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CHINA FINEBLANKING TECHNOLOGY CO., LTD.

2020 Annual Report

Printed on April 27, 2021

Annual reports available athttp://mops.twse.com.tw

Company website: http://www.cftc.tw

I. Names, titles, contact numbers and emails of the spokesperson and deputy spokespersons:

Spokesperson

Name: Hsiung-Yi Huang

Title: Vice President

Telephone: (04)798-0339

Email: gloria@cftc.tw

First Deputy Spokesperson

Name: Yi-Chung Chen

Title: Assistant Vice President, Finance

Telephone: (04)798-0339

Email: mercer@cftc.tw

Second Deputy Spokesperson

Name: Jen-Chieh Liao

Title: Accounting Manager

Telephone: (04)798-0339

Email: howard@cftc.tw

II. Addresses and telephones of Headquarters, branch offices and factories

Headquarters and factories

Address: No. 40, Xinggong Road, Xide Village, Shengang Township, Changhua County (509)

Telephone: (04)798-0339

III. Name, address, website and telephone number of the stock transfer agent

Name: Department of Stock Transfer Services, Grand Fortune Securities Co., Ltd

Address: 6F, No. 6, Section 1, Zhongxiao W. Rd., Zhongzheng Dist., Taipei City (100)

Website: http://www.gfortune.com.tw

Telephone: (02)2371-1658

IV. Name, address, website and telephone number of the external accountants auditing the most recent financial reports

CPAs: CPA Jacky Chen; CPA David Chen

Firm: KPMG Taiwan

Address: 68F, No. 7, Xinyi Road, Section 5, Taipei City 110 (Taipei 101)

Website: https://home.kpmg/tw/zh/home.html

Telephone: (02)8101-6666

V. Name of any overseas exchange where the Company's marketable securities are traded and method to inquire about the marketable securities concerned: none

VI. Company's website: http://www.cftc.tw

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I. Letter to Shareholders

Dear Shareholders:

In 2020, China Fineblanking Technology completed the revamp of production lines and the adjustment of product portfolios. Our revenues, net income and earnings per share all hit record highs. We also completed the relocation of capacities to the Quanxing campus in January 2021. In 2021, China Fineblanking Technology will focus on the introduction of new technologies, enhancement of mold design and manufacturing, R&D of new products and development of new clientele, so that we can capitalize on business opportunities in hard-disk drive (HDD) components and auto components.

I.China Fineblanking Technology's key achievements in 2020:

1. Our VCM plates enjoy a 25% global market share. We have ramped up the production of new HDD products and expect strong growth in the market for high-end servers and the clouds.
2. Our auto component portfolio consists of gearboxes, door locks, motors, hydraulic pumps, seat adjusters, brake parts and electric vehicle components, etc. We meet the customers' needs by providing over one thousand products and manufacturing processes.
3. We are committed to investment in capacity expansion to meet the demand from new customers.
4. After the identification of the underlying causes of operational difficulties, the current management team has been addressing these issues with investment, marketing and management. These efforts have paid off, with gradual improvement of profitability.

II. Financial Performance:

China Fineblanking Technology posted revenues of NT$2,296 million in 2020, up by NT$203 million (or 9.69%) from NT$2,093 million in 2019. Net income totaled NT$138 million during the period, up by NT$118 million from NT$20 million in 2019. China Fineblanking Technology's gross margin was 21.56% in 2020, up from 14.82% in 2019, primarily due to product mix differences. The 2020 operating margin was 10.01%, compared with 2.94% in 2019. Net margin in 2020 reached 6.00%, up by 5.04% from 0.96% in 2019.

Unit: NT$1,000

	2020	2019
Revenues net	2,295,575	2,092,780
Gross profit	495,035	310,217
Operating expenses	265,305	248,751
Operating profit	229,730	61,466
Profit (loss) before tax	212,746	37,527
Net income	137,632	20,061
Earnings per share (NT$)	1.69	0.26

III. Technology development

China Fineblanking Technology maintains a 90% in-house production rate from mold design, mold manufacturing, to final products. Our tried-and-tested manufacturing processes underpin our technology leadership in the auto parts industry and the hard-disk drive industry. As cloud users account for the majority of demand for hard-disk drives, hard-disk drive design has become more complex and requires high-precision production equipment. China Fineblanking Technology continues to invest in mold design and production effectiveness improvement. With a continuous talent pipeline for mold development, years of experience in mold development and automation processing, we spare no efforts in R&D and technology advancement, in order to stay on top of product trends, create core value with differentiation and maintain market leadership.

IV. 2020 Business Plan

(I) Business guidelines

1. China Fineblanking Technology's R&D center in Taiwan collaborates with overseas subsidiaries for production and work with leading companies in Taiwan and overseas in development of high-value added products.
2. We proactively develop new clientele in Taiwan and overseas and expand our footprint in the auto products market.
3. We seek to enhance services to existing customers to maintain long-term cooperation and achieve win-wins.
4. We create service advantage by leveraging the geographic proximity of overseas subsidies to customers. With robust quality assurance measures and continued control over production progress, we strive to meet customers' needs by keeping up our production and quality.
5. Without affecting our profitability, we raise funds with rights issues or bank loans in a timely basis to meet the capital requirement for expansion.
6. We balance between funding flexibility and security and where appropriate, seek to create financial profits.

(II) Production & marketing strategy

1. We plan for expansions. To reduce operating risks, obtain a cost advantage and enhance competitiveness, we will diversify production bases and expand production scale with international division of labor. This is to meet with overseas market requirements of customers so that we create win-wins for ourselves and customers.
2. We stay abreast of market movements, continue to invest in R&D, and constantly improve product quality. We develop the new generation of products in order to maintain market leadership and create new business opportunities.
3. We access funding from the capital market and strengthen our financial capability to respond to business cycles and support our future growth.
4. Environmental friendliness and the circular economy are incorporated into the R&D stage. By working with academia and industry and continuous discussion with key suppliers, we introduce low-polluting manufacturing procedures and equipment and assess and modify the manufacturing process in order to reduce the environmental impact. China Fineblanking Technology strives for low-polluting manufacturing procedures, zero polluting emissions, and high recovery & reuse in order to meet the expectation of all stakeholders on the economic, social, environmental, and technological fronts.

V. Impact of market competition, regulatory and business environments

The growing concentration of the information technology industry means higher complexity in the scale and scope of our business. To counter the increasing risks, we will focus on technology, quality, precision, value added, and delivery speed in response to the changing competitive landscape.

VI. Development strategy

Going forward, China Fineblanking Technology expects a strong growth momentum given its leadership in technology and equipment. We will focus on the development of high-margin precision stamping products. China Fineblanking Technology is dedicated to its core business in fine blanking by pursuing high-precision grinding and stamping technology. We hope to strike a balance between the two main businesses, i.e., hard-disk drive components and auto components, so that we can achieve sustainable operations. To create growth momentum, China Fineblanking Technology is also developing new energy vehicles and electric vehicle components business by working with auto OEMs. In sum, we hope to return to the long-term support from our shareholders and employees by creating stable growth.

Chairman: Huang I-Hsiang 黃亦翔

II. Company Introduction

I. Establishment date: November 9, 1992

II. Company history

1992	Company establishment in November with a capital of NT$12,000,000
1994	Rights issue to increase the capital to NT$20,000,000
1996	Purchase of additional vertical axle power presses to boost productivity, and rights issue to increase the paid-in capital to NT$28,000,000
1997	Introduction of computers and the MIS system
1998	Rights issue to increase the capital to NT$50,000,000; facility expansion and purchase of one MFA fine-blanking press from FEINTOOL from Switzerland to enhance product precision; acquisition of the ISO9002 certificate for quality recognition
1999	Purchase of electroless nickel plating equipment to lower costs and boost manufacturing competitiveness; capitalization of earnings and rights issue to increase the paid-in capital to NT$70,000,000
2000	Capitalization of earnings to increase the paid-in capital to NT$81,700,000
2001	Acquisition of the QS9000 certificate for quality recognition
2003	Establishment of CFTC PRECISION SDN BHD in Malaysia to enhance customer services and boost production scale; capitalization of earnings and rights issue to increase the paid-in capital to NT$133,700,000 Investment of US$2,000,000 in CHINA FINEBLANKING INTERNATIONAL CO., LTD. for the pressing facility of hard-disk drive components to reduce production cost; rights issue to increase the capital to NT$163,700,000
2004	Rights issue to increase the paid-in capital to NT$207,700,000
2005	Capital reduction by NT$37,700,000 and rights issue for NT$70,000,000 to increase the paid-in capital to NT$240,000,000; acquisition of the TS16949 certificate for the quality system
2007	Rights issue and capitalization of earnings and rights issue to increase the paid-in capital to NT$373,903,000
2008	Capitalization via stock dividends to employees to increase capital by NT$6,000,000 to NT$379,903,000 Public offer of the Company's shares on August 18, 2008
2009	Listed on the Emerging Market Exchange on November 27
2010	Dismissal of the legal person director Cheng Asset Management after its transfer of shares in May by more than half of the stakes held at the time of appointment Indirect investment of US$2,000,000 in CFTC Precision (JiaXing) Limited in China approved by the Investment Commission to increase its capital to US$12,200,000 Relocation of product lines to the new factory in October Exercise of options by employees for 1,470,000 shares to increase the Company's paid-in capital to NT$394,603,000
2011	Exercise of options by employees for 20,000 shares and capitalization of earnings for 1,973,000 shares to increase the capital to NT$414,533,000
2012	January - rights issue for 5,190,000 shares before listing on the GreTai Securities Market (GTSM) to increase the capital to NT$466,433,000 January 9 - listing on the GreTai Securities Market (GTSM) FebruaryIndirect investment of US$3,000,000 in CFTC Precision (JiaXing) Limited in China approved by the Investment Commission to increase its capital to US$15,200,000 AugustIndirect investment of US$3,000,000 in CFTC Precision (JiaXing) Limited in China approved by the Investment Commission to increase its capital to US$18,200,000
2013	MarchIndirect investment of US$5,000,000 in CFTC Precision (JiaXing) Limited in China approved by

the Investment Commission to increase its capital to US$23,200,000 in April
Dismissal of Zhong Yang Special Opportunity Venture Capital as a major shareholder after its disposal of all of the Company's shares in August
Acquisition by Hong Yu Investment of 10.78% of the Company's share in August to become a major shareholder

2014 April Indirect investment of US$5,000,000 in CFTC Precision (JiaXing) Limited in China approved by the Investment Commission to increase its capital to US$28,200,000 in August

2015 January - issuance of the Company's first secured convertible bonds in Taiwan to raise NT$300,000,000 at a maturity of three years
March Indirect investment of US$3,000,000 in CFTC Precision (JiaXing) Limited in China approved by the Investment Commission July Indirect investment of US$5,000,000 in CFTC Precision (JiaXing) Limited in China approved by the Investment Commission to increase its capital to US$36,200,000 in December
Investment of US$2,000,000 in CFTC PRECISION SDN BHD CO., LTD. in Malaysia to increase its capital to 14,597,000 Malaysian ringgits in September
June - full election of the new board and establishment of Audit Committee

2016 May - decision to issue new shares for the capitalization of capital surplus for NT$45,203,000
September - the board's decision to issue 1,500,000 new shares to increase the paid-in capital to NT$695,694,000
Establishment via investments in the third place of CFTC Precision (HuaiAn) Limited and CFTC JiaXing Trading in May and November, respectively

2017 July - convening of an extraordinary shareholders' meeting by independent directors to elect a new board
Completion of the conversion of the Company's first secured convertible bonds in Taiwan issued in 2015 for NT$300,000,000
Investment of US$1,000,000 in CFTC PRECISION SDN BHD CO., LTD. in Malaysia to increase its capital to 18,920,000 Malaysian ringgits in May
April Indirect investment of US$830,000 in CFTC Precision (HuaiAng) Limited in China to increase its capital to US$2,580,000 in December
December Indirect investment of US$1,500,000 in CFTC Precision (JiaXing) Limited in China to increase its capital to US$37,700,000 in December

2018 Investment of US$2,656,000 in CFTC PRECISION SDN BHD CO., LTD. in Malaysia to increase its capital to 30,288,000 Malaysian ringgits in November
September: indirect investment of US$2,000,000 in CFTC Precision (JiaXing) Limited in China in September to increase its capital to US$39,700,000 in September

2019 September - capitalization of earnings to increase the paid-in capital to NT$801,512,000
May - election of the board (including independent directors) at the general shareholders' meeting
August - purchase of the land and factory in the Quanxing campus, Changhua

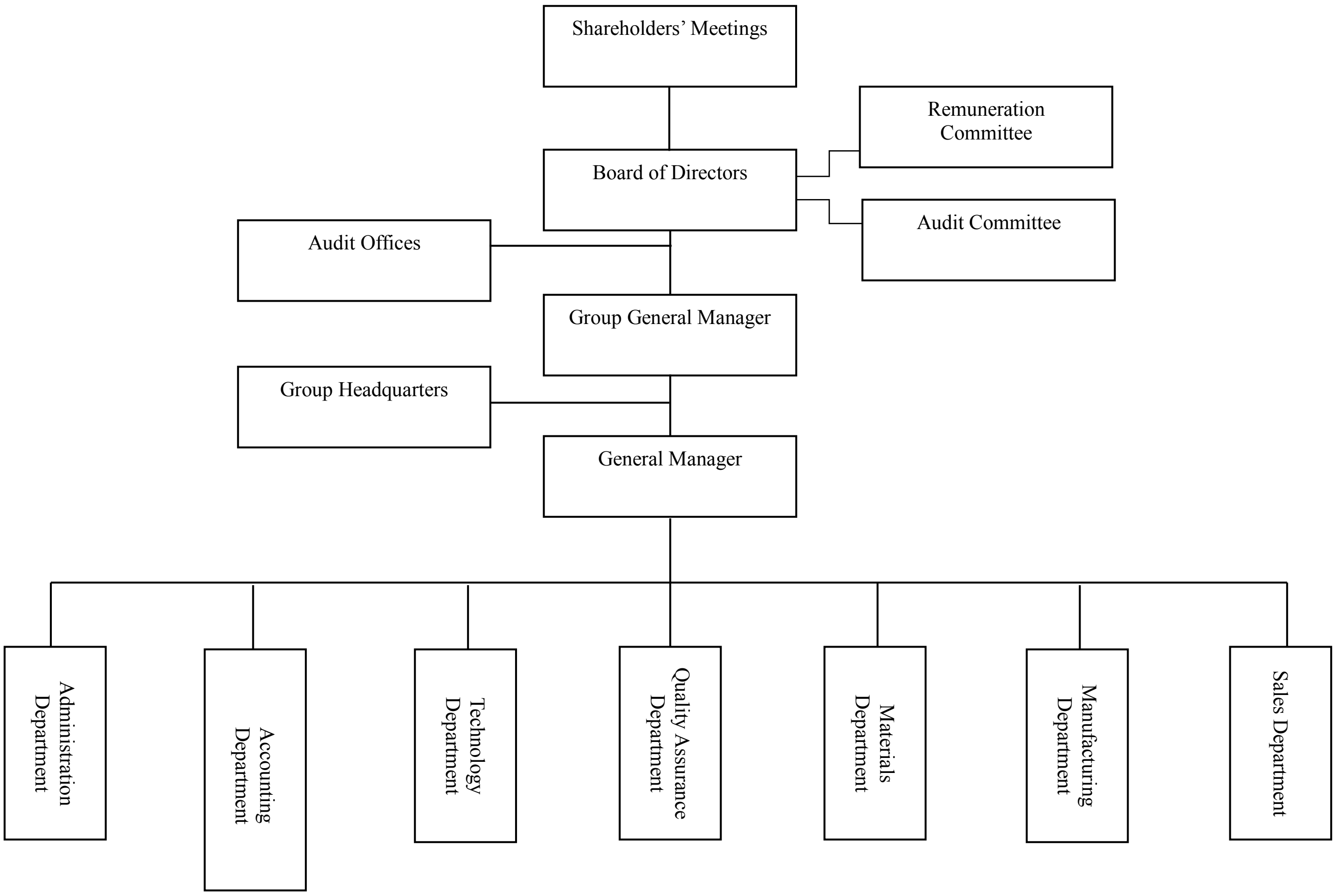
2020 August: issuance of the Company's second secured convertible bonds in Taiwan for NT$200,000,000, with a maturity of three years
September: issuance of the Company's third unsecured convertible bonds in Taiwan for NT$200,000,000, with a maturity of three years
October: capitalization of earnings to increase the paid-in capital to NT$838,841,000
December: Headquarters moved to No. 40, Xinggong Road, Xidi Village, Shengang Township, Changhua County

III Corporate Governance Report

I. Organization System

(I) Organizational structure

China Fineblanking Technology Co., Ltd. Organization of manufacturing sites



(II) Activities of major departments

Department	Key functions
Group General Manager	Planning of the group’s short-term and long-term business strategies Review of operational performances, periodical or ad-hoc, within the group based on internal management charters Assurance of safety of the group’s assets and effective promotion of businesses
Group Headquarters	Convening of board meetings Evaluation and deployment of new products and technologies Fund raising and capital allocation within the group, and establishment and maintenance of accounting and management
Audit Offices	Establishment of internal control and internal audit systems, modification and review of the robustness, reasonability and effectiveness of all the management systems Review of annual audit plans, suggestions for improvement of audited problems and follow-up of improvement effectiveness
General Manager	Planning of the Company’s short-term and long-term business strategies Review of operational performances, periodical or ad-hoc, within the Company based on internal management charters Assurance of safety of the Company’s assets and effective promotion of businesses
Administration Department	Planning, design and integration of the information system, maintenance of hardware and software, and control of networking security and traffic flows Automation of the Company’s operational systems and maintenance of the email system, file server systems and website Maintenance and procurement of information equipment and management of computer hardware and software Planning, hosting or coordination of activities in relation to digital data, information systems or computer prgramming Strategic planning for human resources, development of talent pipelines, design of job descriptions and job positions Planning and implementation of training & education programs Management of the Company’s properties, monitoring of environmental pollutions and prevention of occupation hazards General affairs and administrative services
Accounting Department	Annual budgetary planning Raising funds, capital allocation, and establishment and maintenance of the accounting and management system Handling of shareholders’ meetings and shareholder services Preparation of financial statements
Technology Department	Research, development and maintenance of new technologies Development of technical documents and management of development projects Product development, mold design planning and implementation Proposal and implementation of design changes
Quality Assurance Department	Establishment of the quality management mechanism and external certifications Quality control and quality improvement Monitoring, control and analysis of product yields and quality
Materials Department	Management and procurement of materials Coordination of production resources for overseas factories Formulation and implementation of production strategies and scheduling
Manufacturing Department	Planning and implementation of production Management of production lines and improvement/analysis of manufacturing processes Maintenance and allocation of machinery and equipment on production lines Product development, mold design planning and implementation Proposal and implementation of design changes Structuring and improvement of mold manufacturing and assembly
Sales Department	Planning and implementation of product marketing Development of domestic and overseas markets, collection and analysis of market information, and promotion of sales Planning of new products development and maintenance of customer relations

II. Directors, Supervisors, General Manager, Vice Presidents, Assistant Vice Presidents and Branch Supervisors

(I) Directors and supervisors

1 Names, education backgrounds, work experiences, shareholdings and nature of shareholdings:

March 29, 2021

Title	Nationality or location of registration	Name	Sex	Date of election (appointment)	Tenure	First election date	Shareholdings at the time of election		Shareholdings at the present		Current shareholdings by the spouse and minor children		Shareholdings under other people's names		Education and work experience	Other positions held within the Company and with other companies	Other managers, directors or supervisors who are the spouse or relatives within two degrees			Notes
							No. of shares	Shareholding %	No. of shares	Shareholding %	No. of shares	Shareholding %	No. of shares	Shareholding %			Title	Name	Relation	
Chairman	Republic of China (Taiwan)	Huang I-Hsiang	Male	May 24, 2019	3 years	July 17, 2017	1,014,357	1.33%	1,486,693	1.77%	5,652,235	6.72%	9,912	0.01%	Chia Nan University of Pharmacy and Science Chairman, Yong Hong Engineering Chairman, Yong Hong Construction Director, CFTC Precision (JiaXing) Limited Director, CFTC Precision (HuaiAng) Limited	The Company's Chairman and General Manager Chairman, Yong Hong Engineering Chairman, Yong Hong Construction Director, CFTC Precision (JiaXing) Limited Director, CFTC Precision (HuaiAng) Limited	Director	Hsieh Ling	Spouse	Note 1
Director	Republic of China (Taiwan)	Hsieh Ling	Female	May 24, 2019	3 years	May 23, 2018	5,131,906	6.71%	5,652,235	6.72%	1,486,693	1.77%	0	0%	English major, Department of Applied Foreign Languages,Tung-Fang Institute of Technology Procurer, Chen Hua Enterprise International Trade Specialist, Cheng Huan Hardware	Supervisor, CFTC Precision (JiaXing) Limited Director, CFTC Precision (HuaiAng) Limited	Chairman	Huang I-Hsiang	Spouse	
Director	Republic of China (Taiwan)	Lu Yong-Gong	Male	May 24, 2019	3 years	May 23, 2018	1,222,138	1.60%	1,401,000	1.66%	175,000	0.21%	0	0%	Dalin High School Chairman, Chin Mei Cheng Enterprise	Chairman, Chin Mei Cheng Enterprise	None	None	None	
Director	Republic of China (Taiwan)	Tai Wen-Cheng	Male	May 24, 2019	3 years	May 23, 2018	1,938,251	2.53%	2,134,772	2.54%	0	0%	0	0%	Studied a Li-De Business & Technology Junior College Yong Hong Construction	Yong Hong Construction	None	None	None	
Director	Republic of China (Taiwan)	Jacky Lo	Male	May 28, 2020	2 years	May 28, 2020	1,321,000	1.65%	1,385,655	1.65%	0	0%	0	0%	Department of Economics, Feng Chia University Chairman, Trade King Enterprise Co., Ltd. Chairman, ALPHA Optica Co., Ltd. Director, Jakan Co., Ltd.	Chairman, Trade King Enterprise Co., Ltd. Chairman, ALPHA Optica Co., Ltd. Director, Jakan Co., Ltd.	None	None	None	By-elected on May 28, 2020
Director	Republic of China (Taiwan)	Daily Polymer Corporation	N/A	May 24, 2019	3 years	May 24, 2019	500,000	0.65%	550,695	0.65%	0	0%	0	0%	N/A	N/A	N/A	N/A	N/A	Resigned on February 17, 2021

