidated financial statements. Subsidiaries are all entities controlled by HT. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Company obtains control of the subsidiaries and ceases when the Company loses control of the subsidiaries.
- (2) Inter-company transactions, balances and unrealized gains or losses are eliminated. Accounting policies of its subsidiaries have been adjusted to align with those used by the Company.

(3) Changes in ownership of a subsidiary that do not result in loss of control are accounted for as equity transactions. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect the changed in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

4.3.2. Subsidiaries included in the consolidated financial statements:

| Investor | Investee | Main Business and Products | Percentage of Ownership | | |
|----------|---|---|-------------------------|------------|------|
| | | | 2020.12.31 | 2019.12.31 | Note |
| HT | HITRON TECHNOLOGIES (SAMOA) INC. (HT SAMOA) | International trade | 100.00 | 100.00 | |
| HT | INTERACTIVE DIGITAL TECHNOLOGIES INC.(IDT) | Telecommunications and broadband network systems and services | 44.28 | 45.21 | (1) |
| HT | HITRON TECHNOLOGIES EUROPE HOLDING B.V. (HT BV) | International trade | 100.00 | 100.00 | |
| HT | HITRON TECHNOLOGIES AMERICAS INC.(HT US) | International trade | 100.00 | 100.00 | |
| HT | INNOAUTO TECHNOLOGIES INC. (INNO) | Investment and automotive electronics products | 100.00 | 100.00 | |
| HT | HITRON TECHNOLOGIES VIET NAM Co.Ltd (HT VN) | Manufacturing wireless and telecom products | 100.00 | 100.00 | |
| HT SAMOA | HITRON TECHNOLOGIES (SIP) INC. (HT SZ) | Manufacturing wireless and telecom products | 100.00 | 100.00 | |
| HT SAMOA | JIETECH TRADING (SUZHOU) INC. (HT JT) | International trade | 100.00 | 100.00 | |
| IDT | HWA CHI TECHNOLOGIES (SHANGHAI) INC. (HWA CHI) | Technical consulting, researching, maintenance and after service of electronic and telecom products | 100.00 | 100.00 | |

Note (1): IDT's convertible bond converted to ordinary shares, the Company shareholding ratio dropped from 45.21% to 44.28% .

4.3.3. Subsidiaries not included in the consolidated financial statements: None

4.3.4. Adjustments for subsidiaries with different reporting period: None

4.3.5. Significant restrictions: None

4.3.6. Subsidiaries that have non-controlling interests that are material to the Company:

As of December 31, 2020 and 2019, the information on non-controlling interest and respective subsidiaries is as follows:

| | Non-controlling interest | | | |
|---------------------------------------|--------------------------|---------------|------------|---------------|
| | 2020.12.31 | Ownership (%) | 2019.12.31 | Ownership (%) |
| Interactive Digital Technologies Inc. | \$637,738 | 55.72 | \$596,381 | 54.79 |

Summarized financial information of the subsidiaries:

(1) Balance sheets

| | Interactive Digital Technologies Inc. | |
|-------------------------|---------------------------------------|-------------|
| | 2020.12.31 | 2019.12.31 |
| Current assets | \$2,346,144 | \$2,290,966 |
| Non-current assets | 620,335 | 405,685 |
| Current liabilities | (1,762,213) | (986,199) |
| Non-current liabilities | (48,545) | (621,577) |
| Total net assets | \$1,155,721 | \$1,088,875 |

(2) Statements of comprehensive incomes

| | Interactive Digital Technologies Inc. | |
|--|---------------------------------------|---------------------------------|
| | Year ended December 31, 2020 | Year ended December 31, 2019 |
| Operating revenue | \$1,859,423 | \$1,960,244 |
| Profit (loss) before tax | 290,009 | 292,116 |
| Income tax | (55,767) | (51,572) |
| Profit (loss) from continuing operations | 234,242 | 240,544 |
| Profit (loss) for the year | 234,242 | 240,544 |
| Total comprehensive income for the year | \$234,260 | \$240,040 |

(3) Statements of cash flows

| | Interactive Digital Technologies Inc. | |
|--|---------------------------------------|-------------------|
| | Year ended | Year ended |
| | December 31, 2020 | December 31, 2019 |
| Net cash generated from (used in) operating activities | \$213,511 | \$480,609 |
| Net cash generated from (used in) investing activities | (194,893) | 15,614 |
| Net cash generated from (used in) financing activities | (230,947) | 409,799 |
| Effect of exchange rate | 19 | (504) |
| Net increase(decrease) in cash and cash equivalents | (212,310) | 950,518 |
| Cash and cash equivalents at beginning of year | 1,397,533 | 492,015 |
| Cash and cash equivalents at the end of year | \$1,185,223 | \$1,397,533 |

4.4. Foreign currency transaction

The financial statements of each individual consolidated entity were expressed in the currency which reflected its primary economic environment (functional currency). The functional currency of the HT and presentation currency of the consolidated financial statements are both New Taiwan Dollars (NT\$). In preparing the consolidated financial statement, the operating results and financial positions of each consolidated entity are translated into NT\$.

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

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations are translated into NT\$ using exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period. Exchange differences are recognized in other comprehensive income and accumulated in equity.(attributed to non-controlling interests as appropriate.)

4.5. Classification of current and non-current items

4.5.1. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (1) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- (2) Assets held mainly for trading purposes;
- (3) Assets that are expected to be realized within twelve months from the end of the reporting period;
- (4) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the end of the reporting period.

4.5.2. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (1) Liabilities that are expected to be paid off within the normal operating cycle;
- (2) Liabilities arising mainly from trading activities;
- (3) Liabilities that are to be paid off within twelve months from the end of the reporting period;
- (4) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the end of the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

4.6. Cash equivalents

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

4.7. Financial assets or financial liabilities at fair value through profit or loss

- (1) Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.
- (2) On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
- (3) At initial recognition, the Company measure the financial assets at fair value and recognize the transaction costs in profit or loss. The Company subsequently measure the financial assets at fair value, and recognize the gain or loss in profit or loss.
- (4) Dividend income is recognized when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

4.8. Financial assets at amortized cost

4.8.1. Financial assets at amortized cost are those that meet all of the following criteria:

- (1) The objective of the Company's business model is achieved by collecting contractual cash flows.
- (2) The assets' contractual cash flows represent solely payments of principal and interest.

4.8.2. On a regular way purchase or sale basis, financial assets at amortized cost are recognized and derecognized using trade date accounting.

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

4.9. Accounts receivable and Notes Receivable

4.9.1 Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.

4.9.2 The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

4.10. Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company and its subsidiaries has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income; or the debt instruments are measured at fair value through other comprehensive income if both of the following conditions are met:
- (1) The financial asset is held with in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
 - (2) 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.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.
- C. At initial recognition the Company and its subsidiaries measures the financial assets at fair value plus transaction costs. The Company and its subsidiaries subsequently measures the financial assets at fair value:
- (1) The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings, and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and its subsidiaries and the amount of the dividend can be measured reliably.
 - (2) The changes in fair value of debt instruments that were recognized in other comprehensive income. Before derecognition, impairment gains or losses, interest revenue and foreign exchange gains and losses are recognized in profit or loss. When the debt instruments are derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

4.11. Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortized cost (including accounts receivable that have a significant financing component or contract assets), at each end of the financial reporting period, the Company recognize the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognize the impairment provision for lifetime ECLs.

4.12. Derivative Financial Instruments

The Company enters into a variety of derivative financial instruments to manage the market risk exposure to foreign exchange rate, including forward exchange contracts and cross currency swap contracts.

Derivative financial instruments 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 financial instrument is designated and effective as a hedging instrument, in which situation the timing of the recognition in profit or loss depends on the nature of the hedge.

Changes in the fair value of derivative financial instruments that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

The effective portion of changes in the fair value of derivative financial instruments that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedges reserve. Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the period when the hedged item is recognized in profit or loss.

4.13. Inventories

Inventories are stated at the lower of cost or net realizable value. Inventories are recorded at standard cost and adjusted to approximate weighted-average cost at the end of the reporting period. Net realizable value represents the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale.

Fixed manufacturing cost is amortized to finished goods and work in progress based on normal operating capacity. Variable manufacturing cost is amortized according to actual production. However, when the difference between normal operating capacity and actual production is insignificant, amortization based on actual production should be adopted. When actual production exceeds normal operating capacity, manufacturing cost should be amortized by the actual operating capacity.

4.14. Property, Plant and Equipment

4.14.1 Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

4.14.2 Subsequent costs are included in the asset's carrying amount or recognized as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are expensed to profit or loss during the financial period in which they are incurred.

4.14.3 Property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Land is not depreciated. If each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

4.14.4 The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at the end of each reporting period. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives for buildings are 5-56 years, useful lives for other PP&E are 1 ~ 10 years.

4.15. Leasing

4.15.1 Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

4.15.2 Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:

- (a) Fixed payments, less any lease incentives receivable;
- (b) Variable lease payments that depend on an index or a rate;
- (c) Amounts expected to be payable by the lessee under residual value guarantees;
- (d) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- (e) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

4.15.3 At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (a) The amount of the initial measurement of lease liability;
- (b) Any lease payments made at or before the commencement date; and
- (c) Any initial direct costs incurred.

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

4.16. Intangible Asset

Intangible assets individually acquired are measured by cost less accumulated amortization and impairment losses. Amount of amortization is calculated on a straight-line basis over their estimated useful lives of 1 to 5 years.

Estimated useful life and amortization method of intangible assets should be reviewed at each financial year-end. Any changes in accounting estimates can be applied prospectively.

4.17. Impairment of non-financial Assets

The Company assesses at the end of the reporting period the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Any resulting increase in the carrying amount is recognized in profit or loss not exceed the amount needed to restore the carrying amount to the carrying amount that would have been determined had no impairment loss been recognized in the previous years.

4.18. Bonds payable

The convertible bonds that the Company issued are embedded with a put option and a call option. At issuance, the issue price is split between financial assets and financial liabilities based on the issue term and the related accounting treatments are as follows:

- A. The option to convert the bonds to common stocks, put option and call option are measured at net fair value at initial recognition and are recognized as financial assets or financial liabilities at fair value through profit or loss. The difference between the carrying amount and the fair value at each reporting date is recognized as gains or losses on financial assets (liabilities) at fair value through profit or loss.
- B. The bonds payable at initial recognition is measured at issue price less the amounts recognized as financial assets or financial liabilities at fair value through profit or loss. The difference between the fair value at initial recognition and the redemption value is recognized as premiums or discounts, an addition to or reduction from bonds payable, and is amortized using the effective interest rate. The amortization is recognized as an adjustment to financial cost in profit or loss during the outstanding period of the bonds.
- C. Transaction costs that directly attribute to the issue of convertible bonds are allocated to each liability component of the bonds in proportion to the initial carrying amounts.
- D. When the bonds are converted to common stocks by bondholders, the liability components, including bonds payable and financial liabilities at fair value through profit or loss, shall be re-measured according to their respective subsequent treatment aforementioned. The issue cost of the common stocks then equals to the total of the carrying amounts of the liability components.

4.19. Provision

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and is probable that an outflow of economic benefits will be required to settle the obligation.

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

An onerous contract is defined as a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The provision for onerous contracts is measured by the lower of the cost of fulfilling the contract and any compensation or penalties arising on cancellation of the contract. Impairment losses of assets related to the onerous contract should be recognized before recognizing a separate provision for the onerous contract.

4.20. Employee benefits

4.20.1. Pensions

(1) Defined contribution plans

1. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

Effective July 1, 2005, HT adopted the “Labor Pension Act” (the Act), which prescribes a defined contribution pension plan for those employees who were covered by the “Labor Standards Act” HT makes monthly contributions to individual employee pension fund accounts at a rate of 6% of the employee’s monthly wages. The contributions are accounted for as current pension expense.

2. Subsidiaries in the People’s Republic of China participate in the pension benefit plan operated by the local governments. The benefit plan is a defined contribution plan. After making contribution to the plan, the subsidiaries are not liable to pay any pension benefits, but the local governments in PRC assume the obligations to pay instead.

(2) Defined benefit plans

A defined benefit pension plan uses projected unit credit method to calculate actuarial valuation at the end of the fiscal year. Actuarial gains and losses arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise. In accordance with the “Labor Standards Act”, HT makes contributions on a monthly basis to the labor pension fund deposited in the Bank of Taiwan.

4.20.2. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonuses or profit-sharing plans if the Company has a present legal or constructive obligation to pay as a result of past service provided by the employee, and the obligation can be estimated reliably.

4.20.3. Bonuses to Employees and Remuneration to Directors and Supervisors

Employee bonuses and directors and supervisors remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be estimated. Any difference between the actual distributed amounts is accounted for as changes in estimates.

4.21. Treasury Stock

Repurchased shares are recognized under treasury shares (a contra-equity account) based on their repurchase price (including all directly accountable costs), net of tax. Gains on disposal of treasury shares should be recognized under capital surplus - treasury share transactions. Losses on disposal of treasury shares should be offset against existing capital surplus arising from similar types of treasury shares. If there is insufficient capital surplus to offset the losses, then such losses should be accounted for under retained earnings. The carrying amount of treasury shares should be calculated using the weighted-average method and grouped by the type of repurchase.

4.22. Income Tax

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

4.22.2. Deferred income tax is recognized, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates where the Company is able to control the reversal of the temporary difference in the foreseeable future.

4.22.3. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At the end of each reporting period, unrecognized and recognized deferred income tax assets are reassessed.

4.23. Revenue recognition

4.23.1. The Company mainly engaged in producing and selling electronic and telecom communication products. Sales revenues are recognized when the performance obligation has been satisfied by transferring a promised good or service to a customer. Additionally, sales revenues are recognized based on the contract price net of sales return and discounts of a contract and only recognized to the extent that it is highly probable that a significant reversal will not occur.

4.23.2. For certain contracts that do not provide the Company unconditional rights to the consideration, and the transfer of controls of the goods or services has been satisfied, the Company recognizes contract assets and revenue. Consideration received from customer prior to the Company having satisfied its performance obligations are accounted for as contract liabilities which are transferred to revenue after performance obligations are satisfied.

4.24. Earnings per share

Basic earnings per share are computed by dividing profit or loss attributable to ordinary shareholders by the weighted-average number of ordinary shares outstanding during the current reporting period. Diluted earnings per share are computed after adjustments (regarding all impact caused by potential diluted ordinary shares) made on profit or loss attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding. Potential diluted ordinary shares include bonuses paid to employee. However, the adverse dilutive share is not computed.

4.25. Operating segments

Operating segments are reported in a manner consistent with the internal managements reports provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

The preparation of consolidated financial statements requires management to make critical judgments in applying the accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. The above information is addressed below:

5.1 Revenue recognition

Sales revenues are recognized when the goods or services have transferred to customers and the performance obligation has been satisfied. The Company estimates discounts and returns based on historical experience and other known factors. Provisions for such liabilities are recorded as a deduction item to sales revenues when the sales are recognized. The Company reassesses the reasonableness of estimates of discounts and returns periodically.

5.2 Valuation of inventory

Inventories are stated at the lower of cost and net realizable value, and the Company determines the net realizable value of inventories using judgments and estimates at the end of each reporting period. Due to the rapid technology innovation, the Company estimates the net realizable value of inventory for obsolescence and unmarketable items at the end of each reporting period, and writes down the cost of inventories to the net realizable value. Such an evaluation of inventories is mainly determined based on assumptions of future demand within a specific time horizon. Therefore, there might be material changes to the evaluation.

5.3 Provision

A provision is recognized if, as a result of a past event, the Company has a present obligation (legal or constructive obligation) that can be estimated reliably, and is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. In accordance with the contracts terms or commitments to customers, the Company estimates the maintenance obligations based on past technical experience. In addition, the Company periodically reviews the reasonableness of the estimates.

6. DETAILS OF SIGNIFICANT ACCOUNTS

6.1 Cash and cash equivalents

| | <u>December 31,2020</u> | <u>December 31,2019</u> |
|------------------|-------------------------|-------------------------|
| Cash on hand | \$1,574 | \$1,259 |
| Deposits in bank | 1,628,650 | 3,270,749 |
| Time deposit | 2,305,000 | 1,335,000 |
| Total | <u>\$3,935,224</u> | <u>\$4,607,008</u> |

6.1.1 The Company associates with a number of financial institutions of high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

6.1.2 The Company has no cash and cash equivalents pledged to others.

6.2 Financial assets at fair value through profit or loss

6.2.1 Current items:

(1)Financial assets

| | <u>December 31,2020</u> | <u>December 31,2019</u> |
|---|-------------------------|-------------------------|
| Financial assets at fair value through profit or loss | | |
| Listed Stocks | \$68,894 | \$92,866 |
| Foreign currency forward contracts | 1,050 | - |
| Call options and put options of convertible bonds | 544 | - |
| Total | <u>\$70,488</u> | <u>\$92,866</u> |

(2)Financial liabilities

| | <u>December 31,2020</u> | <u>December 31,2019</u> |
|--|-------------------------|-------------------------|
| Financial liabilities at fair value through profit or loss | | |
| Foreign currency forward contracts | \$3,449 | \$- |
| Total | <u>\$3,449</u> | <u>\$-</u> |

6.2.2 The Company entered into forward exchange contracts to manage exposure due to fluctuations in exchange rates. However, the aforementioned derivatives did not meet the criteria for hedge accounting.

6.2.3 Outstanding forward exchange contracts as financial assets of the following:

| items | December 31,2020 | |
|------------------|--------------------------------|---------------------|
| | Contract Amount (Thousands) | Contract Period |
| Buy USD/Sell NTD | USD 5,000/NTD 140,488 | 109.12.31~110.01.20 |
| Buy EUR/Sell USD | EUR 2,956/USD 3,590 | 109.11.24~110.03.08 |

6.2.4 Outstanding forward exchange contracts as financial liabilities of the following:

| items | December 31,2020 | |
|------------------|--------------------------------|---------------------|
| | Contract Amount (Thousands) | Contract Period |
| Buy NTD/Sell EUR | NTD 243,319/EUR 7,130 | 109.11.24~110.03.26 |
| Buy CNY/Sell USD | CNY 13,090/USD 2,000 | 109.12.24~110.01.25 |

6.2.5 The Company has no financial assets at fair value through profit or loss pledged to others.

6.3 Financial assets at amortized cost

| | December 31,2020 | December 31,2019 |
|---------------|------------------|------------------|
| Time deposits | \$- | \$30,000 |

The Company and its subsidiaries have no financial assets at amortized cost pledged to others.

6.4 Financial assets at fair value through other comprehensive income, non-current

| Items | December 31,2020 | December 31,2019 |
|-----------------------------|------------------|------------------|
| Non-current items | | |
| Common Stocks | | |
| Chao Long Motor Parts Corp. | \$19,335 | \$21,245 |
| Total | \$19,335 | \$21,245 |

These investments in equity instruments are held for medium or long-term strategic purposes.

The Company and its subsidiaries have no financial assets at fair value through other comprehensive income pledged to others.

6.5 Notes receivable and Accounts receivable

| | December 31, 2020 | December 31, 2019 |
|--------------------------------------|-------------------|-------------------|
| Notes receivable | \$154,954 | \$46,055 |
| Accounts receivable | \$2,074,469 | \$1,316,337 |
| Less: allowance for doubtful account | (32,443) | (31,765) |
| Total | \$2,042,026 | \$1,284,572 |

6.5.1 The Company applies the simplified approach to provide for its expected credit loss, i.e. the use of lifetime expected credit loss. Based on the historical experience of the Company, there is no significantly different loss patterns for different customer segments. The provision matrix does not divide different customer segments, and only accounts receivable to determine credit loss rate.

(1) Aging analysis of accounts receivable is as follows:

| | Not past due | Past due within 30 days | Past due 31 to 90 days | Past due 91 to 180 days | Past due over 180 days | Total |
|---------------------------|--------------|-------------------------|------------------------|-------------------------|------------------------|-------------|
| December 31, 2020 | | | | | | |
| Expected credit loss rate | 0.01% | 3.00% | 0.95% | 0% | 39.31% | |
| Booking value | \$1,941,084 | \$54,166 | \$1,258 | \$- | \$77,961 | \$2,074,469 |
| Loss allowance | (151) | (1,630) | (12) | - | (30,650) | (32,443) |
| Amortized cost | \$1,940,933 | \$52,536 | \$1,246 | \$- | \$47,311 | \$2,042,026 |
| December 31, 2019 | | | | | | |
| Expected credit loss rate | 0.04% | 2.96% | 0.33% | 0% | 39.31% | |
| Booking value | \$1,208,638 | \$19,804 | \$9,934 | \$- | \$77,961 | \$1,316,337 |
| Loss allowance | (495) | (587) | (33) | - | (30,650) | (31,765) |
| Amortized cost | \$1,208,143 | \$19,217 | \$9,901 | \$- | \$47,311 | \$1,284,572 |

(2) Movements of the allowance for expected credit loss :

| | 2020 | 2019 |
|-----------------------------|----------|----------|
| Balance, beginning of year | \$31,765 | \$35,714 |
| Reversal of impairment loss | 678 | (3,949) |
| Balance, end of year | \$32,443 | \$31,765 |

(3) The maximum exposure to credit risk is the carrying amount of each categories of accounts receivable.

(4) The Company does not hold any collateral as guaranty of collectability.

6.6 Inventories

| | December 31,2020 | December 31,2019 |
|--|------------------|------------------|
| Raw materials | \$1,140,807 | \$514,980 |
| Work in process | 269,813 | 272,572 |
| Finished goods | 460,494 | 262,119 |
| Merchandise inventories | 533,182 | 408,807 |
| Other inventories | 929,312 | 372,800 |
| Subtotal | 3,333,608 | 1,831,278 |
| Allowance for inventory valuation losses | (41,060) | (63,413) |
| Total | \$3,292,548 | \$1,767,865 |

Inventory related cost and expense

| | 2020 | 2019 |
|---|-------------|-------------|
| Cost of goods sold | \$7,875,384 | \$8,115,693 |
| Loss on inventory disposal | 50,583 | 19,102 |
| Loss on (gain on reversal of) decline in market value | (20,321) | (37,290) |
| Total cost of goods sold | 7,905,646 | 8,097,505 |
| Costs of service revenue | 220,315 | 143,230 |
| Total | \$8,125,961 | \$8,240,735 |

1. The gain on reversal of decline in market value is due to the sales of obsolete inventory.

2. The Company has no inventories pledged to others.

6.7 Prepayments

| | December 31,2020 | December 31,2019 |
|------------------------------------|------------------|------------------|
| Prepayment for products | \$62,552 | \$44,509 |
| Prepaid contract procurement costs | 321,481 | 225,939 |
| Overpaid sales tax | 27,585 | 27,546 |
| Other prepaid expenses | 80,735 | 59,506 |
| Total | \$492,353 | \$357,500 |

6.8 Property, plant and equipment

| | Land | Buildings | Machinery and equipment | Construction in progress | Others | Total |
|--|------------------|------------------|-------------------------------|-----------------------------|------------------|--------------------|
| <u>2020.1.1</u> | | | | | | |
| Cost | \$207,450 | \$555,014 | \$575,252 | \$199,219 | \$298,427 | \$1,835,362 |
| Accumulated depreciation and impairment | (8,984) | (209,348) | (356,984) | - | (151,830) | (727,146) |
| Total | <u>\$198,466</u> | <u>\$345,666</u> | <u>\$218,268</u> | <u>\$199,219</u> | <u>\$146,597</u> | <u>\$1,108,216</u> |
| <u>2020</u> | | | | | | |
| As at 1.1 | \$198,466 | \$345,666 | \$218,268 | \$199,219 | \$146,597 | \$1,108,216 |
| Additions | 205,246 | 390,181 | 399,763 | - | 64,128 | 1,059,318 |
| Disposals | - | - | (56,348) | - | (11,863) | (68,211) |
| Reclassification | - | 188,262 | 144 | (188,262) | - | 144 |
| Depreciation charge | - | (19,409) | (90,082) | - | (85,521) | (195,012) |
| Net exchange differences | - | (1,874) | (15,303) | (10,957) | (304) | (28,438) |
| As at 12.31 | <u>\$403,712</u> | <u>\$902,826</u> | <u>\$456,442</u> | <u>\$-</u> | <u>\$113,037</u> | <u>\$1,876,017</u> |
| <u>2020.12.31</u> | | | | | | |
| Cost | \$412,696 | \$1,131,646 | \$761,218 | \$- | \$423,272 | \$2,728,832 |
| Accumulated depreciation and impairment | (8,984) | (228,820) | (304,776) | - | (310,235) | (852,815) |
| Total | <u>\$403,712</u> | <u>\$902,826</u> | <u>\$456,442</u> | <u>\$-</u> | <u>\$113,037</u> | <u>\$1,876,017</u> |
| | | | | | | |
| | Land | Buildings | Machinery and equipment | Construction in progress | Others | Total |
| <u>2019.1.1</u> | | | | | | |
| Cost | \$207,450 | \$521,511 | \$579,172 | \$- | \$315,280 | \$1,623,413 |
| Accumulated depreciation and impairment | (8,984) | (198,212) | (320,473) | - | (136,420) | (664,089) |
| Total | <u>\$198,466</u> | <u>\$323,299</u> | <u>\$258,699</u> | <u>\$-</u> | <u>\$178,860</u> | <u>\$959,324</u> |
| <u>2019</u> | | | | | | |
| As at 1.1 | \$198,466 | \$323,299 | \$258,699 | \$- | \$178,860 | \$959,324 |
| Additions | - | 42,140 | 31,617 | 199,219 | 49,340 | 322,316 |
| Disposals | - | - | (105) | - | (217) | (322) |
| Reclassification | - | 328 | 3,049 | - | 7,070 | 10,447 |
| Depreciation charge | - | (15,905) | (69,619) | - | (85,029) | (170,553) |
| Net exchange differences | - | (4,196) | (5,373) | - | (3,427) | (12,996) |
| As at 12.31 | <u>\$198,466</u> | <u>\$345,666</u> | <u>\$218,268</u> | <u>\$199,219</u> | <u>\$146,597</u> | <u>\$1,108,216</u> |
| <u>2019.12.31</u> | | | | | | |
| Cost | \$207,450 | \$555,014 | \$575,252 | \$199,219 | \$298,427 | \$1,835,362 |
| Accumulated depreciation and impairment | (8,984) | (209,348) | (356,984) | - | (151,830) | (727,146) |
| Total | <u>\$198,466</u> | <u>\$345,666</u> | <u>\$218,268</u> | <u>\$199,219</u> | <u>\$146,597</u> | <u>\$1,108,216</u> |

The Company have no PPE pledged as collateral.