Title	Nationality or location of registration	Name	Sex	Date of election (appointment)	Tenure	First election date	Shareholdings at the time of election		Shareholdings at the present		Current shareholdings by the spouse and minor children		Shareholdings under other people's names		Education and work experience	Other positions held within the Company and with other companies	Other managers, directors or supervisors who are the spouse or relatives within two degrees			Notes
							No. of shares	Shareholding %	No. of shares	Shareholding %	No. of shares	Shareholding %	No. of shares	Shareholding %			Title	Name	Relation	
		Representative: Wu Chia-Chuan	Male	May 24, 2019	3 years	May 24, 2019	0	0%	375,356	0.45%	0	0%	5,428,285	6.45%	Chairman, Chia-Chuan Investment	Chairman, Chia-Chuan Investment Director representing Superior Plating Technology Director, CFTC Precision (JiaXing) Limited Director, CFTC Precision (HuaiAng) Limited	None	None	None	Resigned on February 17, 2021
Independent director	Republic of China (Taiwan)	Wang Yuan-Hong	Male	May 24, 2019	3 years	July 13, 2017	0	0%	0	0%	0	0%	0	0%	Department of Business Administration, National Cheng Kung University Lawyer, DTT Attorneys-at-Law	Principal Attorney, Yong Hua Corporate Law Independent director, China Steel Chemical Corp.	None	None	None	
Independent director	Republic of China (Taiwan)	Tsai Meier	Female	May 24, 2019	3 years	July 13, 2017	0	0%	0	0%	0	0%	0	0%	Graduate Institute of Business Administration, National Taiwan University Department of Accounting, National Chengchi University Chief Operating Officer, ST&T Electric Corp. Vice President, Finance, MH GoPower Co., Ltd. Vice President, G&E Herbal Biotechnology Assistant Vice President, Hua Nan Securities	Amy, Mickey & May Consulting Firm Supervisor, Hong Ching Gas Station	None	None	None	
Independent director	Republic of China (Taiwan)	Dr. Jin H. Huang	Male	May 24, 2019	3 years	July 13, 2017	0	0%	0	0%	0	0%	0	0%	PhD, Mechanical Engineering, Northwestern University Professor, Feng Chia University Dean, College of Engineering, Feng Chia University Head, Office of Industry-Academia Cooperation, Feng Chia University	Executive Vice President, Feng Chia University Director, WINSON Machinery Co., Ltd. Independent Director, Fulgent Sun Group	None	None	None	

Note 1: If Chairperson and General Manager or equivalent (Chief Operating Officer) are the same person, spouse or relative of one degree to each other , please provide the reason, rationale, necessity and responding measures:

1. The Company's Chairman serves as General Manager to boost operating efficiency and policy implementation. This also better enables the board to stay on top of the Company's operations.
2. The Company has established the following measures: (1) three independent directors equipped with the knowledge, skillsets, literacy, competences, and professionalism necessary to effectively perform duties and exercise oversight. (2) More than half of the board members are neither employees nor managers. (3) The Company has two facilities sites, one in Taiwan and the other in CFTC Precision (JiaXing), headed by professional managers. CEO of Taiwan Manufacturing Plant is Huang Hsiang-Yi, CEO of CFTC Precision (JiaXing) Lu Hong-Yi.

2. Table 1: Major shareholders of legal person shareholders

March 31, 2021

Names of legal person shareholders	Major shareholders of legal person shareholders
Daily Polymer Corporation	Wu Shi-Chuan (5.72%); Red Rising Sun Energy (4.15%); Shi Pi-Chen (2.98%); Wah Lee Industrial Corp. (2.87%); Chiu Chih-Hsiang (2.59%); Li Chiu-Heng (2.53%); Chen Tung-Hsi (2.46%); Chen Yu-Lien (2.30%)、Song Mei-Chen (2.05%); Greensummit Co., Ltd. (2.02%)

3.Table 2: Table 1 lists the major shareholders of legal person shareholders.

March 31, 2021

Name of the legal person	Major shareholders of the legal person
Red Rising Sun Energy	Hong Yu-Sheng Hong (100%)
Wah Lee Industrial Corp	Kang Tai Investment (7.20%); Rich World Investment (5.22%); Bank of Taiwan - AIDE (5.04%); Te-Wei Investment (4.76%); Dian Pao (3.15%); Cathay Life Insurance (3.10%); Ray-Ching Chang (2.85%); Crystal Investment (2.51%); CTBC Bank (1.92%); Citibank - Norges Bank Investment Bank (1.82%)
Greensummit Co., Ltd.	Hong Yu-Sheng Hong (100%)

4. Professional knowledge and independence of directors or supervisors

March 31, 2021

Requirement / Name	At least five years of work experience and the following professional qualifications			Compliance with independence requirements (Notes 1 & 2)												No. of independent director roles assumed with other public companies
	Lecturers or above in a public or private college/university in business, law, finance, accounting or other professional disciplines required by the Company	A judge, prosecutor, lawyer, accountant, or other professional and technician qualified by a national examination and issued with a certificate required by the Company	Work experience in business, law, finance, accounting or required by the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Huang I-Hsiang			✓	✓				✓	✓		✓	✓		✓	✓	None
Hsieh Ling			✓	✓					✓			✓		✓	✓	None
Lu Yong-Gong			✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Tai Wen-Cheng			✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Jacky Lo(Note 3)			✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Daily Polymer Corporation, representative Wu Chia-Chuan (Note 4)			✓	✓			✓	✓	✓	✓	✓	✓	✓	✓		None
Wang Yuan-Hong		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Tsai Meier		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Dr. Jin H. Huang	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

Note 1: The number of columns is adjusted depending on actual numbers.

Note 2: "✓" is marked in the bracket under requirement codes for the directors and supervisors meeting these requirements during the two years prior to election/appointment and during the tenure.

（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 (excluding the situation where the same independent director also serves on the board of its parent, subsidiary or subsidiary under the same parent according to laws or local regulations)

（3）Not a natural person shareholder with at least 1% of the Company's total issued shares or one of the ten largest natural person shareholders based on the shares owned in person, the spouse or minor children or in the name of others

（4）Not the spouse, a relative within two degrees, or a direct relative within three degrees to any of the managers listed in (1) or personnel listed in (2) or (3)

（5）Not a director, supervisor or employee of a legal person shareholder who directly owns 5% or more of the Company's total issued shares or are of one of the top five legal person shareholders, or a legal person shareholder who appoints a director or supervisor on the Company's board according to the first or the second paragraph of Article 27 of the Company Act (excluding the situation where the same independent director also serves on the board of its parent, subsidiary or subsidiary under the same parent according to laws or local regulations)

（6）Not a director, supervisor, or employee of another company that is controlled by the same person who sits on the Company's board or who controls more than half of the voting shares (excluding the situation where the same independent director also serves on the board of its parent, subsidiary or subsidiary under the same parent according to laws or local regulations)

（7）Not a director, supervisor or employee of another company or organization whose Chairperson, General Manager or equivalent is the same person or the spouse of the Company's Chairman, General Manager or equivalents (excluding the situation where the same independent director also serves on the board of its parent, subsidiary or subsidiary under the same parent according to laws or local regulations)

（8）Not a director, supervisor, manager, or a shareholder with at least 5% holdings of a company or organization with financial or business dealings with the Company (excluding the situation where the company or the organization concerned owns at least 20% but less than 50% of the Company's total issued shares or where the same independent director can also serve on the board of its parent, subsidiary or subsidiary under the same parent according to laws or local regulations)

（9）Not a business owner, partner, director, supervisor, manager, or the spouse to any of the professionals, sole proprietorships, partnerships, companies, or organizations that provide audit services to the Company or its affiliates or have obtained cumulative compensations of less than NT$500,000 during the most recent two years by offering business, legal, financial or accounting services to the Company or its affiliates The above limitations are not applicable to any member of Remuneration Committee, Open Tender Review Committee or M&A Committee established to fulfil duties according to the Securities and Exchange Act, Business Mergers and Acquisitions Act, or other relevant laws

（10）Not the spouse or a relative within two degrees to another director

（11）Not in any of the categories described in Article 30 of the Company Act

（12）Not elected by the government, a legal person or its representative according to Article 27 of the Company Act

Note 3: by-elected on May 28, 2020

Note 4: resigned on February 17, 2021

(II) Directors, Supervisors, General Manager, Vice Presidents, Assistant Vice Presidents and Branch Supervisors

March 29, 2021

Title	Nationality	Name	Sex	Date of election (appointment)	Shareholdings		Current shareholdings by the spouse and minor children		Shareholdings under other people's names		Education and work experience	Other positions held within the Company	Managers who are the spouse or relatives within two degrees			Notes
					No. of shares	Shareholding %	No. of shares	Shareholding %	No. of shares	Shareholding %			Title	Name	Relation	
Chairman Group General Manager	Republic of China (Taiwan)	Huang I-Hsiang	Male	July 17, 2017	1,486,693	1.77%	5,652,235	6.72%	9,912	0.01%	Chia Nan University of Pharmacy and Science	Chairman, Yong Hong Engineering Chairman, Yong Hong Construction Director, CFTC Precision (JiaXing) Limited Director, CFTC Precision (HuaiAng) Limited	None	None	None	Note 1
Group Vice President and CEO of Taiwan Manufacturing Plant	Republic of China (Taiwan)	Huang Hsiang-Yi	Female	February 10, 2018 August 7, 2019	111,037	0.13%	0	0%	0	0%	Department of Mechanical Material Engineering, Provincial Yunlin Industrial Junior College Quality Assurance Supervisor, China Fineblanking Technology Co., Ltd.	None	None	None	None	
Chief Technology Officer	Republic of China (Taiwan)	Hsieh Chien-Min	Male	August 7, 2019	114,794	0.14%	0	0%	0	0%	EMBA, National Taiwan University Senior Manager, Min Aik Precision Industrial Co., Ltd. President of Manufacturing Site, MATC Assistant Vice President, China Fineblanking Technology Co., Ltd.	None	None	None	None	Note 2
CEO of CFTC Precision (JiaXing)	Republic of China (Taiwan)	Lu Hong-Yi	Male	September 1, 1999	507,339	0.60%	0	0%	0	0%	Department of Library Mangement, Fu Jen Catholic University Engineer, Ho-Hsin Communications Internation, Inc.	None	None	None	None	
Assistance Vice President, Sales	Republic of China (Taiwan)	Huang Shu-Fang	Female	February 21, 2019	43,100	0.05%	0	0%	0	0%	Procurement & Warehouse Manager, Yens-Rong International Inc. Salesperson, Shan Shen Enterprise	None	None	None	None	
Assistant Vice President, Finance	Republic of China (Taiwan)	Chen Yi-Chung	Male	August 7, 2019	5,097	0.01%	0	0%	0	0%	Master's degree, Department of Finance, National Yunlin University of Science and Technology Assistant Manager, TC Bank Assistant Manager, Dah Chung Bills Finance Corp. Finance Manager, Shining Building Business Co.,Ltd.	None	None	None	None	
Accounting Manager	Republic of China (Taiwan)	Liao Jen-Chieh	Male	September 18, 2020	0	0%	0	0%	0	0%	Master's degree, Department of Accounting, Soochow University Audit Manager, KPMG Taiwan Assistant Manager, Department of BoA, Sunspring Metal Corporation Finance Manager, Winstar Display Co., Ltd.	None	None	None	None	
Accounting Manager	Republic of China (Taiwan)	Lai Hui-Ling	Female	September 26, 2018	22,179	0.03%	0	0%	0	0%	IMBA, National Changhua University of Education Accounting Manager, JD Components Co., Ltd. Finance Manager, China Fineblanking Technology Co., Ltd. Audit Manager, Wintek Corp. Finance Manager, Chou-Chin Industrial Co., Ltd.	None	None	None	None	Note 3

Note 1: If General Manager or equivalent (Chief Operating Officer) and Chairperson are the same person, spouse or relative of one degree to each other , please provide the reason, rationale, necessity and responding measures:

1. The Company's Chairman serves as General Manager to boost operating efficiency and policy implementation. This also better enables the board to stay on top of the Company's operations.
2. The Company has established the following measures: (1) three independent directors equipped with the knowledge, skillsets, literacy, competences, and professionalism necessary to effectively perform duties and exercise oversight. (2) More than half of the board members are neither employees nor managers. (3) The Company has two facilities sites, one in Taiwan and the other in CFTC Precision (JiaXing), headed by professional managers. CEO of Taiwan Manufacturing Plant is Huang Hsiang-Yi, CEO of CFTC Precision (JiaXing) Lu Hong-Yi.

Note 2: discharged on February 25, 2021

Note 3: resigned on September 18, 2020

III. Remunerations to Directors, Supervisors, General Manager, and Vice Presidents during the most recent year

(1-1) Remunerations to directors and independent directors

Unit: NT$1,000/ 1000 shares

Title	Name	Remunerations to directors								A + B + C + D as % of net incomes		Remuneration received as an employee								A + B + C + D + E + F + G as % of net incomes		Remuneration from the Company's investees or the Company's parent
		Remuneration (A)		Pension (B)		Director remuneration (C)		Business expenses (D)				Salary, bonuses and special disbursements (E)		Pension (F)		Employee remuneration (G)						
																The Company		All companies in the financial report				
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	Cash	Stocks	Cash	Stocks	The Company	All companies in the financial report	
Chairman	Huang I-Hsiang	0	0	0	0	310	310	54	54	0.26%	0.26%	3,360	3,360	0	0	350	0	350	0	2.96%	2.96%	0
Director	Hsieh Ling	0	0	0	0	310	310	36	36	0.25%	0.25%	0	0	0	0	0	0	0	0	0.25%	0.25%	0
Director	Lu Yong-Gong	0	0	0	0	310	310	54	54	0.26%	0.26%	0	0	0	0	0	0	0	0	0.26%	0.26%	0
Director	Tai Wen-Cheng	0	0	0	0	310	310	54	54	0.26%	0.26%	0	0	0	0	0	0	0	0	0.26%	0.26%	0
Director	Jacky Lo (Note 1)	0	0	0	0	247	247	30	30	0.20%	0.20%	0	0	0	0	0	0	0	0	0.20%	0.20%	0
Legal person director	Daily Polymer Corporation Representative: Wu Chia-Chuan (Note 2)	0	0	0	0	310	310	54	54	0.26%	0.26%	617	617	0	0	0	0	0	0	0.71%	0.71%	0
Independent director	Wang Yuan-Hong	480	480	0	0	0	0	60	60	0.39%	0.39%	0	0	0	0	0	0	0	0	0.39%	0.39%	0
Independent director	Dr. Jin H. Huang	480	480	0	0	0	0	60	60	0.39%	0.39%	0	0	0	0	0	0	0	0	0.39%	0.39%	0
Independent director	Tsai Meier	480	480	0	0	0	0	60	60	0.39%	0.39%	0	0	0	0	0	0	0	0	0.39%	0.39%	0

1. Please describe the policy, system, standard and structure of the remunerations to independent directors, elaborate on the relation between factors such as duties, risks, and time commitment with remuneration amounts:
(1) The policy, system standard and structure of the remunerations to director are based on Remuneration Committee Charter.
(2) Independent directors are also tasked with the functioning of Remuneration Committee and Audit Committee, the remuneration to enhance corporate governance and risk management, incentify and retain talents, assess and monitor the Company's remuneration system for directors, supervisors and managers. They control and manage existing and potential risks, and focus on operational management, asset assessment, and investment management, in order to review and monitor the Company's operational performance. Meanwhile, they also assist the board in the management, assessment and review of risks on a regular basis. Therefore, commensurate remunerations are provided.
2. In addition to the above disclosed, compensations received by directors for rendering services to all the companies in the financial report (e.g., by acting as an non-employee consultant) during the most recent year: none

Note 1: by-elected on May 28, 2020
Note 2: resigned on February 17, 2021

（1-2） remuneration scale

Scale of remuneration to individual directors	Names of directors			
	A+B+C+D		A+B+C+D+E+F+G	
	The Company	All companies in the financial report	The Company	All companies in the financial report
< NT$1,000,000	Chairman: Huang I-Hsiang Directors: Hsieh Ling; Lu Yong-Gong; Tai Wen-Cheng; Jacky Lo; representative from Daily Polymer Corporation: Wu Chia-Chuan Independent directors: Wang Yuan-Hong; Dr. Jin H. Huang; Meier Tsai	Chairman: Huang I-Hsiang Directors: Hsieh Ling; Lu Yong-Gong; Tai Wen-Cheng; Jacky Lo; representative from Daily Polymer Corporation: Wu Chia-Chuan Independent directors: Wang Yuan-Hong; Dr. Jin H. Huang; Meier Tsai	Directors: Hsieh Ling; Lu Yong-Gong; Tai Wen-Cheng; Jacky Lo; representative from Daily Polymer Corporation: Wu Chia-Chuan Independent directors: Wang Yuan-Hong; Dr. Jin H. Huang; Meier Tsai	Directors: Hsieh Ling; Lu Yong-Gong; Tai Wen-Cheng; Jacky Lo; representative from Daily Polymer Corporation: Wu Chia-Chuan Independent directors: Wang Yuan-Hong; Dr. Jin H. Huang; Meier Tsai
NT$1,000,000 (incl.)～NT$2,000,000				
NT$2,000,000 (incl.)～NT$3,500,000				
NT$3,500,000 (incl.)～NT$5,000,000			Chairman: Huang I-Hsiang	Chairman: Huang I-Hsiang
NT$5,000,000 (incl.)～NT$10,000,000				
NT$10,000,000 (incl.)～NT$15,000,000				
NT$15,000,000 (incl.)～NT$30,000,000				
NT$30,000,000 (incl.)～NT$50,000,000				
NT$50,000,000 (incl.)～NT$100,000,000				
>NT$100,000,000				
Total	9	9	9	9

(2) Remuneration to supervisors: not applicable due to the establishment of Audit Committee to replace supervisors

(3-1) Remuneration to General Manager and Vice Presidents

Unit: NT$1,000 / 1,000 shares

Title	Name	Salary (A)		Pension (B)		Bonuses and special disbursements (c)		Employee remuneration (D)				A + B + C + D as a % of net incomes		Remuneration from the Company's investees or the Company's parent
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company		All companies in the financial report		The Company	All companies in the financial report	
								Cash	Stocks	Cash	Stocks			
Group General Manager	Huang I-Hsiang	3,360	3,360	0	0	350	350	997	0	997	0	3.42%	3.42%	0
Group Vice President CEO of Taiwan Manufacturing Plant	Huang Hsiang-Yi	1,818	1,818	81	81	154	154	456	0	456	0	1.82%	1.82%	0
CEO of CFTC Precision (JiaXing)	Lu Hong-Yi	0	3,469	0	0	0	321	0	0	0	0	0%	2.75%	0

(3-2)remuneration scale

Scale of remuneration to General Manager and individual Vice Presidents	Names of General Manager and Vice Presidents	
	A+B+C+ D	
	The Company	All companies in the financial report E
< NT$1,000,000	Lu Hong-Yi	
NT$1,000,000 (incl.)～NT$2,000,000		
NT$2,000,000 (incl.)～NT$3,500,000	Huang Hsiang-Yi	Huang Hsiang-Yi
NT$3,500,000 (incl.)～NT$5,000,000	Huang I-Hsiang	Huang I-Hsiang; Lu Hong-Yi
NT$5,000,000 (incl.)～NT$10,000,000		
NT$10,000,000 (incl.)～NT$15,000,000		
NT$15,000,000 (incl.)～NT$30,000,000		
NT$30,000,000 (incl.)～NT$50,000,000		
NT$50,000,000 (incl.)～NT$100,000,000		
>NT$100,000,000		
Total	3	3

(4) Distribution of remuneration to employees (by name and by amount)

Unit: NT$1,000; December 31, 2020

	Title	Name	Stocks	Cash	Total	Total as % of net incomes
Managers	Group General Manager	Huang I-Hsiang	0	1797	1797	1.31%
	Group Vice President CEO of Taiwan Manufacturing Plant	Huang Hsiang-Yi				
	Chief Technology Officer	Hsieh Chien-Min				
	CEO of CFTC Precision (JiaXing)	Lu Hong-Yi				
	Assistance Vice President, Sales	Huang Shu-Fang				
	Finance Manager	Chen Yi-Chung				
	Accounting Manager	Liao Jen-Chieh				

(5) Analysis of the aggregate of the remunerations to directors, supervisors, General Manager, and vice presidents of the Company and all the companies in the consolidated financials as a percentage of net incomes of either consolidated or individual financial statements during the most recent two years; and explanations of the policy, standards, combinations of remunerations, procedures of determining remunerations, and relation with operating performance and risks going forward

1. Below is a table showing the total remunerations to the Company's directors, supervisors, General Manager and vice presidents as a percentage of net incomes during the most recent two years.

Title / Item	Total remunerations as a percentage of net income			
	2020		2019	
	The Company	All the companies in the consolidated financials	The Company	All the companies in the consolidated financials
Director	5.83%	5.83%	30.26%	30.26%
Supervisors	-	-	-	-
General Manager and vice presidents	5.24%	8.00%	39.13%	48.26%

2. Remuneration policies, standards, combinations; procedures of determining remunerations; and relation with operating performance and risks going forward

(1) Remunerations to directors and supervisors: Remunerations to directors and supervisors include compensations, business expenses, earnings distribution, and salaries to directors also serving as employees. Compensations and business expenses to directors and supervisors are determined based on the responsibilities assumed by the board authorized by the Company's Articles of Incorporation and in reference to the prevalent industry standards. Earnings distribution as remunerations are defined by the Company's Articles of Incorporation and the board proposes reasonable distributions within the scope of responsibilities. The distributions are made after resolution from the shareholders' meeting. The salaries and bonuses as employees shall be issued according to the Company's salary standards.

The remunerations paid to the Company's directors and supervisors in 2019 totaled NT$6,070,000 for both the parent's and consolidated financial statements, equivalent to 30.26% of the net income of both the the parent's and consolidated financial statements for the year. The remunerations paid to the directors and supervisors for 2020 totaled NT$8,025,000 for both the parent's and consolidated financial statements, equivalent to 5.83% of the net income of both the the parent's and consolidated financial statements for the year. The increase in the total of remunerations in 2020 from 2019 was primarily due to higher profits in 2020.

(2) General Manager and vice presidents: The remunerations to General Manager and vice presidents include wages, bonuses, pensions, business expenses and dividends to employeesSuch remunerations are determined according to annual management performances and results. Reasonable remunerations are provided based on performance measurements, according to the achievement of sales and profit targets, the effectiveness of budgetary control and implementations, and the level of future risks.

The remunerations paid to the Company's General Manager and vice presidents in 2019 totaled NT$7,852,000 and NT$9,683,000, respectively, for the parent's and consolidated financial statements, equivalent to 39.13% and 48.26% of the net income of the parent's and consolidated financial statements, respectively, for the year. The remunerations to General Manager and vice presidents in 2020 totaled NT$7,216,000 and NT$11,006,000, respectively, for the parent's and consolidated financial statements, equivalent to 5.24% and 8.00% of the net income of the parent's and consolidated financial statements, respectively, for the year.

IV. Functioning of corporate governance

(I) Functioning of the board:

(1) During the most recent year (2020), the board convened a total of 10 meetings (A). The attendance by directors was as follows:

Title	Name	No. of times attended in person (B)	No. of times attended by authorized persons	Attendance rate in person (%) 【B/A】	Notes
Chairman	Huang I-Hsiang	10	0	100.00%	Newly elected on May 24, 2019; 10 attendances expected
Director	Hsieh Ling	8	2	80.00%	Re-elected on May 24, 2019; 10 attendances expected
Director	Tai Wen-Cheng	10	0	100.00%	Re-elected on May 24, 2019; 10 attendances expected
Director	Lu Yong-Gong	10	0	100.00%	Re-elected on May 24, 2019; 10 attendances expected
Director	Jacky Lo	5	0	100.00%	Newly elected on May 28, 2019; 5 attendances expected
Director	Representative from Daily Polymer Corporation: Wu Chia-Chuan	9	1	90.00%	Newly elected on May 24, 2019; 10 attendances expected
Independent director	Wang Yuan-Hong	10	0	100.00%	Re-elected on May 24, 2019; 10 attendances expected
Independent director	Tsai Meier	10	0	100.00%	Re-elected on May 24, 2019; 10 attendances expected
Independent director	Dr. Jin H. Huang	10	0	100.00%	Re-elected on May 24, 2019; 10 attendances expected

Other matters to be included:

I. In event of any of the following circumstances with the functioning of the board, it is necessary to describe the board meeting dates, sessions, discussed contents, as well as opinions from independent directors and the Company's response to such opinion.
(I) Matters listed by Article 14-3 of the Securities and Exchange Act: resolutions described from page 32 to page 33 of the annual report. All independent directors unanimously approved the matters listed by Article 14-3 of the Securities and Exchange Act.
(II) In addition to the abovementioned, any other objections or reservations from independent directors to board decisions recorded or stated in writing: none

II. Directors' recusal from issues with conflict of interest: Please provide the name of the director concerned, proposal contents, reason for recusal, participation in discussion and voting results:

(1) On February 20, 2020, the board discussed the removal of non-compete covenant on representatives of directors and new directors. Independent directors Wu Chia-Chuan and Dr. Jin H. Huang did not participate in the discussion or voting due to conflict of interest. All the other directors (including an independent director) unanimously approved the proposal.

(2) On February 20, 2020, the board discussed the transfer of the shares under the ninth buyback program to employees. Chairman Huang I-Hsiang and the director Hsieh Ling did not participate in the discussion or voting due to conflict of interest. All the other directors (including independent directors) unanimously approved the proposal.

(3) On March 26, 2020, the board discussed the distribution of remunerations to employees and directors for 2019. Chairman Huang I-Hsiang and the directors Hsieh Ling, Tai Wen-Cheng; Lu Yong-Gong; Wu Chia-Chuan; the managers Chen Yi-Chung, Lai Hui-Ling did not participate in the discussion or voting due to conflict of interest. All the other directors (including independent directors) unanimously approved the proposal.

(4) On May 7, 2020, the board discussed the distribution of remunerations to directors for 2019. Chairman Huang I-Hsiang and the directors Hsieh Ling, Tai Wen-Cheng; Lu Yong-Gong; Wu Chia-Chuan did not participate in the discussion or voting due to conflict of interest. All the other directors (including independent directors) unanimously approved the proposal.

(5) On June 23, 2020, the board discussed the contracting for wastewater treatment equipment of the Company's Quanxing campus in Changhua to Yong Hong Engineering. Chairman Huang I-Hsiang and the director Hsieh Ling did not participate in the discussion or voting due to conflict of interest. All the other directors (including independent directors) unanimously approved the proposal.

III. The TWSE/TPEx listed company should disclose the cycles, periods, scope, methods and contents of the board's self-assessment (or peer reviews) and provide the board's assessments in Table 1 (2).

IV. Targets for the enhancement of the board's functioning during the year and the most recent year (e.g., establishment of Audit Committee and improvement of information transparency) and assessment of implementations: In 2015, the Company established Audit Committee in 2015 to replace supervisors, and elected the whole board by including three independent directors, to ensure corporate governance and boost information transparency.

(2) Implementation of board's assessments

Assessment cycle	Assessment period	Assessment scope	Assessment method	Assessment contents
Once a year	Performance review on the board for the period from January 1, 2020 to December 31, 2020	Including the performance reviews on the board, individual directors, and function committees.	Including self-assessments by the board, self-assessments by directors, peer reviews, and performance reviews by external professional institutions and experts or in other appropriate manners	(1) Performance review of the board: including at least the involvement in the Company's operations, the quality of decisions by the board, the organization and structure of the board, election (appointment) and continued education of directors, and internal control (2) Performance review of individual directors: including at least the understanding of the Company's goals and missions, the acknowledgement of a director's responsibilities, the involvement in the Company's operations, the management and communication of internal relations, the professionalism and continued education of directors, and internal control (3) Performance review of function committees: the involvement in the Company's operations, the acknowledgement of the function committee's responsibilities, the quality of decisions by the function committee, the composition of the function committee, election (appointment) of members, and internal control

(3) Diversity of the board

To strengthen the development of corporate governance and the composition and structure of the board, Article 8-1 of the Company's Guidelines on Corporate Governance specifies the policy about board member diversity. The implementation is as follows:

Title	Name	Experience/background	Nationality	Sex	Age			Professional knowledge/skills				
					30 to 45	45 to 60	60 to 75	Business management	Industry knowledge	Leadership	Accounting & finance	Law
Chairman	Huang I-Hsiang	Chairman, Yong Hong Engineering Chairman, Yong Hong Construction Director, CFTC Precision (JiaXing) Limited Director, CFTC Precision (HuaiAng) Limited	Republic of China (Taiwan)	Male	V			V	V	V		
Director	Hsieh Ling	Procurer, Chen Hua Enterprise International Trade Specialist, Cheng Huan Hardware Supervisor, CFTC Precision (JiaXing) Limited Director, CFTC Precision (HuaiAng) Limited	Republic of China (Taiwan)	Female	V			V	V			
Director	Lu Yong-Gong	Chairman, Chin Mei Cheng Enterprise	Republic of China (Taiwan)	Male			V	V	V	V		
Director	Tai Wen-Cheng	Director, Yong Hong Construction	Republic of China (Taiwan)	Male		V		V	V	V		
Director	Jacky Lo (Note 1)	Chairman, Trade King Enterprise Co., Ltd. Chairman, ALPHA Optica Co., Ltd. Director, Jakan Co., Ltd.	Republic of China (Taiwan)	Male		V		V	V	V		
Representative of a director	Representative from Daily Polymer Corporation: (Note 2)	Chairman, Chia-Chuan Investment Director representing Superior Plating Technology Director, CFTC Precision (JiaXing) Limited Director, CFTC Precision (HuaiAng) Limited	Republic of China (Taiwan)	Male			V	V	V	V		
Independent director	Wang Yuan-Hong	Principal Attorney, Yong Hua Corporate Law Lawyer, DTT Attorneys-at-Law	Republic of China (Taiwan)	Male		V		V	V			V
Independent director	Tsai Meier	Amy, Mickey & May Consulting Firm Chief Operating Officer, ST&T Electric Corp. Vice President, Finance, MH GoPower Co., Ltd. Vice President, G&E Herbal Biotechnology Assistant Vice President, Hua Nan Securities	Republic of China (Taiwan)	Female		V		V	V	V	V	
Independent director	Dr. Jin H. Huang	Vice President, Feng Chia University Chair, Department of Civil Engineering, Feng Chia University Head, Office of Industry-Academia Cooperation, Feng Chia University Professor,	Republic of China (Taiwan)	Male			V	V	V	V		

Note 1: by-elected on May 28, 2020

Note 2: resigned on February 17, 2021

(II) Functioning of Audit Committee:

(1) During the most recent year (2020), the Audit Committee convened 10 meetings (A). The attendance by independent directors was as follows:

Title	Name	No. of times attended in person (B)	No. of times attended by authorized persons	Attendance rate in person (%) 【B/A】	Notes
Independent director	Wang Yuan-Hong	10	0	100.00%	Re-elected on May 24, 2019; 10 attendances expected
Independent director	Tsai Meier	10	0	100.00%	Re-elected on May 24, 2019; 10 attendances expected
Independent director	Dr. Jin H. Huang	9	1	90.00%	Re-elected on May 24, 2019; 10 attendances expected

Other matters to be included:

I. In event of any of the following circumstances with the functioning of Audit Committee, it is necessary to describe the board meeting dates, sessions, proposal contents, as well as decisions from Audit Committee and the Company's response to Audit Committee's opinions.

(I) Matters listed by Article 14-5 of the Securities and Exchange Act:

(II) In addition to the abovementioned, any resolutions by over two thirds of the board but without approval from Audit Committee:

Date/session	Matters listed by Article 14-5 of the Securities and Exchange Act:	In addition to the abovementioned, any resolutions by over two thirds of the board but without approval from Audit Committee:
January 15, 2020 6th meeting of the 3rd board	1. The Company's intention to change the audit firm and hence external auditors starting in the first quarter of 2020 2. Renewal of loans from the subsidiary CFTC Precision (JiaXing) Limited to CFTC Precision (HuaiAn) Limited 3. Additional budgets for the subsidiary CFTC Precision (JiaXing) Limited and the subsidiary CFTC Precision (HuaiAn) Limited's fifth workshop, offices and dormitories 4. Contracting of the new and additional engineering works for the Company's Quanxing campus	None
February 20, 2020 7th meeting of the 3rd board	1. The removal of non-compete covenants on representatives of the Company's directors and new directors 2. Amendment of the Rules and Procedures of Shareholders' Meetings; the Rules of Procedure for Board Meetings; the Charter for Audit Committee; and the Charter for Remuneration Committee 3. The Company's subsidiary CFTC Precision (HuaiAn) Limited borrowed from Bank of China for RMB4 million with collaterals from CFTC Precision (HuaiAn) Limited and endorsement from our subsidiary CFTC Precision (JiaXing) Limited.	None
March 19, 2020 8th meeting of the 3rd board	The Company intended to repurchase its own ordinary shares according to Article 28-2 of the Securities and Exchange Act from securities brokers and initiate the 10th repurchase program and transfer of shares to employees.	None
March 26, 2020 9th meeting of the 3rd board	1. Company's 2019 Business Report, financial statements and distribution of earnings 2. 2019 distribution of earnings via cash dividends 3. Issuance of new shares via capitalization of retained earnings 4. Removal of non-compete covenants on new directors 5. 2019 review of the internal control system's effectiveness; and Statement of Internal Control 6. Subsidiary CFTC Precision (JiaXing) Limited. intended to apply for a credit facility with China Construction Bank. 7. Subsidiary CFTC Precision (HuaiAn) Limited intended to apply for a credit facility with Agricultural Bank of China. 8. EOL (end-of-life project) for 13 materials for auto products PFD0010 9. Additional budgets for electrical and mechanical works, air-conditioning, the administrative building, employees' canteens and interior decoration of employees' dormitories at Quanxing campus in Changhua 10. Amendment of the Articles of Incorporation	None
May 7, 2020 10th meeting of the 3rd board	1. Plan to apply for credit facilities with four banks including Land Bank of Taiwan 2. Plan to apply for a guarantee facility with Taiwan Cooperative Bank for the issue of the Company's second secured convertible bonds in Taiwan	None
June 23, 2020 11th meeting of the 3rd board	1. Plan to issue the second secured convertible bonds and the third unsecured convertible bonds in Taiwan 2. Planned outsourcing of wastewater treatment equipment for the Quanxing campus in Changhua to Yong Hong Engineering	None
August 5, 2020 12th meeting of the 3rd board	1. Financial statements for the second quarter of 2020 2. Budgetary amendment for the Company and subsidies in 2020 3. Planned capitalization of earnings via issuance of news shares 4. Plan to apply for credit facilities with financial institutions 5. Subsidiary CFTC Precision (JiaXing) Limited intended to apply for credit facilities with financial institutions with endorsement by the Company 6. Additional budgets for construction, electrical and mechanical works, air-conditioning, fire prevention facilities at the Quanxing campus in Changhua 7. Amendment of Sales and Payment Collection Cycles; Procurement and Payment Cycles; Production Cycles; Salary/Wage Cycles; Financing Cycles; Investment Cycles; Property, Plant and Equipment Cycles; R&D Cycles; Electronic Data Processing Cycles; Other Management Control Operations; Sales and Payment Collection Cycles Audit; Procurement and Payment Cycles Audit; Production Cycles Audit; Salary/Wage Cycles Audit; Financing Cycles Audit; Investment Cycles Audit; Property, Plant and Equipment Cycles Audit; R&D Cycles Audit; Electronic Data Processing Cycles Audit; Other Management Control Operations Audit 8. Amendment of Operational Rules for Sign-Up Authorizations	None
September 18, 2020 13th meeting of the 3rd board	1. Plan to apply for credit facilities with financial institutions 2. Subsidiary CFTC Precision (JiaXing) Limited. intended to apply for credit facilities with financial institutions with endorsement by the Company. 3. Subsidiary CFTC Precision (JiaXing) Limited. intended to apply for credit facilities with financial institutions. 4. Planned lending from the subsidiary CFTC Precision (JiaXing) Limited to CFTC Precision (HuaiAn) Limited 5. None of the significant amounts exceeding the normal three-month credit terms of the Company's account receivables, other receivables, prepayments, refundable deposits was intended as lending. 6. Appointment and remuneration of Chief Accounting Officer	None
November 4, 2020 14th meeting of the 3rd board	1. Budgetary planning for the Company and subsidies in 2021 2. China Fineblanking Technology's 2021 Audit Plan 3. Plan to apply for credit facilities with financial institutions 4. Subsidiary CFTC Precision (HuaiAn) Limited intended to apply for credit facilities with financial institutions with endorsement by the Company. 5. Amendment of China Fineblanking Technology's Management Guidelines 6. None of the significant amounts exceeding the normal three-month credit terms of the Company's account receivables, other receivables, prepayments, refundable deposits was intended as lending.	None
December 4, 2020 15th meeting of the 3rd board	Additional budget for equipment at the subsidiary CFTC Precision (JiaXing) Limited	None

II. Please describe the names of the independent directors, proposal contents, the reasons for recusal and participation in voting for proposals with conflict of interest: none

III. Communication between independent directors and Internal Chief Auditor and external accountants (including material matters in finance and business, communication methods and results):

1. Internal Chief Auditor submitted an audit report to independent directors during the month following the completion of audits. There was no objection raised by independent directors.
2. Internal Chief Auditor attended regular board meetings and presented audit reports. here was no objection raised by independent directors.
3. Independent directors regularly communicated with external accountants face-to-face and in writing regarding the financial status.