6.9 Lease Arrangements

2020

1. The Company leases various assets including land, buildings, office equipment, transportation equipment and other equipments. Rental contracts are typically made for periods 1 to 39 years. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

2. The book value of right-of-use asset

| | <u>December 31,2020</u> | <u>December 31,2019</u> |
|--------------------------|-------------------------|-------------------------|
| Land | \$142,111 | \$154,327 |
| Buildings | 30,381 | 60,134 |
| Office equipment | 425 | 1,483 |
| Transportation equipment | 4,368 | 1,972 |
| Other equipment | 730 | 1,424 |
| Total | <u>\$178,015</u> | <u>\$219,340</u> |

3. Depreciation expense for right-of-use asset

| | <u>2020</u> | <u>2019</u> |
|--------------------------|-----------------|-----------------|
| Land | \$5,555 | \$4,101 |
| Buildings | 43,521 | 44,437 |
| Office equipment | 77 | 1,801 |
| Transportation equipment | 2,897 | 1,872 |
| Other equipment | 477 | 514 |
| Total | <u>\$52,527</u> | <u>\$52,725</u> |

1. The company and its subsidiaries added \$24,418 and \$128,002 respectively to their right-of-use assets during the reporting periods for 2020 and 2019. °
2. The lease liabilities of the Company and its subsidiaries are as follows :

| | December 31, 2020 | | |
|-------------|----------------------------------|--------------|-----------------------------------|
| | Future minimum lease payments | Interest | Minimum rent pay present value |
| Current | \$28,309 | \$627 | \$27,682 |
| Non-current | 10,340 | 202 | 10,138 |
| Total | <u>\$38,649</u> | <u>\$829</u> | <u>\$37,820</u> |

| | December 31, 2019 | | |
|-------------|----------------------------------|----------------|-----------------------------------|
| | Future minimum lease payments | Interest | Minimum rent pay present value |
| Current | \$44,044 | \$1,570 | \$42,474 |
| Non-current | 26,464 | 312 | 26,152 |
| Total | <u>\$70,508</u> | <u>\$1,882</u> | <u>\$68,626</u> |

The Company and its subsidiaries leased cash outflows total \$50,567 and \$51,227 during the reporting periods for 2020 and 2019.

6.10 Other non-current assets

| | December 31, 2020 | December 31, 2019 |
|--------------------------------|-------------------|-------------------|
| Prepayments for equipment | \$46,474 | \$30,284 |
| Refundable deposits | 129,371 | 141,362 |
| Other non-current assets-other | 8,125 | 9,302 |
| Total | <u>\$183,970</u> | <u>\$180,948</u> |

6.11 Short-term borrowings

| | December 31,2020 | December 31,2019 |
|---------------------|------------------|------------------|
| Unsecured loans | \$2,417,512 | \$952,701 |
| Interest rate range | 0.64%~1.35% | 1.15%~4.35% |

6.12 Provisions

| | December 31,2020 | December 31,2019 |
|--------------------------|------------------|------------------|
| Warranties - current | \$165,676 | \$189,104 |
| Warranties - non-current | 45,699 | 41,703 |
| Total | \$211,375 | \$230,807 |

| | 2020 | 2019 |
|--------------------------------------|-----------|-----------|
| Beginning Provisions | \$230,807 | \$246,243 |
| New provision for the current period | 184,504 | 136,192 |
| Provision used in the current period | (203,212) | (151,354) |
| Impact of exchange rate changes | (724) | (274) |
| Ending Provisions | \$211,735 | \$230,807 |

6.13 Other payables

| | December 31,2020 | December 31,2019 |
|-----------------------|------------------|------------------|
| Accrued Salaries | \$371,124 | \$332,427 |
| Business tax payable | 38,378 | 22,276 |
| Payables on equipment | 101,772 | 13,209 |
| Other payables | 228,540 | 91,010 |
| Total | \$739,814 | \$458,922 |

6.14 Other current liabilities

| | December 31,2020 | December 31,2019 |
|------------------------------------|------------------|------------------|
| Current portion of long-term loans | \$- | \$120,000 |
| Current portion of bonds payable | 526,507 | - |
| Others | 16,191 | 14,758 |
| Total | <u>\$542,698</u> | <u>\$134,758</u> |

6.15 Bonds payable

6.15.1 Outstanding secured convertible bonds issued by HT and IDT are as follows:

| | December 31,2020 | December 31,2019 |
|--|------------------|------------------|
| Secured Convertible bonds | \$- | \$500,000 |
| Unsecured Convertible bonds | 600,000 | 600,000 |
| Less: discount on bonds payable | (17,393) | (28,953) |
| Less: accumulated converted amount | (56,100) | (498,300) |
| Less: redemption on maturity | - | (1,700) |
| Less: current portion of bonds payable | <u>(526,507)</u> | <u>-</u> |
| Total | <u>\$-</u> | <u>\$571,047</u> |

6.15.2 The HT secured convertible bonds has expired on June 15th, 2019 and total common stocks of 26,866 thousand shares were converted and NT\$224,281 thousand of capital surplus were recognized.

6.15.3 The IDT convertible bonds have been converted into 774 thousand shares and the capital accumulation due to the conversion is \$48,748 thousand as of December 31, 2020.

6.15.4 With the aim of operational requirements, purchase of office buildings and warehouses, the IDT first convertible bonds in 2019 was approved by Financial Supervisory Commission on 6 November 2019. Terms and conditions of the issuance are as follows:

| | |
|---|---|
| Total issuance | NT\$600,000 thousand |
| Issue date | November 22, 2019 |
| The coupon rate | 0% |
| Issue period | November 22, 2019 ~ November 22, 2022 |
| Repayment | Except for early call and cancellation by the IDT Company or early put and conversion by bondholders in accordance with the terms and conditions set by the IDT Company, the bondholders will receive in cash at maturity of the convertible bonds. |
| Redemption at the option of the Company | <p>1. At any time starting three months from the issue date until the 40th day prior to the maturity date, when the closing price of its common shares on the Taiwan Stock Exchange is over 30% of the conversation price for 30 consecutive trading days, the IDT Company could redeem the outstanding bonds based on par value in cash.</p> <p>2. At any time starting three months from the issue date until the 40th day prior to the maturity date, when the balance of outstanding bonds is lower than NT\$60,000 thousand of the total issuance, if the outstanding balance of the bonds is less than NT\$60,000 thousand the IDT Company may repurchase the outstanding bonds at par in cash.</p> |
| Redemption at the option of the bondholders | Within the 40 days prior to 2 years after the issue day, the bondholders shall have the right to require the IDT to redeem the bonds at redemption price of par value plus interest compensation in cash. The interest compensation for the 2 years from the date of issuance is 0.5%. |
| Conversion period | Bondholders may convert bonds into the IDT Company's common shares at any time starting three months from the issue date to the maturity date. |
| Conversion price | <p>The conversion price was NT\$78.5 per share at issuing.</p> <p>The conversion price was adjusted to NT\$72.5 from NT\$78.5 since July 27, 2020.</p> |

6.16 Long-term borrowings

| Bank | Borrowing period and repayment term | December 31,2020 | December 31,2019 |
|--------------------------|--|------------------|------------------|
| First Bank | From 2017.12.22 to 2020.12.22, circulation | \$- | \$120,000 |
| First Bank (Syndication) | From 2019.07.17 to 2024.10.07, circulation | - | 150,000 |
| | Subtotal | \$- | 270,000 |
| | Less: current portion | - | (120,000) |
| | Total | \$- | \$150,000 |
| | Interest rate range | - | 1.80%~2.89% |

The Company took a syndicated loan in the amount of NTD 2.2 billion from First Commercial Bank and other banks to fulfill working capital and to support Hitron Tehnologies Vietnam's plan to set up plants. According to the loan agreement, during the loan term, the Company shall maintain its current ratio, leverage ratio, interest coverage ratio, and tangible net worth semiannually and annually.

6.17 Pensions

6.17.1 Defined Contribution plans

HT·IDT and INNO have defined contribution pension plans set up according to Labor Pension Act. 6% of employees' monthly salaries are contributed to each individual account governed by Bureau of Labor Insurance. Pension cost of \$34,501 thousand and \$27,234 thousand are recognized for the year 2020 and 2019, respectively.

6.17.2 Defined benefit plans

(1) HT have defined benefit pension plans in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Act. As that Act, employee's pension is based on an employee's length of service and average monthly salary. HT contribute an amount equal to 2% of salaries paid each month to their respective pension fund deposited with Bank of Taiwan. The balance of pension fund in Bank of Taiwan were \$3,376 thousand and \$3,246 thousand as of December 31, 2020 and 2019 respectively.

(2) The amounts recognized in the balance sheet are as follows:

| | December 31,2020 | December 31,2019 |
|--|------------------|------------------|
| Present value of defined benefit obligations | \$(1,915) | \$(2,376) |
| Fair value of plan assets | 3,376 | 3,246 |
| Net defined benefit liability | \$1,461 | \$870 |

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

| | Present value of defined benefit obligations | Fair value of plan assets | Net defined benefit liability |
|-----------------------------------|--|------------------------------|-------------------------------------|
| 2020 | | | |
| Balance at January 1 | \$ (2,376) | \$ 3,246 | \$ 870 |
| Current service cost | (115) | - | (115) |
| Interest (expense) income | (21) | 29 | 8 |
| | <u>(2,512)</u> | <u>3,275</u> | <u>763</u> |
| Remeasurements: | | | |
| Return on plan assets | - | 101 | 101 |
| Change in financial assumptions | (187) | - | (187) |
| Change in demographic assumptions | 10 | - | 10 |
| Experience adjustments | 774 | - | 774 |
| Balance at December 31 | <u>\$ (1,915)</u> | <u>\$ 3,376</u> | <u>\$ 1,461</u> |
| 2019 | | | |
| Balance at January 1 | \$ (2,146) | \$ 3,053 | \$ 907 |
| Current service cost | (325) | - | (325) |
| Interest (expense) income | (26) | 38 | 12 |
| | <u>(2,497)</u> | <u>3,091</u> | <u>594</u> |
| Remeasurements: | | | |
| Return on plan assets | - | 136 | 136 |
| Change in financial assumptions | (181) | - | (181) |
| Change in demographic assumptions | (9) | - | (9) |
| Experience adjustments | 311 | - | 311 |
| | <u>(2,376)</u> | <u>3,227</u> | <u>851</u> |
| Contributions from employer | - | 19 | 19 |
| Balance at December 31 | <u>\$ (2,376)</u> | <u>\$ 3,246</u> | <u>\$ 870</u> |

(4) The Bank of Taiwan is commissioned to manage the fund assets of HT pension plans in accordance with the “Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund”.

(5) The principal actuarial assumptions used are as follows:

| | Decmember 31,2020 | Decmember 31,2019 |
|------------------------------|-------------------|-------------------|
| Discount rate | 0.40% | 0.90% |
| Future salary increases rate | 1.00% | 1.00% |

Assumptions regarding future mortality are based on actuarial advice of the Life Insurance Institutions within territory.

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

| | Discount rate | | Future salary increases | |
|---|---------------|----------|-------------------------|----------|
| | Increase | Decrease | Increase | Decrease |
| | 0.25% | 0.25% | 0.25% | 0.25% |
| December 31, 2020 | | | | |
| Effect on present value of defined benefit obligation | \$(96) | \$101 | \$101 | \$(95) |
| December 31, 2019 | | | | |
| Effect on present value of defined benefit obligation | \$(131) | \$140 | \$139 | \$(132) |

(6) Expected contributions to the defined benefit pension plan of HT is \$0 thousand for the year ending December 31, 2021.

(7) As of December 31, 2020, the weighted average duration of the retirement plan is 20 years.

6.18 Share capital

| | December 31,2020 | December 31,2019 |
|--------------------------|------------------|------------------|
| Authorized share capital | \$4,000,000 | \$4,000,000 |
| Capital Stock issued | \$3,289,862 | \$3,289,862 |
| Total | \$3,289,862 | \$3,289,862 |

- (1) As of December 31 2020, HT's authorized numbers of shares were 400,000 thousand shares with 30,000 thousand shares reserved for employee stock option plan and convertible bond convergent. Par value of common stock is \$10 (in dollars) per share and each share has one voting power.
- (2) On December 19, 2018, according to the resolution of the interim shareholder meeting, a capital increase plan of private issuance was approved. The board of directors approved to carry out the plan through the issuance of 100,000 thousand common shares at a issuance price of 16.11, with total value amounting 1,611,000 thousand. According to the Securities and Exchange Act, the transfer of such privately placed common shares within three years from the delivery date is forbidden.
- (3) Treasury stock

- (1) The changes in treasury stocks in 2020 is as follows :

| Reason to buy back | 2020 | | | |
|-----------------------|------------|----------|----------|-------------|
| | January 01 | Increase | Decrease | December 31 |
| Transfer to employees | 7,669 | | - | 7,669 |
| Total | 7,669 | | - | 7,669 |

- (2) In compliance with Securities and Exchange Law of the R.O.C., treasury stock held by the parent company should not be pledged, nor should it be entitled to voting rights or receiving dividends.

6.19 Capital surplus

- (1) Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations should only be used to offset accumulated deficit or to issue new stocks or to pay out as cash dividend to shareholders, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus used to issue new stocks should not exceed 10% of the paid-in capital each year.

(2) Capital surplus for the years of 2020 and 2019 are as follows:

| | <u>December 31,2020</u> | <u>December 31,2019</u> |
|---|-------------------------|-------------------------|
| Additional paid-in capital | \$742,718 | \$742,718 |
| From convertible bonds | 529,562 | 534,868 |
| From disposal of subsidiaries | - | 84,029 |
| From share of changes in equities of subsidiaries | 51,869 | 37,765 |
| From employee stock options | 2,461 | 2,461 |
| Others | 127 | 127 |
| Total | <u>\$1,326,737</u> | <u>\$1,401,968</u> |

6.20 Retained earnings

(1) Legal reserve

The legal reserve is for making good the deficit (or loss) of the Company. However, when the Company incurs no loss, it may, pursuant to a resolution of shareholders' meeting, distribute 25% of the amount that legal reserve exceeds the total capital by issuing new shares or paid out cash as dividends.

(2) Special reserve

A. In accordance with the regulations, the Company shall set aside special reserve equal to the net debit balance of other equity items at the end of the reporting period before distributing earnings. When the net debit balance of other equity items is reversed subsequently, the reversed amount should be included in the distributable earnings.

B. The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with FSC regulations shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

(3) Retained earnings and dividend policies

A. According to Paragraph 29-1 of HT's Articles of Incorporation, the order of and restrictions on annual earnings allocation are as follows:

- a. Paying income tax ;
- b. Offsetting previous deficit ;
- c. Set aside 10% of the remaining amount as legal reserve, unless the accumulated amount of the legal reserve has reached the total authorized capital of the Company.

- d. Setting aside or reversing a special reserve according to relevant regulations when necessary.
 - e. Any balance left over shall be allocated according to the resolution of the shareholder's meeting.
 - f. The Company adopts a dividend distribution policy whereby only surplus profits of the Company shall be distributed to shareholders according to Paragraph 29 of Articles of Incorporation. Cash dividends shall be at least 10% of the total distribution.
- B. The information about the earning appropriations by the Company as proposed by the Board of Directors and resolved by the stockholders of HT for the year 2020 and 2019 are available at the Market Observation Post System website.
- C. For the information relating to employees bonuses and directors and supervisors remuneration, please refer to Note 6(24).

6.21 Operating revenue

(1) Revenue from contracts with customers

| | 2020 | 2019 |
|-----------------|--------------|--------------|
| Sales revenue | \$9,942,880 | \$10,047,490 |
| Service revenue | 335,581 | 278,010 |
| Total | \$10,278,461 | \$10,325,500 |

(2) Detail information about revenue from contracts with customers are as follows:

A. Disaggregation of revenue from contracts with customers:

| | 2020 | 2019 |
|--------------------|---------------|--------------|
| At a point in time | \$110,245,414 | \$10,277,617 |
| Over time | 33,047 | 47,883 |
| | \$10,278,461 | \$10,325,500 |

B. Contract assets and liabilities

| | December 31, 2020 | December 31, 2019 |
|----------------------|-------------------|-------------------|
| Contract liabilities | \$668,057 | \$463,355 |

6.22 Other gains and losses

| | 2020 | 2019 |
|---|-------------------|-------------------|
| Net currency exchange gain (loss) | \$(3,195) | \$(38,799) |
| Financial asset or liability held for trading valuation gain (loss) | 4,933 | 12,322 |
| Gain (loss) on disposal of investments | (10,021) | 2,038 |
| Others | (2,704) | (557) |
| Total | <u>\$(10,987)</u> | <u>\$(24,996)</u> |

6.23 Expenses by nature

| | 2020 | 2019 |
|---|--------------------|--------------------|
| Change in merchandise | \$873,587 | \$1,068,350 |
| Change in finished goods, work in process, raw materials and supplies | 6,379,560 | 6,441,315 |
| Service costs and other expenses | 220,315 | 143,230 |
| Employee benefit | 1,420,982 | 1,336,603 |
| Depreciation and amortization | 279,776 | 256,644 |
| Other expenses | 657,409 | 598,806 |
| Total operating costs and expense | <u>\$9,831,629</u> | <u>\$9,844,948</u> |

6.24 Employee benefit

| | 2020 | 2019 |
|----------------------------|--------------------|--------------------|
| Wages and salaries | \$1,234,988 | \$1,144,626 |
| Director's remuneration | 39,702 | 35,308 |
| Labor and health insurance | 71,907 | 96,049 |
| Pension | 34,608 | 27,548 |
| Other expenses | 39,777 | 33,072 |
| Total | <u>\$1,420,982</u> | <u>\$1,336,603</u> |

1. According to HT'S Articles of Incorporation, HT shall allocate 3%-10% of annual profit as bonuses to employees and no more than 2% of annual profit as remuneration to directors and supervisors, respectively, pursuant to the resolution of the boards of directors. Employees of subsidiaries are entitled to receive employees' bonuses.
2. For the year ended December 31, 2020 and 2019 employees bonuses and directors and supervisors remuneration were accrued \$41,991 thousand and \$29,058 thousand, respectively. Employees' bonuses and directors and supervisors remuneration for 2019 had been approved by the shareholders meeting with no difference to the accrued amount in the consolidated financial statements ended December 31, 2019.
3. Information about employees bonuses and directors and supervisors remuneration of the Company as resolved by the Board of Directors and shareholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

6.25 Income tax

(1) Income tax (expense) benefit

A. Components of income tax (expense) benefit:

| | 2020 | 2019 |
|---|-------------------|-------------------|
| Current tax: | | |
| Current tax on profits for the period | \$(131,736) | \$(75,834) |
| Income tax adjustment of prior years | (2,436) | - |
| Loss carry forward | 9,237 | - |
| Total current tax (expense) | (124,935) | (75,834) |
| Deferred income tax: | | |
| Origination and reversal of temporary differences | 59,209 | 19,939 |
| Total deferred income tax (expense) | 59,209 | 19,939 |
| Income tax (expense)benefit | <u>\$(65,726)</u> | <u>\$(55,895)</u> |

B. The income tax (charge)/credit relating to components of other comprehensive income is as follows:

| | 2020 | 2019 |
|---|------------|----------------|
| Actuarial gains/losses on defined benefit obligations | <u>\$-</u> | <u>\$3,353</u> |

(2) Reconciliation between income tax (expense) benefit and accounting profit

| | 2020 | 2019 |
|--|-------------------|-------------------|
| Tax calculated based on profit before tax and statutory tax rate | \$(174,468) | \$(112,306) |
| Effects from items disallowed by tax regulations | 31,793 | 32,673 |
| Effect from investment tax credit | 10,939 | 3,799 |
| Origination and reversal of temporary differences | 59,209 | 19,939 |
| Income tax adjustments on prior years | (2,436) | - |
| Loss carry forward | 9,237 | - |
| Income tax (expense) benefit | <u>\$(65,726)</u> | <u>\$(55,895)</u> |

(3) Amounts of deferred tax assets or liabilities as a result of temporary difference, loss carry forward and investment tax credit are as follows:

| | 2020 | | | | |
|---|------------------|------------------------------------|---|-------------------------|-------------------|
| | | Recognized in profit or loss | Recognized in other comprehensive income | Recognized in equity | December 31 |
| Temporary differences: | | | | | - |
| - Deferred income tax assets: | | | | | |
| Unrealized exchange loss | \$8,394 | \$4,685 | \$- | \$- | \$13,079 |
| Inventory valuation losses | 3,605 | 242 | - | - | 3,847 |
| Unrealized gross profit from affiliates | 12,792 | 9,379 | - | - | 22,171 |
| Warranty pronsion | 43,528 | (3,818) | - | - | 39,710 |
| Other loss | 10,000 | (10,000) | - | - | - |
| Advance sales receipts | - | 47,089 | - | - | 47,089 |
| Loss carry forward | - | 15,017 | - | - | 15,017 |
| Others | 598 | (80) | - | - | 518 |
| Subtotal | <u>\$78,917</u> | <u>\$62,514</u> | <u>\$-</u> | <u>\$-</u> | <u>\$141,431</u> |
| - Deferred income tax liabilities: | | | | | |
| Unrealized exchange gain | \$(5,960) | \$(4,222) | \$- | \$- | \$(10,182) |
| Defined benefit plans | (1,110) | (490) | - | - | (1,600) |
| Subtotal | <u>\$(7,070)</u> | <u>\$(4,712)</u> | <u>\$-</u> | <u>\$-</u> | <u>\$(11,782)</u> |
| Total | <u>\$71,847</u> | <u>\$(57,802)</u> | <u>\$-</u> | <u>\$-</u> | <u>\$129,649</u> |

| 2019 | | | | | |
|---|-----------|------------------------------------|---|-------------------------|----------------|
| | January 1 | Recognized in profit or loss | Recognized in other comprehensive income | Recognized in equity | December 31 |
| Temporary differences: | | | | - | |
| - Deferred income tax assets: | | | | | |
| Unrealized exchange loss | \$2,567 | \$5,827 | \$- | \$- | \$8,394 |
| Inventory valuation losses | 3,766 | (161) | - | - | 3,605 |
| Unrealized gross profit from affiliates | 263 | 12,529 | - | - | 12,792 |
| Warranty pronsion | 40,395 | 3,133 | - | - | 43,528 |
| Other loss | 10,000 | - | - | - | 10,000 |
| Others | 431 | 167 | - | - | 598 |
| Subtotal | \$57,422 | \$21,495 | \$- | \$- | \$78,917 |
| - Deferred income tax liabilities: | | | | | |
| Unrealized exchange gain | \$(4,972) | \$(988) | \$- | \$- | \$(5,960) |
| Defined benefit plans | (3,895) | (568) | 3,353 | - | (1,110) |
| Subtotal | \$(8,867) | \$(1,556) | \$3,353 | \$- | \$(7,070) |
| Total | \$48,555 | \$19,939 | \$3,353 | \$- | \$71,847 |

- (4) Income tax returns of HT 、IDT and INNO through 2018 have been assessed and approved by the Tax Authority.

6.26 Earnings per share

| For the year ended December 31, 2020 | | | |
|--|---------------------|--|--------------------------------------|
| | Amount after tax | Weighted average number of ordinary shares outstanding (in thousands) | Earnings per share (in dollar) |
| Profit for the year | <u>\$280,010</u> | | |
| Basic earnings per share | | | |
| Profit or (loss) attributable to common shareholders of the Parent Company | 280,010 | 321,317 | <u>\$0.87</u> |
| Assumed conversion of all dilutive potential common shares | | | |
| Employees bonuses | <u>-</u> | <u>1,672</u> | |
| Diluted earnings per share | | | |
| Current profit (loss) attributable to common shareholders plus assumed conversion of all dilutive potential common shares | <u>\$280,010</u> | <u>322,989</u> | <u>\$0.87</u> |
| For the year ended December 31, 2019 | | | |
| | Amount after tax | Weighted average number of ordinary shares outstanding (in thousands) | Earnings per share (in dollar) |
| Profit for the year | <u>\$219,959</u> | | |
| Basic earnings per share | | | |
| Profit or (loss) attributable to common shareholders of the Parent Company | 219,959 | 224,976 | <u>\$0.98</u> |
| Assumed conversion of all dilutive potential common shares | | | |
| Employees bonuses | - | 1,091 | |
| Convertible bonds | <u>188</u> | <u>1,290</u> | |
| Diluted earnings per share | | | |
| Current profit (loss) attributable to common shareholders plus assumed conversion of all dilutive potential common shares | <u>\$220,147</u> | <u>227,357</u> | <u>\$0.97</u> |

(1) Potential shares from bonuses to employees should be included in the weighted average number of outstanding shares in calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the amount of bonuses to employees by the fair value of the common shares on the end of the reporting period. Such dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until the shares of employee bonuses are resolved in the shareholders' meeting in the following year, and thus the shares of employee bonuses resolved will be included in the basic EPS.