(2) Participation of supervisors in board functioning: N/A

(III) Differences and reasons for such differences between the Company's corporate governance functioning and the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies:

Assessment items	Functioning			Differences and reasons for such differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies:
	Yes	No	Summary	
I. Has the Company formulated and disclosed its corporate governance guidelines according to the requirements set by the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies?	V		The Company has established its Corporate Governance Guidelines and disclosed via Market Observation Post System (MOPS) and the Company's website.	In line with the requirements set by the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
II. Ownership structure and shareholders' equity (I) Has the Company formulated internal procedures to handle suggestions and questions from shareholders as well as disputes and litigations with shareholders, and implemented these procedures accordingly? (II) Does the Company have the list of major shareholders that control the Company and ultimate controllers of these major shareholders? (III) Has the Company established and implemented risk control and firewall mechanisms with affiliated companies? (IV) Has the Company formulated internal rules to prohibit insiders from trading marketable securities by using non-public information?	V		(I) The Company has not put in place relevant internal procedures. However, there is dedicated personnel for services to shareholders. The Company has established the Spokesperson and Deputy Spokesperson system to respond to suggestions from shareholders and Legal Council to provide consultation in legal issues. (II) The Company commissions a professional shareholder service agency to stay on top of holdings by directors, managers and major shareholders with 10% stakes or more and to report the holdings by major shareholders. (III) All the Company's affiliated companies are 100% subsidiaries directly or indirectly owned. In addition to Management Guidelines on Transactions with Affiliated Parties and within the Group, all the assets, financials and businesses are operating independently, overseen by dedicated personnel, controlled and supervised by the Company. (IV) When any insiders take office, the Company advocates the prohibition of insider trading. The Company also issues a reminder at least once a year regarding the regulations prohibiting insider trading. The Company has formulated Management Guidelines on Internal and Material Information and Prevention of Insider Trading. An advocacy manual regarding share transactions by insiders produced by Taipei Exchange is issued to new directors and managers, in adherence with relevant regulations governing insiders.	In line with the requirements set by the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
III. Composition and responsibility of the board (I) Has the board formulated and implemented guidelines on board diversity? (II) In addition to Remuneration Committee and Audit Committee required by laws, has the Company voluntarily set up other function committees? (III) Has the Company formulated the guidelines on reviews and assessment methods of the board's performance, conducted annual performance	V V	 V	(I) Formulation and implementation of the Company's guidelines on board diversity (II) The Company has established Remuneration Committee and Audit Committee as required by law. No other function committees have been set up. (III)The amendment of the Company's Guidelines for Performance Reviews of Directors and Managers were approved by Remuneration Committee on November 4, 2020 and passed by the board on November 4, 2020. The results of performance reviews are used as a reference for remunerations to individual directors and nomination for re-elections. (IV)The Company assesses at least once per year the independence and the suitability of	In line with the requirements set by the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies

Assessment items	Functioning			Differences and reasons for such differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies:
	Yes	No	Summary	
reviews, reported the results to the board, and incorporated the results into the remuneration of individual directors and the nomination for re-elections? (IV) Has the Company regularly assessed the independence of external accountants?	V		external accountants by reviewing whether there is financial interest with the accounting firm; whether there is financing or guaranteeing with each other; whether there is a close business relation or a potential employment relation; whether any family member or individual from the audit team has a direct or indirect business and employment relation with the Company's directors and managers; whether there have been gifts and special incentives; whether external accountants rotate; and whether there are non-audit services. External accountants are asked to issue statements, and the assessment results are submitted to Audit Committee and the board. The assessments during the most recent two years were completed on January 15, 2020 and March 25, 2021.	
IV. Has the TWSE/TPEx listed company appointed suitable personnel of an appropriate number for corporate governance and designated a corporate governance officer in charge of corporate governance affairs (including but not limited to preparation of materials required by directors and supervisors for performing tasks; assistance to directors and supervisors in legal compliance; organization of board meetings and shareholders' meetings as required by laws; and production of board meeting and shareholders' meeting meetings)?	V		The Company's board on March 25, 2021 approved the establishment of Corporate Governance Officer, served by the supervisor at the headquarters.	In line with the requirements set by the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
V. Has the Company established communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers) and set up a section for stakeholders on its website to appropriately respond to important corporate social responsibility issues pertinent to stakeholders?	V		The Company has a spokesperson, deputy spokespersons and dedicated personnel for services to shareholders. Stakeholders may call the Company's for their needs at any time and the Company will respond as appropriate. The Company in its official website and corporate responsibility reports fully identifies stakeholders. There is a seciton on its website for stakeholders with details of contact persons, telephone numbers and emails for stakeholders of different nature. Issues are handled by dedicated units.	In line with the requirements set by the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
VI. Has the Company commissioned a professional shareholder service agency to handle shareholders' meeting affairs?	V		The Company commissions a professional shareholder service agency to handle shareholders' meeting affairs.	In line with the requirements set by the Corporate Governance Best Practice Principles

Assessment items	Functioning			Differences and reasons for such differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies:
	Yes	No	Summary	
				for TWSE/TPEx Listed Companies
VII. Information disclosure (I) Has the Company established a website to disclose information in finance, business and corporate governance? (II) Has the Company adopted other information disclosure methods (e.g. establishment of an English-language website, designation of personnel to collect and disclose company information, implemented a spokesperson system, and publication of capital market events on the company website)? (III) Has the Company published and filed annual financial reports within two months after the end of each fiscal year and before deadlines the financial reports for the first, second, and third quarters and operating results updates each month?	V		(I) The Company regularly discloses material information in finance and business via the Market Observation Post System (MOPS) as required by laws. The Company's website has a section for information disclosure. (II) The Company has designated personnel to take charge of the colleciton and disclosure of the Company's information and implemented, according to regulations, the spokesperson system. (III) The Company publishes and reports, before deadlines, annual financial reports, as well as financial reports for the first, second, and third quarters and monthly operating results.	In line with the requirements set by the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
VIII. Is there any other important information that can help to understand the Company's corporate governance functioning? (including but not limited to employees' rights; employees' care; investor relations;supplier relations; stakeholders' rights; further education for directors and supervisors; implementation of risk management policies and risk measurement criteria; implementation of customer policies; and purchase of liability insurance for directors and supervisors)	V		(1) Employees' rights: The Company protects the legal rights of employees by adhering to the Labor Standards Act. (2) Employees' care: Employees' Benefits Committee was established to provide benefits and care to employees. (3) Investors relation: The Company discloses information in an honest manner and according to laws and regulations, in order to protect the rights of investors and to fulfill the corporate responsibility to shareholders. (4) Suppliers relation: Good relations with suppliers are maintained. (5) Stakeholders' rights: Stakeholders may communicate with and propose suggests to the Company in order to maintain their legal rights. (6) Further education of directors and supervisors:The Company encourages directors and supervisors to pursuit training and education, andfrom time to time offers professional training courses organized by relevant departmentsfor the reference of directors and supervisors. (7) Implementation of risk management policies and risk measurement criteria	In line with the requirements set by the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies

<table>
<tr><th rowspan="2">Assessment items</th><th colspan="3">Functioning</th><th rowspan="2">Differences and reasons for such differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies:</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>A variety of risk management and assessments are conducted by following internal regulations put in place according to laws.
(8) Implementation of customer policies: The Company maintains good and stable relations with customers.
(9) The Company’s purchase of liability insurance for directors and supervisors: The Company purchased liability insurance for directors and independent directors. Before the renewal of the insurance policies, the board convened a meeting on January 22, 2021 to discuss the coverage, insured amounts and premiums.</td><td></td></tr>
<tr><td colspan="5">IX. Please comment on what has been improved and what should be prioritized for yet-to-be-improved items according to the corporate governance assessments published by Taiwan Stock Exchange’s Corporate Governance Center during the most recent year.
According to the 6th corporate governance assessment published in 2020, the Company has reviewed the items where it did not attract scores and come up with the following improvement measures to enhance corporate governance:
1. The matters and measures relevant to internal regulations were continued. Meanwhile, the Company strives to fulfill its corporate social responsibility in order to implement corporate governance.
2. As mentioned in the assessment indicator whether the Company was invited to join or voluntarily organized at least two capital market events, the Company plans to evaluate and implement accordingly in 2021.</td></tr>
</table>

(IV) If the Company has established Remuneration Committee, it is necessary to disclose its composition, responsibility and functioning:

(1) Data on the members of Remuneration Committee

Identity	Requirements / Name	Possession of more than five years' work experience and the following professional qualifications			Meeting the requirement for independence (Note 1)										Number of Remuneration Committee roles assumed with other public companies	Notes
		Lecturers or above in a public or private college/university in business, law, finance, accounting or other professional disciplines required by the Company	A judge, prosecutor, lawyer, accountant, or other professional and technician qualified by a national examination and issued with a certificate required by the Company	Work experience in business, law, finance, accounting or required by the Company	1	2	3	4	5	6	7	8	9	10		
Independent director	Wang Yuan-Hong		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	Newly elected on June 5, 2019
Independent director	Tsai Meier		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Newly elected on June 5, 2019
Independent director	Dr. Jin H. Huang	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	Newly elected on June 5, 2019

Note 1: Please indicate the position as a director, an independent director, or others.

Note 2: "✓" is marked in the box under requirement codes for the directors meeting the requirements during the two years prior to election/appointment and during the tenure.

(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 (excluding the situation where the same independent director also serves on the board of its parent, subsidiary or subsidiary under the same parent according to laws or local regulations)

(3) Not a natural person shareholder with at least 1% of the Company's total issued shares or one of the ten largest natural person shareholders based on the shares owned in person, the spouse or minor children or in the name of others

(4) Not the spouse, a relative within two degrees, or a direct relative within three degrees to any of the managers listed in (1) or personnel listed in (2) or (3)

(5) Not a director, supervisor or employee of a legal person shareholder who directly owns 5% or more of the Company's total issued shares or are of one of the top five legal person shareholders, or a legal person shareholder who appoints a director or supervisor on the Company's board according to the first or the second paragraph of Article 27 of the Company Act (excluding the situation where the same independent director also serves on the board of its parent, subsidiary or subsidiary under the same parent according to laws or local regulations)

(6) Not a director, supervisor, or employee of another company is controlled by the same person who sits on the Company's board or who controls more than half of the voting shares (excluding the situation where the same independent director also serves on the board of its parent, subsidiary or subsidiary under the same parent according to laws or local regulations)

(7) Not a director, supervisor or employee of another company or organization whose Chairman, General Manager or equivalent is the same person or the spouse of the Company's Chairman, General Manager or equivalents (excluding the situation where the same independent director also serves on the board of its parent, subsidiary or subsidiary under the same parent according to laws or local regulations)

(8) Not a director, supervisor, manager, or a shareholder with at least 5% holdings of a company or organization with financial or business dealings with the Company (excluding the situation where the company or the organization concerned owns at least 20% but less than 50% of the Company's total issued shares or where the same independent director can also serve on the board of its parent, subsidiary or subsidiary under the same parent according to laws or local regulations)

(9) Not a business owner, partner, director, supervisor, manager, or the spouse to any of the professionals, sole proprietorships, partnerships, companies, or organizations that provide audit services to the Company or its affiliates or have obtained cumulative compensations of less than NT$500,000 during the most recent two years by offering business, legal, financial or accounting services to the Company or its affiliates The above limitations are not applicable to any member of Remuneration Committee, Open Tender Review Committee or M&A Committee established to fulfil duties according to the Securities and Exchange Act, Business Mergers and Acquisitions Act, or other relevant laws

(10) Not in any of the categories described in Article 30 of the Company Act

(2) Remuneration Committee's responsibility

I. The functioning of the Company's Remuneration Committee according to Remuneration Committee's Charter.

II. Formulation and review of performance reviews and the policy, system, standard and structure of the remunerations to directors, supervisors and managers

III. Regular assessments of remunerations to directors, supervisors, and managers and suggestions to the board for discussions

(3) Functioning of Remuneration Committee

I. The Company's Remuneration Committee consists of three members.

II. Tenure of the current members: from June 5, 2019 to May 23, 2022. During the most recent year (2020), Remuneration Committee convened 5(A) meetings. The attendance by directors was as follows:

Title	Name	No. of times attended in person (B)	No. of times attended by authorized persons	Attendance rate in person (%) (B/A)	Notes
Convener	Wang Yuan-Hong	5	0	100.00%	Newly elected on June 5, 2019; 5 attendances expected
Member	Tsai Meier	5	0	100.00%	Newly elected on June 5, 2019; 5 attendances expected
Member	Dr. Jin H. Huang	5	0	100.00%	Newly elected on June 5, 2019; 5 attendances expected

Other matters to be included:

I. If the board does not adopt or modify any suggestion from Remuneration Committee, it is necessary to describe the board meeting dates, sessions, proposal contents, resolutions from the board, and the Company's response to the opinions from Remuneration Committee. (If the board approves remunerations better than suggested by Remuneration Committee, it is necessary to describe the difference and the reason for such a difference): none

II. In case any member raises objections or reserved opinions for resolutions from Remuneration Committee and such objections and opinions were recorded or stated in writing, it is necessary to describe Remuneration Committee's meeting dates, sessions, proposal contents, opinions from all members, and the handling of these opinions: none

(V) Difference and the reason for such a difference between the fulfilment of corporate social responsibility and the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies:

Assessment items	Functioning			Difference and the reason for such a difference from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary	
I. Has the Company formulated relevant risk management policies or strategies, based on the materiality principle, to assess risks pertaining to the environment, social and governance issues pertinent to the Company's operations?	V		(I) Environment policy: The pursuit of energy efficiency and waste reduction to protect the environment and prevent pollutions (II) Social policy: regular and obligatory assessments according to laws governing labor issues, accounting & taxation, and products, in order to compliance of social and economic regulations	No material difference
II. Has the Company established a full-time (part-time) unit driving corporate social responsibility and has the board authorized senior management for handling and reporting updates to the board?	V		The departments involved in corporate social responsibility issues have been carrying out their duties accordingly.	No material difference
III. Environmental issues (I) Has the Company established an environment management system suitable to the characteristics of the industry it operates in? (II) Has the Company attempted to enhance utilization efficiency of resources and use recycled materials with a lower environmental impact? (III) Has the Company assessed its potential risks and opportunities now and the future regarding climate change, and adopted responding measures in climate change issues? (IV) Has the Company tallied its greenhouse gas emissions, water consumption and waste emissions during the past two years, and formulated policies in energy efficiency, carbon and greenhouse gas emissions reduction, water consumption efficiency or waste management?		V	(I) The Company has established the Management Guidelines for Energy Efficiency and advocated the importance of energy efficiency. There is an emphasis in daily operations on the classification and recycling of wastes, bringing your own cutlery in order to reduce garbage and recycle wastes. (II) The Company has regularly tested and inspected noise levels in the operating environment according to relevant laws and regulations in environmental protection, put in place the Plan for Waste Cleaning and stepped up the management of the operating environment. Private cleaning companies have been commissioned to process the Company's waste, in order to avoid environmental pollutions. (III) Gradual reduction of carbon emissions: 1. Establishment and achievement of carbon reduction goals for the factories via sharing of improvement methods with other manufacturers 2. Industry-academia cooperation: working with good schools in the training and education in energy efficiency and carbon reduction and visits to manufacturers who have achieved great results (IV) Energy policy: continued improvement in energy efficiency, gradual phase-out of equipment with high energy consumption, and advocacy of energy efficiency and carbon reduction	The Company only completed the tally of carbon emissions, water consumption and total waste weight for 2019. An energy policy was put in place, as the basis of energy efficiency improvement and carbon reduction. However, the detailed measures are not completed yet.
IV. Social issues (I) Has the Company formulated relevant management policies and measures according to applicable laws and international human rights instruments? (II) Has the Company formulated and implemented reasonable employee benefit policies (including wages, holidays and other benefits), and reflected operating performances or results in employees' wages? (III) Has the Company provided a safe and healthy workplace to employees and regularly offered employees training and education in safety and health?	V		(I) The Company's relevant human resources regulations (e.g., Attendance Management Guidelines; Management Guidance on Retirements, Departures, and Sabbatical Leaves) are compliant with the Labor Standards Act. These regulations are amended from time to time. There is dedicated personnel handling employees related issues. Each employee is covered with the group accident and health insurance. Employee Benefits Committee has been established according to laws. Regular labor coordination meetings are held to protect the rights of	No material difference

Assessment items	Functioning			Difference and the reason for such a difference from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary	
(IV) Has the Company established an effective career development program for employees? (V) Has the Company observed relevant laws and international standards regarding the health and safety of customers for products/services, privacy of clients, marketing and labeling, and formulated policies and complaints procedures to protect the rights of consumers? (VI) Has the Company formulated a suppliers management policy by requiring suppliers to comply with the regulations governing environmental protection, occupational health and safety and workers and human rights?			employees. (II) The Company has established the Wage Management Guidelines; Attendance Management Guidelines; Personnel Performance Review Guidelines; and Employee Promotion Guidelines, as the basis for remunerations to employees. (III) The Company has installed protective equipment to cope with different hazards by following the Occupational Safety and Health Act. A manual on standard procedures for operating machines is available for the inquiry by employees. In addition to the daily cleaning of the operating environment, the Company instructs the employees on labor safety. Regular tests and inspections are conducted on the operating environment. On-the-job labor safety training is provided. Fire safety training is offered to employees and fire equipment is periodically updated. The maintenance of facilities and equipment ensures a safe workplace for employees. (IV) To enhance the competence and career development of employees, the Company formulates annual human capital booster programs by facilitating training, education and professional proficiency assessments. External lecturers are invited to run the training programs and provide consultation to employees regarding career planning. (V) The Company maintains good communication channels with clients and provides a transparent and effective process for dealing with customer complaints about products and services. The Company adheres with relevant laws and international standards for marketing and labeling of products and services. (VI) Suppliers management policy: The Company seeks stable supply quality and delivery timeliness in order to reduce procurement risks and boost the local economy, in adherence with the CSR principles for suppliers. An audit taskforce has been established with joint efforts from Quality Assurance Department, Technology Department, Procurement Section, Production Management Section, and Safety & Heath Office, to regularly assess suppliers and assist suppliers in quality, delivery, environment, health & safety issues.	
V. Has the Company prepared corporate social responsibility reports to disclose non-financial information with reference to internationally accepted principles or guidelines? Have the aforesaid reports obtained the certification or guarantee from third party verification organizations?		V	The Company prepares its corporate social responsibility reports according to the Global Reporting Initiative but has not obtained certification or guarantee from third party verification organizations.	No certification or guarantee from third party verification organizations has been obtained

<table>
<tr><th rowspan="2">Assessment items</th><th colspan="3">Functioning</th><th rowspan="2">Difference and the reason for such a difference from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td colspan="5">VI. If the Company has established its own corporate social responsibility principles according to the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies, please describe the difference in its own principles and functioning.
The Company has not yet established its own corporate social responsibility principles. However, relevant regulations have been incorporated into the Company's human resources, environmental protection, safety & health standard procedures according to laws.</td></tr>
<tr><td colspan="5">VII. Other important information that helps to understand the functioning of corporate social responsibility:
(I) The Company has established and implemented its environmental policies and targets according to relevant laws in environmental protection, in order to enhance environmental management.
(II) The Company participates in community activities from time to time and are actively involved in campaigns for community building and environmental friendliness.
(III) The Company has established the Procedures for Handling Opinions from Employees and provided a channel for employees to voice their thoughts. Ad-hoc meetings (such as labor relation meetings, employee workshops) are convened so that personnel of different levels from different departments can speak up their opinions.
(IV) The Company has established Plans for Automatic Inspections on Labor Safety, Fire Prevention and Awareness of Hazards, in order to ensure the safety and health of employees.</td></tr>
</table>

(VI) Difference and the reason for such a difference between the fulfilment of ethical operations and the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies:

Assessment items	Functioning (note)			Difference and the reason for such a difference from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary	
I. Formulation of ethical business policy and measures (I) Has the Company formulated business ethics policies, approved by the board, and disclosed its policy and practice of business ethics in charters and documents to external parties? Have the board and senior management proactively implemented these policies? (II) Has the Company established a risk assessment mechanism for unethical behaviors, conducted regular analysis and evaluation of the operating activities within the scope of business and with a higher level of risks for unethical behaviors, and referred to the findings for the structuring of action plans for prevention of unethical behaviors, by covering at least the preventive measures described in Article 7-2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies? (III) Has the Company formulated operating procedures and behavior guidance to prevent unethical behaviors and put in place a system for disciplinary actions, complaints and appeals? Are these measures properly implemented and regularly reviewed?		V	(I) Whilst the Company has not established a business ethics policy, the principle of business ethics is encoded into charters. The Company will formulate relevant policies as appropriate going forward. (II) The Company stipulates that none of its employees or suppliers may receive gifts, monies, kickbacks or other improper benefits. (III) The Company has established Guidelines for Corporate Governance, Operational Rules for Authorization Approvals; and Work Rules and set up a specific system for disciplinary measures.	If required by laws or practical needs, the Company proceeds according to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and relevant laws and regulations.
II. Implementation of business ethics (I) Has the Company assessed the track records of business ethics of counterparties and incorporated code of conduct in the contracts with counterparties? (II) Has the Company established a dedicated unit under the board to drive business ethics, and reported to the board regularly (at least once a year) regarding the implementation and supervision of business ethics policies and prevention of unethical behaviors? (III) Has the Company formulated policies to mitigate conflict of interest, and provided appropriate channels for statements? (IV) Has the Company established an effective accounting system and internal control system to implement business ethics, formulated audit plans according to the results of risk assessments conducted by internal auditors on unethical behavior risks, and referred to these plans as the basis for inspection and prevention of unethical behaviors or as the basis for audits by external accountants? (V) Has the Company regularly provided training and education, internally and externally, on business ethics?	V		(I) The Company has established Code of Business Conduct and Work Rules for Employees by specifying that employees and suppliers may not receive gifts, monies, kickbacks or any other improper benefits. (II) The Company has not yet established a full-time (part-time) unit responsible for business ethics. Different departments strive to adhere to business ethics based on their scope of duties and responsibilities. (III) The Company has established Code of Business Conduct and Work Rules for Employees by specifying that employees and suppliers may not receive gifts, monies, kickbacks or any other improper benefits. (IV) To implement business ethics, the Company has established an effective accounting system and internal control system. Internal auditors conduct regular inspections on the functioning of these systems. (V) The Company intends to organize regular internal and external training and education on business ethics.	No material difference
III. Functioning of the whistleblowing system	V		(I) The Company has established a reward and punishment scheme under Work	No material difference

Assessment items	Functioning (note)			Difference and the reason for such a difference from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary	
(I) Has the Company established a whistleblowing system and a reward scheme with an accessible channel for reporting and designated appropriate personnel to deal with the alleged persons? (II) Has the Company formulated standard procedures for investigating of whistleblowers' reports, follow-ups and relevant confidentiality mechanisms after the completion of investigations? (III) Has the Company adopted measures to protect the whistleblowers from improper treatment?			Rules for Employees and provided an employees' opinion box for anonymous whistleblowing. The reports are handled by dedicated personnel in human resources. (II) The Company has an employees' opinion box for anonymous whistleblowing and has put in place a confidentiality mechanism. (III) The Company has set up an employees' opinion box for anonymous whistleblowing and a confidentiality mechanism, to protect whistleblowers from improper treatment.	
IV. Enhancement of information disclosure Has the Company disclosed its business ethics principles and effectiveness to date on its website and via the Market Observation Post System (MOPS)?	V		The Company will disclose information relevant to business ethics at its official website, via the Market Observation Post System (MOPS), shareholders' meetings and annual reports as required by laws.	No material difference
V. If the Company has established its own business ethics principles according to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please describe the difference in its own principles and functioning. The Company has not yet established its own business ethics principles, but has put the principles into practice.				
VI. Other important information that helps to understand the Company's functioning of business ethics: (such as review and amendment of its business ethics principles) (I) The Company adheres to relevant charters and laws governing TWSE/GTSM listed companies, as the basis for business ethics. (II) The Company's Rules of Board Meetings specify the recusal system for directors with conflict of interest. Directors should exercise a high level of self-regulation for issues on the board's agenda. In case of any interest involved with directors themselves or the legal person they represent and at possible expense of the Company's interest, the director concerned should recuse himself/herself from discussion and voting and may not participate in discussion or voting, or exercise voting rights on behalf of other directors.				

(VII) If the Company has established its own corporate governance principles and relevant charters, the inquiry methods should be disclosed:

1."Investor Relations" and "Corporate Governance" sections of the Company's website(http://www.cftc-hc.com.tw/)

2. "Corporate Governance - Relevant Rules & Regulations" on the Market Observation Post System (MOPS) (https://mops.twse.com.tw/mops/web/index)

(VIII) Other important information that helps to understand the functioning of corporate governance:

Important information is uploaded onto the Market Observation Post System (MOPS) in a real-time manner.

(IX) Implementation of the internal control system:

1. Statement of Internal Control

CHINA FINEBLANKING TECHNOLOGY

Statement of the Internal Control System

Date: March 25, 2021

The Company makes the following statement based on self-inspections of its internal control system for 2020.

I. The Company is aware that the establishment, implementation and maintenance of its internal control system is the responsibility of the board and management. The Company has established its internal control system. The purpose is to provide reasonable assurance about the effectiveness and efficiency (including profitability, performance and protection of asset security) of operations; reliability, timeliness and transparency of reporting; and compliance with relevant laws and regulations.

II. Any internal control system has its inherent limitations. No matter how robust the design it, an effective internal control system can only provide reasonable assurance for the abovementioned three goals. Meanwhile, any change in the environment or circumstances may alter the effectiveness of the internal control system. However, the Company's internal control system is equipped with a self-monitoring mechanism. As soon as any deficiency is identified, the Company immediately takes actions for rectification.

III. The Company determines the effectiveness in the design and implementation of its internal control system according to the effectiveness criteria specified in the Regulations Governing Establishment of Internal Control Systems by Public Companies. The effectiveness criteria specified in the Regulations Governing Establishment of Internal Control Systems by Public Companies are based on the process of management and control. The internal control system is divided into five elements: (1) control environment; (2) risk assessment; (3) control operations; (4) information and communication; (5) supervision. Each elements contains a number of items. Please refer to the Regulations Governing Establishment of Internal Control Systems by Public Companies for details of the abovementioned items.

IV. The Company has referred to the abovementioned criteria for internal control systems to inspect the effectiveness in the design and implementation of its own internal control system.

V. Based on the results of the aforesaid inspections, the Company believes that as of December 31, 2020, the design and implementation of its internal control system (including the supervision and management of subsidiaries) has been effective regarding the level of understanding in operational effectiveness and efficiency; reliability, timeliness and transparency of reporting; and compliance with relevant laws and regulations, and its internal control system can provide a reasonable assurance of the achievement of the abovementioned targets.

VI. This statement will constitute a major part of the Company's annual report and prospectus and will be disclosed. Any illegal matters such as falseness or concealment regarding the above disclosed contents shall involve legal liabilities under Article 20, Article 32, Article 171, and Article 174 of the Securities and Exchange Act.

VII. This statement has been approved by Audit Committee and the board on March 25, 2021. Among the eight attending directors, zero of them has raised objections. All the directors have agreed with the content of this statement.

CHINA FINEBLANKING TECHNOLOGY

Chairman: Huang I-Hsiang

General Manager: Huang I-Hsiang

2. Disclosure of the audit report (if any) by external accountants commissioned to conduct audits on the internal control system: none

(X) Penalties imposed by laws on the Company or its personnel or imposed by the Company on its personnel for breach of internal control rules, major deficiencies and improvements during the most recent year and as of the print date of this annual report:

April 30, 2021

Penalties on the Company	Improvement
None	N/A

(XI) Important resolutions by shareholders' meetings and board meetings during the most recent year and as of the print date of this annual report:

Date	Meeting	Proposal
May 7, 2020	11th meeting of the 12th board in 2020	I. Submission of the Company's financial report for the first quarter of 2020 II. Plan to apply for credit facilities with four banks including Land Bank of Taiwan III. Plan to apply for a guarantee facility with the Taiwan Cooperative Bank for the secured amount of the Company's issuance of the second convertible bonds in Taiwan IV. Details of the 2019 distribution of remunerations to directors
May 28, 2020	2020 General Shareholders' Meeting	I. 2019 Business Report and Financial Statements II. 2019 distribution of earnings III. Issuance of new shares via capitalization of earnings IV. Amendment of the Articles of Incorporation V. Amendment of Rules and Procedures of Shareholders' Meetings VI. Amendment of Procedures for Election and Appointment of Directors VII. By-election of additional directors VIII. Removal of non-compete covenants on representatives of directors and on new directors
June 23, 2020	12th meeting of the 12th board in 2020	I. Plan to issue the second secured convertible bonds and the third unsecured convertible bonds in Taiwan II. Contracting for wastewater treatment equipment of the Company's Quanxing campus in Changhua to Yong Hong Engineering
August 5, 2020	2020:13th meeting of the 12th board	I. Financial statements for the first quarter of 2020 II. Budgetary amendment for the Company and subsidies in 2020 III. Plan to issue new shares via capitalization of earnings IV. Plan to apply for credit facilities with banks V. Subsidiary CFTC Precision (JiaXing) Limited. intended to apply for credit facilities with financial institutions with endorsement by the Company. VI. Additional budgets for construction, electrical and mechanical works, air-conditioning, fire prevention facilities at the Quanxing campus in Changhua VII. Amendment of Sales and Payment Collection Cycles; Procurement and Payment Cycles; Production Cycles; Salary/Wage Cycles; Financing Cycles; Investment Cycles; Property, Plant and Equipment Cycles; R&D Cycles; Electronic Data Processing Cycles; Other Management Control Operations; Sales and Payment Collection Cycles Audit; Procurement and Payment Cycles Audit; Production Cycles Audit; Salary/Wage Cycles Audit; Financing Cycles Audit; Investment Cycles Audit; Property, Plant and Equipment Cycles Audit; R&D Cycles Audit; Electronic Data Processing Cycles Audit; Other Management Control Operations Audit VIII. Amendment of Operational Rules for Sign-Up Authorizations
September 18, 2020	14th meeting of the 12th board in 2020	I. Plan to apply for credit facilities with banks II. Subsidiary CFTC Precision (JiaXing) Limited intended to apply for credit facilities with financial institutions with endorsement by the Company. III. Subsidiary CFTC Precision (JiaXing) Limited intended to apply for credit facilities with financial institutions. IV. Planned lending from the subsidiary CFTC Precision (JiaXing) Limited to CFTC Precision (HuaiAn) Limited V. Plan to initiate the 8th repurchase program and transfer of shares to employees in 2018 VI. None of the significant amounts exceeding the normal three-month credit terms of the Company's account receivables, other receivables, prepayments, refundable deposits was intended as lending. VII. Appointment and remuneration of Chief Accounting Officer VIII. Change and remuneration of deputy spokespersons
November 4, 2020	15th meeting of the 12th board in 2020	I. Financial statements for the third quarter of 2020 II. Budgetary planning for the Company and subsidies in 2021 III. China Fineblanking Technology Co., Ltd.'s 2021 audit plan IV. Plan to apply for credit facilities with banks V. Subsidiary CFTC Precision (HuaiAn) Limited intended to apply for credit facilities with financial institutions with endorsement by the Company. VI. 9th repurchase program and transfer of shares to employees in 2018 VII. Amendment of Management Guidelines for China Fineblanking Technology Co., Ltd. VIII. None of the significant amounts exceeding the normal three-month credit terms of the Company's account receivables, other receivables, prepayments, refundable deposits was intended as lending. IX. Amendment of Remuneration Committee's Charter X. To establish the "Self-Evaluation or Peer Evaluation of the Board of Directors"
December 4, 2020	16th meeting of the 12th board in 2020	I. Additional budget for equipment at the subsidiary CFTC Precision (JiaXing) Limited II. A proposal for managerial incentives to boost the morale and efficiency of employees III. Change of the Company's business address

Date	Meeting	Proposal
January 22, 2021	17th meeting of the 12th board in 2021	I. Subsidiary CFTC Precision (JiaXing) Limited intended to apply for credit facilities with financial institutions. II. Subsidiary CFTC Precision (HuaiAn) Limited intended to borrow from financial institutions with collaterals and with from financial institutions and Planned lending from the subsidiary CFTC Precision (JiaXing) Limited to CFTC Precision (HuaiAn) Limited III. Proposal to commission external consultants for the Company to be reviewed by the board IV. Results of performance reviews on the Company's managers in 2020 and proposal for year-end bonuses V. Results of performance reviews on managers at the subsidiary CFTC Precision (JiaXing) Limited in 2020 and proposal for year-end bonuses
February 25, 2021	18th meeting of the 12th board in 2021	I. Preparation for 2021 general shareholders' meeting II. Proposal to commission external consultants for the Company to be reviewed by the board III. Change of the Company's management IV. By-election of the Company's independent directors V. Nomination of independent director candidates VI. Removal of non-compete covenants on directors
March 25, 2021	19th meeting of the 12th board in 2021	I. The Company's 2020 Business Report, financial statements and distribution of earnings II. 2020 distribution of earnings via cash dividends III. Issuance of new shares via capitalization of retained earnings IV. Review of fees to external accountants V. Assessment on the independence of external accounts VI. Issuance of new shares for the third issuance of unsecured convertible bonds in Taiwan VII. Amendment of the matters for the convening of 2021 General Shareholders' Meeting VIII. 2020 review of the internal control system's effectiveness; and Statement of Internal Control IX. Additional budget for building revamps at the new facilities of the subsidiary CFTC Precision (JiaXing) Limited X. Amendment of Operational Rules for Sign-Off Authorizations XI. Plan to apply for credit facilities with financial institutions XII. Establishment and appointment of Corporate Governance Officer XIII. Promotion of Manager Chen Yi-Chung at the headquarters to Assistant Vice President, Finance and Corproate Governance Officer and the remuneration review XIV. Promotion of Manager Gou Jian at General Manager's Office at the subsidiary CFTC Precision (JiaXing) Limited to Assistant Vice President and the remuneration review XV. Review of remuneration adjustments for managers XVI. Distribution of remunerations to directors and employees for 2020 XVII. Assessment whether any significant amounts exceeding the normal three-month credit terms of the Company's account receivables, other receivables, prepayments, refundable deposits was intended as lending

(XII)Main contents of different opinions from directors or supervisors for key resolutions of the board and such opinions were recorded or stated in writing during the most recent year and as of the print date of the annual report:

Date	Meeting name	Proposal	Resolution
None	-	-	-

(XIII) Summary of resignations and dismissals of Chairperson, General Manager, Chief Accounting Officer, Chief Financial Officer, Chief Internal Auditor, Corporate Governance Officer, and R&D heads during the most recent year and as of the print date of the annual report

Summary of resignations and dismissals of key personnel

April 30, 2021

Title	Name	Date of taking office	Date of dismissal	Reason for resignation or dismissal
Chief Accounting Officer	Lai Hui-Ling	September 26, 2018	September 18, 2020	Retired
Chief Technology Officer	Hsieh Chien-Min	January 1, 2018	February 25, 2021	Dismissal and job adjustment

Note: Key personnel refers to Chairperson, General Manager, Chief Accounting Officer, Chief Financial Officer, Chief Internal Auditor, Corporate Governance Officer, and R&D heads

V. Accountants' fees

Name of the accounting firm	Name of the CPAs		Audit period	Remarks
KPMG Taiwan	CPA Jacky Chen	CPA David Chen	January 1, 2020 to December 31, 2020	None

Unit: NT$1,000

Fee items / Fee range		Audit fees	Non-audit fees (Note 1)	Total
1	< NT$2,000,000		305	
2	NT$2,000,000 (incl.) ～NT$4,000,000	3,600		3,905
3	NT$4,000,000 (incl.)～NT$6,000,000			
4	NT$6,000,000 (incl.)～NT$8,000,000			
5	NT$8,000,000 (incl.)～NT$10,000,000			
6	NT$10,000,000 (incl.) or higher			

(Note 1) NT$80,000 for a summary opinion based on the review of basic data and the checklist for the issuance of bonus shares in 2020; NT$45,000 for business registration; and NT$180,000 for transfer pricing reports

(1) Breakdown of audit fees and non-audit fees, and details of non-audit services if the non-audit fees paid to external accountants, their accounting firm or affiliated companies amount to 25% or higher of audit fees: none

(2) Audit fees before and after the change of accounting firms and reason for the change if the audit fees paid during the year of change are lower than those paid for the year before the change: none

(3) Reduction of audit fees, percentage of the reduction and the reason for the reduction if audit fees are at least 10% lower than the fees during the previous year: none

VI. Change of external accountants

The following items should be disclosed if the Company has changed external accountants during the most recent two years and after the reporting period:

(I) Previous external accountants

<table>
<tr><td>Change date</td><td colspan="4">January 15, 2020</td></tr>
<tr><td>Reason for the change</td><td colspan="4">In line with the Company’s operational development and internal management requirements</td></tr>
<tr><td rowspan="3">Explanation whether the client or the accountants terminated or declined the appointment</td><td colspan="2">Parties involved / Situation</td><td>Accountants</td><td>Client</td></tr>
<tr><td colspan="2">Termination of the mandate</td><td></td><td>V</td></tr>
<tr><td colspan="2">Declined to accept (continue with) the appointment</td><td></td><td></td></tr>
<tr><td>Issuance of audit opinions other than unqualified opinions and reasons for such opinions during the most recent two years</td><td colspan="4">None</td></tr>
<tr><td rowspan="7">Different opinions from the issuer’s</td><td rowspan="5">Yes</td><td></td><td colspan="2">Accounting principles or practices</td></tr>
<tr><td></td><td colspan="2">Disclosure of financial reports</td></tr>
<tr><td></td><td colspan="2">Scope or steps of audits</td></tr>
<tr><td></td><td colspan="2">Others</td></tr>
<tr><td></td><td colspan="2"></td></tr>
<tr><td>None</td><td colspan="3">V</td></tr>
<tr><td colspan="4">Explanation</td></tr>
<tr><td>Other disclosure (required for the fourth to the seventh subparagraphs of the first paragraph of Article 10-6 of the principles)</td><td colspan="4">N/A</td></tr>
</table>

(II) Current external accountants

Name of the accounting firm	KPMG Taiwan
Name of the CPAs	CPA Jacky Chen; CPA David Chen
Date of appointment	January 15, 2020
Consultation with regard to the accounting treatments or accounting principles for specific transactions and the likely opinion to be issued on financial reports, and results of consultation before appointment	None
Written opinions issued by the current accountants regarding different opinions from those of the previous accountants	None

(III) Reply from the previous accountants regarding the first paragraph and the third subparagraph of the second paragraph of Article 10-6 of the principles: none

VII. Chairperson, General Manager, finance or accounting managers who worked in the accounting firm who audit the Company's reports or its affiliates during the most recent year: none

VIII. Share transfers and change in pledges by directors, supervisors, managers and shareholders with at least 10% stakes during the most recent year and as of the print date of this annual report:

(I) Change of shares owned by directors, supervisors, managers and major shareholders:

Unit: shares

Title	Name	2020		During the current year and as of April 27, 2021	
		Increase (decrease) in the number of shares held	Increase (decrease) in the number of shares pledged	Increase (decrease) in the number of shares held	Increase (decrease) in the number of shares pledged
Chairman	Huang I-Hsiang	329,369	1,157,000	0	(290,000)
Director	Hsieh Ling	263,734	500,000	0	(540,000)
Director	Lu Yong-Gong	116,000	0	0	0
Director	Tai Wen-Cheng	99,609	0	0	0
Director	Jacky Lo (Note 1)	64,655	0	0	0
Director	Daily Polymer Corporation Representative: Wu Chia-Chuan (Note 2)	25,695	0	0	0
Independent director	Wang Yuan-Hong	0	0	0	0
Independent director	Tsai Meier	0	0	0	0
Independent director	Dr. Jin H. Huang	0	0	0	0
Group Vice President CEO of Taiwan Manufacturing Plant	Huang Hsiang-Yi	63,314	0	0	0
Chief Technology Officer	Hsieh Chien-Min	(44,285)	0	0	0
CEO of CFTC Precision (JiaXing)	Lu Hong-Yi	71,339	197,000	0	0
Assistance Vice President, Sales	Huang Shu-Fang	2,477	0	(5,000)	0
Finance Manager	Chen Yi-Chung	5,097	0	0	0
Accounting Manager	Lai Hui-Ling (Note 3)	5,000	0	7,061	0
Accounting Manager	Liao Jen-Chieh (Note 4)	0	0	0	0

Note 1: New appointment on May 28, 2020
Note 2: Dismissed on February 17, 2021; No. of shares held and No. of shares pledged in 2021 until the date of dismissal
Note 3: Retired on September 18, 2020; No. of shares held and No. of shares pledged in 2020 until the date of departure
Note 4: New appointment on September 18, 2020

(II) Counterparty of share ownership transfer is an affiliated party: none
(III) Counterparty of share collateralization is an affiliated party: none

IX. Relations among top ten shareholders

March 29, 2021

Name	Shareholdings by the person himself/herself		Current shareholdings by the spouse and minor children		Shareholdings under other people's names		Names and spousal relationships or relatives within two degrees among the top ten shareholders		Notes
	No. of shares	Shareholding %	No. of shares	Shareholding %	No. of shares	Shareholding %	Name (or name)	Relation	
Jin-Yi Liu	7,393,000	8.78%	0	0%	0	0%	None	None	-
Hsieh Ling	5,652,235	6.72%	1,486,693	1.77%	0	0%	Huang Yi-Xiang	Spouse	-
Chia-Chuan Investment	5,428,285	6.45%	0	0%	0	0%	None	None	-
Wu Chih-Wei	5,150,336	6.12%	0	0%	0	0%	None	None	-
Shen Bing-Yuan	2,194,293	2.61%	0	0%	0	0%	None	None	-
Tai Wen-Cheng	2,134,772	2.54%	0	0%	0	0%	None	None	-
Lu Hsiao-Chen	1,680,000	2.00%	0	0%	0	0%	None	None	-
Chang Chia-Wen	1,515,589	1.80%	0	0%	0	0%	None	None	-
Huang I-Hsiang	1,486,693	1.77%	5,652,235	6.72%	9,912	0.01%	Hsieh Ling	Spouse	-
Song Mei-Chen	1,423,351	1.69%	0	0%	0	0%	None	None	-

X. No. of shares in the same investee(s) owned by the Company, directors, supervisors, managers and enterprises directly or indirectly controlled by the Company and percentage of collective ownership in these investee(s):

Unit: Shares; March 31, 2021

Investee	Investment by the Company		Investment by directors, supervisors, managers or enterprises directly or indirectly controlled		Total investment	
	No. of shares	Percentage of ownership	No. of shares	Percentage of ownership	No. of shares	Percentage of ownership
CHINA FINEBLANKING GROUP CO., LTD	40,080	100.00	0	0	40,080	100.00
CFTC PRECISION SDN BHD	30,288	100.00	0	0	30,288	100.00
CHINA FINEBLANKING GROUP CO., LTD	40,080	100.00	0	0	40,080	100.00
CFTC Precision (JiaXing) Limited	Non-shareholding structure	100.00	0	0	Non-shareholding structure	100.00
CFTC Precision (HuaiAn) Limited	Non-shareholding structure	100.00	0	0	Non-shareholding structure	100.00