(2) Movements in common shares outstanding of HT are as follows (unit: in thousands):

| | 2020 | 2019 |
|--------------------------|---------|---------|
| At January 1 | 328,986 | 224,310 |
| Buy back treasury shares | (7,669) | (6,980) |
| Cash replenishment | - | 4,167 |
| Convertible bonds | - | 3,479 |
| At December 31 | 321,317 | 224,976 |

(3) Please refer to Note 6.18 "Share capital" for more information of capital increasing and common shares conversion.

6.27 Non-cash transaction

Financing activities with no cash flow effects

| | 2020 | 2019 |
|---|------|----------|
| Convertible bonds being converted to capital stocks and capital surplus | \$- | \$84,967 |

7 RELATED-PARTY TRANSACTIONS

7.1 Significant related party transactions:

(1) Name and Relationship of Related Parties

| Name of related parties | Relationship with the Company |
|-----------------------------------|---------------------------------|
| Qisda Corporation | Ultimate parent company (Note1) |
| Alpha Networks Inc. | Parent company |
| Sysage Technology Co., LTD | Associate |
| Dawning Technology Inc. | Associate |
| Unictron Technologies Corporation | Associate |

Note 1 : Qisda Corporation became the ultimate parent company of the company and its subsidiaries in July 2020.

(2) Significant Related Party Transactions

a. Sales revenue

| | 2020 |
|----------------|--------------|
| Parent company | \$21 |
| Associate | 600 |
| Total | <u>\$621</u> |

Sales terms with related parties were decided on market condition.

b. Purchases

| | 2020 |
|----------------|-----------------|
| Parent company | \$319 |
| Associate | 63,458 |
| Total | <u>\$63,777</u> |

Purchase terms with related parties were decided on market condition.

c. Other prepaid expenses

| | 2020 |
|----------------|-------------|
| Parent company | <u>\$39</u> |

d. Operation expense

| | 2020 |
|----------------|--------------|
| Parent company | \$523 |
| Associate | 144 |
| Total | <u>\$667</u> |

e. Accounts receivable

| | December 31,2020 |
|----------------|------------------|
| Parent company | <u>\$22</u> |

f. Other prepaid expenses

| | December 31,2020 |
|-----------|------------------|
| Associate | <u>\$44</u> |

g. Accounts payable

| | December 31, 2020 |
|----------------|-------------------|
| Parent company | \$52 |
| Associate | 39,899 |
| Total | <u>\$39,951</u> |

7.2 Key management compensation

| | 2020 | 2019 |
|--|-----------------|-----------------|
| Salaries and other short-term employee benefit | <u>\$74,195</u> | <u>\$78,668</u> |

8 **PLEDGED ASSETS**

The assets pledged as collateral are as follows:

| Assets item | Book Value | |
|--|-------------------|-------------------|
| | December 31, 2020 | December 31, 2019 |
| Non-current assets- restricted time deposits | \$2,382 | \$2,382 |
| Non-current assets- refundable deposits | 11,547 | 11,993 |
| Total | <u>\$13,929</u> | <u>\$14,375</u> |

- (1) The pledged assets are disclosed at net carrying values.
- (2) The Company provided time deposits as collateral mainly for lands lease agreements. The refundable deposits was pledged as collateral for security deposit provided to the local government of overseas sales.

9 **SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS**

9.1. Contingencies

| | December 31, 2020 | December 31, 2019 |
|---|-------------------|-------------------|
| 1. Guarantee notes submitted for purchasing projects | \$8,938 | \$8,256 |
| 2. Guarantees of constructions | \$189,874 | \$175,190 |
| 3. Guarantees amount for duties payable to Tax Office | - | \$3,000 |
| 4. Unused letters of credit for purchase overseas goods | USD276 | - |

HT and eASPNET Taiwan Inc. (“eASPNET”) entered into the “Agreement for Establishment of Kaohsiung City Wireless Common Platform” (the “Agreement”). The Kaohsiung City Government rescinded the relevant contract for the reason that its performance thereunder failed the inspection. eASPNET then requested HT to rescind the Agreement. HT, instead of accepting such request, brought a lawsuit against eASPNET and claimed for the contract payment of NT\$86,619 thousand. And HT has obtained the favorable judgment made by Taiwan Shilling District Court dated Feb. 17, 2011, the civil judgment was decided that eASPNET has to pay HT NT\$ 72,916 thousand and the interest collected based on 5% of the annual interest rate from April 12, 2008 till paying off day, the objection and application of provisional execution raised by eASPNET were rejected and eASPNET has provided NT\$ 72,916 thousand as securities for purposes of being exempted from provisional execution in April. 2011. On May 31, 2013, Taiwan High Court declared that HT won the court case. However, eASPNET did not accept the outcome and the Supreme Court of Appeal; the Supreme Court on Nov 18, 2013 abandoned the original judgment, back to the Taiwan High Court trial update. On March 29, 2016, in the first retrial, Taiwan High Court declared that HT won the court case. The civil judgment was decided that eASPNET has to pay HT NT\$ 71,115 thousand. However, the two parties both filed appeals; the Supreme Court on January 5, 2017 abandoned the original judgment except provisional execution and returned the case back to the Taiwan High Court. On October 20, 2020, in the second retrial, Taiwan High Court ruled to abandon the judgement of the first retrial. Based on law experts’ opinion, the case is still undecided and able to be appealed. The Company filed an appeal on November 17, 2020, and the High Court transferred the entire case to the Supreme Court on January 25, 2021.

9.2. Commitments: None

10 **SIGNIFICANT DISASTER LOSS:** None

11 **SIGNIFICANT SUBSEQUENT EVENTS:** None

12 **OTHERS**

12.1. Capital management

The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern in order to provide the maximum returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or enhance the capital structure, the Company regularly reviews and measure associated expenses, risks and returns to ensure a good level of profitability and financial ratios. By financing or entering loans to balance the overall capital structure when necessary to cope with the needs of operating capital, debt repayment and dividend expense in future periods, etc.

12.2. Financial instruments

(1) Fair value information of financial instruments

| | December 31, 2020 | |
|---|--------------------|--------------------|
| | Book value | Fair value |
| Financial assets: | | |
| Cash and cash equivalents | \$3,935,224 | \$3,935,224 |
| Financial assets at fair value through profit or loss-current | 70,488 | 70,488 |
| Financial assets at fair value through other comprehensive income | 19,335 | 19,335 |
| Notes receivable | 154,954 | 154,954 |
| Accounts receivable (including related parties) | 2,042,048 | 2,042,048 |
| Other receivables | 71,378 | 71,378 |
| Other financial assets | 131,754 | 131,754 |
| Total | <u>\$6,425,181</u> | <u>\$6,425,181</u> |
| | December 31, 2019 | |
| | Book value | Fair value |
| Financial assets: | | |
| Cash and cash equivalents | 4,607,008 | 4,607,008 |
| Financial assets at fair value through profit or loss-current | 92,866 | 92,866 |
| Financial assets at amortized cost | 30,000 | 30,000 |
| Financial assets at fair value through other comprehensive income | 21,245 | 21,245 |
| Notes receivable | 46,055 | 46,055 |
| Accounts receivable | 1,284,572 | 1,284,572 |
| Other receivables | 58,181 | 58,181 |
| Other financial assets | 143,744 | 143,744 |
| Total | <u>\$6,283,671</u> | <u>\$6,283,671</u> |

| | December 31, 2020 | |
|---|--------------------|--------------------|
| | Book value | Fair value |
| Financial liabilities : | | |
| Short-term borrowings | \$2,417,512 | \$2,417,512 |
| Financial liability at fair value through profit or loss-current contract liability | 3,449 | 3,449 |
| Notes payable | 668,057 | 668,057 |
| Accounts payable(including related parties) | 86 | 86 |
| Other payables | 2,218,598 | 2,218,598 |
| Lease liability (including current portion) | 739,814 | 739,814 |
| Bonds payable (including current portion) | 37,820 | 37,820 |
| Other financial liabilities | 526,507 | 526,507 |
| Total | 283 | 283 |
| | <u>\$6,612,126</u> | <u>\$6,612,126</u> |

| | December 31, 2019 | |
|--|--------------------|--------------------|
| | Book value | Fair value |
| Financial liabilities : | | |
| Short-term borrowings | \$952,701 | \$952,701 |
| contract liability | 463,355 | 463,355 |
| Notes payable | 237 | 237 |
| Accounts payable | 1,269,489 | 1,269,489 |
| Other payables | 458,922 | 458,922 |
| Bonds payable(including current portion) | 571,047 | 571,047 |
| Long-term borrowings (including current portion) | 270,000 | 270,000 |
| Lease liability (including current portion) | 68,626 | 68,626 |
| Other financial liabilities | 461 | 461 |
| Total | <u>\$4,054,838</u> | <u>\$4,054,838</u> |

(2) Financial risk management policies

- a. The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and financial performance. The Company uses derivative financial instruments to hedge certain risk exposures. Refer to Notes 6.2.
- b. Risk management is carried out by a central finance department under policies approved by the Board of Directors. The finance department identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Board of Directors provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(3) Significant financial risks and degrees of financial risks

a. Market risk

- The major market risks undertaken by the Company are foreign currency risk and interest rate risk. To protect against reductions in value and the volatility of future cash flows caused by changes in foreign exchange rates, the Company utilizes derivative financial instruments; such as currency forward contracts to hedge its currency exposure. The Company's own funds are sufficient to cover its operation. The need of external borrowing is limited and all repayments are made before the maturity of borrowings. Because the net assets under floating rate are all due within one year, and the current market interest rates are still low, it is expected there will be no significant risk of changes in interest rates. Hence, no derivative financial instruments to manage interest rate risk are used.
- The management and measurement methods of the Company regarding the exposure to the market risk of financial instruments are not changed.

I. Foreign currency risk

- Cash inflow and outflow of the Company are based on foreign currency; the hedging effect is subsequently accompanied. The Company's foreign exchange risk management is mainly for the purpose of hedging not for profiting.

- Strategy of exchange rate risk management is to regularly review various currencies, net assets and liabilities, and constantly manage the risks. When choosing the hedging instruments/tools, the hedging costs and period are important considerations. Buying / selling foreign exchange forward contracts or borrowing foreign currency liabilities are currently the main tools to avoid the exchange rate risk.
- Carrying amounts of monetary assets and liabilities denominated in foreign currencies of the Company at the end of reporting date are as follows:

| December 31,2020 | | | | | |
|-------------------------|----------------|----------|-------------|----------------------|---------------------|
| | Foreign | Exchange | Book value | Sensitivity analysis | |
| | currency | | | Extent of | Effect on profit or |
| | amount | | | | |
| | (in thousands) | rate | NTD | | |
| <u>Financial assets</u> | | | | | |
| <u>Monetary items</u> | | | | | |
| USD : NTD | \$ 162,187 | 28.35 | \$4,598,001 | 5% | ±\$229,900 |
| EUR : NTD | \$ 7,251 | 34.96 | \$253,495 | 5% | ±\$12,675 |
| JPY : NTD | \$ 515 | 0.27 | \$139 | 5% | ±\$7 |
| CAD : NTD | \$ 691 | 22.24 | \$15,368 | 5% | ±\$768 |
| RMB : NTD | \$1,321 | 4.32 | \$5,707 | 5% | ±\$285 |
| VND : NTD | \$ 3,358,107 | 0.0012 | \$4,030 | 5% | ±\$202 |

Financial

liabilities

Monetary items

| | | | | | |
|-----------|---------------|--------|-------------|----|------------|
| USD : NTD | \$ 162,215 | 28.35 | \$4,598,795 | 5% | ±\$229,940 |
| JPY : NTD | \$ 46,913 | 0.27 | \$12,667 | 5% | ±\$633 |
| CAD : NTD | \$ 249 | 22.24 | \$5,538 | 5% | ±\$277 |
| RMB : NTD | \$ 1,380 | 4.32 | \$5,962 | 5% | ±\$298 |
| VND : NTD | \$ 67,143,717 | 0.0012 | \$80,572 | 5% | ±\$4,029 |

| December 31,2019 | | | | | |
|-------------------------|----------|----------|-------------|----------------------|---------------------|
| | Foreign | Exchange | Book value | Sensitivity analysis | |
| | currency | | | Extent of | Effect on profit or |
| | amount | rate | NTD | variation | loss |
| (in thousands) | | | | | |
| <u>Financial assets</u> | | | | | |
| <u>Monetary items</u> | | | | | |
| USD : NTD | \$19,692 | 30.00 | \$590,760 | 5% | ±\$29,538 |
| CAD : NTD | \$1,374 | 23.00 | \$31,602 | 5% | ±\$1,580 |
| RMB : NTD | \$1,363 | 4.31 | \$5,875 | 5% | ±\$294 |
| <u>Financial</u> | | | | | |
| <u>liabilities</u> | | | | | |
| <u>Monetary items</u> | | | | | |
| USD : NTD | \$51,923 | 30.00 | \$1,557,690 | 5% | ±\$77,885 |

- Key management personnel believe the sensitivity analysis cannot represent inherent risk of foreign exchange rate. Because the disclosure of foreign currency risk at the end of reporting date cannot reflect the level of risk exposure during middle of the year.

II. Price risk

- The Company is exposed to equity securities price risk because of investments held by the Company and classified on the consolidated balance sheet either as financial assets at fair value through comprehensive or financial assets at fair value through profit or loss. The Company is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- The Company's investments in equity securities comprise domestic listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased with all other variables held constant, post-tax profit for the years ended December 31, 2020 and 2019 would have increased/decreased as a result of gains/losses on equity securities classified as at fair value through profit or loss.

III. Interest rate risk

- The Company's interest rate risk arises from holding assets and liabilities with floating rates. These cause the exposure of cash flow interest rate risk.
- Details of financial assets and financial liabilities with floating rates of the Company are in the section of "Liquidity risk" set below.
- The following sensitivity analysis is determined upon the risk exposure level of non-derivative instruments at the end of the reporting period. For liabilities with floating rates, the analysis methods assume the amounts of outstanding debts at the end of the reporting date are outstanding throughout the whole year.
- If interest rates are 0.1% higher/lower with all other variables held constant, the Company's net income for 2020 and 2019 will subsequently increase or decrease. The Company's interest expenses increasing or decreasing are mainly due to the floating rate borrowings.

b. Credit risk

- I. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties on the contract obligations. According to the Company's credit policy, each local entity in the Company is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers which taking into account their financial position, past experience and other factors. The Company periodically monitors the use of credit and the payment status, and continually develops diverse business regions and expands overseas markets in order to reduce customer concentration risk. Accounts receivable of the Company is constituted by many customers, scattered in different regions of the world. The Company regularly assesses the financial position of accounts receivable for foreign customers, and makes sure proper insurances are in place for new customers and customer accounts with specific concerns. Accordingly, the Company has no significant credit risk exposed to any counterparty.
- II. No credit limits were exceeded during the reporting periods for 2020 and 2019, and the management does not expect any significant losses from non-performance by these counterparties.
- III. The Company classifies accounts receivables according to the customer types, and refers to the loss rate established by the specific period historical and the current information to estimate the allowance loss of the contract assets and accounts receivables.

c. Liquidity risk

- I. Cash flow forecasting is performed in the operating entities of the Company and aggregated by the finance department with monitoring rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times, so that the Company does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal balance sheet's ratio targets and, if applicable external regulatory or legal requirements, for example, currency restrictions.
- II. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the finance department. The finance department invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

III. The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities

| | | Between 1 | Between 2 | |
|---|--------------|-----------|-----------|--------|
| | Less than 1 | and 2 | and 5 | Over 5 |
| December 31,2020 | year | years | years | years |
| Short-term borrowings | \$ 2,417,512 | \$- | \$- | \$- |
| Contract liabilities | 668,057 | - | - | - |
| Notes payable | 86 | - | - | - |
| Accounts payable (including relative parties) | 2,218,598 | - | - | - |
| Other payables | 739,814 | - | - | - |
| Lease liability(including current portion) | 27,682 | 6,866 | 3,272 | - |
| Bonds payable | 526,507 | - | - | - |

Non-derivative financial liabilities

| | | Between 1 | Between 2 | |
|---|-------------|-----------|-----------|--------|
| | Less than 1 | and 2 | and 5 | Over 5 |
| December 31,2019 | year | years | years | years |
| Short-term borrowings | \$952,701 | \$- | \$- | \$- |
| Contract liabilities | 463,355 | - | - | - |
| Notes payable | 237 | - | - | - |
| Accounts payable | 1,269,489 | - | - | - |
| Other payables | 458,922 | - | - | - |
| Long-term borrowings(including current portion) | 120,000 | - | 150,000 | - |
| Lease liability(including current portion) | 42,474 | 24,495 | 1,657 | - |

IV. Derivative financial liabilities

As of December 31, 2020 and December 31, 2019 all derivative financial liabilities of the Company are due within one year.

12.3. Fair value estimation

- (1) The table below analyses financial instruments measured at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that is not based on observable market data.

The following table presents the Company's financial assets and liabilities that are measured at fair value at December 31, 2020 and December 31, 2019. Equity securities, beneficiary's certificates and as such are classified into Level 1. Financial assets/liabilities measured at fair value are the valuation adjustment of embedding derivative and as such are classified into Level 2. Financial assets at fair value through other comprehensive income are classified into Level 3.

| December 31, 2020 | Level 1 | Level 2 | Level 3 | Total |
|---|----------|---------|----------|----------|
| Financial assets: | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Equity securities | \$68,894 | \$- | \$- | \$68,894 |
| Foreign currency forward contracts | - | 1,050 | - | 1,050 |
| Call options and put options of convertible bonds | - | 544 | - | 544 |
| Subtotal | 68,894 | 1,594 | - | 70,488 |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity securities | - | - | 19,335 | 19,335 |
| Total | \$68,894 | \$1,594 | \$19,335 | \$89,823 |
| Financial liabilities: | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| Foreign currency forward contracts | \$- | \$3,449 | \$- | \$3,449 |
| Total | \$- | \$3,449 | \$- | \$3,449 |

| December 31, 2019 | Level 1 | Level 2 | Level 3 | Total |
|---|----------|---------|----------|-----------|
| Financial assets: | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Equity securities | \$92,866 | \$- | \$- | \$92,866 |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity securities | - | - | 21,245 | 21,245 |
| Total | \$92,866 | \$- | \$21,245 | \$114,111 |

- (2) The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the closing price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity instruments and beneficiary's certificates classified as financial assets at fair value through profit or loss.
- (3) The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- (4) If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.
- (5) Specific valuation techniques used to value financial instruments include:
- (a) Quoted by market prices or dealer quotes for similar instruments.
 - (b) The fair value of forward foreign exchange contracts is determined using forward exchange rates at the end of the reporting period, with the resulting value discounted back to present value.
 - (c) Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

- (6) The following table presents the change in level 3 instruments for the years ended December 31, 2020 and 2019.

| | Equity securities | |
|--|-------------------|-----------------|
| | 2020 | 2019 |
| As at January 1 | \$21,245 | \$16,667 |
| Recognized in other comprehensive income | (1,911) | 4,737 |
| Capital deducted by returning cash | - | (158) |
| Rounding | 1 | (1) |
| As at December 31 | <u>\$19,335</u> | <u>\$21,245</u> |

13 SUPPLEMENTARY DISCLOSURES

13.1. Significant transactions information

(1) Loans to others:

| No. (Note 1) | Creditor | Borrower | Financial statement account (Note 2) | Related party | Maximum outstanding balance during the year ended December 31, 2020 (Note 3) | Balance at December 31, 2020 (Note 8) | Actual amount drawn down | Interest rate | Nature of loan (Note 4) | Amount of transactions with the borrower (Note 5) | Reason for short-term financing (Note 6) | Allowance for doubtful accounts | Collateral | | Limit on loans granted to a single party (Note 7) | Ceiling on total loans granted (Note 7) | Footnote |
|-----------------|-------------------------------|--|---|---------------|--|---------------------------------------|--------------------------|---------------|-------------------------|---|--|---------------------------------|------------|-------|---|---|------------|
| | | | | | | | | | | | | | Item | Value | | | |
| 0 | HT | HITRON TECHNOLOGI ES EUROPE HOLDING B.V. | Other receivables - related parties | Yes | 31,801 | - | - | - | 1 | 576,582 | - | - | no | - | 576,582 | 1,978,060 | - |
| 0 | HT | HITRON TECHNOLOGI ES AMERICAS INC. | Other receivables - related parties | Yes | 16,936 | - | - | - | 1 | 6,585,634 | - | - | no | - | 1,978,060 | 1,978,060 | |
| 0 | HT | HITRON TECHNOLOGI ES VIET NAM Co.Ltd | Other receivables - related parties | Yes | 454,800 | 425,250 | 425,250 | 1-2% | 2 | - | Working capital | - | no | - | 494,515 | 1,978,060 | |
| 0 | HT | HITRON TECHNOLOGI ES (SIP) INC. | Other receivables - related parties | Yes | 454,800 | 425,250 | 170,100 | 1-2% | 2 | - | Working capital | - | no | - | 494,515 | 1,978,060 | |
| 1 | JIETECH TRADING (SUZHOU) INC. | HITRON TECHNOLOGI ES (SIP) INC. | Other receivables - related parties | Yes | 21,682 | 21,608 | 21,608 | 2% | 2 | - | Working capital | - | no | - | 30,646 | 30,646 | Note 7(1)c |

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1) The parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Fill in the name of account in which the loans are recognized, such as receivables-related parties, current account with shareholders, prepayments, temporary payments, etc.

Note 3: Fill in the maximum outstanding balance of loans to others for the year ended December 31, 2020.

Note 4: The column of 'Nature of loan' shall fill in '1' for 'Business transaction' or '2' for 'Short-term financing'.

Note 5: Fill in the amount of business transactions when nature of the loan is related to business transactions, which is the amount of business transactions occurred between the creditor and borrower in the current year.

Note 6: Fill in the purpose when nature of loan is for short-term financing, for example, repayment of loan, acquisition of equipment, working capital, etc.

Note 7: Fill in limit on loans granted to a single party and ceiling on total loans granted as prescribed in the creditor company's "Procedures for Provision of Loans", and state each individual party to which the loans have been provided and the calculation for ceiling on total loans granted in the footnote.

(1) Total amount of loans to others cannot exceed 40% of overall net profit shown on the most recent audited/reviewed financial statement. Limit on loans granted to a borrower is confined according to the reasons of the borrowing:

a. The nature of the loan is related to business transactions. Amount of the loan cannot exceed the amount of business transactions occurred within the 12 months (the higher of purchasing or selling).

b. Nature of the loan is related to financing necessity, total amount of the loan cannot exceed 10% of overall net profit shown on the most recent audited/reviewed financial report.

c. Between offshore subsidiaries in which the Company holds, directly or indirectly, 100% of the voting shares, notwithstanding the foregoing, the aggregate amount for lending to companies other than HT shall not exceed forty percent (40%) of the net worth of HT.

Note 8: The amounts of funds to be loaned to others which have been approved by the Board of Directors of a public company in accordance with Article 14, Item 1 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" should be included in its published balance of loans to others at the end of the reporting period to reveal the risk of loaning the public company bears even though they have not yet been appropriated. However, this balance should exclude the loans repaid when repayments are done subsequently to reflect the risk adjustment. In addition, if the board of directors of a public company has authorized the chairman to loan funds in installments or in revolving within certain lines and within one year in accordance with Article 14, Item 2 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies", the published balance of loans to others at the end of the reporting period should also include these lines of loaning approved by the Board of Directors, and these lines of loaning should not be excluded from this balance even though the loans are repaid subsequently, for taking into consideration they could be loaned again thereafter.

(2) Provision of endorsements and guarantees to others:

| Number (Note 1) | Endorser/ guarantor | Party being endorsed/guaranteed | | Limit on endorsement/ guarantees provided for a single party (Note 3) | Maximum outstanding endorsement /guarantee amount as of December 31, 2020 (Note 4) | Outstanding endorsement /guarantee amount at December 31, 2020 (Note 5) | Actual Amount Drawn down (Note 6) | Amount of endorsement/ guarantees secured with collateral | Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company | Ceiling on total amount of endorsements / guarantees provided (Note 3) | Provision of endorsement/ guarantees by parent company to subsidiary (Note 7) | Provision of endorsement/ guarantees by subsidiary to parent company (Note 7) | Provision of endorsement / guarantees to the party in Mainland China (Note 7) |
|--------------------|------------------------|--|--|--|---|---|---|---|--|--|---|---|---|
| | | Company name | Relationship with the endorser/ guarantor (Note 2) | | | | | | | | | | |
| 0 | HT | INNOAUTO TECHNOLOGIES INC. | (2) | 4,945,149 | 75,000 | 50,000 | 6,000 | - | 1.01 | 7,417,724 | Y | N | N |
| 0 | HT | Hitron Technologies VIET NAM Co. Ltd. | (2) | 4,945,149 | 1,502,800 | 1,417,500 | 595,350 | - | 28.66 | 7,417,724 | Y | N | N |
| 0 | HT | HITRON TECHNOLOGIES EUROPE HOLDING B.V. | (2) | 4,945,149 | 454,250 | 451,674 | 129,337 | - | 9.13 | 7,417,724 | Y | N | N |
| 0 | HT | HITRON TECHNOLOGIES AMERICAS INC. | (2) | 4,945,149 | 1,057,875 | 595,350 | - | - | 12.04 | 7,417,724 | Y | N | N |
| 0 | HT | HITRON TECHNOLOGIES (SIP) INC. | (2) | 4,945,149 | 1,235,554 | 514,446 | - | - | 10.40 | 7,417,724 | Y | N | Y |

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1) The parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories; fill in the number of category each case belongs to:

(1) Business transaction

(2) The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3) The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.