IV. Fund Raising

I. Capital and shares

(I) Sources of share capital

1. Formation of share capital

Month/year	Issuance price	Authorized share capital		Paid-in share capital		Notes		
		No. of shares (in 1,000)	Amount (NT$1,000)	No. of shares (in 1,000)	Amount (NT$1,000)	Sources of share capital	Contribution to share capital with non-cash assets	Others
November 1992	10,000	1.2	12,000	1.2	12,000	Founding share capital	None	Note 1
August 1994	10,000	2	20,000	2	20,000	Rights issue to raise NT$8,000,000	None	Note 2
June 1996	10,000	2.8	28,000	3	28,000	Rights issue to raise NT$8,000,000	None	Note 3
November 1998	10,000	5	50,000	5	50,000	Rights issue to raise NT$22,000,000	None	Note 4
November 1999	10.00	7,000	70,000	7,000	70,000	Rights issue to raise NT$14,000,000 Capitalization of earnings for NT$6,000,000	None	Note 5
January 2001	10.00	8,170	81,700	8,170	81,700	Capitalization of earnings for NT$11,700,000	None	Note 6
July 2002	10.00	25,000	250,000	13,370	133,700	Rights issue to raise NT$26,000,000 Capitalization of earnings by NT$26,000,000	None	Note 7
October 2003	10.00	25,000	250,000	16,370	163,700	Rights issue to raise NT$30,000,000	None	Note 8
August 2004	15.00	25,000	250,000	18,370	183,700	Rights issue to raise NT$20,000,000	None	Note 9
August 2004	10.00	25,000	250,000	20,770	207,700	Capitalization of earnings by NT$24,000,000		
August 2005	10.00	25,000	250,000	24,000	240,000	Offsetting of cumulative losses by capital reduction for NT$37,700,000; rights issue to raise NT$70,000,000	None	Note 10
October 2007	25.00	50,000	500,000	34,000	340,000	Rights issue to raise NT$100,000,000	None	Note 11
October 2007	10.00	50,000	500,000	37,390	373,903	Capitalization of earnings by NT$33,903,000 (including stock dividends to employees for NT$4,496,000)		
June 2008	10.00	50,000	500,000	37,990	379,903	Capitalization of earnings by NT$6,000,000 (all via stock dividends to employees)	None	Note 12
April 2010	17.50	50,000	500,000	38,860	388,603	Exercise of employee stock options and issuance of new shares for NT$8,700,000	None	Note 13
July 2010	17.50	50,000	500,000	39,320	393,203	Exercise of employee stock options and issuance of new shares for NT$4,600,000	None	Note 14
December 2010	16.02	50,000	500,000	39,460	394,603	Exercise of employee stock options and issuance of new shares for NT$1,400,000	None	Note 15
September 2011	16.02	50,000	500,000	39,480	394,803	Exercise of employee stock options and issuance of new shares for NT$200,000	None	Note 16
September 2011	10.00	50,000	500,000	41,453	414,533	Capitalization of earnings by NT$19,730,000	None	Note 17
January 2012	18.50	50,000	500,000	46,643	466,433	Rights issue to raise NT$51,900,000	None	Note 18
October 2015	10.00	50,000	500,000	45,106	451,063	Cancelation of treasury shares by NT$15,370,000	None	Note 19
April 2016	29.00	50,000	500,000	47,768	477,683	Conversion of convertible bonds via issuance of new shares for NT$26,620,000	None	Note 20
September 2016	10.00	100,000	1,000,000	52,288	522,886	Capitalization of capital surplus	None	Note 21
October 2016	29.00	100,000	1,000,000	54,569	545,694	Conversion of convertible bonds via issuance of new shares for NT$22,808,000	None	Note 22
December 2016	19.40	100,000	1,000,000	69,569	695,694	Rights issue to raise NT$150,000,000	None	Note 23
June 2017	25.90	100,000	1,000,000	70,160	701,601	Conversion of convertible bonds via issuance of new shares for NT$5,907,000	None	Note 24
October 2017	25.90	100,000	1,000,000	70,430	704,304	Conversion of convertible bonds via issuance of new shares for NT$2,703,000	None	Note 25
November 2017	25.90	100,000	1,000,000	73,006	730,057	Conversion of convertible bonds via issuance of new shares for NT$25,753,000	None	Note 26
March 2018	25.90	100,000	1,000,000	75,732	757,315	Conversion of convertible bonds via issuance of new shares for NT$27,258,000	None	Note 27
August 2018	10.00	100,000	1,000,000	76,488	764,888	Capitalization of earnings by NT$7,573,000	None	Note 28
September 2019	10.00	150,000	1,500,000	80,151	801,512	Capitalization of earnings by NT$36,624,000	None	Note 29
October 2020	10.00	150,000	1,500,000	83,884	838,841	Capitalization of earnings by NT$37,329,000	None	Note 30

Month/year	Issuance price	Authorized share capital		Paid-in share capital		Notes		
		No. of shares (in 1,000)	Amount (NT$1,000)	No. of shares (in 1,000)	Amount (NT$1,000)	Sources of share capital	Contribution to share capital with non-cash assets	Others
April 2021	10.00	150,000	1,500,000	84,157	841,572	Conversion of convertible bonds via issuance of new shares for NT$2,731,000.	None	Note 31

Note 1: Approved by Official Document (Economy-1992) Incorporation-Three-Hsin-Tzu No. 393936 issued on November 9, 1992
Note 2: Approved by Official Document (Economy-1994) Incorporation-Three-Kuei-Tzu No. 419685 issued on August 10, 1994
Note 3: Approved by Official Document (Economy-1996) Incorporation-Three-Bing-Tzu No. 187573 issued on June 25, 1996
Note 4: Approved by Official Document (Economy-1998) Incorporation-Three-Geng-Tzu No. 261327 issued on November 20, 1998
Note 5: Rights issue and change of the face value from NT$10,000 per share to NT$10 per share approved by Official Document (Economy-1999) Zhong-Tzu No. 88993564 issued on November 26, 1999
Note 6: Approved by Official Document (Economy-2001) Zhong-Tzu No. 9031576110 issued on January 12, 2001
Note 7: Approved by Official Document Economy-Authorization-Shang-Tzu No. 09101266850 issued on July 11, 2002
Note 8: Approved by Official Document Economy-Authorization-Zhong-Tzu No. 09232769480 issued on October 8, 2003
Note 9: Approved by Official Document Economy-Authorization-Zhong-Tzu No. 09332579580 issued on August 17, 2004
Note 10: Approved by Official Document Economy-Authorization-Zhong-Tzu No. 09432589480 issued on August 2, 2005
Note 11: Approved by Official Document Economy-Authorization-Zhong-Tzu No. 09632961600 issued on October 29 2, 2007
Note 12: Approved by Official Document Economy-Authorization-Zhong-Tzu No. 09732575520 issued on July 4, 2008
Note 13: Approved by Official Document Economy-Authorization-Zhong-Tzu No. 09931912790 issued on April 14, 2010
Note 14: Approved by Official Document Economy-Authorization-Zhong-Tzu No. 09932317780 issued on July 19, 2010
Note 15: Approved by Official Document Economy-Authorization-Zhong-Tzu No. 09932927300 issued on December 9, 2010
Note 16: Approved by Official Document Economy-Authorization-Zhong-Tzu No. 10032487500 issued on September 7, 2011
Note 17: Approved by Official Document Economy-Authorization-Zhong-Tzu No. 10032561370 issued on September 27, 2011
Note 18: Approved by Official Document Economy-Authorization-Zhong-Tzu No. 10131594130 issued on January 30, 2012
Note 19: Approved by Official Document Economy-Authorization-Zhong-Tzu No. 10433818660 issued on October 14, 2015
Note 20: Approved by Official Document Economy-Authorization-Zhong-Tzu No. 10533422590 issued on April 21, 2016
Note 21: Approved by Official Document Economy-Authorization-Shang-Tzu No. 10501216930 issued on September 2, 2016
Note 22: Approved by Official Document Economy-Authorization-Shang-Tzu No. 10501247050 issued on October 20, 2016
Note 23: Approved by Official Document Economy-Authorization-Shang-Tzu No. 10501281630 issued on December 7, 2016
Note 24: Approved by Official Document Economy-Authorization-Shang-Tzu No. 10601063040 issued on May 18, 2017
Note 25: Approved by Official Document Economy-Authorization-Shang-Tzu No. 10601146370 issued on October 18, 2017
Note 26: Approved by Official Document Economy-Authorization-Shang-Tzu No. 10601162200 issued on November 27, 2017
Note 27: Approved by Official Document Economy-Authorization-Shang-Tzu No. 10701020120 issued on March 2, 2018
Note 28: Approved by Official Document Economy-Authorization-Shang-Tzu No. 10701108770 issued on August 29, 2018
Note 29: Approved by Official Document Economy-Authorization-Shang-Tzu No. 10801127730 issued on September 19, 2019
Note 30: Approved by Official Document Economy-Authorization-Shang-Tzu No. 10901191780 issued on October 15, 2020
Note 31: Approved by Official Document Economy-Authorization-Shang-Tzu No. 11001064170 issued on April 23, 2021

2. Types of shares issued

Unit: shares; March 29, 2021

Types of shares	Authorized share capital			Notes
	No. of shares outstanding	No. of shares not issued	Total	
Ordinary shares listed on Taipei	84,157,225	65,842,775	150,000,000	

3. Shelf registration: N/A

(II) Shareholder structure

March 29, 2021

Shareholder Structure / Volume	Government agencies	Financial institutions	Other legal persons	Individuals	Foreign institutions and foreigners	Total
No. of persons	0	0	35	14,242	25	14,302
No. of shares held	0	0	10,735,175	72,412,051	1,009,999	84,157,225
Percentage of	0.00%	0.00%	12.76%	86.04%	1.20%	100.00%

Note: The Company does not have Mainland Chinese shareholders.

1.Dispersion of ordinary share ownership: (face value at NT$10 per share)

Unit: shares; March 29, 2021

No. of shares held by each shareholder	No. of shareholders	No. of shares held	Percentage of ownership
1～999	8,167	325,908	0.39%
1,000～5,000	4,909	9,445,959	11.22%
5,001～10,000	580	4,500,485	5.35%
10,001～15,000	212	2,624,289	3.12%
15,001～20,000	124	2,246,089	2.67%
20,001～30,000	113	2,787,760	3.31%
30,001～40,000	42	1,467,032	1.74%
40,001～50,000	26	1,193,850	1.42%
50,001～100,000	50	3,483,237	4.14%
100,001～200,000	42	5,675,668	6.74%
200,001～400,000	13	3,656,754	4.35%
400,001～600,000	7	3,601,541	4.28%
600,001～800,000	0	0	0%
800,001～1,000,000	2	1,730,294	2.06%
>1,000,001	15	41,418,359	49.21%
Total	14,302	84,157,225	100.00%

2. Dispersion of preferred share ownership: The Company has not issued preferred shares.

(IV) List of major shareholders

Unit: shares; March 29, 2021

Shares / Names of major shareholders	No. of shares held	Percentage of ownership
Jin-Yi Liu	7,393,000	8.78%
Hsieh Ling	5,652,235	6.72%
Chia-Chuan Investment	5,428,285	6.45%
Wu Chih-Wei	5,150,336	6.12%
Shen Bing-Yuan	2,194,293	2.61%
Tai Wen-Cheng	2,134,772	2.54%
Lu Hsiao-Chen	1,680,000	2.00%
Chang Chia-Wen	1,515,589	1.80%
Huang I-Hsiang	1,486,693	1.77%
Song Mei-Chen	1,423,351	1.69%

(V) Market price, book value, earnings and dividend per share and relevant data during the most recent two years

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

Item \ Year			2019	2020	During the year and as of April 30, 2021 (Note 8)
Market price per share (Note 1)	Highest		36.90	47.70	54.50
	Lowest		31.60	32.70	43.00
	Average		33.74	40.96	48.31
Book value per share(Note 2)	Before distribution		17.65	19.21	19.21
	After distribution		17.11	Note a	Note a
Earnings per share	Weighted average number of shares		76,909	81,443	81,443
	Earnings per share(Note 3)	Before retrospective adjustment	0.26	1.69	1.69
		After retrospective adjustment	0.25	Note a	Note a
Dividends per share	Cash dividends		0.06	Note a	Note a
	Bonus shares	Stock dividends via capitalization of earnings	0.48	Note a	Note a
		Stock dividends via capitalization of capital surplus	-	-	-
	Cumulative unpaid dividends (Note 4)		-	-	-
Return on investment	P/E ratio (Note 5)		129.81	24.24	-
	Price to dividend ratio (Note 6)		562.50	51.20	-
	Cash dividend yield (Note 7)		0.18	1.95	-

＊The market prices retrospectively adjusted for stock dividends via capitalization of earnings or capital surplus and cash dividends should be disclosed.

Note a: The board meeting on March 25, 2021 decided to appropriate a total of NT$13,763,000 as legal reserve from the 2020 net income of NT$137,632,000 and then issue cash dividends of NT$0.8 per share for NT$65,522,000 in total and bonus stock dividends of NT$0.2 per share for NT$16,380,000 in total. This is yet to be resolved by the general shareholders' meeting.

Note 1: The highest and the lowest markt prices of ordinary shares for each year, and the calculation of the average market prices based on trading values and trading volumes for each year

Note 2: Based on the number of issued shares at the end of the year and the distribution resolved by the shareholders' meeting during the following year

Note 3: Earnings per share before and after retrospective adjustment for bonus shares and other situations

Note 4: Cumulative unpaid dividends during the year if the equity security issuance requirements allow the distribution of such unpaid dividends until the year with earnings

Note 5: P/E ratio ＝average closing price per share during the year／earnings per share

Note 6: Price to dividend ratio＝average closing price per share during the year／cash dividends per share

Note 7: Cash dividend yield＝cash dividends per share／average closing price per share during the year

Note 8: Book value per share and earnings per share based on the audited (reviewed) financials for the most recent quarter as of the print date of the annual report; other columns based on the annual data as of the print date of the annual report
As of the print date of the annual report, the financial report for the first quarter of 2021 has not yet been released. Therefore, book value per share and earnings per share are based on the financial report for the fourth quarter of 2020.

(VI) Dividend policy and implementation status

1. Dividend policy specified in the Articles of Incorporation:

Any earnings in a fiscal year shall be first utilized for tax payments and offsetting prior losses before setting aside a legal reserve at 10% of the remaining profits. However, this is not applicable if the legal reserve has reached the same amount as paid-in capital. If required by laws, a special reserve may be recognized or reversed. Any remaining earnings, along with cumulaive undistributed earnings, may be distributed as dividends to shareholders based on the proposal from the board and resolution by the shareholders' meeting. If the distribution of dividends via capitalization of the legal reserve or capital surplus will be in cash in part or in all, the attendance of at least two thirds of directors for the board meeting and the consent from more than half of the attending directors are required. Subsequent reporting should be made to the shareholders' meeting.

The Company's dividend policy is based on its current and future development, the investment environment, funding requirements and the competitive landscape overseas, as well as shareholders' interest. No less than 50% of the distributable earnings each year should be distributed as dividends. However, distributions may not be made if the cumulative distributable earnings are less than 1% of the paid-in capital. Earnings may be distributed in the form of cash dividends or stock dividends. Cash dividends may not fall below 10% of the total dividends.

2.Proposed distribution of dividends for 2020

Unit: NT$

Item	Amount	
Undistributed earnings at the beginning of the period		41,309,754
Add: reversal of the special reserve under equity	7,125,571	
Add: net income for 2020	137,631,671	
Appropriation:		
Less: legal reserve	(13,763,167))	
Earnings available for distribution		172,303,829
Distribution items:		
Less: dividends - cash at NT$0.80 per share*81,902,225 shares	(65,521,780)	
dividends - stock dividends at NT$0.20 per share*81,902,225shares	(16,380,450)	
Undistributed earnings at the end of the period		90,401,599

Note 1: 83,884,122 shares issued - 2,255,000 treasury shares + conversion of convertible bonds into 273,103 ordinary shares = 81,902,225 shares outstanding

Note 2: Prioritized distribution of 2020 earnings

(VII) Impact of the issuance of bonus shares proposed to this shareholders' meeting on the Company's operating performance and earnings per share:

The Company does not publish financial forecasts. Therefore, change in operating performance, pro forma earnings per share or P/E ratio is not applicable.

(VIII) Remunerations to employees, directors and supervisors

1. Percentage or scope of remunerations to employees, directors and supervisors stated in the Articles of Incorporation:

If the Company reports profits for the year, no less than 2% of the profits should be distributed as remunerations to employees and no more than 5% distributed as remunerations to directors and supervisors. In case of any cumulative losses, it is necessary to offset such losses first. Remunerations to employees are distributed in stocks or cash according to the decision by the board. Such remunerations may be distributed to qualified employees of subordinate companies. The distribution of remunerations to employees, directors, and supervisors should be reported to the shareholders' meeting.

2. Basis of estimates for remunerations to employees, director and supervisors for the period, calculation for the number of shares eligible for stock dividends as employees' remunerations, and accounting

treatment of any discrepancy between the actual distributed amount and the estimated amount:

(1) Estimation basis for the period: The Company estimates remunerations to employees, directors, and supervisors according to the annual profits multiplied with the distribution percentage stated in the Articles of Incorporation. The board proposed the distribution of remunerations to employees for NT$3,594,614 and remunerations to directors at NT$1,797,307 for 2020.

(2) The Company did not distribute stock dividends for the period.

(3) Accounting treatment for any discrepancy between the actual distributed amount and the estimated amount for the period: At the end of a fiscal year and in case of material change to the distributed amount decided by the board, the change shall be recognized as the expenses for the year. If the amount is changed again by the resolution of the shareholders' meeting, the discrepancy shall be treated as change to accounting estimates and recognized during the year of the resolution by the shareholders' meeting.

3. Remuneration distribution approval by the board:

(1) Remunerations to employees, directors and supervisors in cash or stocks Difference in amounts, reasons and treatment of any discrepancy from estimated amount and recognized expenses for the year:

The board proposed the distribution of remunerations to employees for NT$3,594,614 and remunerations to directors at NT$1,797,307 for 2020.

(2) The amount of employees' remunerations issued with stocks and such as amount as a percentage of net incomes in the parent company's or the individual financial report during the period and as a percentage of the total amount of employees' remunerations: N/A

4、Actual distribution of remunerations to employees, directors and supervisors during the previous year (including the number of shares, amounts and share prices); any discrepancy from the recognized remunerations to employees, directors and supervisors; reason for such discrepancy and treatment:

Year: 2019; Unit: NT$

Item	Amount to be distributed according to the resolution of the shareholders' meeting	Amount to be distributed according to the proposal by the board	Difference	Reason for the difference
Directors' remunerations	326,243	326,243	0	–
Employees' remunerations	652,486	652,486	0	–

(IX) Implementation of repurchase programs (completed)

March 31, 2021

Program numbering	9th	10th
Purpose	Transfer of shares to employees	Transfer of shares to employees
Repurchase period	October 12, 2018 to December 11, 2018	March 20, 2020 to May 19, 2020
Price range	23.80-57.81	23.10-56.71
Repurchased shares by type and by number	Ordinary shares 3,000,000 shares	Ordinary shares 1,500,000 shares
Amount of the repurchased shares	NT$111,305,062	NT$52,511,865
Repurchased shares as a percentage of the program (%)	100	50
No. of shares cancelled and transferred	2,245,000 shares	0 share
No. of cumulative treasury shares	755,000 shares	1,500,000 shares
Cumulative treasury shares as a percentage of the Company's number of issued shares (%)	0.90%	1.79%

II. Corporate bonds

<table>
<tr><td colspan="2">Types of corporate bonds</td><td>Second issuance of secured convertible bonds in Taiwan</td><td>Third issuance of unsecured convertible bonds in Taiwan</td></tr>
<tr><td colspan="2">Issuance date</td><td>August 31, 2020</td><td>September 1, 2020</td></tr>
<tr><td colspan="2">Par value</td><td>NT$100,000</td><td>NT$100,000</td></tr>
<tr><td colspan="2">Place of issuance and trading</td><td>Issued in Taiwan and traded on Taipei Exchange</td><td>Issued in Taiwan and traded on Taipei Exchange</td></tr>
<tr><td colspan="2">Issued price</td><td>100% of the par value</td><td>100% of the par value</td></tr>
<tr><td colspan="2">Amount raised</td><td>NT$200 million</td><td>NT$200 million</td></tr>
<tr><td colspan="2">Interest rate</td><td>0% coupon rate</td><td>0% coupon rate</td></tr>
<tr><td colspan="2">Maturity</td><td>Three years, maturity date on August 31, 2023</td><td>Three years, maturity date on September 1, 2023</td></tr>
<tr><td colspan="2">Guarantor</td><td>Taiwan Cooperative Bank Ltd.</td><td>Taiwan Cooperative Bank Ltd.</td></tr>
<tr><td colspan="2">Trustee</td><td>Bank SinoPac</td><td>Bank SinoPac</td></tr>
<tr><td colspan="2">Underwriter</td><td>Taiwan Cooperative Securities Co., Ltd.</td><td>Taiwan Cooperative Securities Co., Ltd.</td></tr>
<tr><td colspan="2">Attorney</td><td>No share certificates required as no physical securities were produced</td><td>No share certificates required as no physical securities were produced</td></tr>
<tr><td colspan="2">Accountant</td><td>No share certificates required as no physical securities were produced</td><td>No share certificates required as no physical securities were produced</td></tr>
<tr><td colspan="2">Repayment methods</td><td>Unless bondholders convert their holdings into the Company’s ordinary shares according to Article 10 of the Regulations Governing the Issuance and Conversion of these convertible bonds, or the bonds are called before maturity according to Article 18, or the Company repurchases the bonds from securities brokers and subsequently cancels these bonds, the Company shall make full repayment in cash at the par value for all outstanding bonds upon maturity.</td><td>Unless bondholders convert their holdings into the Company’s ordinary shares according to Article 10 of the Regulations Governing the Issuance and Conversion of these convertible bonds, or the bonds are called before maturity according to Article 18, or the Company repurchases the bonds from securities brokers and subsequently cancels these bonds, the Company shall make full repayment in cash at 100.7519% of the par value (or 0.25% real yield) for all outstanding bonds upon maturity.</td></tr>
<tr><td colspan="2">Outstanding principal</td><td>NT$200,000,000</td><td>NT$188,300,000</td></tr>
<tr><td colspan="2">Call or early repayment clauses</td><td>Article 18 of the Regulations Governing the Issuance and Conversion of the Company’s second secured convertible bonds in Taiwan</td><td>Article 18 of the Regulations Governing the Issuance and Conversion of the Company’s third unsecured convertible bonds in Taiwan</td></tr>
<tr><td colspan="2">Covenants</td><td>None</td><td>None</td></tr>
<tr><td colspan="2">Name of the credit rating agency, rating date and ratings of the corporate bonds</td><td>None</td><td>None</td></tr>
<tr><td rowspan="2">Other rights attached</td><td>As of the print date of the annual report, amount of the ordinary shares converted (exchanged or shares subscribed), overseas depositary receipts or other marketable securities</td><td>None</td><td>A total of 273,103 ordinary shares converted up to date, for NT$11,700,000</td></tr>
<tr><td>Regulations governing issuance and conversion (exchange or share subscription)</td><td>Please refer to the Regulations Governing the Issuance and Conversion of the Company’s second secured convertible bonds in Taiwan.</td><td>Please refer to the Regulations Governing the Issuance and Conversion of the Company’s third unsecured convertible bonds in Taiwan.</td></tr>
<tr><td colspan="2">Possible dilution of equity and impact on the current shareholders’ equity due to issuance, conversion, exchange or share subscription and issuance conditions</td><td>There is no dilution before convertible bondholders ask to exercise their conversion rights. Bondholders may choose to convert at favorable time points during the convertible period. Therefore, the dilution is deferred and distributed. The outstanding principal of the convertible bonds is NT$200,000,000. At the current conversion price of NT$43.8, a total of</td><td>There is no dilution before convertible bondholders ask to exercise their conversion rights. Bondholders may choose to convert at favorable time points during the convertible period. Therefore, the dilution is deferred and distributed. The outstanding principal of the convertible bonds is NT$188,300,000. At the current conversion price of NT$42.84, a total of 4,395,424 ordinary shares will be issued if all bonds are converted. This translates into</td></tr>
</table>

Types of corporate bonds	Second issuance of secured convertible bonds in Taiwan	Third issuance of unsecured convertible bonds in Taiwan
	4,566,210 ordinary shares will be issued if all bonds are converted. This translates into the maximum dilution of 5.15% based on the Company's shares already issued and expected shares to be converted. The dilution to existing shareholders should not be material.	the maximum dilution of 4.98% based on the Company's shares already issued and expected shares to be converted. The dilution to existing shareholders should not be material.
Name of the custodian for the exchangeable underlying	N/A	N/A

Data of convertible bonds

Types of corporate bonds		Second issuance of secured convertible bonds in Taiwan		Third issuance of unsecured convertible bonds in Taiwan	
Item \ Year		2020	During the year and as of April 30, 2021	2020	During the year and as of April 30, 2021
Convertible bonds market price	Highest	118.80	127.50	106.55	125.25
	Lowest	109.90	116.00	99.50	105.50
	Average	113.87	121.56	102.21	113.76
Conversion price		43.80	43.80	42.84	42.84
Issuance date and conversion price at issuance		Issuance date: August 31, 2020 Conversion price at issuance: NT$46		Issuance date: September 1, 2020 Conversion price at issuance: NT$45	
Exercise of conversion obligations		Issuance of new shares		Issuance of new shares	

Note: No 2019 data as both convertible bonds were issued in 2020

III. Preferred shares: none

IV. Overseas depository receipts: none

V. Employee Stock Options Plan (ESOP):

(I) Update on employee stock options not yet mature as of the print date of the annual report and its impact on shareholders' equity: none

(II) As of the print date of this annual report, the names of the managers who have obtained employee stock options, and the top ten employees who have obtained the largest numbers of employee stock options and subscribed to shares: none

VI. Restricted shares to employees:

(I) Update on the restricted shares to employees with vesting conditions not yet fully satisfied as of the print date of the annual report and the impact on shareholder equity: none

(II) Names of the managers who have obtained restricted employee shares and the top ten employees with the largest number of restricted employee shares as of the print date of this annual report: none

VII. Issuance of new shares for M&A activities or acquisitions of other companies' shares: none.

VIII. Implementation of capital utilization plans

(I) Details of prior public issuances or private placements of marketable securities not yet completed or already completed during the most three years but benefits yet to be materialized: none

(II) Utilization of each aforesaid project, analysis on implementation and comparison with the benefits originally expected during the most recent quarter as of the print date of the annual report: none

V. Operations

I. Businesses

(I) Scope of businesses

1. Main activities
   (1) Manufacturing and distribution of a variety of molds and components
   (2) Manufacturing, processing and distribution of a variety of computer components, sewing machine components, camera components, auto and motorcycle components, machinery & hardware components, metal components, and plastic components
   (3) Processing of machine tools
   (4) Import/export, distribution and installation of a variety of domestic and overseas machine tools, materials, components, and automation electro-mechanical equipment
   (5) Import and export of the aforesaid items
   (6) Surface cleaning of hardware parts
   (7) All business items that are not prohibited or restricted by law, except those that are subject to special approval.

2. Main products and sales breakdown:

Unit: NT$1,000

Main products	2019		2020	
	Amount	%	Amount	%
Hard-disk drive components	584,749	27.94	744,513	32.4
Auto and motorcycle components	1,445,635	69.08	1,495,493	65.1
Others	62,396	2.98	55,569	2.5
Total	2,092,780	100.00	2,295,575	100.0

3. Current products
   (1) Hard-disk drive components
      A. Voice coil motor (VCM) for hard-disk drives
   (2) Auto components
      A. Gearbox components
      B. Car door locks and seats
      C. Hydraulic pumps
      D. Brakes
      E. Other stamping products

4. New products under development:
   Since inception, the Company has been dedicated to the development of new products and the enhancement of technology and quality. We strive to serve as a professional manufacturer of stamping components. Going forward, we will continue to develop high-capacity and miniature hard-disk drive components, and high-precision auto and motorcycle stamping components.

(II) Industry

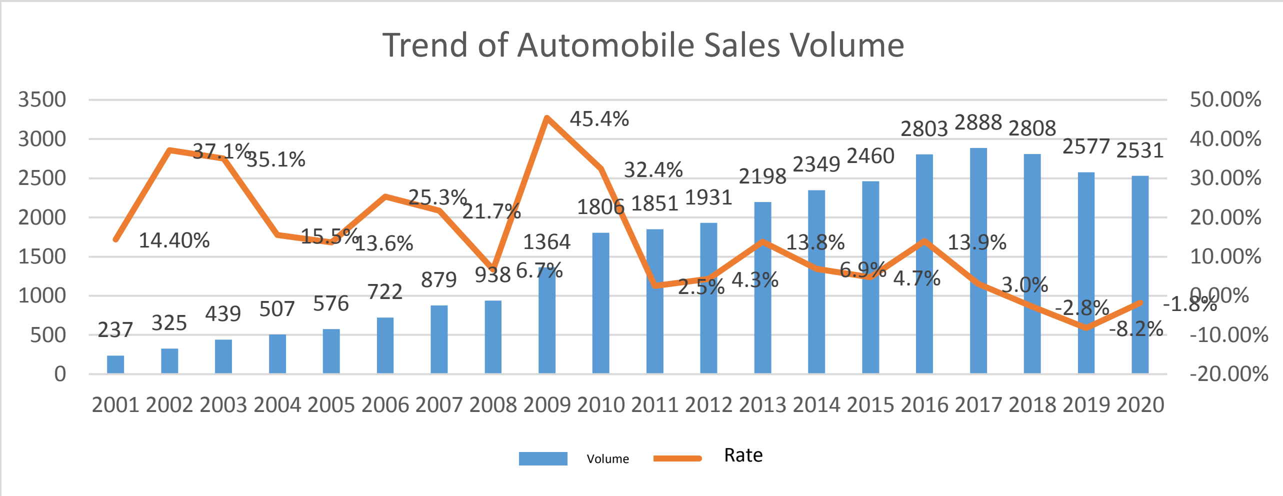
1. Current status and development of the industry

A. Hard-disk drive industry

HDDs are mainly used in the enterprise market and personal computers and notebooks for the consumer market. However, the growing popularity of tablets and smartphones has been eroding the market for personal computers and notebooks. As a result, the HDD shipment has been declining. That said, clouds, Big Data and Internet-of-Things (IoT) have demand for large-volume data storage. HDDs still have capacity and price advantage. However, the continued price reduction of NAND Flash will enhance the price-performance ratio of SDDs. This will pose a major threat on HDDs. Western Digital acquired Hitachi Global Storage Technologies, Inc. (HGST) and became the global leader in the hard-disk drive market. Soon after, Seagate acquired Samsung's hard-disk drive business. Western Digital, Seagate and Toshiba are the only three players in the marketplace.
Each hard-disk drive manufacturer has built their own walled ecosystems, with suppliers they work with on a long-term basis. Meanwhile, the technological barrier is high, certification is demanding and time-consuming for component manufacturers. It is, therefore, difficult for new entrants. To break into the supply chain. Known for outstanding technology, Taiwanese companies play a pivotal role in the global supply chain of hard-disk drives and are less likely to be phased-out by customers.

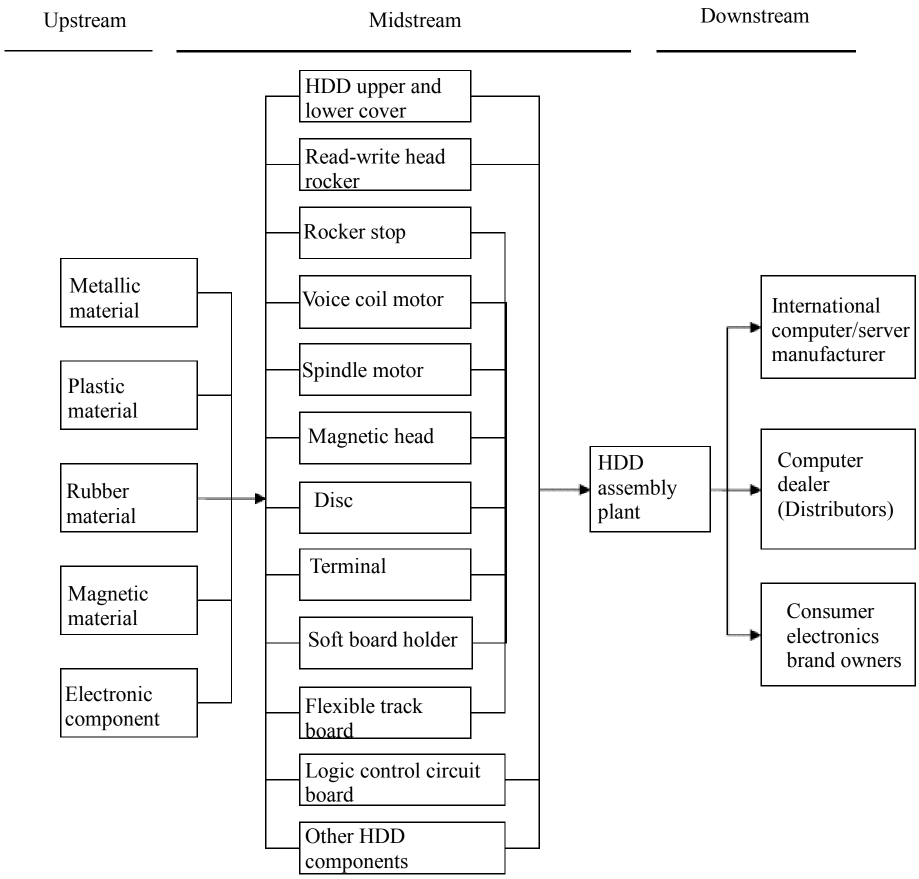
B. Automobile industry

In response to the 2020 pandemic, the Chinese government issued policies to stimulate domestic demand and consumption. According to data from the China Association of Automobile Manufacturers, the production and the sales of automobiles totaled 25.225 million units 25.311 million, respectively, in 2020, down 2% and 1.9% year-over-year. The reduction narrowed by 5.5% and 6.3% from the previous year. In general, the automobile industry fared better than expected. Shihua Chen, Deputy Secretary-General of the China Association of Automobile Manufacturers indicated that the smaller decline in the production and sales of automobile in 2020 year-over-year spoke of the industry's resilience and endogenous momentum. The monthly trend of auto production and sales suggests that the year 2020 started weak but finished strong. The market began to recover gradually in April, with year-over-year growth in monthly production and sales. "In December, the production and sales of cars posted growth for nine consecutive months." "As far as the market segments are concerned, the commercial vehicle segment led the recovery and posted significant annual growth. The passenger car market dropped for the year but the declined narrowed to below 6%. The monthly sales of passenger vehicles started to increase in September, and contributed to the market momentum more than the commercial vehicle segment. This indicates the recovery of consumers' demand. "
It is worth noting that the production and the sales of Chinese new energy vehicles in 2020 reached 1.366 million units and 1.367 million units, respectively, up by 7.5% and 10.9% year-over-year and reversing the downward trend from the previous year. He said, "The monthly trend of production and sales indicates that the new energy vehicle segment started to grow in July, at a greater pace each month and hit a record high in December." "
Looking forward, the Chinese auto market will continue to grow in 2021, with shipments likely to exceed 26 million units, up by 4% year-over-year. The sales of new energy vehicles may reach 1.8 million units, up by 40% year-over-year. "Electrification, intelligence, connectivity, and digitalization are accelerating the transformation and upgrade of the automobile industry. As the new energy vehicle segment will be driven by market instead of by policy, rapid growth is expected", said Shihua Chen.



2. Upstream, midstream, and downstream of the industry:

A. Hard-disk drives



B. Automobile industry

Auto and motorcycle components are for the assembly in the OEM market and the maintenance and replacement in the aftermarket. These components can be divided into metal components and non-metal components. Many industries are involved in this ecosystem: petrochemical, glass, steel, rubber, electrical machinery and electronics. This is the reason why the auto and motorcycle components can drive the development of basic and peripheral industries in a country. Below is an illustration of the upstream, midstream and downstream of the auto and motorcycle components industry:

Upstream	Midstream	Downstream
Plastics (rubber) industry Iron & steel industry Petrochemical industry Glass industry Electrical machinery industry Electronics industry	Auto and motorcycle components	Auto/motocycle OEMs Auto and motorcycle maintenance services

3. Product development trends

A. Light metals are increasingly one of the key materials for the structure of new consumer electronics products.

Given the global trend for light weight and energy efficiency, three light metals, i.e., aluminum, magnesium and titanium, and their alloys are gradually becoming key materials for the structure of next- generation products. They can compete with engineering plastics in terms of lightness, strength-to-weight ratio, rigidity, and durability. The components made with aluminum and magnesium are often lighter than plastic products. In addition to strengths and rigidity, light metals serve certain functions (such as aluminum/magnesium for heat dissipation and conductivity; titanium/aluminum for erosion resistance). This broadens the applicability of light metals. Meanwhile, light metals and alloys are much easier to recycle and reuse compared to plastics; as a result, they are increasingly the preferred materials for the structure of new generation of products amid the global trend for environmental protection.

B. The metal stamping industry will move towards equipment automation, high-speed production and high-precision products.

(A) Equipment automation

The manufacturing industries in Taiwan are faced with challenges such as labor shortage and rising wages. The traditional single-operation approach with high cost but low efficiency is no longer sufficient to cope with international competition today. Continuous production is required, such as the integration of single operations at different workstations into a continuous and automated workflow. This reduces the dependence on labor and lowers the inventory levels between different manufacturing processes. It is necessary to achieve higher throughputs and product value-added and lower costs in order to stay in the competition. With the advancement of software technology, program controllers and state-of-the-art sensors, mold design, processing and quality inspection are increasingly automated. Automation is the trend for the stamping industry going forward.

(B) High-speed production

The production efficiency of stamping is mainly a function of the processing speed of stamping presses and the precision of molds. To boost production efficiency, equipment of high stroke rates will be in demand. This combined with the design of multi-cavity molds can increase capacity by folds. Manufacturing yields can be enhanced with a variety of automated inspection devices and feeding systems. In sum, the speed of stamping production will be much higher in the future.

(C) High-precision products

Information, electronics and transportation industries are all asking for smaller, lighter and thinner products. Stamping will also become increasingly sophisticated, as a growing number of stamping components are required for the mechanical structure of consumer electronics products. The industry's competitiveness comes from equipment, speed of mold developments, quality and delivery. The requirement for mold precision is extremely high. Full-size inspections are conducted on each component. Key size confirmations are made after assembly. High-precision metrology equipment is, therefore, a must.

4. Product competition

There is a large number of producers of stamping components. In fact, the products made with molds and stamping can be found in a wide range of applications in electronics, automobile and machinery industries. Different manufacturers are involved in different products. Therefore, it is difficult to obtain market share related data. As far as the Company's current focus and development of consumer electronics and auto/motocycle products are concerned, main competitors are 安特科技 from Indonesia, Min Aik Precision Industrial Co, Ltd. and Fine Blanking & Tool Co. Ltd. from Taiwan. We are the only company with years of experience in mold development and multiple advanced automated machines to meet with different requirements of customers. The Company's main clients are leading OEMs, as our products and technology are well recognized. We are highly competitive compared to peers.

(III) Technology and R&D

1. R&D expenses during the most recent year and as of the print date of the annual report:

Unit: NT$1,000

Note: not reviewed by external accountants

Item \ Year	2020	As of April 27, 2021(Note)
R&D expenses	56,129	17,719
R&D as percentage of sales (%)	2.45%	2.83%

2.Technology or products successfully developed during the most recent year (2020):

Year	Product	Product application and description
2020	Stamping technology for production of bicycle chainrings	The transmission system of bicycles are chains running on the chainring. The system uses multi-speed gear and an index shifter. To enable the speed of shifting and gear change, there are certain features required on the chainring. These features are achieved with the use of stamping products.
	Composite molding with pressing & drawing	Product design is becoming increasingly complex over recent years. In addition to precision stamping, cold forging and drawing, multiple techniques are required these days to meet product needs. The Company develops composite molding technology and performs finite element analysis (FEA) to accommodate the requirements for a variety of products. This raises the bar for technology and products.

(IV) Long-term and short-term development plan

1. Short-term development plan

①China Fineblanking Technology in Taiwan serves as the R&D hub, working with the production systems of overseas subsidiaries and developing high-value added products via cooperation with domestic and foreign leading players.

② We proactively develop new clientele in Taiwan and overseas and expand our footprint in the auto products market.

③We seek to enhance services to existing customers to maintain long-term cooperation and achieve win-wins.

④We create service advantage by leveraging the geographic proximity of overseas subsidies to customers.With robust quality assurance measures and continued control over production progress, we strive to meet customers' needs by keeping up our production and quality.

⑤Without affecting our profitability, we raise funds with rights issues or bank loans in a timely basis to meet the capital requirement for expansion.

⑥We balance between funding flexibility and security and where appropriate, seek to create financial profits.

2. Long-term development plan

①We plan for expansions. To reduce operating risks, obtain a cost advantage and enhance competitiveness, we will diversify production bases and expand production scale with international division of labor. This is to meet with overseas market requirements of customers so that we create win-wins for ourselves and customers.

②We stay abreast of market movements, continue to invest in R&D, and constantly improve product quality. We develop the new generation of products in order to maintain market leadership and create new business opportunities.