(4) The endorsed/guaranteed parent company directly or indirectly owns more than 50% voting shares of the endorser/guarantor subsidiary.

(5) Mutual guarantee as required by the construction contract

(6) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

Note 3: Fill in limit on endorsements/guarantees provided for a single party and ceiling on total amount of endorsements/guarantees provided as prescribed in the endorser/guarantor company's "Procedures for Provision of Endorsements and Guarantees", and state each individual party to which the endorsements/guarantees have been provided and the calculation for ceiling on total amount of endorsements/guarantees provided in the footnote.

(1) Total amount of provision of endorsements and guarantees to others cannot exceed 150% of total net profit of the most recent financial statement. Limit on provision of endorsements and guarantees to others granted to a single party cannot exceed 10% of the total net profit of the most recent financial statement, however, when the parent company owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity, the limit on provision of endorsements and guarantees to others is not confined by the previous described but still cannot not exceed 100% of total net profit of the most recent financial statement.

Note 4: Fill in the year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 5: Once endorsement/guarantee contracts or promissory notes are signed by the endorser/guarantor company to the banks, the endorser/guarantor company bears endorsement/guarantee liabilities. And all other events involve endorsements and guarantees should be included in the balance of outstanding endorsements and guarantees.

Note 6: Fill in the actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 7: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

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

| Securities held by | Marketable securities (Note 1) | Relationship with the securities issuer (Note2) | Financial statement account | As of December 31, 2020 | | | Footnote (Note 4) |
|--|---|--|--|-------------------------|------------------------|---------------|----------------------|
| | | | | Number of shares | Book value (Note 3) | Ownership (%) | Fair value |
| HT | TRANSCEND | - | Financial assets at fair value through profit or loss - current | 441 | 28,665 | - | 28,665 |
| HT | SENAO | - | Financial assets at fair value through profit or loss - current | 207 | 7,349 | - | 7,349 |
| HT | FUBON FINANCIAL | - | Financial assets at fair value through profit or loss - current | 200 | 9,350 | - | 9,350 |
| INTERACTIVE DIGITAL TECHNOLOGIES INC. | TRANSCEND | - | Financial assets at fair value through profit or loss - current | 362 | 23,530 | 0.08% | 23,530 |
| HT | CHAO LONG MOTOR PARTS CORP. | - | Financial assets at fair value through other comprehensive income | 668 | 19,335 | 2.10% | 19,335 |
| HT | IMAGETECH CO., LTD. | - | Financial assets at fair value through other comprehensive income | 120 | - | 1.20% | - |
| HT | TSUNAMI VISUAL TECHNOLOGIES INC. | - | Financial assets at fair value through other comprehensive income | 1,220 | - | 9.34% | - |
| HT | PIVOT TECHNOLOGY CORP. | - | Financial assets at fair value through other comprehensive income | 198 | - | 10.94% | - |
| HT | CARDTEK DIGITAL TECHNOLOGY CO., LTD. | - | Financial assets at fair value through other comprehensive income | 1,000 | - | 6.45% | - |
| HT | YESMOBILE HOLDINGS COMPANY LTD. | - | Financial assets at fair value through other comprehensive income | 294 | - | 0.75% | - |
| HT | CODENT NETWORKS (CAYMAN) LTD. | - | Financial assets at fair value through other comprehensive income | 1,570 | - | - | - |

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS 9 "Financial instruments." Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortized cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

- (4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None
- (5) Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital:

| Real estate acquired by | Real estate acquired | Date of the event | Transaction amount | Status of payment | Counterparty | Relationship with the counterparty | If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below: | | | | Basis or reference used in setting the price | Reason for acquisition of real estate and status of the real estate | Other commitments |
|-------------------------------------|-------------------------|-------------------|--------------------|--|---|------------------------------------|---|--|----------------------------------|--------|---|---|-------------------|
| | | | | | | | Original owner who sold the real estate to the counterparty | Relationship between the original owner and the acquirer | Date of the original transaction | Amount | | | |
| HITRON TECHNOLOGIES VIET NAM Co.Ltd | Buildings | 2020.01 - 2020.12 | 355,392 | Project progress | SAI GON VISICONS ACTER JIUJH JIANG LONG ASEMCO VSIP | - | - | - | - | - | Open tender Price comparison and negotiation | Build a factory and a dormitory | None |
| HITRON TECHNOLOGIES VIET NAM Co.Ltd | Machinery and equipment | 2020.01 - 2020.12 | 371,796 | Paid Installments Installments Installments Installments Installments | JIETECH IDT DAIICHI KURTZ AJT LITUO | - | - | - | - | - | Price comparison and negotiation | Machinery and equipment | None |

Note 1: If the asset acquired needs to be appraised under the Regulations Governing the Acquisition and Disposal of Assets by Public Companies, the appraisal result shall be disclosed in the column of basis or reference used in setting the price.

Note 2: Paid-in capital is the one of the parent company. In the case of a company whose shares have no par value or a par value other than NT\$10—for the calculation of transaction amounts of 20 percent of paid-in capital under the Regulations Governing the Acquisition and Disposal of Assets by Public Companies, 10 percent of equity attributable to owners of the parent shall be substituted.

Note 3: The fact occurrence date refers to the former date of transaction signing date, payment date, entrusted transaction date, transfer date, board resolution date or other sufficient funds to determine the transaction object and transaction amount.

(6) Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None

(7) Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more:

| Purchaser/ seller | Counterparty | Relationship with the counterparty | Transaction | | | Differences in transaction terms compared to third party transactions (Note 1) | | Notes/accounts receivable (payable) | | Footnote (Note 2) |
|--------------------------------------|--|--|----------------------|-----------|---|--|------------------------------|-------------------------------------|--------------------------------------|----------------------|
| | | | Purchases (sales) | Amount | Percentage of total purchases (sales) | Credit term | Unit price | Credit term | Balance | |
| HT | HITRON TECHNOLOGIES (SIP) INC. | Subsidiary | Purchases | 4,664,226 | 36.18% | Normal payment terms | Negotiated by two parties | Normal payment terms | Accounts Payable (468,186) | 21.10% N/A |
| HT | HITRON TECHNOLOGIES AMERICAS INC. | Subsidiary | Sales | 6,585,634 | 63.82% | Normal payment terms | Negotiated by two parties | Normal payment terms | Accounts Receivables 1,884,630 | 84.53% N/A |
| HT | HITRON TECHNOLOGIES EUROPE HOLDING B.V. | Subsidiary | Sales | 576,582 | 5.59% | Normal payment terms | Negotiated by two parties | Normal payment terms | Accounts Receivables 251,033 | 11.26% N/A |
| HT | HITRON TECHNOLOGIES VIET NAM CO. LTD. | Subsidiary | Purchases | 3,046,968 | 23.63% | Normal payment terms | Negotiated by two parties | Normal payment terms | Accounts Payable (1,053,347) | 47.48% N/A |
| HITRON TECHNOLOGIES (SIP) INC. | HITRON TECHNOLOGIES VIET NAM CO. LTD. | Subsidiary to Subsidiary | Sales | 1,559,411 | 15.11% | Normal payment terms | Negotiated by two parties | Normal payment terms | Accounts Receivables 430,133 | 19.29% N/A |

Note 1: If terms of related-party transactions are different from third-party transactions, explain the differences and reasons in the 'Unit price' and 'Credit term' columns.

Note 2: In case related-party transaction terms involve advance receipts (prepayments) transactions, explain in the footnote the reasons, contractual provisions, related amounts, and differences in types of transactions compared to third-party transactions.

Note 3: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to the parent company in the calculation.

(8) Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more:

| Creditor | Counterparty | Relationship with the counterparty | Balance as at December 31, 2020 (Note 1) | Turnover rate | Overdue receivables | | Amount collected subsequent to the end of the reporting period | Allowance for doubtful accounts |
|----------|-----------------------------------|------------------------------------|--|---------------|---------------------|--------------|--|---------------------------------|
| | | | | | Amount | Action taken | | |
| HT | HITRON TECHNOLOGIES AMERICAS INC. | Subsidiary | 1,884,630 | 4.32 | - | - | 1,276,172 | Non |

Note 1: Fill in separately the balances of accounts receivable-related parties, notes receivable-related parties, other receivables-related parties....

Note 2: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to the parent company in the calculation.

(9) Derivative financial instruments undertaken during the year ended December 31, 2020: Please refer to Notes 6.2, 12.2 and 12.3.

(10) Please refer to Notes 13.7 of price, payment terms and unrealized profit or loss of significant transactions occurred direct or indirect with investee companies in Mainland China or through investing by the third area.

13.2. Information on investees

Name, locations, and related information of investees over which the company exercises significant influence: (not including investees in Mainland China)

| Investor | Investee (Notes 1 and 2) | Location | Main business activities | Initial investment amount | | Shares held as at December 31, 2020 | | | Net profit (loss) of the investee for the year ended December 31, 2020 (Note 2.2) | Investment income (loss) recognized by parent company for the year ended December 31, 2020 (Notes 2.3) | Footnote |
|----------|---|-------------|--|---------------------------------|---------------------------------|-------------------------------------|---------------|------------|---|--|------------|
| | | | | Balance as at December 31, 2020 | Balance as at December 31, 2019 | Number of shares | Ownership (%) | Book value | | | |
| HT | HITRON TECHNOLOGIES (SAMOA) INC. | Samoa | International trade | 669,031 | 669,031 | 22,300 | 100.00% | 752,846 | (36,491) | (36,491) | Subsidiary |
| HT | INTERACTIVE DIGITAL TECHNOLOGIES INC. | Taiwan | Telecommunications and broadband network systems and services | 167,026 | 167,026 | 16,703 | 44.28% | 510,567 | 234,242 | 100,991 | Subsidiary |
| HT | HITRON TECHNOLOGIES VIET NAM Co. Ltd. | Vietnam | Produce and sell the wireless communication and telecom products | 550,355 | 220,905 | - | 100.00% | 434,914 | (17,147) | (17,147) | Subsidiary |
| HT | HITRON TECHNOLOGIES AMERICAS INC. | America | International trade | 90,082 | 90,082 | 300 | 100.00% | 123,859 | 62,380 | 71,955 | Subsidiary |
| HT | INNOAUTO TECHNOLOGIES INC. | Taiwan | Investment and automotive electronics products | 50,000 | 80,000 | 5,000 | 100.00% | (7,916) | (32,139) | (32,139) | Subsidiary |
| HT | HITRON TECHNOLOGIES EUROPE HOLDING B.V. | Netherlands | International trade | 59,604 | 59,604 | 15 | 100.00% | (8,686) | 70,410 | 70,410 | Subsidiary |

Note 1: If a public company set up an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

(1) The columns of 'Investee', 'Location', 'Main business activities', 'Initial investment amount' and 'Shares held as at December 31, 2020' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.

(2) The 'Net profit (loss) of the investee for the year ended December 31, 2020' column should fill in amount of net profit (loss) of the investee for this period.

(3) The investment income (loss) recognized by the parent company for the year ended December 31, 2020' column should fill in the company (public company) recognized investment income (loss) of its direct subsidiary and recognized investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognized investment income (loss) of its direct subsidiary, the company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognized by regulations.

13.3. Information on investments in Mainland China

| Investee in Mainland China | Main business activities | Paid-in capital | Investment method (Note1) | Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020 | Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the period ended December 31, 2020 | | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020 | Net income of investee as of December 31, 2020 | Ownership held by the company (direct or indirect) | Investment income (loss) recognized by the parent company for the year ended December 31, 2020 (Note 2) | Book value of investment in Mainland China as of December 31, 2020 | Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020 |
|--------------------------------------|---|-----------------|---------------------------|--|---|---|--|--|--|---|--|---|
| HITRON TECHNOLOGIES (SIP) INC. | Produce and sell the wireless communication and telecom products | \$641,763 | 2 | 641,763 | - | - | 641,763 | (35,546) | 100.00% | (35,546)(2) | 716,188 | - |
| JIETECH TRADING (SUZHOU) INC. | International trade | \$57,473 | 2 | 57,473 | - | - | 57,473 | (945) | 100.00% | (945)(2) | 30,630 | - |
| HWA CHI TECHNOLOGIES (SHANGHAI) INC. | Technical consulting, researching, maintenance and after service of the electronic communication and telecom products | USD200 | 3 | 12,048 | - | - | 12,048 | 2,255 | 44.28% | 1,018(2) | 5,892 | 21,314 |

| Company name | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020 | Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) | Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 3) |
|--------------|--|--|--|
| HT | 711,284 | 711,284 | 2,967,089 |

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

- (1) Directly invest in a company in Mainland China.
- (2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
- (3) Others: Reorganization of Group's investment structure was approved and authorized by the Board of Directors in 2012. Indirect investment to Hwa Chi Technologies should be made by Interactive Digital Technologies Inc.

Note 2: In the 'Investment income (loss)' recognized by the parent company for the year ended December 31, 2020' column:

- (1) It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.
- (2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:

- A. The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
- B. The financial statements that are audited and attested by R.O.C. parent company's auditors.
- C. Others.

Note 3: The numbers in this table are expressed in New Taiwan Dollars.

13.4. Significant inter-company transactions during the year ended December 31, 2020:

| Number (Note 1) | Company name | Counterparty | Relationship with the counterparty (Note 2) | Transaction | | |
|--------------------|---------------------------------------|---|--|---------------------------|-----------|----------------------|
| | | | | General ledger account | Amount | Transaction terms |
| 0 | HT | INTERACTIVE DIGITAL TECHNOLOGIES INC. | 1 | Commission charges | \$23,894 | Normal payment terms |
| 0 | HT | INTERACTIVE DIGITAL TECHNOLOGIES INC. | 1 | Other payable | 6,708 | Normal payment terms |
| 0 | HT | INTERACTIVE DIGITAL TECHNOLOGIES INC. | 1 | Sales revenue | 45 | Normal payment terms |
| 0 | HT | HITRON TECHNOLOGIES (SIP) INC. | 1 | Purchase | 4,664,226 | Normal payment terms |
| 0 | HT | HITRON TECHNOLOGIES (SIP) INC. | 1 | Other costs | 9,327 | Normal payment terms |
| 0 | HT | HITRON TECHNOLOGIES (SIP) INC. | 1 | Operating expense | 2,988 | Normal payment terms |
| 0 | HT | HITRON TECHNOLOGIES (SIP) INC. | 1 | Interest revenue | 3,308 | Normal payment terms |
| 0 | HT | HITRON TECHNOLOGIES (SIP) INC. | 1 | Other receivables | 248,508 | Normal payment terms |
| 0 | HT | HITRON TECHNOLOGIES (SIP) INC. | 1 | Accounts payable | 468,186 | Normal payment terms |
| 0 | HT | HITRON TECHNOLOGIES (SIP) INC. | 1 | Other payable | 1,317 | Normal payment terms |
| 0 | HT | HITRON TECHNOLOGIES EUROPE HOLDING B.V. | 1 | Sales revenue | 576,582 | Normal payment terms |
| 0 | HT | HITRON TECHNOLOGIES EUROPE HOLDING B.V. | 1 | Accounts receivable | 251,033 | Normal payment terms |
| 0 | HT | HITRON TECHNOLOGIES AMERICAS INC. | 1 | Sales revenue | 6,585,634 | Normal payment terms |
| 0 | HT | HITRON TECHNOLOGIES AMERICAS INC. | 1 | Accounts receivables | 1,884,630 | Normal payment terms |
| 0 | HT | HITRON TECHNOLOGIES VIET NAM Co. Ltd. | 1 | Purchase | 3,046,968 | Normal payment terms |
| 0 | HT | HITRON TECHNOLOGIES VIET NAM Co. Ltd. | 1 | Interest revenue | 4,609 | Normal payment terms |
| 0 | HT | HITRON TECHNOLOGIES VIET NAM Co. Ltd. | 1 | Other receivables | 1,047,134 | Normal payment terms |
| 0 | HT | HITRON TECHNOLOGIES VIET NAM Co. Ltd. | 1 | Accounts payable | 1,053,347 | Normal payment terms |
| 0 | HT | JIETECH TRADING (SUZHOU) INC | 1 | Sales revenue | 1,374 | Normal payment terms |
| 1 | INTERACTIVE DIGITAL TECHNOLOGIES INC. | HT | 2 | Sales revenue | 4,162 | Normal payment terms |
| 2 | HITRON TECHNOLOGIES (SIP) INC. | JIETECH TRADING (SUZHOU) INC | 3 | Other payable | 21,662 | Normal payment terms |

| Number (Note 1) | Company name | Counterparty | Relationship with the counterparty (Note 2) | Transaction | | |
|--------------------|---------------------------------------|---------------------------------------|--|---|-----------|----------------------|
| | | | | General ledger account | Amount | Transaction terms |
| 2 | HITRON TECHNOLOGIES (SIP) INC. | HITRON TECHNOLOGIES VIET NAM Co. Ltd. | 3 | Sales revenue | 1,559,411 | Normal payment terms |
| 2 | HITRON TECHNOLOGIES (SIP) INC. | HITRON TECHNOLOGIES VIET NAM Co. Ltd. | 3 | Gain on disposal of property, plant and equipment | 2,399 | Normal payment terms |
| 2 | HITRON TECHNOLOGIES (SIP) INC. | HITRON TECHNOLOGIES VIET NAM Co. Ltd. | 3 | Accounts receivables | 430,133 | Normal payment terms |
| 2 | HITRON TECHNOLOGIES (SIP) INC. | HITRON TECHNOLOGIES VIET NAM Co. Ltd. | 3 | Other receivables | 50,592 | Normal payment terms |
| 2 | HITRON TECHNOLOGIES (SIP) INC. | INNOAUTO TECHNOLOGIES INC. | 3 | Sales revenue | 4,041 | Normal payment terms |
| 3 | JIETECH TRADING (SUZHOU) INC | HITRON TECHNOLOGIES VIET NAM Co. Ltd. | 3 | Sales revenue | 23,464 | Normal payment terms |
| 3 | JIETECH TRADING (SUZHOU) INC | HITRON TECHNOLOGIES VIET NAM Co. Ltd. | 3 | Accounts receivables | 2,992 | Normal payment terms |
| 4 | INTERACTIVE DIGITAL TECHNOLOGIES INC. | HITRON TECHNOLOGIES VIET NAM Co. Ltd. | 3 | Sales revenue | 72,969 | Normal payment terms |
| 5 | INNOAUTO TECHNOLOGIES INC. | JIETECH TRADING (SUZHOU) INC | 3 | Sales revenue | 4,719 | Normal payment terms |

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(1) Parent company to subsidiary

(2) Subsidiary to parent company

(3) Subsidiary to subsidiary

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: The Company may decide to disclose or not to disclose transaction details in this table based on the Materiality Principle.

13.5. Information of major shareholders:

| Name of major shareholders | Shares held | Number of shares | Ownership (%) |
|----------------------------|-------------|------------------|---------------|
| Alpha Networks Inc. | | 200,000,000 | 60.79% |

Note :(1) The major shareholders information was from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded in the financial statements may differ from the actual number of shares issued in dematerialised form because of a different calculation basis.

(2) If the aforementioned data contains shares which were kept in trust by the shareholders, the data disclosed was the settlor's separate account for the fund set by the trustee.As for the shareholder who reports share equity as an insider whose shareholding ratio is greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio includes the self-owned shares and trusted shares, at the same time, persons who have power to decide how to allocate the trust assets. For the information of reported share equity of insider, please refer to Market Observation Post System.

14 SEGMENT INFORMATION

14.1. General information

The Company is mainly engaged in integrating communications systems, producing and selling electronic and telecom communication products. By assessing the performances of every operating segment, the Board of Directors and the chief of the operating team can decide operating strategies and allocate resources.

14.2. Measurement of segment information

The accounting policies of the operating segments are the same as the Company's accounting policies stated in Note 4 of this consolidated financial statement. The chief operating decision-maker evaluates the performance of each operating segment based on net operating profit or loss.

14.3. Information about segment profit or loss, assets and liabilities

(1) The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

| | 2020 | | | |
|---------------------------------|-----------------------|---------------------|-----------------------|---------------------|
| | System Integration | Manufacturing | Adjustments | Total |
| Revenue from external customers | \$1,757,757 | \$8,520,704 | \$- | \$10,278,461 |
| Inter-segment revenue | 101,666 | 16,520,710 | (16,622,376) | - |
| Total segment revenue | <u>\$1,859,423</u> | <u>\$25,041,414</u> | <u>\$(16,622,376)</u> | <u>\$10,278,461</u> |
| Inter-segment profit (loss) | <u>\$193,662</u> | <u>\$208,997</u> | <u>\$-</u> | <u>\$402,659</u> |
| Segment assets | <u>\$-</u> | <u>\$-</u> | <u>\$-</u> | <u>\$-</u> |
| | 2019 | | | |
| | System Integration | Manufacturing | Adjustments | Total |
| Revenue from external customers | \$1,930,755 | \$8,394,745 | \$- | \$10,325,500 |
| Inter-segment revenue | 29,489 | 12,077,446 | (12,106,935) | - |
| Total segment revenue | <u>\$1,960,244</u> | <u>\$20,472,191</u> | <u>\$(12,106,935)</u> | <u>\$10,325,500</u> |
| Inter-segment profit (loss) | <u>\$210,693</u> | <u>\$139,650</u> | <u>\$-</u> | <u>\$350,343</u> |
| Segment assets | <u>\$-</u> | <u>\$-</u> | <u>\$-</u> | <u>\$-</u> |

14.4. Reconciliation for segment profit (loss), assets and liabilities

The assessment method of segment profit or loss reported to the chief operating decision-maker is the same as the assessment method used to measure incomes and expenses in Comprehensive Income Statement. The asset amount evaluated is not the key indicator for decision-maker, thus the measured amount for assets should be zero. Besides, report submitted for decision-making regarding to segment operation is same as Comprehensive Income Statement; hence, reconciliation can be waived.

14.5. Geographical information

The Company has no foreign operating segment, disclosure of geographical information can be waived.

14.6. Information of export sales

| | 2020 | 2019 |
|---------|-------------|-------------|
| America | \$7,239,467 | \$7,613,126 |
| Europe | 610,337 | 273,566 |
| Asia | 198,314 | 186,281 |
| Total | \$8,048,118 | \$8,072,973 |

14.7. Major customer information

Details of revenue contribution by client which the revenue is accounted for more than 10% of total revenue on Comprehensive Income Statement for the year 2020 and 2019:

| Client | 2020 | | 2019 | |
|----------|-------------|-----------------------------------|-------------|-----------------------------------|
| | Amount | % accounted for operation revenue | Amount | % accounted for operation revenue |
| Client C | \$3,452,918 | 33.59 | \$3,467,865 | 33.59 |



Tel: +886 2 2564 3000
Fax: +886 2 2561 6123
www.bdo.com.tw

BDO Taiwan
立本台灣聯合會計師事務所
10F., No.72, Sec. 2, Nanjing E. Rd.,
Taipei City 104, Taiwan (R.O.C.)
台北市南京東路二段 72 號 10 樓

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Hitron Technologies Inc.

Opinion

We have audited the accompanying parent company only balance sheets of Hitron Technologies Inc. as of December 31, 2020 and 2019, and the related statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to other matter section), the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Hitron Technologies Inc. as of December 31, 2020 and 2019, and financial performance and 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 generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the section of Auditor's Responsibilities for the Audit of the Financial Statements of our report. We are independent of Hitron Technologies Inc. in accordance with the Norm of Professional Ethics for Certified Public Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with the Norm. Base on our audits and the reports of other auditors, 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, we do not provide a separate opinion on these matters.

Key audit matters for the Company's financial statements of the current period are stated as follows:

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10F., No.72, Sec. 2, Nanjing E. Rd.,
Taipei City 104, Taiwan (R.O.C.)
台北市南京東路二段 72 號 10 樓

Revenue recognition

Please refer to Note 4(21) to the financial statements about accounting policy of revenue recognition, Note 5(1) about accounting judgments, key sources of estimates and uncertainty for revenue recognition.

Hitron Technologies Inc. mainly engaged in the development, manufacture and sale of broadband CPE. The main products are cable modem, cable router and other telecommunication products. As the market demand changes rapidly, customer needs and contract terms become complex and impact the performance of the management. There remains a risk of sales being recorded in an inappropriate period before the risks and rewards have been transferred to customers. Therefore, we consider this a key audit matter.

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

1. Assess the appropriateness of the accounting policy of revenue recognition.
2. Evaluate and test the design and operating effectiveness of internal controls around revenue recognition.
3. Check customer sales contracts, order status, shipping and collection of the selected transactions, to verify the occurrence of transactions and reasonableness of the timing of revenue recognition.
4. Perform cut-off test and vouching them to supporting evidences.

Valuation for Inventories

Please refer to Note 4(11) to the financial statements about accounting policy of inventory, Note 5(2) about accounting judgments, key sources of estimation and uncertainty for inventory evaluation, and Note 6(5) for the details of the information about allowance for inventory valuation losses.

Due to the rapid change in consumer needs and the technology development of mobile internet, cloud services and integration, price of goods or services influenced by market competition and functional requirements, resulted in a rapid change in inventory value. The assessment of the inventory valuation require significant management judgement. Therefore we consider this a key audit matter.

Our procedures performed in respect of the inventory valuation included:

1. Understand and assess the internal control procedures and accounting estimates for inventory by management.
2. Sampling market information and assess the reasonableness of inventory net realized value.
3. Observing physical inventory counts and check any obsolete and slow-moving.

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Taipei City 104, Taiwan (R.O.C.)
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Other Matter

We did not audit the financial statements of certain investments accounted for under the equity method and information on investees disclosed in Note 6. Therefore, our opinion expressed herein, insofar as it related to the amounts included in respect of these associates, is based solely on the reports of the other auditors. These credit balance of investments accounted for under the equity method amounted to NT\$8,686 thousand and NT\$82,551 thousand, constituting 0.1% and 1.16% of total assets as at December 31, 2020 and 2019, respectively, and the share of profit of subsidiaries and joint ventures accounted for under the equity method was NT\$70,410 thousand and NT\$(1,144) thousand, constituting 29.22% and 0.60% of the total comprehensive income for the years then ended, respectively.

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

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

In preparing the parent company only financial statements, management is responsible for assessing the ability of Hitron Technologies Inc. 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 Hitron Technologies Inc. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of Hitron Technologies Inc..

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS 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.

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Taipei City 104, Taiwan (R.O.C.)
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As part of an audit in accordance with ROC GAAS, 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 Hitron Technologies Inc. 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 Hitron Technologies Inc. ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Hitron Technologies Inc. to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Hitron Technologies Inc. to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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 Ke-Yi Liu and Kun-His Hsu.

BDO Taiwan

BDO TAIWAN

March 16, 2021

Notice to Readers

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

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

HITRON TECHNOLOGIES INC.
PARENT COMPANY ONLY BALANCE SHEETS
December 31, 2020 and 2019

| UNIT : NTD (In Thousands) | | | | | | | | | | | |
|--|-------|-------------------|--------|-------------------|--------|--|-------|-------------------|--------|-------------------|--------|
| Assets | Notes | December 31, 2020 | % | December 31, 2019 | % | Liabilities & Stockholders' Equity | Notes | December 31, 2020 | % | December 31, 2019 | % |
| Current assets | | | | | | | | | | | |
| Cash and cash equivalents | 6.1 | \$2,417,651 | 27.66 | \$2,684,063 | 37.68 | Current liabilities | | | | | |
| Financial assets at fair value through profit or loss - current | 6.2 | 45,366 | 0.52 | 61,001 | 0.86 | Short-term borrowings | 6.10 | \$1,686,825 | 19.30 | \$615,000 | 8.63 |
| Notes receivable, net | 6.4 | - | - | 1,470 | 0.02 | Financial liabilities at fair value through profit or loss - current | 6.2 | 3,318 | 0.04 | - | - |
| Accounts receivable, net | 6.4 | 379,286 | 4.34 | 269,601 | 3.78 | Contract liabilities - current | 6.20 | 22,918 | 0.26 | 23,345 | 0.33 |
| Accounts receivable - related parties | 7 | 2,135,663 | 24.44 | 1,205,867 | 16.93 | Accounts payable | | 282,344 | 3.23 | 165,237 | 2.32 |
| Other receivables | | 68,254 | 0.78 | 57,477 | 0.81 | Accounts payable - related parties | 7 | 1,540,447 | 17.63 | 842,310 | 11.82 |
| Other receivables - related parties | 7 | 1,296,304 | 14.83 | 526,582 | 7.39 | Other payables | 6.11 | 180,703 | 2.07 | 139,028 | 1.95 |
| Inventories | 6.5 | 188,514 | 2.16 | 357,289 | 5.02 | Other payables - related parties | 7 | 8,025 | 0.09 | 6,143 | 0.09 |
| Prepayments | | 25,751 | 0.29 | 31,421 | 0.44 | Current income tax liabilities | | 24,677 | 0.28 | 7,907 | 0.11 |
| Other current assets | | 2,141 | 0.03 | 1,708 | 0.02 | Provisions - current | 6.12 | 11,525 | 0.13 | 10,707 | 0.15 |
| Sub-total | | 6,558,930 | 75.05 | 5,196,479 | 72.95 | Lease liabilities - current | 6.8 | 2,162 | 0.02 | 2,375 | 0.03 |
| | | | | | | Other current liabilities | 6.13 | 2,999 | 0.04 | 122,921 | 1.73 |
| | | | | | | Sub-total | | 3,765,943 | 43.09 | 1,934,973 | 27.16 |
| Non-current liabilities | | | | | | | | | | | |
| Financial assets at fair value through other comprehensive income- non-current | 6.3 | 19,335 | 0.22 | 21,245 | 0.30 | Long-term borrowings | 6.15 | - | - | 150,000 | 2.11 |
| Investments accounted for under equity method | 6.6 | 1,822,186 | 20.85 | 1,551,284 | 21.78 | Deferred tax liabilities | 6.24 | 11,402 | 0.13 | 6,944 | 0.10 |
| | | | | | | Lease liabilities - non-current | 6.8 | 384 | 0.01 | 1,484 | 0.02 |
| | | | | | | Other non-current liabilities | | 16,849 | 0.20 | 82,800 | 1.17 |
| | | | | | | Sub-total | | 28,635 | 0.34 | 241,228 | 3.40 |
| | | | | | | Total Liabilities | | 3,794,578 | 43.43 | 2,176,201 | 30.56 |
| Equity | | | | | | | | | | | |
| Property, plant and equipment | 6.7 | 225,461 | 2.58 | 236,925 | 3.33 | Share Capital | 6.17 | | | | |
| Right-of-use assets | 6.8 | 2,500 | 0.03 | 3,809 | 0.05 | Common stock | | 3,289,862 | 37.64 | 3,289,862 | 46.18 |
| Intangible assets | | 29,896 | 0.34 | 44,418 | 0.62 | Capital surplus | 6.18 | 1,326,737 | 15.18 | 1,401,968 | 19.68 |
| Deferred tax assets | 6.24 | 37,763 | 0.43 | 33,223 | 0.47 | Retained earnings | 6.19 | | | | |
| Other non-current assets | 6.9 | 43,656 | 0.50 | 35,989 | 0.50 | Legal reserve | | 248,065 | 2.84 | 226,069 | 3.17 |
| Sub-total | | 2,180,797 | 24.95 | 1,926,893 | 27.05 | Special reserve | | 89,973 | 1.03 | 56,615 | 0.79 |
| | | | | | | Unappropriated earnings | | 280,010 | 3.20 | 223,073 | 3.13 |
| | | | | | | (Accumulated deficit) | | | | | |
| | | | | | | Other equity | | (129,056) | (1.48) | (89,974) | (1.26) |
| | | | | | | Treasury stock | | (160,442) | (1.84) | (160,442) | (2.25) |
| | | | | | | Total Equity | | 4,945,149 | 56.57 | 4,947,171 | 69.44 |
| Total assets | | \$8,739,727 | 100.00 | \$7,123,372 | 100.00 | Total Liabilities and Equity | | \$8,739,727 | 100.00 | \$7,123,372 | 100.00 |

The accompanying notes are an integral part of financial statements

HITRON TECHNOLOGIES INC.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2020 and 2019

UNIT : NTD (In Thousands)

| Item | Notes | 2020 | % | 2019 | % |
|--|-------|-------------|---------|-------------|---------|
| Operating revenue | 6.20 | \$8,526,047 | 100.00 | \$7,504,329 | 100.00 |
| Operating costs | 6.5 | (7,743,817) | (90.83) | (6,826,724) | (90.97) |
| Gross profit (loss) | | 782,230 | 9.17 | 677,605 | 9.03 |
| Unrealized (profit) loss from sales | | (110,852) | (1.30) | (63,958) | (0.85) |
| Realized profit (loss) from sales | | 63,957 | 0.75 | 78,422 | 1.04 |
| Net gross profit (loss) | | 735,335 | 8.62 | 692,069 | 9.22 |
| Operating expenses | | | | | |
| Selling expenses | | (161,099) | (1.89) | (148,616) | (1.98) |
| General and administrative expenses | | (172,451) | (2.02) | (164,063) | (2.19) |
| Research and development expenses | | (285,320) | (3.35) | (290,610) | (3.87) |
| Expected credit impairment gain (loss) | | (519) | - | 1,203 | 0.02 |
| Total operating expenses | | (619,389) | (7.26) | (602,086) | (8.02) |
| Operating profit (loss) | | 115,946 | 1.36 | 89,983 | 1.20 |
| Non-operating income and expenses | | | | | |
| Interest income | | 15,131 | 0.18 | 2,282 | 0.03 |
| Other income | | 21,730 | 0.25 | 9,386 | 0.13 |
| Other gains and losses | 6.21 | 13,261 | 0.16 | 18,220 | 0.24 |
| Financial costs | | (15,711) | (0.18) | (27,782) | (0.37) |
| Share of the profit (loss) of subsidiaries, associates and joint ventures accounted for under equity method | 6.6 | 157,579 | 1.84 | 121,002 | 1.61 |
| Sub-total | | 191,990 | 2.25 | 123,108 | 1.64 |
| Profit (loss) before income tax | | 307,936 | 3.61 | 213,091 | 2.84 |
| Income tax (expenses) benefit | 6.24 | (27,926) | (0.33) | 6,868 | 0.09 |
| Net profit (loss) from continuing operations | | 280,010 | 3.28 | 219,959 | 2.93 |
| Net profit (loss) | | 280,010 | 3.28 | 219,959 | 2.93 |
| Other comprehensive income (loss) | | | | | |
| Components of other comprehensive income that will not be reclassified to profit or loss | | | | | |
| Gain (loss) on remeasurements of defined benefit plans | | - | - | 258 | - |
| Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income | | (1,911) | (0.02) | 4,737 | 0.06 |
| Income tax relating to components | | - | - | 3,353 | 0.04 |
| Components of other comprehensive income that will be reclassified to profit or loss | | | | | |
| Financial statements translation differences of foreign operations | | (37,172) | (0.44) | (38,592) | (0.50) |
| Other comprehensive income (loss), net of income tax | | (39,083) | (0.46) | (30,244) | (0.40) |
| Total comprehensive income (loss) | | 240,927 | 2.82 | 189,715 | 2.53 |
| Earnings per share | 6.25 | | | | |
| Basic earnings (loss) per share (in dollars) | | \$0.87 | | \$0.98 | |
| Diluted earnings per share (in dollars) | | \$0.87 | | \$0.97 | |

The accompanying notes are an integral part of financial statements

HITRON TECHNOLOGIES INC.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2020 and 2019

UNIT : NTD (In Thousands)

| Summary | Share Capital | | Retained Earnings | | | Other Equity Interests | | | Treasury Stock | Total |
|--|---------------|------------------------------------|-------------------|---------------|-----------------|-------------------------|---|---|----------------|-------------|
| | Common Stock | Share capital collected in advance | Capital Surplus | Legal Reserve | Special Reserve | Unappropriated Earnings | Exchange Differences Arising on Translation of Foreign Operations | Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income | | |
| Balance on January 1, 2019 | \$2,242,940 | \$165 | \$729,418 | \$206,873 | \$42,626 | \$192,739 | \$(56,778) | \$163 | \$0 | \$3,358,146 |
| Appropriation of earnings 2018 | - | - | - | - | - | - | - | - | - | - |
| Legal reserve | - | - | - | 19,196 | - | (19,196) | - | - | - | - |
| Special reserve | - | - | - | - | 13,989 | (13,989) | - | - | - | - |
| Cash dividends | - | - | - | - | - | (159,554) | - | - | - | (159,554) |
| Changes in capital surplus of investees | - | - | 10,814 | - | - | - | - | - | - | 10,814 |
| Cash dividends distributed from capital surplus | - | - | (20,494) | - | - | - | - | - | - | (20,494) |
| Net profit (loss) | - | - | - | - | - | 219,959 | - | - | - | 219,959 |
| Other comprehensive income (loss) | - | - | - | - | - | 3,611 | (38,592) | 4,737 | - | (30,244) |
| Issuance of common stock for cash | 1,000,000 | - | 611,000 | - | - | - | - | - | - | 1,611,000 |
| Conversion of convertible bonds | 46,922 | (165) | 38,210 | - | - | - | - | - | - | 84,967 |
| Purchase of treasury stock | - | - | - | - | - | - | - | - | (160,442) | (160,442) |
| Differences of acquisition or disposal price and book value of subsidiaries | - | - | 33,020 | - | - | - | - | - | - | 33,020 |
| Disposal of investments in equity instruments at fair value through other comprehensive income | - | - | - | - | - | (497) | - | 497 | - | - |
| Rounding | - | - | - | - | - | - | (1) | - | - | (1) |
| Balance on January 1, 2020 | \$3,289,862 | \$0 | \$1,401,968 | \$226,069 | \$56,615 | \$223,073 | \$(95,371) | \$5,397 | \$(160,442) | \$4,947,171 |
| Appropriation of earnings 2019 | - | - | - | - | - | - | - | - | - | - |
| Legal reserve | - | - | - | 21,996 | - | (21,996) | - | - | - | - |
| Special reserve | - | - | - | - | 33,358 | (33,358) | - | - | - | - |
| Cash dividends | - | - | - | - | - | (167,719) | - | - | - | (167,719) |
| Effects of changes in ownership interest from investee | - | - | (6,492) | - | - | - | - | - | - | (6,492) |
| Changes in capital surplus of investees | - | - | 20,596 | - | - | - | - | - | - | 20,596 |
| Cash dividends distributed from capital surplus | - | - | (89,335) | - | - | - | - | - | - | (89,335) |
| Net profit (loss) | - | - | - | - | - | 280,010 | - | - | - | 280,010 |
| Other comprehensive income (loss) | - | - | - | - | - | - | (37,172) | (1,911) | - | (39,083) |
| Rounding | - | - | - | - | - | - | - | 1 | - | 1 |
| Balance on December 31, 2020 | \$3,289,862 | \$0 | \$1,326,737 | \$248,065 | \$89,973 | \$280,010 | \$(132,543) | \$3,487 | \$(160,442) | \$4,945,149 |

The accompanying notes are an integral part of financial statements

HITRON TECHNOLOGIES INC.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2020 and 2019

UNIT : NTD (In Thousands)

| Items | 2020 | 2019 |
|--|-------------|-------------|
| Cash flows from operating activities | | |
| Profit (loss) before income tax from continuing operations | \$307,936 | \$213,091 |
| Profit (loss) before tax | 307,936 | 213,091 |
| Adjustments for | | |
| Income (gain) and expense (loss) items | | |
| Depreciation | 48,370 | 48,726 |
| Amortization | 28,098 | 30,274 |
| Expected credit impairment loss (gain) | 519 | (1,202) |
| Net gain (loss) on financial assets (liabilities) at fair value through profit or loss | (6,495) | (7,815) |
| Interest expense | 15,711 | 27,782 |
| Interest income | (15,131) | (2,282) |
| Dividend income | (2,680) | (2,891) |
| Share of profit (loss) of subsidiaries, associates and joint ventures accounted for under equity method | (57,365) | (40,350) |
| Loss (gain) on disposal and scrap of property, plant and equipment | 59 | - |
| Loss (gain) on disposal of investments | 13,664 | 2,920 |
| Unrealized (profit) loss from sales | 110,852 | 63,958 |
| Realized profit (loss) from sales | (63,958) | (78,421) |
| Loss(gain) on liquidation | - | (16) |
| Changes in assets and liabilities relating to operating activities | | |
| (Increase) decrease in notes receivable | 1,470 | (1,470) |
| (Increase) decrease in accounts receivable | (110,204) | 86,004 |
| (Increase) decrease in accounts receivable - related parties | (929,796) | 1,034,835 |
| (Increase) decrease in other receivables | (9,776) | 279,161 |
| (Increase) decrease in other receivables - related parties | (769,722) | (13,794) |
| (Increase) decrease in inventories | 168,775 | 407,836 |
| (Increase) decrease in prepaid expenses | (5,317) | (4,393) |
| (Increase) decrease in prepayments | 10,987 | 12,109 |
| (Increase) decrease in other current assets | (432) | (647) |
| Increase (decrease) in contract liabilities | (426) | 11,644 |
| Increase (decrease) in accounts payable | 117,106 | (50,418) |
| Increase (decrease) in accounts payable - related parties | 698,137 | (1,862,865) |
| Increase (decrease) in other payables | 42,642 | 2,054 |
| Increase (decrease) in other payables - related parties | 1,882 | (8,186) |
| Increase (decrease) in provisions | 817 | (5,323) |
| Increase (decrease) in other current liabilities | 78 | 291 |
| Increase (decrease) in net defined benefit liabilities | - | 258 |
| Interest received | 14,130 | 2,249 |
| Dividends received | 2,680 | 2,891 |
| Interest paid | (16,586) | (28,495) |
| Income taxes refund (paid) | (11,237) | (1,055) |
| Net cash flows generated from (used in) operating activities | (415,212) | 116,460 |
| Cash flows from investing activities | | |
| Proceeds from return of capital reduction on financial assets at fair value through other comprehensive income | - | 158 |
| Acquisition of financial assets at fair value through profit or loss | (4,072) | (2,880) |
| Proceeds from disposal of financial assets at fair value through profit or loss | 15,854 | 11,363 |
| Acquisition of investments accounted for under equity method | (349,450) | (250,905) |
| Proceeds from disposal of investments accounted for under equity method | - | 60,300 |
| Acquisition of property, plant and equipment | (37,515) | (44,421) |
| Proceeds from disposal of property, plant and equipment | 4,000 | 12 |
| Increase in guarantee deposits | (110) | - |
| Decrease in guarantee deposits | - | 1,201 |
| Acquisition of intangible assets | (14,482) | (13,080) |
| Proceed from disposal of intangible assets | 906 | - |
| Increase in other financial assets | - | (1,000) |
| Decrease in other non-current assets | 107 | 37 |
| Increase in prepayments for equipment | (7,664) | (3,491) |
| Proceeds from return of liquidation on investments accounted for under equity method | - | 15 |
| Net cash flows generated from (used in) investing activities | (392,426) | (242,691) |
| Cash flows from financing activities | | |
| Increase in short-term borrowings | 1,071,825 | 123,800 |
| Repayment of bonds | - | (1,700) |
| Proceeds from long-term borrowings | - | 55,100 |
| Repayments of long-term borrowings | (270,000) | - |
| Decrease in guarantee deposits received | - | (147) |
| Repayment of lease principle | (3,545) | (3,886) |
| Cash dividends paid | (257,054) | (180,048) |
| Issuance of common stock for cash | - | 1,611,000 |
| The purchase of treasury stock | - | (160,442) |
| Net cash generated from (used in) financing activities | 541,226 | 1,443,677 |
| Net increase (decrease) in cash and cash equivalents | (266,412) | 1,317,446 |
| Cash and cash equivalents at beginning of period | 2,684,063 | 1,366,617 |
| Cash and cash equivalents at end of period | \$2,417,651 | \$2,684,063 |

The accompanying notes are an integral part of financial statements

HITRON TECHNOLOGIES INC.
NOTES TO SEPARATE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Amounts in In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. GENERAL

Hitron Technologies Inc. (HT) was incorporated in the Republic of China (R.O.C.) on March 24, 1986 under Company Act. The Company is mainly engaged in integrating communication systems, producing and selling electronic and telecom communication products. Qisda Corporation is the ultimate parent company of HT.

2. THE AUTHORIZATION OF THE FINANCIAL STATEMENTS

The accompanying financial statements were approved and authorized for issuance by the Board of Directors on March 16, 2021.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

| <u>New, Revised or Amended Standards and Interpretations</u> | <u>Effective Date Issued by IASB</u> |
|--|--------------------------------------|
| Amendments to IAS 1 and IAS 8 ‘Disclosure Initiative-Definition of Material’ | January 1, 2020 |
| Amendments to IFRS 3 ‘Definition of Business’ | January 1, 2020 |
| Amendments to IFRS 9, IAS 39 and IFRS 7 ‘Interest Rate Benchmark Reform’ | January 1, 2020 |
| Amendments to IFRS 16 ‘COVID-19-related Rent Concessions’ | June 1, 2020 (Note) |

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

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

3.2 Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the company :

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

| New, Revised or Amended Standards and Interpretations | Effective Date Issued by IASB |
|---|--------------------------------------|
| Amendments to IFRS 4, 'Extension of the Temporary Exemption from Applying IFRS 9' | January 1, 2021 |
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform' –Phase 2 | January 1, 2021 |

Based on the Company's assessment, the above standards and interpretations have no significant impact to the Company's financial position and operating results.

3.3 Effect of IFRSs issued by IASB but not yet endorsed by the FSC

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

| New, Revised or Amended Standards and Interpretations | Effective Date Issued by IASB |
|--|--------------------------------------|
| Amendments to IFRS 3, 'Reference to the Conceptual Framework' | January 1, 2022 |
| Amendments to IFRS 10 and IAS 28 'Sale or Contribution of Assets Between An Investor and Its Associate or Joint Venture' | To be determined by IASB |
| IFRS 17 'Insurance Contracts' | January 1, 2023 |
| Amendments to IFRS 17, 'Insurance Contracts' | January 1, 2023 |
| Amendments to IAS 1, 'Classification of liabilities as current or non-current' | January 1, 2023 |
| Amendments to IAS 1, 'Disclosure of Accounting Policies' | January 1, 2023 |
| Amendments to IAS 8, 'Definition of Accounting Policy' | January 1, 2023 |
| Amendments to IAS 16 'Property, Plant and Equipment—Proceeds before Intended Use' | January 1, 2022 |
| Amendments to IAS 37, 'Onerous Contracts - Cost of Fulfilling a Contract' | January 1, 2022 |
| Annual Improvements to IFRS Standards 2018-2020 | January 1, 2022 |

Based on the Company's assessment, the above standards and interpretations have no significant impact to the Company's financial condition and operating results.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1. Statement of Compliance

The financial statements have been prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers.

4.2. Basis of Preparation

4.2.1. The financial statements have been prepared on the historical cost basis except for the followings:

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

4.2.2. The preparation of financial statements in compliance with the IFRSs as endorsed by the FSC requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. Areas involve higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the separate financial statements, please refer to Note 5 for more information.

4.3. Foreign currency transaction

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

For the purposes of presenting separate financial statements, the assets and liabilities of the Company's foreign operations are translated into NT\$ using exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period. Exchange differences are recognized in other comprehensive income and accumulated in equity.(attributed to non-controlling interests as appropriate.)

4.4. Classification of current and non-current items

4.4.1. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (1) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- (2) Assets held mainly for trading purposes;
- (3) Assets that are expected to be realized within twelve months from the end of the reporting period;
- (4) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the end of the reporting period.

4.4.2. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (1) Liabilities that are expected to be paid off within the normal operating cycle;
- (2) Liabilities arising mainly from trading activities;
- (3) Liabilities that are to be paid off within twelve months from the end of the reporting period;
- (4) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the end of the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

4.5. Cash equivalents

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

4.6. Financial assets or financial liabilities at fair value through profit or loss

- (1) Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.
- (2) On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
- (3) At initial recognition, the Company measure the financial assets at fair value and recognize the transaction costs in profit or loss. The Company subsequently measure the financial assets at fair value, and recognize the gain or loss in profit or loss.
- (4) Dividend income is recognized when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

4.7. Accounts receivable and Notes Receivable

4.7.1 Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.

4.7.2 The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

4.8. Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income; or the debt instruments are measured at fair value through other comprehensive income if both of the following conditions are met:
 - (1) The financial asset is held with in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
 - (2) 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.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.

C. At initial recognition the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:

- (1) The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings, and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.
- (2) The changes in fair value of debt instruments that were recognized in other comprehensive income. Before derecognition, impairment gains or losses, interest revenue and foreign exchange gains and losses are recognized in profit or loss. When the debt instruments are derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

4.9. Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortized cost (including accounts receivable that have a significant financing component or contract assets), at each end of the financial reporting period, the Company recognize the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognize the impairment provision for lifetime ECLs.

4.10. Derivative Financial Instruments

The Company enters into a variety of derivative financial instruments to manage the market risk exposure to foreign exchange rate, including forward exchange contracts and cross currency swap contracts.

Derivative financial instruments 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 financial instrument is designated and effective as a hedging instrument, in which situation the timing of the recognition in profit or loss depends on the nature of the hedge.

Changes in the fair value of derivative financial instruments that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

The effective portion of changes in the fair value of derivative financial instruments that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedges reserve. Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the period when the hedged item is recognized in profit or loss.

4.11. Inventories

Inventories are stated at the lower of cost or net realizable value. Inventories are recorded at standard cost and adjusted to approximate weighted-average cost at the end of the reporting period. Net realizable value represents the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale.

Fixed manufacturing cost is amortized to finished goods and work in progress based on normal operating capacity. Variable manufacturing cost is amortized according to actual production. However, when the difference between normal operating capacity and actual production is insignificant, amortization based on actual production should be adopted. When actual production exceeds normal operating capacity, manufacturing cost should be amortized by the actual operating capacity.

4.12. Investments Accounted for under Equity Method

4.12.1 Subsidiaries are all entities over which the company has the power to govern the financial and operating policies. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

4.12.2 Unrealised gains or losses on transactions between the Company and its subsidiaries are eliminated to the extent of the Company's interest in the subsidiaries. Accounting policies of the subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

4.12.3 The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses proportionate to its ownership.

4.12.4 Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjustment and the fair value of the consideration paid or received is recognised directly in equity.

4.12.5 According to "Regulations Governing the Preparation of Financial Reports by Securities Issuers", profit and other comprehensive income in the separate financial statements should be the same as profit and other comprehensive income attributable to shareholders of the parent in the separate financial statements, and the equity in the separate financial statements should be the same as the equity attributable to shareholders of the parent in the separate financial statements.

4.13. Property, Plant and Equipment

4.13.1 Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

4.13.2 Subsequent costs are included in the asset's carrying amount or recognized as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are expensed to profit or loss during the financial period in which they are incurred.

4.13.3 Property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Land is not depreciated. If each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

4.13.4 The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at the end of each reporting period. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives for buildings are 5-50 years, useful lives for other PP&E are 1-5 years.

4.14. Leasing

4.14.1 Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

4.14.2 Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:

- (a) Fixed payments, less any lease incentives receivable;
- (b) Variable lease payments that depend on an index or a rate;
- (c) Amounts expected to be payable by the lessee under residual value guarantees;
- (d) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- (e) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

4.14.3 At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (a) The amount of the initial measurement of lease liability;
- (b) Any lease payments made at or before the commencement date; and
- (c) Any initial direct costs incurred.

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

4.15. Intangible Asset

Intangible assets individually acquired are measured by cost less accumulated amortization and impairment losses. Amount of amortization is calculated on a straight-line basis over their estimated useful lives of 1 to 3 years.

Estimated useful life and amortization method of intangible assets should be reviewed at each financial year-end. Any changes in accounting estimates can be applied prospectively.

4.16. Impairment of non-financial Assets

The Company assesses at the end of the reporting period the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Any resulting increase in the carrying amount is recognized in profit or loss not exceed the amount needed to restore the carrying amount to the carrying amount that would have been determined had no impairment loss been recognized in the previous years.

4.17. Provision

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and is probable that an outflow of economic benefits will be required to settle the obligation.

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

An onerous contract is defined as a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The provision for onerous contracts is measured by the lower of the cost of fulfilling the contract and any compensation or penalties arising on cancellation of the contract. Impairment losses of assets related to the onerous contract should be recognized before recognizing a separate provision for the onerous contract.

4.18. Employee benefits

4.18.1. Pensions

(1) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

Effective July 1, 2005, HT adopted the "Labor Pension Act" (the Act), which prescribes a defined contribution pension plan for those employees who were covered by the "Labor Standards Act" HT makes monthly contributions to individual employee pension fund accounts at a rate of 6% of the employee's monthly wages. The contributions are accounted for as current pension expense.

(2) Defined benefit plans

A defined benefit pension plan uses projected unit credit method to calculate actuarial valuation at the end of the fiscal year. Actuarial gains and losses arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise. In accordance with the “Labor Standards Act”, HT makes contributions on a monthly basis to the labor pension fund deposited in the Bank of Taiwan.

4.18.2. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonuses or profit-sharing plans if the Company has a present legal or constructive obligation to pay as a result of past service provided by the employee, and the obligation can be estimated reliably.

4.18.3. Bonuses to Employees and Remuneration to Directors and Supervisors

Employee bonuses and directors and supervisors remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be estimated. Any difference between the actual distributed amounts is accounted for as changes in estimates.

4.19. Treasury Stock

Repurchased shares are recognized under treasury shares (a contra-equity account) based on their repurchase price (including all directly accountable costs), net of tax. Gains on disposal of treasury shares should be recognized under capital surplus - treasury share transactions. Losses on disposal of treasury shares should be offset against existing capital surplus arising from similar types of treasury shares. If there is insufficient capital surplus to offset the losses, then such losses should be accounted for under retained earnings. The carrying amount of treasury shares should be calculated using the weighted-average method and grouped by the type of repurchase.

4.20. Income Tax

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

4.20.2. Deferred income tax is recognized, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, where the Company is able to control the reversal of the temporary difference in the foreseeable future.

4.20.3. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At the end of each reporting period, unrecognized and recognized deferred income tax assets are reassessed.

4.21. Revenue recognition

4.21.1. The Company mainly engaged in producing and selling electronic and telecom communication products. Sales revenues are recognized when the performance obligation has been satisfied by transferring a promised good or service to a customer. Additionally, sales revenues are recognized based on the contract price net of sales return and discounts of a contract and only recognized to the extent that it is highly probable that a significant reversal will not occur.

4.21.2. For certain contracts that do not provide the Company unconditional rights to the consideration, and the transfer of controls of the goods or services has been satisfied, the Company recognizes contract assets and revenue. Consideration received from customer prior to the Company having satisfied its performance obligations are accounted for as contract liabilities which are transferred to revenue after performance obligations are satisfied.

4.22. Earnings per share

Basic earnings per share are computed by dividing profit or loss attributable to ordinary shareholders by the weighted-average number of ordinary shares outstanding during the current reporting period. Diluted earnings per share are computed after adjustments (regarding all impact caused by potential diluted ordinary shares) made on profit or loss attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding. Potential diluted ordinary shares include bonuses paid to employee. However, the adverse dilutive share is not computed.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

The preparation of financial statements requires management to make critical judgments in applying the accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the subsequent financial year.

5.1 Revenue recognition

Sales revenues are recognized when the goods or services have transferred to customers and the performance obligation has been satisfied. The Company estimates discounts and returns based on historical experience and other known factors. Provisions for such liabilities are recorded as a deduction item to sales revenues when the sales are recognized. The Company reassesses the reasonableness of estimates of discounts and returns periodically.

5.2 Valuation of inventory

Inventories are stated at the lower of cost and net realizable value, and the Company determines the net realizable value of inventories using judgments and estimates at the end of each reporting period. Due to the rapid technology innovation, the Company estimates the net realizable value of inventory for obsolescence and unmarketable items at the end of each reporting period, and writes down the cost of inventories to the net realizable value. Such an evaluation of inventories is mainly determined based on assumptions of future demand within a specific time horizon. Therefore, there might be material changes to the evaluation.

6. DETAILS OF SIGNIFICANT ACCOUNTS

6.1 Cash and cash equivalents

| | December 31,2020 | December 31,2019 |
|------------------|------------------|------------------|
| Cash on hand | \$651 | \$478 |
| Deposits in bank | 457,000 | 1,483,585 |
| Time deposit | 1,960,000 | 1,200,000 |
| Total | \$2,417,651 | \$2,684,063 |

6.1.1 The Company associates with a number of financial institutions of high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

6.1.2 The Company has no cash and cash equivalents pledged to others.

6.2 Financial assets at fair value through profit or loss

6.2.1 Current items:

(1) Financial assets

| | December 31, 2020 | December 31, 2019 |
|---|-------------------|-------------------|
| Financial assets at fair value through profit or loss | | |
| Listed Stocks | \$45,364 | \$61,001 |
| Foreign currency forward contracts | 2 | - |
| Total | <u>\$45,366</u> | <u>\$61,001</u> |

(2) Financial liabilities

| | December 31, 2020 | December 31, 2019 |
|---|-------------------|-------------------|
| Financial assets at fair value through profit or loss | | |
| Foreign currency forward contracts | \$3,318 | \$- |
| Total | <u>\$3,318</u> | <u>\$-</u> |

6.2.2 The Company entered into forward exchange contracts to manage exposure to due to fluctuations in exchange rates. However, the aforementioned derivatives did not meet the criteria for hedge accounting.

6.2.3 Outstanding forward exchange contracts as financial assets of the following:

| | December 31, 2020 | |
|------------------|--------------------------------|-----------------------|
| items | Contract Amount (Thousands) | Contract Period |
| Buy USD/Sell NTD | USD 5,000/NTD 140,488 | 2020.12.31~2021.01.20 |

6.2.4 Outstanding forward exchange contracts as financial liabilities of the following:

| | December 31, 2020 | |
|------------------|--------------------------------|-----------------------|
| items | Contract Amount (Thousands) | Contract Period |
| Buy NTD/Sell EUR | NTD 243,319/EUR 7,130 | 2020.11.24~2021.03.26 |

6.2.5 The Company has no financial assets at fair value through profit or loss pledged to others.

6.3 Financial assets at fair value through other comprehensive income, non-current

| Items | December 31,2020 | December 31,2019 |
|-----------------------------|------------------|------------------|
| Non-current items | | |
| Common Stocks | | |
| Chao Long Motor Parts Corp. | \$19,335 | \$21,245 |
| Total | \$19,335 | \$21,245 |

These investments in equity instruments are held for medium or long-term strategic purposes.

The Company has no financial assets at fair value through other comprehensive income pledged to others.

6.4 Notes receivable and Accounts receivable

| | December 31,2020 | December 31,2019 |
|--------------------------------------|------------------|------------------|
| Notes receivable | \$- | \$1,470 |
| Accounts receivable | \$410,483 | \$300,278 |
| Less: allowance for doubtful account | (31,197) | (30,677) |
| Total | \$379,286 | \$269,601 |

6.4.1 The Company applies the simplified approach to provide for its expected credit loss, i.e. the use of lifetime expected credit loss. Based on the historical experience of the Company, there is no significantly different loss patterns for different customer segments. The provision matrix does not divide different customer segments, and only accounts receivable to determine credit loss rate.

6.4.2 Aging analysis of accounts receivable is as follows:

| | Not past due | Past due within 30 days | Past due 31 to 90 days | Past due 91 to 180 days | Past due over 180 days | Total |
|---------------------------|--------------|-------------------------|------------------------|-------------------------|------------------------|-----------|
| December 31,2020 | | | | | | |
| Expected credit loss rate | 0% | 3% | 0% | 0% | 39.31% | |
| Booking value | \$314,284 | \$18,238 | \$- | \$- | \$77,961 | \$410,483 |
| Loss allowance | - | (547) | - | - | (30,650) | (31,197) |
| Amortized cost | \$314,284 | \$17,691 | \$- | \$- | \$47,311 | \$379,286 |

| | Not past due | Past due within 30 days | Past due 31 to 90 days | Past due 91 to 180 days | Past due over 180 days | Total |
|---------------------------|-----------------|-------------------------------|------------------------------|-------------------------------|------------------------------|-----------|
| December 31, 2019 | | | | | | |
| Expected credit loss rate | 0% | 2.95% | 0% | 0% | 39.31% | |
| Booking value | \$221,402 | \$915 | \$- | \$- | \$77,961 | \$300,278 |
| Loss allowance | - | (27) | - | - | (30,650) | (30,677) |
| Amortized cost | \$221,402 | \$888 | \$- | \$- | \$47,311 | \$269,601 |

6.4.3 Movements of the allowance for expected credit loss :

| | 2020 | 2019 |
|-----------------------------|----------|----------|
| Balance, beginning of year | \$30,677 | \$31,879 |
| Reversal of impairment loss | 520 | (1,202) |
| Balance, end of year | \$31,197 | \$30,677 |

6.4.4 The maximum exposure to credit risk is the carrying amount of each categories of accounts receivable.

6.4.5 The Company does not hold any collateral as guaranty of collectability.

6.5 Inventories

| | December 31, 2020 | December 31, 2019 |
|--|-------------------|-------------------|
| Raw materials | \$36,370 | \$4,379 |
| Finished goods | 149,148 | 122,409 |
| Semi products | 3,363 | 163,382 |
| Work in process | - | 67,505 |
| Merchandise inventories | - | 5 |
| Subtotal | 188,881 | 357,680 |
| Allowance for inventory valuation losses | (367) | (391) |
| Total | \$188,514 | \$357,289 |

Inventory related cost and expense

| | 2020 | 2019 |
|---|-------------|-------------|
| Cost of goods sold | \$7,703,761 | \$6,779,656 |
| Loss on inventory disposal | 76 | 87 |
| Loss on (gain on reversal of) decline in market value | (24) | (853) |
| Total cost of goods sold | 7,703,813 | 6,778,890 |
| Costs of service revenue | 40,004 | 47,834 |
| Total | \$7,743,817 | \$6,826,724 |

1. The gain on reversal of decline in market value is due to the sales of obsolete inventory.
2. The Company has no inventories pledged to others.

6.6 Investments Accounted for Under Equity Method

6.6.1 Long-Term Investments Debit balance

| | December 31,2020 | December 31,2019 |
|---------------------------------------|------------------|------------------|
| HITRON TECHNOLOGIES (SAMOA) INC. | \$752,846 | \$780,195 |
| INTERACTIVE DIGITAL TECHNOLOGIES INC. | 510,567 | 495,680 |
| HITRON TECHNOLOGIES VIET NAM Co. Ltd. | 434,914 | 204,609 |
| HITRON TECHNOLOGIES AMERICAS INC. | 123,859 | 66,578 |
| INNOAUTO TECHNOLOGIES INC. | - | 4,222 |
| Total | \$1,822,186 | \$1,551,284 |

6.6.2 Long-Term Investments Credit balance(Other non-current liabilities in account)

| | December 31,2020 | December 31,2019 |
|---|------------------|------------------|
| INNOAUTO TECHNOLOGIES INC. | \$(7,916) | \$- |
| HITRON TECHNOLOGIES EUROPE HOLDING B.V. | (8,686) | (82,551) |
| Total | \$(16,602) | \$(82,551) |

6.6.3 The Company's share of the profit or loss of the subsidiaries under the equity method is as follows:

| | 2020 | 2019 |
|---|------------|-----------|
| HITRON TECHNOLOGIES (SAMOA) INC. | \$(36,491) | \$30,701 |
| INTERACTIVE DIGITAL TECHNOLOGIES INC. | 100,991 | 111,546 |
| HITRON TECHNOLOGIES VIET NAM Co. Ltd. | (17,147) | (5,555) |
| HITRON TECHNOLOGIES AMERICAS INC. | 71,955 | 14,974 |
| INNOAUTO TECHNOLOGIES INC. | (32,139) | (29,520) |
| HITRON TECHNOLOGIES EUROPE HOLDING B.V. | 70,410 | (1,144) |
| Total | \$157,579 | \$121,002 |

6.6.4 IDT's Convertible Bond converted to ordinary shares, the Company shareholding ratio dropped from 45.21% to 44.28%.

6.6.5 The Company sold 919 shares of INTERACTIVE DIGITAL TECHNOLOGIES in 2019 ,and disposal of interest 33,020 thousands (capital surplus in account).The share percentage down to 45.21%.

6.6.6 The Company established Hitron Technologies Viet Nam Co. Ltd. in June 2019, as of December 2020, it has invested a total of 550,355 ,the shareholding percentage is 100%.

6.6.7 Information about the Company's subsidiaries is provided in the 2020 consolidated financial statements.

6.7 Property, plant and equipment

| | Buildings | Machinery and equipment | Others | Total |
|---|------------------|-------------------------|-----------------|------------------|
| <u>2020.1.1</u> | | | | |
| Cost | \$293,168 | \$16,625 | \$154,536 | \$464,329 |
| Accumulated depreciation and impairment | (142,875) | (5,787) | (78,742) | (227,404) |
| Total | <u>\$150,293</u> | <u>\$10,838</u> | <u>\$75,794</u> | <u>\$236,925</u> |
| <u>2020</u> | | | | |
| As at 1.1 | \$150,293 | \$10,838 | \$75,794 | \$236,925 |
| Additions | 2,022 | 16,689 | 18,804 | 37,515 |
| Disposals | - | (1,457) | (2,602) | (4,059) |
| Depreciation charge | (6,418) | (4,949) | (33,553) | (44,920) |
| As at 12.31 | <u>\$145,897</u> | <u>\$21,121</u> | <u>\$58,443</u> | <u>\$225,461</u> |
| <u>2020.12.31</u> | | | | |
| Cost | \$295,190 | \$30,187 | \$133,827 | \$459,204 |
| Accumulated depreciation and impairment | (149,293) | (9,066) | (75,384) | (233,743) |
| Total | <u>\$145,897</u> | <u>\$21,121</u> | <u>\$58,443</u> | <u>\$225,461</u> |
| | Buildings | Machinery and equipment | Others | Total |
| <u>2019.1.1</u> | | | | |
| Cost | \$293,081 | \$9,691 | \$133,723 | \$436,495 |
| Accumulated depreciation and impairment | (137,144) | (3,522) | (67,258) | (207,924) |
| Total | <u>\$155,937</u> | <u>\$6,169</u> | <u>\$66,465</u> | <u>\$228,571</u> |
| <u>2019</u> | | | | |
| As at 1.1 | \$155,937 | \$6,169 | \$66,465 | \$228,571 |
| Additions | 483 | 6,223 | 37,715 | 44,421 |
| Disposals | - | - | (12) | (12) |
| Reclassification | 328 | 1,546 | 7,008 | 8,882 |
| Depreciation charge | (6,455) | (3,100) | (35,382) | (44,937) |
| As at 12.31 | <u>\$150,293</u> | <u>\$10,838</u> | <u>\$75,794</u> | <u>\$236,925</u> |
| <u>2019.12.31</u> | | | | |
| Cost | \$293,168 | \$16,625 | \$154,536 | \$464,329 |
| Accumulated depreciation and impairment | (142,875) | (5,787) | (78,742) | (227,404) |
| Total | <u>\$150,293</u> | <u>\$10,838</u> | <u>\$75,794</u> | <u>\$236,925</u> |

The Company have no PPE pledged as collateral.

6.8 Lease Arrangements

6.8.1 The Company leases various assets including land, buildings, and transportation equipment.

Rental contracts are typically made for periods 1 to 4.5 years. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

6.8.2 (1) The carrying amount of right-of-use assets

| | December 31,2020 | December 31,2019 |
|--------------------------|------------------|------------------|
| Land | \$1,446 | \$2,891 |
| Buildings | - | 366 |
| Transportation equipment | 1,054 | 552 |
| Total | <u>\$2,500</u> | <u>\$3,809</u> |

(2) Depreciation charge of right-of-use assets

| | 2020 | 2019 |
|--------------------------|----------------|----------------|
| Land | \$1,445 | \$1,445 |
| Buildings | 976 | 976 |
| Transportation equipment | 1,029 | 1,368 |
| Total | <u>\$3,450</u> | <u>\$3,789</u> |

6.8.3 For the twelve-months periods ended December 31, 2020, The additions to right of-use assets were \$2,141.

6.8.4 Lease liability

| | December 31,2020 | | |
|-------------|-------------------------------|-------------|--------------------------------|
| | Future minimum lease payments | Interest | Minimum rent pay present value |
| Current | \$2,198 | \$36 | \$2,162 |
| Non-current | 390 | 6 | 384 |
| Total | <u>\$2,588</u> | <u>\$42</u> | <u>\$2,546</u> |

| | December 31, 2019 | | |
|-------------|----------------------------------|----------|-----------------------------------|
| | Future minimum lease payments | Interest | Minimum rent pay present value |
| Current | \$2,439 | \$64 | \$2,375 |
| Non-current | 1,502 | 18 | 1,484 |
| Total | \$3,941 | \$82 | \$3,859 |

6.8.5 For the twelve-months periods ended December 31, 2020 and 2019, total cash outflow for lease was \$3,545 and \$3,886.

6.9 Other non-current assets

| | December 31, 2020 | December 31, 2019 |
|--------------------------------|-------------------|-------------------|
| Prepayments for equipment | \$13,996 | \$6,331 |
| Refundable deposits | 26,515 | 26,405 |
| Other non-current assets-other | 3,145 | 3,253 |
| Total | \$43,656 | \$35,989 |

6.10 Short-term borrowings

| | December 31, 2020 | December 31, 2019 |
|---------------------|-------------------|-------------------|
| Unsecured loans | \$1,686,825 | \$615,000 |
| Interest rate range | 0.64%~0.86% | 2.40%~2.75% |

6.11 Other payables

| | December 31, 2020 | December 31, 2019 |
|-----------------------|-------------------|-------------------|
| Accrued Salaries | \$130,297 | \$92,022 |
| Payables on equipment | 16,072 | 9,758 |
| Other payables | 34,334 | 37,248 |
| Total | \$180,703 | \$139,028 |

6.12 Provisions

| | December 31,2020 | December 31,2019 |
|--------------------------------------|------------------|------------------|
| Warranties - current | \$11,525 | \$10,707 |
| | 2020 | 2019 |
| Beginning Provisions | \$10,707 | 16,030 |
| New provision for the current period | 15,215 | 16,535 |
| Provision used in the current period | (14,397) | (21,858) |
| Ending Provisions | \$11,525 | \$10,707 |

6.13 Other current liabilities

| | December 31,2020 | December 31,2019 |
|------------------------------------|------------------|------------------|
| Current portion of long-term loans | \$- | \$120,000 |
| Others | 2,999 | 2,921 |
| Total | \$2,999 | \$122,921 |

6.14 Bonds payable

6.14.1 Outstanding secured convertible bonds issued by HT is as follows:

| | December 31,2020 | December 31,2019 |
|--|------------------|------------------|
| Total of issuance of convertible bonds | \$- | \$500,000 |
| Less: accumulated converted amount | - | (498,300) |
| Less: Redemption on maturity | - | (1,700) |
| Total | \$- | \$- |

6.14.2 The HT secured convertible bonds has expired on June 15th, 2019 and total common stocks of 26,866 thousand shares were converted and NT\$224,281 thousand of capital surplus were recognized.

6.15 Long-term borrowings

| Bank | Borrowing period and repayment term | December 31, 2020 | December 31, 2019 |
|-----------------------------|---|----------------------|----------------------|
| First Bank | From 2017.12.22 to 2020.12.22, circulation | \$- | \$120,000 |
| First Bank (Syndication) | From 2019.07.17 to 2024.10.07, circulation | - | 150,000 |
| | Subtotal | \$- | 270,000 |
| | Less: current portion | - | (120,000) |
| | Total | \$- | \$150,000 |
| | Interest rate range | - | 1.80%~2.89% |

The Company took a syndicated loan in the amount of NTD 2.2 billion from First Commercial Bank and other banks to fulfill working capital and to support Hitron Technologies Vietnam's plan to set up plants. According to the loan agreement, during the loan term, the Company shall maintain its current ratio, leverage ratio, interest coverage ratio, and tangible net worth semiannually and annually.

6.16 Pensions

6.16.1 Defined Contribution plans

HT have defined contribution pension plans set up according to the ROC Labor Pension Act. 6% of employees' monthly salaries are contributed to each individual account governed by Bureau of Labor Insurance. Pension cost of \$12,440 thousand and \$11,641 thousand are recognized for the year 2020 and 2019, respectively.

6.16.2 Defined benefit plans

(1) The Company has defined benefit pension plans in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Act. As that Act, employee's pension is based on an employee's length of service and average monthly salary. HT contribute an amount equal to 2% of salaries paid each month to their respective pension fund deposited with Bank of Taiwan. The balance of pension fund in Bank of Taiwan were \$3,376 thousand and \$3,246 thousand as of December 31, 2020 and 2019 respectively.

(2) The amounts recognized in the balance sheet are as follows:

| | December 31, 2020 | December 31, 2019 |
|--|-------------------|-------------------|
| Present value of defined benefit obligations | \$(1,915) | \$(2,376) |
| Fair value of plan assets | 3,376 | 3,246 |
| Net defined benefit liability | <u>\$1,461</u> | <u>\$870</u> |

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

| | Present value of defined benefit obligations | Fair value of plan assets | Net defined benefit liability |
|-----------------------------------|--|------------------------------|-------------------------------------|
| 2020 | | | |
| Balance at January 1 | \$(2,376) | \$3,246 | \$870 |
| Current service cost | (115) | - | (115) |
| Interest (expense) income | (21) | 29 | 8 |
| | <u>(2,512)</u> | <u>3,275</u> | <u>763</u> |
| Remeasurements: | | | |
| Return on plan assets | - | 101 | 101 |
| Change in financial assumptions | (187) | - | (187) |
| Change in demographic assumptions | 10 | - | 10 |
| Experience adjustments | 774 | - | 774 |
| Balance at December 31 | <u>\$(1,915)</u> | <u>\$3,376</u> | <u>\$1,461</u> |
| 2019 | | | |
| Balance at January 1 | \$(2,146) | \$3,053 | \$907 |
| Current service cost | (325) | - | (325) |
| Interest (expense) income | (26) | 38 | 12 |
| | <u>(2,497)</u> | <u>3,091</u> | <u>594</u> |
| Remeasurements: | | | |
| Return on plan assets | - | 136 | 136 |
| Change in financial assumptions | (181) | - | (181) |
| Change in demographic assumptions | (9) | - | (9) |
| Experience adjustments | 311 | - | 311 |
| | <u>(2,376)</u> | <u>3,227</u> | <u>851</u> |
| Contributions from employer | - | 19 | 19 |
| Balance at December 31 | <u>\$(2,376)</u> | <u>\$3,246</u> | <u>\$870</u> |

(4) The Bank of Taiwan is commissioned to manage the fund assets of HT pension plans in accordance with the “Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund”.

(5) The principal actuarial assumptions used are as follows:

| | Decmember 31,2020 | Decmember 31,2019 |
|------------------------------|-------------------|-------------------|
| Discount rate | 0.40% | 0.90% |
| Future salary increases rate | 1.00% | 1.00% |

Assumptions regarding future mortality are based on actuarial advice of the Life Insurance Institutions within territory.

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

| | Discount rate | | Future salary increases | |
|---|-------------------|-------------------|-------------------------|-------------------|
| | Increase 0.25% | Decrease 0.25% | Increase 0.25% | Decrease 0.25% |
| December 31, 2020 | | | | |
| Effect on present value of defined benefit obligation | \$(96) | \$101 | \$101 | \$(95) |
| December 31, 2019 | | | | |
| Effect on present value of defined benefit obligation | \$(131) | \$140 | \$139 | \$(132) |

(6) Expected contributions to the defined benefit pension plan of HT is \$0 thousand for the year ending December 31, 2021.

(7) As of December 31, 2020, the weighted average duration of the retirement plan is 20 years.

6.17 Share capital

| | December 31,2020 | December 31,2019 |
|--------------------------|------------------|------------------|
| Authorized share capital | \$4,000,000 | \$4,000,000 |
| Capital Stock issued | \$3,289,862 | \$3,289,862 |
| Total | \$3,289,862 | \$3,289,862 |

6.17.1 As of December 31 2020, HT’s authorized numbers of shares were 400,000 thousand shares with 30,000 thousand shares reserved for employee stock option plan and convertible bond convergent. Par value of common stock is \$10 (in dollars) per share and each share has one voting power.

6.17.2 On December 19, 2018, according to the resolution of the interim shareholder meeting, a capital increase plan of private issuance was approved. The board of directors approved to carry out the plan through the issuance of 100,000 thousand common shares at an issuance price of 16.11, with total value amounting 1,611,000 thousand. According to the Securities and Exchange Act, the transfer of such privately placed common shares within three years from the delivery date is forbidden.

6.17.3 Treasury stock

(1) The changes in treasury stocks in 2020 is as follows :

| Reason to buy back | 2020 | | | December 31 |
|-----------------------|------------|----------|----------|-------------|
| | January 01 | Increase | Decrease | |
| Transfer to employees | 7,669 | - | - | 7,669 |
| Total | 7,669 | - | - | 7,669 |

(2) In compliance with Securities and Exchange Law of the R.O.C., treasury stock held by the parent company should not be pledged, nor should it be entitled to voting rights or receiving dividends.

6.18 Capital surplus

6.18.1 Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations should only be used to offset accumulated deficit to issue new stocks or to pay out as cash dividend to shareholders, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus used to issue new stocks should not exceed 10% of the paid-in capital each year.

6.18.2 Capital surplus for the years of 2020 and 2019 are as follows:

| | December 31,2020 | December 31,2019 |
|---|------------------|------------------|
| Additional paid-in capital | \$742,718 | \$742,718 |
| From convertible bonds | 529,562 | 534,868 |
| From disposal of subsidiaries | - | 84,029 |
| From share of changes in equities of subsidiaries | 51,869 | 37,765 |
| From employee stock options | 2,461 | 2,461 |
| Others | 127 | 127 |
| Total | \$1,326,737 | \$1,401,968 |

6.19 Retained earnings

(1) Legal reserve

The legal reserve is for making good the deficit (or loss) of the Company. However, when the Company incurs no loss, it may, pursuant to a resolution of shareholders' meeting, distribute 25% of the amount that legal reserve exceeds the total capital by issuing new shares or paid out cash as dividends.

(2) Special reserve

A. In accordance with the regulations, the Company shall set aside special reserve equal to the net debit balance of other equity items at the end of the reporting period before distributing earnings. When the net debit balance of other equity items is reversed subsequently, the reversed amount should be included in the distributable earnings.

B. The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with FSC regulations shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

(3) Retained earnings and dividend policies

A. According to Paragraph 29-1 of HT's Articles of Incorporation, the order of and restrictions on annual earnings allocation are as follows:

- a. Paying income tax ;
- b. Offsetting previous deficit ;
- c. Set aside 10% of the remaining amount as legal reserve, unless the accumulated amount of the legal reserve has reached the total authorized capital of the Company.
- d. Setting aside or reversing a special reserve according to relevant regulations when necessary.
- e. Any balance left over shall be allocated according to the resolution of the shareholder's meeting.
- f. The Company adopts a dividend distribution policy whereby only surplus profits of the Company shall be distributed to shareholders according to Paragraph 29 of Articles of Incorporation. Cash dividends shall be at least 10% of the total distribution.

B. The information about the earning appropriations by the Company as proposed by the Board of Directors and resolved by the stockholders of HT for the year 2020 and 2019 are available at the Market Observation Post System website.

C. For the information relating to employees bonuses and directors and supervisors remuneration, please refer to Note 6(23).

6.20 Operating revenue

(1) Revenue from contracts with customers

| | 2020 | 2019 |
|-----------------|-------------|-------------|
| Sales revenue | \$8,501,658 | \$7,464,749 |
| Service revenue | 24,389 | 39,580 |
| Total | \$8,526,047 | \$7,504,329 |

(2) Detail information about revenue from contracts with customers are as follows:

A. Disaggregation of revenue from contracts with customers:

| | 2020 | 2019 |
|--------------------|-------------|-------------|
| At a point in time | \$8,526,047 | \$7,504,329 |

B. Contract assets and liabilities

| | December 31, 2020 | December 31, 2019 |
|----------------------|-------------------|-------------------|
| Contract liabilities | \$22,918 | \$23,345 |

6.21 Other gains and losses

| | 2020 | 2019 |
|---|----------|----------|
| Net currency exchange gain (loss) | \$20,489 | \$13,327 |
| Gain (loss) on valuation of financial assets or liabilities elected as at fair value through profit or loss | 6,495 | 7,815 |
| Gain (loss) on disposal of investments | (13,664) | (2,920) |
| Others | (59) | (2) |
| Total | \$13,261 | \$18,220 |

6.22 Expenses by nature

| | 2020 | 2019 |
|---|--------------------|--------------------|
| Change in finished goods, work in process, raw materials and supplies | \$7,703,761 | \$6,778,890 |
| Service costs and other expenses | 40,004 | 47,834 |
| Employee benefit | 394,277 | 349,016 |
| Depreciation and amortization | 76,468 | 79,000 |
| Other expenses | 148,696 | 174,070 |
| Total operating costs and expense | <u>\$8,363,206</u> | <u>\$7,428,810</u> |

6.23 Employee benefit

| | 2020 | 2019 |
|----------------------------|------------------|------------------|
| Wages and salaries | \$328,154 | \$288,013 |
| Director's remuneration | 18,990 | 17,263 |
| Labor and health insurance | 22,375 | 20,228 |
| Pension | 12,547 | 11,954 |
| Other expenses | 12,211 | 11,558 |
| Total | <u>\$394,277</u> | <u>\$349,016</u> |

1. According to HT'S Articles of Incorporation, HT shall allocate 3%-10% of annual profit as bonuses to employees and no more than 2% of annual profit as remuneration to directors and supervisors, respectively, pursuant to the resolution of the boards of directors. Employees of subsidiaries are entitled to receive employees' bonuses.
2. For the year ended December 31, 2020 and 2019 employees bonuses and directors and supervisors remuneration were accrued \$41,992 thousand and \$29,058 thousand, respectively. Employees' bonuses and directors and supervisors remuneration for 2019 had been approved by the shareholders meeting with no difference to the accrued amount in the parent company only financial statements ended December 31, 2019.
3. Information about employees bonuses and directors and supervisors remuneration of the Company as resolved by the Board of Directors and shareholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

6.24 Income tax

(1) Income tax expense

A. Components of income tax (expense) benefit:

| | 2020 | 2019 |
|---|------------|-----------|
| Current tax: | | |
| Current tax on profits for the period | \$(25,523) | \$(8,863) |
| Over (Under) provisions for prior year | (2,485) | - |
| Total current tax (expense) | \$(28,008) | \$(8,863) |
| Deferred income tax: | | |
| Origination and reversal of temporary differences | 82 | 15,731 |
| Total deferred income tax (expense) benefit | \$82 | \$15,731 |
| Income tax (expense) benefit | \$(27,926) | \$6,868 |

B. The income tax (charge)/credit relating to components of other comprehensive income is as follows:

| | 2020 | 2019 |
|---|------|---------|
| Actuarial gains/losses on defined benefit obligations | \$- | \$3,353 |

(2) Reconciliation between income tax (expense) benefit and accounting profit

| | 2020 | 2019 |
|--|------------|------------|
| Tax calculated based on profit before tax and statutory tax rate | \$(61,587) | \$(42,618) |
| Effects from items disallowed by tax regulations | 25,125 | 29,956 |
| Effect from investment tax credit | 10,939 | 3,799 |
| Origination and reversal of temporary differences | 82 | 15,731 |
| Over (Under) provisions for prior year | (2,485) | - |
| Income tax (expense) benefit | \$(27,926) | \$6,868 |

- (3) Amounts of deferred tax assets or liabilities as a result of temporary difference, loss carry forward and investment tax credit are as follows:

| | 2020 | | | | |
|---|------------------|------------------------------|--|----------------------|-------------------|
| | January 1 | Recognized in profit or loss | Recognized in other comprehensive income | Recognized in equity | December 31 |
| Temporary differences: | | | | | |
| - Deferred income tax assets: | | | | | |
| Unrealized exchange loss | \$7,736 | \$5,168 | \$- | \$- | \$12,904 |
| Unrealized gross profit from affiliates | 12,792 | 9,379 | - | - | 22,171 |
| Warranty provision | 2,141 | 164 | - | - | 2,305 |
| Other loss | 10,000 | (10,000) | - | - | - |
| Others | 554 | (171) | - | - | 383 |
| Subtotal | <u>\$33,223</u> | <u>\$4,540</u> | <u>\$-</u> | <u>\$-</u> | <u>\$37,763</u> |
| - Deferred income tax liabilities: | | | | | |
| Unrealized exchange gain | \$(5,839) | \$(3,968) | \$- | \$- | \$(9,807) |
| Defined benefit plans | (1,105) | (490) | - | - | (1,595) |
| Subtotal | <u>\$(6,944)</u> | <u>\$(4,458)</u> | <u>\$-</u> | <u>\$-</u> | <u>\$(11,402)</u> |
| Total | <u>\$26,279</u> | <u>\$82</u> | <u>\$-</u> | <u>\$-</u> | <u>\$26,361</u> |

| | 2019 | | | | |
|---|------------------|------------------------------|--|----------------------|------------------|
| | January 1 | Recognized in profit or loss | Recognized in other comprehensive income | Recognized in equity | December 31 |
| Temporary differences: | | | | | |
| - Deferred income tax assets: | | | | | |
| Unrealized exchange loss | \$2,483 | \$5,253 | \$- | \$- | \$7,736 |
| Unrealized gross profit from affiliates | 263 | 12,529 | - | - | 12,792 |
| Warranty provision | 2,756 | (615) | - | - | 2,141 |
| Other loss | 10,000 | - | - | - | 10,000 |
| Others | 495 | 59 | - | - | 554 |
| Subtotal | <u>\$15,997</u> | <u>\$17,226</u> | <u>\$-</u> | <u>\$-</u> | <u>\$33,223</u> |
| - Deferred income tax liabilities: | | | | | |
| Unrealized exchange gain | \$(4,907) | \$(932) | \$- | \$- | \$(5,839) |
| Defined benefit plans | (3,895) | (563) | 3,353 | - | (1,105) |
| Subtotal | <u>\$(8,802)</u> | <u>\$(1,495)</u> | <u>\$3,353</u> | <u>\$-</u> | <u>\$(6,944)</u> |
| Tailing difference | 1 | - | - | - | - |
| Total | <u>\$7,916</u> | <u>\$15,731</u> | <u>\$3,353</u> | <u>\$-</u> | <u>\$26,279</u> |

- (4) Income tax returns of the Company through 2018 have been assessed and approved by the Tax Authority.

6.25 Earnings per share

| For the year ended December 31, 2020 | | | |
|--|---------------------|--|--------------------------------------|
| | Amount after tax | Weighted average number of ordinary shares outstanding (in thousands) | Earnings per share (in dollar) |
| Profit for the year | <u>\$280,010</u> | | |
| Basic earnings per share | | | |
| Profit or (loss) attributable to common shareholders of the Parent Company | 280,010 | 321,317 | <u>\$0.87</u> |
| Assumed conversion of all dilutive potential common shares | | | |
| Employees bonuses | <u>-</u> | <u>1,672</u> | |
| Diluted earnings per share | | | |
| Current profit (loss) attributable to common shareholders plus assumed conversion of all dilutive potential common shares | <u>\$280,010</u> | <u>322,989</u> | <u>\$0.87</u> |
| For the year ended December 31, 2019 | | | |
| | Amount after tax | Weighted average number of ordinary shares outstanding (in thousands) | Earnings per share (in dollar) |
| Profit for the year | <u>\$219,959</u> | | |
| Basic earnings per share | | | |
| Profit or (loss) attributable to common shareholders of the Parent Company | 219,959 | 224,976 | <u>\$0.98</u> |
| Assumed conversion of all dilutive potential common shares | | | |
| Employees bonuses | <u>-</u> | <u>1,091</u> | |
| Convertible bonds | <u>188</u> | <u>1,290</u> | |
| Diluted earnings per share | | | |
| Current profit (loss) attributable to common shareholders plus assumed conversion of all dilutive potential common shares | <u>\$220,147</u> | <u>227,357</u> | <u>\$0.97</u> |

- (1) Potential shares from bonuses to employees should be included in the weighted average number of outstanding shares in calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the amount of bonuses to employees by the fair value of the common shares on the end of the reporting period. Such dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until the shares of employee bonuses are resolved in the shareholders' meeting in the following year, and thus the shares of employee bonuses resolved will be included in the basic EPS.
- (2) Movements in common shares outstanding of HT are as follows (unit: in thousands):

| | 2020 | 2019 |
|--------------------------|---------|---------|
| At January 1 | 328,986 | 224,310 |
| Buy back treasury shares | (7,669) | (6,980) |
| Cash replenishment | - | 4,167 |
| Convertible bonds | - | 3,479 |
| At December 31 | 321,317 | 224,976 |

- (3) Please refer to Note 6.17 "Share capital" for more information of capital increasing and common shares conversion.

6.26 Non-cash transaction

Financing activities with no cash flow effects

| | 2020 | 2019 |
|---|------|----------|
| Convertible bonds being converted to capital stocks and capital surplus | \$- | \$84,967 |

7 RELATED-PARTY TRANSACTIONS

7.1 Name and Relationship of Related Parties

| Name of related parties | Relationship with the Company |
|---------------------------------------|---------------------------------|
| Qisda Corporation | Ultimate parent company (Note1) |
| Alpha Networks Inc. | Parent company |
| Interactive Digital Technologies Inc. | Subsidiary |

| Name of related parties | Relationship with the Company |
|---|-------------------------------|
| Innoauto Technologies Inc. | Subsidiary |
| Hitron Technologies (Americas) Inc. | Subsidiary |
| Hitron Technologies Europe Holding B.V. | Subsidiary |
| Hitron Technologies (Vietnam) Inc. | Subsidiary |
| Hitron Technologies (Suzhou Industrial Park) Inc. | Second-tier subsidiary |
| Jietech Trading (Suzhou) Inc. | Second-tier subsidiary |
| Hwa Chi Technologies (Shanghai), Inc | Second-tier subsidiary |
| Sysage Technology Co., LTD | Associate |
| Unictron Technologies Corporation | Associate |

Note 1 : Qisda Corporation became the ultimate parent company of HT in July 2020.

7.2 Significant Related Party Transactions

a. Sales revenue

| | 2020 | 2019 |
|--------------|-------------|-------------|
| Subsidiaries | \$7,163,635 | \$5,958,520 |

Sales terms with related parties were decided on market condition.

b. Purchases

| | 2020 | 2019 |
|----------------|-------------|-------------|
| Parent company | \$319 | \$- |
| Subsidiaries | 7,711,194 | 6,111,800 |
| Associate | 23,386 | - |
| Total | \$7,734,899 | \$6,111,800 |

Purchases terms with related parties were decided on market condition.

c. Other operating costs

| | 2020 | 2019 |
|----------------|---------|---------|
| Parent company | \$39 | \$- |
| Subsidiaries | 9,327 | 4,708 |
| Total | \$9,366 | \$4,708 |

d. Operating expense

| | 2020 | 2019 |
|----------------|----------|----------|
| Parent company | \$512 | \$- |
| Subsidiaries | 27,775 | 34,504 |
| Associate | 139 | - |
| Total | \$28,426 | \$34,504 |

e. Accounts receivable - related parties

| | December 31, 2020 | December 31, 2019 |
|--------------|-------------------|-------------------|
| Subsidiaries | \$2,135,663 | \$1,205,867 |

f. Others receivable - related parties

| | December 31, 2020 | December 31, 2019 |
|--------------|-------------------|-------------------|
| Subsidiaries | \$1,296,304 | \$526,582 |

g. Accounts payable - related parties

| | December 31, 2020 | December 31, 2019 |
|----------------|-------------------|-------------------|
| Parent company | \$53 | \$- |
| Subsidiaries | 1,521,533 | 842,310 |
| Associate | 18,861 | - |
| Total | \$1,540,447 | \$842,310 |

h. h.Others payable - related parties

| | December 31, 2020 | December 31, 2019 |
|--------------|-------------------|-------------------|
| Subsidiaries | \$8,025 | \$6,143 |

i. Financing

| | December 31, 2020 | December 31, 2019 |
|--------------|-------------------|-------------------|
| Subsidiaries | \$595,350 | \$210,000 |

Please refer to note 13 for detail information.

j. Bills endorsement and guarantee

| | December 31, 2020 | December 31, 2019 |
|--------------|-------------------|-------------------|
| Subsidiaries | \$3,028,970 | \$2,929,328 |

Please refer to note 13 for detail information.

7.3 Key management compensation

| | 2020 | 2019 |
|--|----------|----------|
| Salaries and other short-term employee benefit | \$26,246 | \$40,087 |

8 PLEDGED ASSETS

The assets pledged as collateral are as follows:

| Assets item | Book Value | |
|--|-------------------|-------------------|
| | December 31, 2020 | December 31, 2019 |
| Non-current assets- restricted time deposits | \$2,382 | \$2,382 |

- (1) The pledged assets are disclosed at net carrying values.
- (2) The Company provided time deposits as collateral mainly for lands lease agreements.

9 SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

9.1. Contingencies

HT and eASPNET Taiwan Inc. (“eASPNET”) entered into the “Agreement for Establishment of Kaohsiung City Wireless Common Platform” (the “Agreement”). The Kaohsiung City Government rescinded the relevant contract for the reason that its performance thereunder failed the inspection. eASPNET then requested HT to rescind the Agreement. HT, instead of accepting such request, brought a lawsuit against eASPNET and claimed for the contract payment of NT\$86,619 thousand. And HT has obtained the favorable judgment made by Taiwan Shilling District Court dated Feb. 17, 2011, the civil judgment was decided that eASPNET has to pay HT NT\$ 72,916 thousand and the interest collected based on 5% of the annual interest rate from April 12, 2008 till paying off day, the objection and application of provisional execution raised by eASPNET were rejected and eASPNET has provided NT\$ 72,916 thousand as securities for purposes of being exempted from provisional execution in April. 2011. On May 31, 2013, Taiwan High Court declared that HT won the court case. However, eASPNET did not accept the outcome and the Supreme Court of Appeal; the Supreme Court on Nov 18, 2013 abandoned the original judgment, back to the Taiwan High Court trial update. On March 29, 2016, in the first retrial, Taiwan High Court declared that HT won the court case. The civil judgment was decided that eASPNET has to pay HT NT\$ 71,115 thousand. However, the two parties both filed appeals; the Supreme Court on January 5, 2017 abandoned the original judgment except provisional execution and returned the case back to the Taiwan High Court. On October 20, 2020, in the second retrial, Taiwan High Court ruled to abandon the judgement of the first retrial. Based on law experts’ opinion, the case is still undecided and able to be appealed. The Company filed an appeal on November 17, 2020, and the High Court transferred the entire case to the Supreme Court on January 25, 2021.

9.2. Commitments: None

10 SIGNIFICANT DISASTER LOSS: None

11 SIGNIFICANT SUBSEQUENT EVENTS: None

12 OTHERS

12.1. Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide the maximum returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or enhance the capital structure, the Company regularly reviews and measure associated expenses, risks and returns to ensure a good level of profitability and financial ratios. By financing or entering loans to balance the overall capital structure when necessary to cope with the needs of operating capital, debt repayment and dividend expense in future periods, etc.

12.2. Financial instruments

(1) Fair value information of financial instruments

| | December 31, 2020 | |
|---|--------------------|--------------------|
| | Book value | Fair value |
| Financial assets: | | |
| Cash and cash equivalents | \$2,417,651 | \$2,417,651 |
| Financial assets at fair value through profit or loss | 45,366 | 45,366 |
| Financial assets at fair value through other comprehensive income | 19,335 | 19,335 |
| Accounts receivable (including related parties) | 2,514,949 | 2,514,949 |
| Other receivables (including related parties) | 1,364,558 | 1,364,558 |
| Other financial assets | 28,897 | 28,897 |
| Total | <u>\$6,390,756</u> | <u>\$6,390,756</u> |

| | December 31,2019 | |
|---|--------------------|--------------------|
| | Book value | Fair value |
| Financial assets: | | |
| Cash and cash equivalents | \$2,684,063 | \$2,684,063 |
| Financial assets at fair value through profit or loss | 61,001 | 61,001 |
| Financial assets at fair value through other comprehensive income | 21,245 | 21,245 |
| Notes receivable | 1,470 | 1,470 |
| Accounts receivable (including related parties) | 1,475,468 | 1,475,468 |
| Other receivables (including related parties) | 584,059 | 584,059 |
| Other financial assets | 28,787 | 28,787 |
| Total | <u>\$4,856,093</u> | <u>\$4,856,093</u> |

| | December 31,2020 | |
|--|--------------------|--------------------|
| | Book value | Fair value |
| Financial liabilities : | | |
| Short-term borrowings | \$1,686,825 | \$1,686,825 |
| Financial liabilities at fair value through profit or loss | 3,318 | 3,318 |
| contract liability | 22,918 | 22,918 |
| Accounts payable(including related parties) | 1,822,791 | 1,822,791 |
| Other payables(including related parties) | 188,728 | 188,728 |
| Lease liability (including current portion) | 2,546 | 2,546 |
| Other financial liabilities | 248 | 248 |
| Total | <u>\$3,727,374</u> | <u>\$3,727,374</u> |

| | December 31,2019 | |
|--|--------------------|--------------------|
| | Book value | Fair value |
| Financial liabilities : | | |
| Short-term borrowings | \$615,000 | \$615,000 |
| contract liability | 23,345 | 23,345 |
| Accounts payable (including related parties) | 1,007,547 | 1,007,547 |
| Other payables (including related parties) | 145,171 | 145,171 |
| Long-term borrowings (including current portion) | 270,000 | 270,000 |
| Lease liabilities (including current portion) | 3,859 | 3,859 |
| Other financial liabilities | 248 | 248 |
| Total | <u>\$2,065,170</u> | <u>\$2,065,170</u> |

(2) Financial risk management policies

- a. The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and financial performance. The Company uses derivative financial instruments to hedge certain risk exposures. Refer to Notes 6.2.
- b. Risk management is carried out by a central finance department under policies approved by the Board of Directors. The finance department identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Board of Directors provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(3) Significant financial risks and degrees of financial risks

a. Market risk

- The major market risks undertaken by the Company are foreign currency risk and interest rate risk. To protect against reductions in value and the volatility of future cash flows caused by changes in foreign exchange rates, the Company utilizes derivative financial instruments; such as currency forward contracts to hedge its currency exposure. The Company's own funds are sufficient to cover its operation. The need of external borrowing is limited and all repayments are made before the maturity of borrowings. Because the net assets under floating rate are all due within one year, and the current market interest rates are still low, it is expected there will be no significant risk of changes in interest rates. Hence, no derivative financial instruments to manage interest rate risk are used.
- The management and measurement methods of the Company regarding the exposure to the market risk of financial instruments are not changed.

I. Foreign currency risk

- Cash inflow and outflow of the Company are based on foreign currency; the hedging effect is subsequently accompanied. The Company's foreign exchange risk management is mainly for the purpose of hedging not for profiting.

- Strategy of exchange rate risk management is to regularly review various currencies, net assets and liabilities, and constantly manage the risks. When choosing the hedging instruments/tools, the hedging costs and period are important considerations. Buying / selling foreign exchange forward contracts or borrowing foreign currency liabilities are currently the main tools to avoid the exchange rate risk.
- Carrying amounts of monetary assets and liabilities denominated in foreign currencies of the Company at the end of reporting date are as follows:

| December 31,2020 | | | | | | |
|------------------------------|----------------|----------|-------------|----------------------|------------|-----------|
| | Foreign | Exchange | Book value | Sensitivity analysis | | |
| | currency | | | Extent of | Effect on | |
| | amount | | | | | profit or |
| | (in thousands) | | | | | loss |
| <u>Financial assets</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD : NTD | \$124,016 | 28.35 | \$3,515,854 | 5% | ±\$175,793 | |
| EUR : NTD | \$7,250 | 34.96 | \$253,460 | 5% | ±\$12,673 | |
| <u>Financial liabilities</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD : NTD | \$129,770 | 28.35 | \$3,678,980 | 5% | ±\$183,949 | |

| December 31,2019 | | | | | | |
|------------------------------|----------------|----------|-------------|----------------------|------------|-----------|
| | Foreign | Exchange | Book value | Sensitivity analysis | | |
| | currency | | | Extent of | Effect on | |
| | amount | | | | | profit or |
| | (in thousands) | | | | | loss |
| <u>Financial assets</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD : NTD | \$67,574 | 30.00 | \$2,027,220 | 5% | ±\$101,361 | |
| EUR : NTD | \$1,653 | 33.62 | \$55,574 | 5% | ±\$2,779 | |
| <u>Financial liabilities</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD : NTD | \$59,966 | 30.00 | \$1,798,980 | 5% | ±\$89,949 | |

- Key management personnel believe the sensitivity analysis cannot represent inherent risk of foreign exchange rate. Because the disclosure of foreign currency risk at the end of reporting date cannot reflect the level of risk exposure during middle of the year.

II. Price risk

- The Company is exposed to equity securities price risk because of investments held by the Company and classified on the consolidated balance sheet either as financial assets at fair value through comprehensive or financial assets at fair value through profit or loss. The Company is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- The Company's investments in equity securities comprise domestic listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased with all other variables held constant, post-tax profit for the years ended December 31, 2020 and 2019 would have increased/decreased as a result of gains/losses on equity securities classified as at fair value through profit or loss.

III. Interest rate risk

- The Company's interest rate risk arises from holding assets and liabilities with floating rates. These cause the exposure of cash flow interest rate risk.
- Details of financial assets and financial liabilities with floating rates of the Company are in the section of "Liquidity risk" set below.
- The following sensitivity analysis is determined upon the risk exposure level of non-derivative instruments at the end of the reporting period. For liabilities with floating rates, the analysis methods assume the amounts of outstanding debts at the end of the reporting date are outstanding throughout the whole year.
- If interest rates are 0.1% higher/lower with all other variables held constant, the Company's net income for 2020 and 2019 will subsequently increase or decrease. The Company's interest expenses increasing or decreasing are mainly due to the floating rate borrowings.

b. Credit risk

- I. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties on the contract obligations. According to the Company's credit policy, each local entity in the Company is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers which taking into account their financial position, past experience and other factors. The Company periodically monitors the use of credit and the payment status, and continually develops diverse business regions and expands overseas markets in order to reduce customer concentration risk. Accounts receivable of the Company is constituted by many customers, scattered in different regions of the world. The Company regularly assesses the financial position of accounts receivable for foreign customers, and makes sure proper insurances are in place for new customers and customer accounts with specific concerns. Accordingly, the Company has no significant credit risk exposed to any counterparty.
- II. No credit limits were exceeded during the reporting periods for 2020 and 2019, and the management does not expect any significant losses from non-performance by these counterparties.
- III. The Company classifies accounts receivables according to the customer types, and refers to the loss rate established by the specific period historical and the current information to estimate the allowance loss of the contract assets and accounts receivables.

c. Liquidity risk

- I. Cash flow forecasting is performed in the operating entities of the Company and aggregated by the finance department with monitoring rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times, so that the Company does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal balance sheet's ratio targets and, if applicable external regulatory or legal requirements, for example, currency restrictions.

- II. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the finance department. The finance department invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.
- III. The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities

| | | Between 1 | Between 2 | |
|---|-------------|-----------|-----------|--------|
| | Less than 1 | and 2 | and 5 | Over 5 |
| December 31,2020 | year | years | years | years |
| Short-term borrowings | \$1,686,825 | \$- | \$- | \$- |
| Contract liabilities | 22,918 | - | - | - |
| Accounts payable(including related parties) | 1,822,791 | - | - | - |
| Other payables(including related parties) | 188,728 | - | - | - |
| Lease liability(including current portion) | 2,162 | 263 | 121 | - |

Non-derivative financial liabilities

| | | Between 1 | Between 2 | |
|---|-------------|-----------|-----------|--------|
| | Less than 1 | and 2 | and 5 | Over 5 |
| December 31,2019 | year | years | years | years |
| Short-term borrowings | \$615,000 | \$- | \$- | \$- |
| Contract liabilities | \$23,345 | - | - | - |
| Accounts payable(including related parties) | 1,007,547 | - | - | - |
| Other payables(including related parties) | 145,171 | - | - | - |
| Long-term borrowings(including current portion) | 120,000 | - | 150,000 | - |
| Lease liability(including current portion) | 2,375 | 1,484 | - | - |

IV. Derivative financial liabilities

As of December 31, 2020 and December 31, 2019 all derivative financial liabilities of the Company are due within one year.

12.3. Fair value estimation

- (1) The table below analyses financial instruments measured at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that is not based on observable market data.

The following table presents the Company's financial assets and liabilities that are measured at fair value at December 31, 2020 and December 31, 2019. Equity securities, beneficiary's certificates and as such are classified into Level 1. Financial assets/liabilities measured at fair value are the valuation adjustment of embedding derivative and as such are classified into Level 2. Financial assets at fair value through other comprehensive income are classified into Level 3.

| December 31, 2020 | Level 1 | Level 2 | Level 3 | Total |
|---|-----------------|------------|-----------------|-----------------|
| Financial assets: | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Equity securities | \$45,364 | \$- | \$- | \$45,364 |
| Foreign currency forward contracts | - | 2 | - | 2 |
| Subtotal | <u>\$45,364</u> | <u>\$2</u> | <u>\$-</u> | <u>\$45,366</u> |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity securities | - | - | 19,335 | 19,335 |
| Total | <u>\$45,364</u> | <u>\$2</u> | <u>\$19,335</u> | <u>\$64,701</u> |

Financial liabilities :

| | | | | |
|--|------------|----------------|------------|----------------|
| Financial liabilities at fair value through profit or loss | | | | |
| Foreign currency forward contracts | - | 3,318 | - | 3,318 |
| Total | <u>\$-</u> | <u>\$3,318</u> | <u>\$-</u> | <u>\$3,318</u> |

| December 31, 2019 | Level 1 | Level 2 | Level 3 | Total |
|---|----------|---------|----------|----------|
| Financial assets: | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Equity securities | \$61,001 | \$- | \$- | \$61,001 |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity securities | - | - | 21,245 | 21,245 |
| Total | \$61,001 | \$- | \$21,245 | \$82,246 |

- (2) The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the closing price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity instruments and beneficiary's certificates classified as financial assets at fair value through profit or loss.
- (3) The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- (4) If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.
- (5) Specific valuation techniques used to value financial instruments include:
- (a) Quoted by market prices or dealer quotes for similar instruments.
 - (b) The fair value of forward foreign exchange contracts is determined using forward exchange rates at the end of the reporting period, with the resulting value discounted back to present value.
 - (c) Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

- (6) The following table presents the change in level 3 instruments for the years ended December 31, 2020 and 2019.

| | Equity securities | |
|--|-------------------|-----------------|
| | 2020 | 2019 |
| As at January 1 | \$21,245 | \$16,667 |
| Recognized in other comprehensive income | (1,911) | 4,737 |
| Capital deducted by returning cash | - | (158) |
| Rounding | 1 | (1) |
| As at December 31 | <u>\$19,335</u> | <u>\$21,245</u> |

13 SUPPLEMENTARY DISCLOSURES

13.1. Significant transactions information

(1) Loans to others:

| No. (Note 1) | Creditor | Borrower | Financial statement account (Note 2) | Related party | Maximum outstanding balance during the year ended December 31, 2020 (Note 3) | Balance at December 31, 2020 (Note 8) | Actual amount drawn down | Interest rate | Nature of loan (Note 4) | Amount of transactions with the borrower (Note 5) | Reason for short- term financing (Note 6) | Allowance for doubtful accounts | Collateral Item | Value | Limit on loans granted to a single party (Note 7) | Ceiling on total loans granted (Note 7) | Footnote |
|-----------------|--|---|---|------------------|---|--|-----------------------------------|------------------|-------------------------------|---|---|--|--------------------|-------|--|---|---------------|
| 0 | HT | HITRON TECHNOLOGIES EUROPE HOLDING B.V. | Other receivables - related parties | Yes | 31,801 | - | - | - | 1 | 576,582 | - | - | no | - | 576,582 | 1,978,060 | |
| 0 | HT | HITRON TECHNOLOGIES AMERICAS INC. | Other receivables - related parties | Yes | 16,936 | - | - | - | 1 | 6,585,634 | - | - | no | - | 1,978,060 | 1,978,060 | |
| 0 | HT | HITRON TECHNOLOGIES VIET NAM Co.Ltd | Other receivables - related parties | Yes | 454,800 | 425,250 | 425,250 | 1-2% | 2 | - | Working capital | - | no | - | 494,515 | 1,978,060 | |
| 0 | HT | HITRON TECHNOLOGIES (SIP) INC. | Other receivables - related parties | Yes | 454,800 | 425,250 | 170,100 | 1-2% | 2 | - | Working capital | - | no | - | 494,515 | 1,978,060 | |
| 1 | JIETECH TRADING (SUZHOU) INC. | HITRON TECHNOLOGIES (SIP) INC. | Other receivables - related parties | Yes | 21,682 | 21,608 | 21,608 | 2% | 2 | - | Working capital | - | no | - | 30,646 | 30,646 | Note7(1) c |

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1) The parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Fill in the name of account in which the loans are recognized, such as receivables-related parties, current account with shareholders, prepayments, temporary payments, etc.

Note 3: Fill in the maximum outstanding balance of loans to others for the year ended December 31, 2020.

Note 4: The column of 'Nature of loan' shall fill in "1" for 'Business transaction' or "2" for 'Short-term financing'.

Note 5: Fill in the amount of business transactions when nature of the loan is related to business transactions, which is the amount of business transactions occurred between the creditor and borrower in the current year.

Note 6: Fill in the purpose when nature of loan is for short-term financing, for example, repayment of loan, acquisition of equipment, working capital, etc.

Note 7: Fill in limit on loans granted to a single party and ceiling on total loans granted as prescribed in the creditor company's "Procedures for Provision of Loans", and state each individual party to which the loans have been provided and the calculation for ceiling on total loans granted in the footnote.

(1) Total amount of loans to others cannot exceed 40% of overall net profit shown on the most recent audited/reviewed financial statement. Limit on loans granted to a borrower is confined according to the reasons of the borrowing:

- The nature of the loan is related to business transactions. Amount of the loan cannot exceed the amount of business transactions occurred within the 12 months (the higher of purchasing or selling).
- Nature of the loan is related to financing necessity, total amount of the loan cannot exceed 10% of overall net profit shown on the most recent audited/reviewed financial report.
- Between offshore subsidiaries in which the Company holds, directly or indirectly, 100% of the voting shares, notwithstanding the foregoing, the aggregate amount for lending to companies other than HT shall not exceed forty percent (40%) of the net worth of HT.

Note 8: The amounts of funds to be loaned to others which have been approved by the Board of Directors of a public company in accordance with Article 14, Item 1 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" should be included in its published balance of loans to others at the end of the reporting period to reveal the risk of loaning the public company bears, even though they have not yet been appropriated. However, this balance should exclude the loans repaid when repayments are done subsequently to reflect the risk adjustment. In addition, if the board of directors of a public company has authorized the chairman to loan funds in instalments or in revolving within certain lines and within one year in accordance with Article 14, Item 2 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies", the published balance of loans to others at the end of the reporting period should also include these lines of loaning approved by the Board of Directors, and these lines of loaning should not be excluded from this balance even though the loans are repaid subsequently, for taking into consideration they could be loaned again thereafter.

(2) Provision of endorsements and guarantees to others:

| Number (Note 1) | Endorser/ guarantor | Party being endorsed/guaranteed | | Limit on endorsement/ guarantees provided for a single party (Note 3) | Maximum outstanding endorsement/ guarantee amount as of December 31, 2020 (Note 4) | Outstanding endorsement /guarantee amount at December 31, 2020 (Note 5) | Actual Amount Drawn down (Note 6) | Amount of endorsement / guarantees secured with collateral | Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company | Ceiling on total amount of endorsements / guarantees provided (Note 3) | Provision of endorsement / guarantees by parent company to subsidiary (Note 7) | Provision of endorsement/ guarantees by subsidiary to parent company (Note 7) | Provision of endorsement / guarantees to the party in Mainland China (Note 7) |
|--------------------|------------------------|--|--|--|---|---|---|--|--|--|--|---|---|
| | | Company name | Relationship with the endorser/ guarantor (Note 2) | | | | | | | | | | |
| 0 | HT | INNOAUTO TECHNOLOGIES INC. | (2) | 4,945,149 | 75,000 | 50,000 | 6,000 | - | 1.01 | 7,417,724 | Y | N | N |
| 0 | HT | Hitron Technologies VIET NAM Co. Ltd. | (2) | 4,945,149 | 1,502,800 | 1,417,500 | 595,350 | - | 28.66 | 7,417,724 | Y | N | N |
| 0 | HT | HITRON TECHNOLOGIES EUROPE HOLDING B.V. | (2) | 4,945,149 | 454,250 | 451,674 | 129,337 | - | 9.13 | 7,417,724 | Y | N | N |
| 0 | HT | HITRON TECHNOLOGIES AMERICAS INC. | (2) | 4,945,149 | 1,057,875 | 595,350 | - | - | 12.04 | 7,417,724 | Y | N | N |
| 0 | HT | HITRON TECHNOLOGIES (SIP) INC. | (2) | 4,945,149 | 1,235,554 | 514,446 | - | - | 10.40 | 7,417,724 | Y | N | Y |

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1) The parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories; fill in the number of category each case belongs to:

(1) Business transaction

(2) The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3) The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.

(4) The endorsed/guaranteed parent company directly or indirectly owns more than 50% voting shares of the endorser/guarantor subsidiary.

(5) Mutual guarantee as required by the construction contract

(6) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

Note 3: Fill in limit on endorsements/guarantees provided for a single party and ceiling on total amount of endorsements/guarantees have been provided and the calculation for ceiling on total amount of endorsements/guarantees provided in the footnote.

(1) Total amount of provision of endorsements and guarantees to others cannot exceed 150% of total net profit of the most recent financial statement. Limit on provision of endorsements and guarantees to others granted to a single party cannot exceed 10% of the total net profit of the most recent financial statement, however, when the parent company owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity, the limit on provision of endorsements and guarantees to others is not confined by the previous described but still cannot exceed 100% of total net profit of the most recent financial statement.

Note 4: Fill in the year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 5: Once endorsement/guarantee contracts or promissory notes are signed by the endorser/guarantor company to the banks, the endorser/guarantor company bears endorsement/guarantee liabilities. And all other events involve endorsements and guarantees should be included in the balance of outstanding endorsements and guarantees.

Note 6: Fill in the actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 7: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

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

| Securities held by | Marketable securities (Note 1) | Relationship with the securities issuer (Note2) | Financial statement account | As of December 31, 2020 | | | | Footnote (Note 4) |
|--|---|--|--|-------------------------|------------------------|---------------|------------|----------------------|
| | | | | Number of shares | Book value (Note 3) | Ownership (%) | Fair value | |
| HT | TRANSCEND | - | Financial assets at fair value through profit or loss - current | 441 | 28,665 | - | 28,665 | NA |
| HT | SENAO | - | Financial assets at fair value through profit or loss - current | 207 | 7,349 | - | 7,349 | NA |
| HT | FUBON FINANCIAL | - | Financial assets at fair value through profit or loss - current | 200 | 9,350 | - | 9,350 | NA |
| INTERACTIVE DIGITAL TECHNOLOGIES INC. | TRANSCEND | - | Financial assets at fair value through profit or loss - current | 362 | 23,530 | 0.08% | 23,530 | NA |
| HT | CHAO LONG MOTOR PARTS CORP. | - | Financial assets at fair value through other comprehensive income | 668 | 19,335 | 2.10% | 19,335 | NA |
| HT | IMAGETECH CO., LTD. | - | Financial assets at fair value through other comprehensive income | 120 | - | 1.20% | - | NA |
| HT | TSUNAMI VISUAL TECHNOLOGIES INC. | - | Financial assets at fair value through other comprehensive income | 1,220 | - | 9.34% | - | NA |
| HT | PIVOT TECHNOLOGY CORP. | - | Financial assets at fair value through other comprehensive income | 198 | - | 10.94% | - | NA |
| HT | CARDTEK DIGITAL TECHNOLOGY CO., LTD. | - | Financial assets at fair value through other comprehensive income | 1,000 | - | 6.45% | - | NA |
| HT | YESMOBILE HOLDINGS COMPANY LTD. | - | Financial assets at fair value through other comprehensive income | 294 | - | 0.75% | - | NA |
| HT | CODENT NETWORKS (CAYMAN) LTD. | - | Financial assets at fair value through other comprehensive income | 1,570 | - | - | - | NA |

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS 9 "Financial instruments." Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortized cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

(4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None

(5) Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital:

| Real estate acquired by | Real estate acquired | Date of the event | Transaction amount | Status of payment | Counterparty | Relationship with the counterparty | If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below: | | | | Basis or reference used in setting the price | Reason for acquisition of real estate and status of the real estate | Other commitments |
|--------------------------------------|-------------------------|-------------------|--------------------|--|---|------------------------------------|---|--|----------------------------------|--------|---|---|-------------------|
| | | | | | | | Original owner who sold the real estate to the counterparty | Relationship between the original owner and the acquirer | Date of the original transaction | Amount | | | |
| HITRON TECHNOLOGIES VIET NAM Co. Ltd | Buildings | 2020.01 ~ 2020.12 | 355,392 | Project progress | SAI GON VISICONS ACTER JIUH JIANG LONG ASEMCO VSIP | - | - | - | - | - | Open tender Price comparison and negotiation | Build a factory and a dormitory | None |
| HITRON TECHNOLOGIES VIET NAM Co. Ltd | Machinery and equipment | 2020.01 ~ 2020.12 | 371,796 | Paid Installments Installments Installments Installments Installments | JIETECH IDT DAIICHI KURTZ AJT LITUO | - | - | - | - | - | Price comparison and negotiation | Machinery and equipment | None |

Note 1: If the asset acquired needs to be appraised under the Regulations Governing the Acquisition and Disposal of Assets by Public Companies, the appraisal result shall be disclosed in the column of basis or reference used in setting the price.

Note 2: Paid-in capital is the one of the parent company. In the case of a company whose shares have no par value or a par value other than NT\$10—for the calculation of transaction amounts of 20 percent of paid-in capital under the Regulations Governing the Acquisition and Disposal of Assets by Public Companies, 10 percent of equity attributable to owners of the parent shall be substituted.

Note 3: The fact occurrence date refers to the former date of transaction signing date, payment date, entrusted transaction date, transfer date, board resolution date or other sufficient funds to determine the transaction object and transaction amount.

(6) Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None

(7) Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more:

| Purchaser/ seller | Counterparty | Relationship with the counterparty | Transaction | | | Differences in transaction terms compared to third party transactions (Note 1) | | Notes/accounts receivable (payable) | | Footnote (Note 2) |
|--------------------------------------|--|--|----------------------|-----------|---|--|------------------------------|-------------------------------------|--------------------------------------|----------------------|
| | | | Purchases (sales) | Amount | Percentage of total purchases (sales) | Credit term | Unit price | Credit term | Balance | |
| HT | HITRON TECHNOLOGIES (SIP) INC. | Subsidiary | Purchases | 4,664,226 | 36.18% | Normal payment terms | Negotiated by two parties | Normal payment terms | Accounts Payable (468,186) | 21.10% N/A |
| HT | HITRON TECHNOLOGIES AMERICAS INC. | Subsidiary | Sales | 6,585,634 | 63.82% | Normal payment terms | Negotiated by two parties | Normal payment terms | Accounts Receivables 1,884,630 | 84.53% N/A |
| HT | HITRON TECHNOLOGIES EUROPE HOLDING B.V. | Subsidiary | Sales | 576,582 | 5.59% | Normal payment terms | Negotiated by two parties | Normal payment terms | Accounts Receivables 251,033 | 11.26% N/A |
| HT | HITRON TECHNOLOGIES VIET NAM CO. LTD. | Subsidiary | Purchases | 3,046,968 | 23.63% | Normal payment terms | Negotiated by two parties | Normal payment terms | Accounts Payable (1,053,347) | 47.48% N/A |
| HITRON TECHNOLOGIES (SIP) INC. | HITRON TECHNOLOGIES VIET NAM CO. LTD. | Subsidiary to Subsidiary | Sales | 1,559,411 | 15.11% | Normal payment terms | Negotiated by two parties | Normal payment terms | Accounts Receivables 430,133 | 19.29% N/A |

Note 1: If terms of related-party transactions are different from third-party transactions, explain the differences and reasons in the 'Unit price' and 'Credit term' columns.

Note 2: In case related-party transaction terms involve advance receipts (prepayments) transactions, explain in the footnote the reasons, contractual provisions, related amounts, and differences in types of transactions compared to third-party transactions.

Note 3: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to the parent company in the calculation.

(8) Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more:

| Creditor | Counterparty | Relationship with the counterparty | Balance as at December 31, 2020 (Note 1) | Turnover rate | Overdue receivables | | Amount collected subsequent to the end of the reporting period | Allowance for doubtful accounts |
|----------|-----------------------------------|------------------------------------|--|---------------|---------------------|--------------|--|---------------------------------|
| | | | | | Amount | Action taken | | |
| HT | HITRON TECHNOLOGIES AMERICAS INC. | Subsidiary | 1,884,630 | 4.32 | - | - | 1,276,172 | Non |

Note 1: Fill in separately the balances of accounts receivable-related parties, notes receivable-related parties, other receivables-related parties....

Note 2: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to the parent company in the calculation.

(9) Derivative financial instruments undertaken during the year ended December 31, 2020: Please refer to Notes 6.2, 12.2 and 12.3.

(10) Please refer to Notes 13.7 of price, payment terms and unrealized profit or loss of significant transactions occurred direct or indirect with investee companies in Mainland China or through investing by the third area.

13.2. Information on investees

Name, locations, and related information of investees over which the company exercises significant influence: (not including investees in Mainland China)

| Investor | Investee (Notes 1 and 2) | Location | Main business activities | Initial investment amount | | Shares held as at December 31, 2020 | | | Net profit (loss) of the investee for the year ended December 31, 2020 (Note 2.2) | Investment income (loss) recognized by parent company for the year ended December 31, 2020(Notes 2.3) | Footnote |
|----------|---|-------------|--|---------------------------------|---------------------------------|-------------------------------------|---------------|------------|---|---|------------|
| | | | | Balance as at December 31, 2020 | Balance as at December 31, 2019 | Number of shares | Ownership (%) | Book value | | | |
| HT | HITRON TECHNOLOGIES (SAMOA) INC. | Samoa | International trade | 669,031 | 669,031 | 22,300 | 100.00% | 752,846 | (36,491) | (36,491) | Subsidiary |
| HT | INTERACTIVE DIGITAL TECHNOLOGIES INC. | Taiwan | Telecommunications and broadband network systems and services | 167,026 | 167,026 | 16,703 | 44.28% | 510,567 | 234,242 | 100,991 | Subsidiary |
| HT | HITRON TECHNOLOGIES VIET NAM Co. Ltd. | Vietnam | Produce and sell the wireless communication and telecom products | 550,355 | 220,905 | - | 100.00% | 434,914 | (17,147) | (17,147) | Subsidiary |
| HT | HITRON TECHNOLOGIES AMERICAS INC. | America | International trade | 90,082 | 90,082 | 300 | 100.00% | 123,859 | 62,380 | 71,955 | Subsidiary |
| HT | INNOAUTO TECHNOLOGIES INC. | Taiwan | Investment and automotive electronics products | 50,000 | 80,000 | 5,000 | 100.00% | (7,916) | (32,139) | (32,139) | Subsidiary |
| HT | HITRON TECHNOLOGIES EUROPE HOLDING B.V. | Netherlands | International trade | 59,604 | 59,604 | 15 | 100.00% | (8,686) | 70,410 | 70,410 | Subsidiary |

Note 1: If a public company set up an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

(1) The columns of 'Investee', 'Location', 'Main business activities', 'Initial investment amount' and 'Shares held as at December 31, 2020' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.

(2) The 'Net profit (loss) of the investee for the year ended December 31, 2020' column should fill in amount of net profit (loss) of the investee for this period.

(3) The Investment income (loss) recognized by the parent company for the year ended December 31, 2020' column should fill in the company (public company) recognized investment income (loss) of its direct subsidiary and recognized investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognized investment income (loss) of its direct subsidiary, the company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognized by regulations.

13.3. Information on investments in Mainland China

| Investee in Mainland China | Main business activities | Paid-in capital | Investment method (Note1) | Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020 | Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the period ended December 31, 2020 | | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020 | Net income of investee as of December 31, 2020 | Ownership held by the company (direct or indirect) | Investment income (loss) recognized by the parent company for the year ended December 31, 2020 (Note 2) | Book value of investment in Mainland China as of December 31, 2020 | Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020 |
|--------------------------------------|---|-----------------|---------------------------|--|---|---|--|--|--|---|--|---|
| HITRON TECHNOLOGIES (SIP) INC. | Produce and sell the wireless communication and telecom products | 641,763 | 2 | 641,763 | - | - | 641,763 | (35,546) | 100.00% | (35,546)(2) | 716,188 | - |
| JIETECH TRADING (SUZHOU) INC. | International trade | 57,473 | 2 | 57,473 | - | - | 57,473 | (945) | 100.00% | (945)(2) | 30,630 | - |
| HWA CHI TECHNOLOGIES (SHANGHAI) INC. | Technical consulting, researching, maintenance and after service of the electronic communication and telecom products | USD200 | 3 | 12,048 | - | - | 12,048 | 2,255 | 44.28% | 1,018(2) | 5,892 | 21,314 |

| Company name | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020 | Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) | Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 3) |
|--------------|--|--|--|
| HT | 711,284 | 711,284 | 2,967,089 |

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

(1)Directly invest in a company in Mainland China.

(2)Through investing in an existing company in the third area, which then invested in the investee in Mainland China.

(3)Others: Reorganization of Group's investment structure was approved and authorized by the Board of Directors in 2012. Indirect investment to Hwa Chi Technologies should be made by Interactive Digital Technologies Inc.

Note 2: In the 'Investment income (loss) recognized by the parent company for the year ended December 31, 2020' column:

(1)It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.

(2)Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:

A. The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.

B. The financial statements that are audited and attested by R.O.C. parent company's auditors.

C. Others.

Note 3: The numbers in this table are expressed in New Taiwan Dolla

13.4. Information of major shareholders:

| Name of major shareholders | Shares held | Number of shares | Ownership(%) |
|----------------------------|-------------|------------------|--------------|
| Alpha Networks Inc. | | 200,000,000 | 60.79% |

Note : (1) The major shareholders information was derived from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded in the financial statements may differ from the actual number of shares issued in dematerialised form because of a different calculation basis.

(2) If the aforementioned data contains shares which were held in trust by the shareholders, the data disclosed was the settlor's separate account for the fund set by the trustee. As for the shareholders who reports share equity as an insider whose shareholding ratio is greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio includes the self-owned shares and shares held in trust, at the same time, the shareholder has the power to decide how to allocate the trust assets. For the information on reported share equity of insider, please refer to Market Observation Post System.

Hitron Technologies Inc.

Chairman: April Huang

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