③We access funding from the capital market and strengthen our financial capability to respond to business cycles and support our future growth. Support of our future growth

II. Market, production and distribution

(I) Market analysis

1. Main products (services) market:

Unit: NT$1,000

Year / Market		2020		Segment					
		Sales	%	HDD		Auto		Others	
				Sales	%	Sales	%	Sales	%
Domestic sales		1,424,987	62.08	0	0	1,403,809	93.87	21,178	82.83
Overseas sales	Asia	774,513	33.74	774,513	100.00	0	0	0	0
	Europe	83,339	3.63	0	0	78,949	5.28	4,390	17.17
	Other countries	12,736	0.55	0	0	12,736	0.85	0	0
	Subtotal	870,588	37.92	774,513	100.00	91,685	6.13	4,390	17.17
Total revenues		2,295,575	100.00	774,513	100.00	1,495,494	100.00	25,568	100.00

2. Market shares

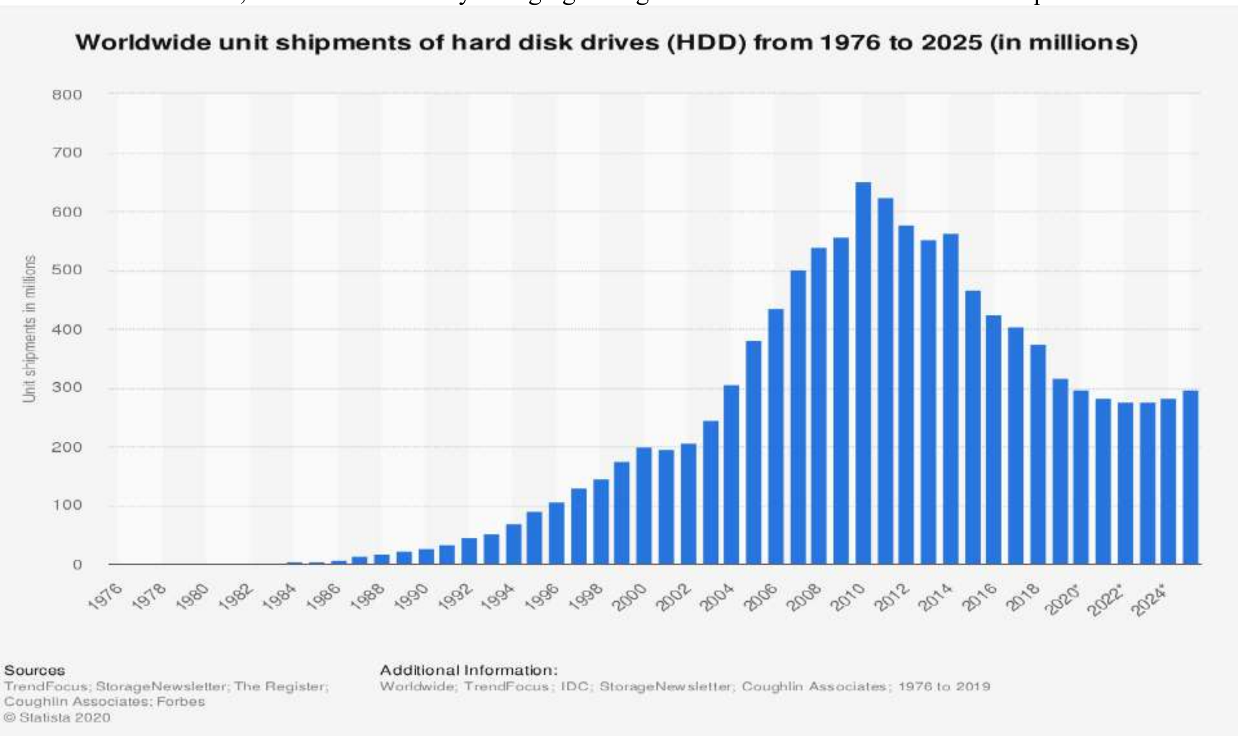
The Company is a specialist supplier of hard-disk drive components and stamped parts for automobiles and motorcycles. Given the extensive application of stamped metal parts, the Company's products are used in different industries and come in a variety of materials and specifications. Average selling prices depend on the end products. Meanwhile, other stamping service providers in Taiwan are small in scale, it is difficult to obtain the data on market sizing.

3. Demand, supply and growth prospects

A. Hard-disk drive market

(A) Traditional hard-disk drives (HDDs) and solid-state drives (SSDs)

The hard-disk drive market consists of traditional hard-disk drives (HDDs) and emerging solid-state drives (SDDs). HDDs access data with magnetic heads controlled by voice-coil-motors (VCMs). The access speed and hard-disk service life are subject to the stability of the contact point between a magnetic head and a voice-coil actuator affects. In other words, VCMs are pivotal to the reliability of hard-disk drives. In contrast, SSDs do not use VCMs to control magnetic heads for data access. Rather, SSDs record data by changing voltage values and hence no VCMs are required.



(B) Trends in the global hard-disk drive market

HDDs are primarily used in personal computers and notebooks. Given the evolution of storage technology and environment, SDDs are starting to erode the market share of HDDs. This is also due to declining shipments of personal computers and notebooks and the increasing penetration of tablets and smartphones. Meanwhile, the advancement of network transmission speeds has been driving the demand for storage capacity sitting in light and compact notebooks and tablets. Therefore, SDDs have been gaining popularity with advantage in high-speed transmission. The announcement from Microsoft to stop supporting updates of WindowsXp from April 8, 2014 is expected to create replacement demand for personal computers and notebooks. Given the emergence of Big Data and the rising demand for cloud storage have seen mushrooming of data centers set up by large companies. Given the capacity and price advantages, HDDs still have a dominate presence in the marketplace for personal computers, notebooks and clouds. The low cost for HDDs means market acceptance in these segments where price competition is fierce. In other words, HDD shipments are expected to drop somewhat but HDDs will maintain a market presence. According to Statista, the global shipment of hard-disk drives in 2013~2020 was 551.96, 563.94, 468.73, 425.8, 404.2, 375.56, 320.04, and 296.22 million units and is expected to reach 283.37 million units in 2021.

The continuing cost reduction of NAND Flash will gradually gain advantages for SSD in the price-performance ratio. By that time, the market share of HDDs will be under threat.

(C) HDD prices stabilize due to market oligopoly

In March 2011, Western Digital acquired Hitachi’s hard-disk drive business. In April, Seagate acquired Samsung’s hard-disk drive business. This left the market with three players only: Western Digital, Seagate, and Toshiba. The oligopolistic structure of the hard-disk drive market after industry consolidation has reduced pricing pressure. Hence, HDDs enjoy a relatively stable pricing environment. After the acquisitions, Western Digital and Seagate combined have over 80% market shares. The data from Statista indicate the global HDD shipment totaled 296.22 million units in 2020. These numbers provide the historical shipments from 1976 to 2020 and forecasts up to 2025. The global shipment of HDDs in 2020 declined to 296.22 million units. The shipment of large capacity hard-disk drives for corporate customers will grow, albeit at the lowest rate than forecasted. Shipments of hard-disk drives for consumers and external hard-drive disks are expected to decline.

(D) Higher penetration of SSDs for notebooks expected

SSDs use NAND Flash as the storage media. The absence of mechanical structures that wear and tear means SSDs are not bounded by mechanical or physical constraints that HDDs have. SSDs are ideal for mobile and handheld devices given the speedy data access and the absence of noise caused by rotations, heat generated by motors, read heads vulnerable to vibrations, or weight brought by mechanical structures. Also, the low power consumption and high reliability of NAND Flash avoids the problem of heat dissipation and the nose from fans. In sum, SDDs have higher reliability than HDDs but the cost is still too high.

According to the newsletter issued by the Taiwan Electrical and Electronic Manufacturers' Association (TEEMA) quoting TrendForce's research DRAMeXchange, the average contract price for mainstream capacity PC-Client OEM SSD in the first quarter of 2016 was down 10~12% from the fourth quarter of 2015. The same price for TLC-SSD was down 7~12% quarter-over-quarter. DRAMeXchange forecasts the price gap between 128GB SSD and 500GB HDD will fall below US$3 and the price gap between 256GB SSD and 1TB HSDD will fall below US$7 by by the end of 2016. In brief, the price-performance ratio of SDDs will become increasingly attractive. DRAMeXchange indicates that SDDs saw significant price increase in 2017. PC OEMs became more conservative in SDD procurement in the second half of 2017 than previously planned. As a result, the average SSD penetration rate for notebooks in 2017 was only 45%, lower than anticipated. That said, the PCIe SSD penetration rate may quickly go up to 50% in 2018.

The year 2018 saw the NAND Flash price almost halved. The price on the wafer level fell further in 2019 by over 15% to below US$0.1 per GB due to increased uncertainty in the end-market demand due to the US-China trade war, postponement of personal computer and server shipments as a result of Intel CPU shortage.

As SSD prices continue with the downward trend, the market demand rises significantly. SDD penetration rates continue to go up in notebooks, data centers and servers. This means an expanding market value for SSDs. According to forecasts by the market research firm IDC (International Data Group), the global SSD market size is expected to reach US$23 billion in 2019 and US$44.7 billion in 2023.

In sum, HDDs and SSDs are on two very different trajectories. SSD prices are expected to dive but the whole market size will continue to grow and benefit the companies across the supply chain. In contrast, the HDD market depends on the relatively stable demand from clouds and Big Data. Life will be harder for HDD industry players.

B. Auto components market

(A) Summary for the domestic market

The COVID-19 outbreak in 2020 was a heavy blow to all industries all over the world. The automobile industry was particularly hit hard. The supply chain was disrupted and production lines around the world were suspended. Demand dropped. As result, the global auto production is expected to shrink by over 20%. The car markets in France and Italy took the heaviest blow, with a decline of about 25%. China as the world's largest car market is expected to decline by c. 15%. As the complete car output in China doubled during the past decade and reached 25.7 million units in 2019, the production of auto parts emerged, with most products going overseas, mainly to the U.S., Japan, South Korea and Germany. The COVID-19 pandemic may be a catalyst for the accelerated transformation of auto OEMs and component suppliers. After all, technology integration and electrification are the mega trends for the future. Thanks to the growth of commercial vehicles, the car market in China did not suffer drastic decline. In 2020, the production and sales of passenger cars were 19.994 million units and 20.178 million units, respectively, down by 6.5% and 6% year-over-year. Both the production and sales of commercial vehicles exceeded the 5 million mark for the first time in 2020, with production at 5.231 million units and sales at 5.133 million units, up by 20.0% and 18.7%, respectively, year-over-year and reversing the downward trend. Trucks are the main contributor of the growth in the commercial vehicle market.

The collective market share of domestic-brand passenger cars was 38.4% in China, down by 0.8% from the previous year. Whilst the collective market share of domestic brands dropped in the Chinese passenger car market in 2020, SAIC, Geely, Changan, and Great Wall in aggregated shipped 4.333 million passenger cars, accounting for 65% of the Top 15 makes. This suggests the power of brand equity.

In 2020, China's export of cars dropped. China's export of cars totaled 995,000 units for the year, down by 2.9%. The export of commercial vehicles was 760,000 units, up by 4.8% and the export of passenger vehicles was 235,000 units, down by 21.4%.

The total production value of the Taiwan automobile industry continued to grow, reaching the record high of NT$663.7 billion in 2014. The total production value in 2020 was NT$622.7 billion, down by 1.47% and contributing to 4.89% of the manufacturing industries in Taiwan. In sum, automobile is an important industry in Taiwan.

The production value of the car sector peaked at NT$230.9 billion in 2005 and totaled NT$170.5 billion in 2020, up by 1.89% year-over-year. The production value of the motorcycle sector totaled NT$55.7 billion in 1995 and NT$63.5 billion in 2020, up by 9.92% year-over-year. The production value of the bicycle sector peaked at NT$65 billion in 2019 and totaled NT$58 billion in 2020, down 10.69% year-over-year. The production value of the car components sector peaked at NT$234.2 billion in 2015 and totaled NT$202.6 billion in 2020, down by 9.00% year-over-year. The production value of the motorcycle components sector peaked at NT$51.2 billion in 2014 and totaled NT$50.7 billion in 2020, up by 9.92% year-over-year. The production value of the bicycle components sector totaled NT$72.2 billion in 2019 and NT$77.3 billion in 2020, up by 7.49% year-over-year.

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Annual Production and Sales of Automobile Industry

Year/sector	2020	2019	2018	2017	2016	2015	2014	2013	2012
Car sector/growth	1,705 / 1.89%	1,674 / 0.24%	1,670 / -8.79%	1,831 / -3.92%	1,906 / -8.40%	2,081 / -6.09%	2,216 / 17.50%	1,886 / -0.42%	1,894 / -1.7
Motorcycle sector/growth	635 / 9.92%	578 / 8.88%	531 / -12.23%	605 / 13.72%	532 / 8.23%	491 / -2.21%	502 / 5.91%	474 / 4.64%	453 / -2.16
Bicycle sector/growth	580 / -10.69%	650 / 27.04%	512 / 8.94%	470 / -8.74%	516 / 17.12%	622 / 16.99%	532 / -0.37%	534 / -5.99%	568 / 6.9
Car components sector/growth	2,026 / -9.00%	2,226 / -1.37%	2,257 / -2.55%	2,316 / 1.61%	2,279 / -2.68%	2,342 / 0.26%	2,336 / 5.37%	2,217 / -2.03%	2,263 / 0.6
Motorcycle components sector/growth	507 / 9.92%	473 / -3.93%	492 / -3.53%	510 / 2.62%	497 / -2.81%	511 / -0.12%	512 / 3.02%	497 / 7.58%	462 / 1.76
Bicycle components sector/growth	773 / 7.49%	722 / 9.23%	661 / 15.36%	573 / 7.21%	535 / -4.40%	559 / 3.58%	540 / 9.76%	492 / -5.38	520 / 3.69
Total/growth	6,227 / -1.47%	6,322 / 3.27%	6,122 / -2.90%	6,305 / 0.66%	6,264 / -5.19%	6,607 / -0.46%	6,637 / 8.79%	6,101 / -0.94%	6,159 / 0.5
As % of Manufacturing Industries	4.89%	4.78%	4.36%	4.84%	5.09%	5.14%	4.60%	4.38%	4.43%

NT$100m

Source: Online inquiry system of Ministry of Economic Affairs; Taiwan Transportation Vehicle Manufacturers Association Car components exclude car electronics.

The car component sector in Taiwan is known for strengths in flexible manufacturing at a large variety and small volumes. As the industry players continue to invest in R&D and production technology, the sector has gained international competitiveness.

Despite the ups and downs of the domestic market for complete cars over recent years, the car components sector continue to enhance competitiveness and expand annual exports. The sector's export value reached a record high of NT$214.9 billion in 2017, up about 1.70% year-over-year. The export in 2020 dropped 10.26% to NT$192.7 billion due to the pandemic.

Exports of Car Components from Taiwan

Year	2020	2019	2018	2017
Amount	1,927	2,148	2,147	2,149
Growth	-10.26%	0.02%	-0.11%	1.70%

NT$100m

Source: Customs data of imports/exports; Taiwan Transportation Vehicle Manufacturers Association

In addition to meeting the domestic demand for car repair and maintenance, car components manufactured in Taiwan are mostly exported. The key products for the aftermarket include auto lamps, bumpers, rear view mirrors, tires and components, interior/exterior rubbers and plastic parts, and car body parts.

Car components made in Taiwan are mostly sold to Europe, the U.S., and Japan. However, the sector's production value in 2020 is expected to drop 3.8% to NT$212.96 billion due to the second wave of COVID-19 and the exchange losses resultant from US dollar depreciation. In 2021, the rollout of vaccines and quotation adjustments from manufacturers are likely to contribute to a rebound for the car components sector. The production value is forecasted to grow 4.8% to NT$222.79 billion, with a slow start and a strong finish for the year.

The top five overseas markets for Taiwanese suppliers are the U.S., Japan, China, the U.K., and Germany. The U.S. market contributes to an increasing percentage of Taiwan's exports. The U.S. market is accounting for an increasing share of Taiwan's exports, from NT$82.76 billion in 2109 (or 48.8%) to NT$87.627 billion in 2020 (or 49.1%).

Auto components manufacturers in Taiwan look more competitive than auto OEMs from Taiwan in the global market. This is primarily due to the limited size of the Taiwan auto market. Component makers need to reach out to overseas markets in order to achieve economy of scale. To survive and thrive in others' territories, it is necessary to have competitive technology and cost structure.

(B) Global auto market

COVID-19 ravaged the world in 2020 and devastated the auto markets in different geographies.

As shown by recently released data, nearly 80% of the countries suffered declined in the car market in 2020. In Europe, the UK, France, Italy and Spain witnessed over 25% decline from 2019. The Spanish market suffered the largest drop, at 32%. In the U.S. and Japan, auto sales also went down in 2020 by different levels.

The UK saw the sharpest decline over the past 77 years.

On January 5, the press release by the SMMT (Society of Motor Manufacturers and Traders) indicated that auto sales dropped to 1.63 million units in 2020, down by nearly 29%. It was the largest decline since 1943. In the UK market, diesel cars accounted for 1/5 of the market sales. BEV (battery electric vehicle) and PHEV (plug-in hybrid electric vehicle) were about 1/10 of the total sales.

SMMT CEO Mike Hawes said, “”We lost nearly three quarters of a million units over three or four months, which we never got back.” “It was particularly hard hit by a 97% fall in April, the first full month of a national lockdown.”

SMMIT indicated that the auto industry in the UK will experience post-Brexit problems in 2021. On December 24, 2020, the UK and the European Union reached the post-Brexit trade agreement. This avoids the immediate levy of tariffs and disruption of production, but the auto industry is still faced with rising trade costs.

On January 4, 2021, England and Scotland announced another lockdown, posing an even greater challenge to the auto industry. SMMT forecasts that new registrations will fall below 2 million units in 2021.

Many countries in the European Union suffered dramatic declines in sales.

The pandemic was a heavy blow to the auto market in many countries in Europe in 2020. In France, new registrations totaled 1.65 million or so, down 25.5% from the previous year. New registrations in Italy stood at 1.3815 million units, down 27.9% year-over-year. In Spain, the decline was 32%.

The ANFAC (Asociación Española de Fabricantes de Automóviles y Camiones) in Spain indicated that COVID-19 was a strain to the car market. New registrations were only 851,211 in 2020, down by 32%.

“It is still too early to say whether auto sales will rebound in the first half of 2021.” ANFAC said that whether the auto industry can recover depending on the development of the pandemic and the economy. Faconauto (Federation of Automotive Dealers Associations) in Spain even expects no recovery before 2022. ”

CCFA (Comité des Constructeurs Français d'Automobiles) indicates that the French government provided billions of Euro in June last year to bail out the car industry. This incentive program will be extended to July 1, 2021, hoping to revive the market after the second wave in autumn 2020.

It is worth noting that the pandemic continues to wreak havoc in Europe. Germany just announced to extend the lockdown until January 31. As part of the new lockdown measures to curb the spread of COVID-19, the German government demanded the closing of car showrooms. Dealers can only sell online for the moment.

Thomas Peckruhn, Vice-president of ZDK (Deutsches Kraftfahrzeuggewerbe Zentralverband, German Federation for Motor Trades and Repairs), said in the press release that dealers have expanded and enhanced online selling capability over past months. They are now doing everything they can online to reach customers. However, Mr. Peckruhn noted that the extension of the lockdown for dealers will result in catastrophic consenquences for the important spring sales in the auto industry.

The U.S. car market hit the 10-year low.

In 2020，the new registrations of light-duty vehicles (including passenger cars and pickup trucks) in the U.S. declined 14% year-over-year to 14.6 million units, the lowest level since 14.49 million units in 2012. This also puts an end to the run-rate of over 17 million units in the U.S. market for the prior five consecutive years.
The dwindled sales in 2020 spoke of the difficult year for the auto market – from the shutdown of factories for the entire industry in spring, rising prices of new and preowned cars, and change of the purchase method by Americans. According to the sales analysis and reports by multiple carmakers, the auto market in the U.S. was relatively active toward the end of 2020. This gives the reasons to be hopeful of the recovery of the car market in 2021 from the pandemic.
Elaine Buckberg Chief Economist at General Motors, said, “”We look forward to an inflection point for the U.S. economy in spring”. The increasing inoculation rates and the warmer weather should allow consumers and corporates to resume normal activities, and boost the job market, the consumer confidence and the auto demand. ”
In the meantime, the Japan auto market also suffered a dramatic decline. According to the data from the JAMA (Japan Automobile Manufacturers Association), the new registrations in Japan were about 4.5986 million in 2020, down 11.5% year-over-year, and the decline continued to narrow.
It is worth mentioning that the Korean market enjoyed about 4.8% growth in 2020, with new registrations totaling 1.607 million units. Among this, the total registrations of passenger cars were 555,000 units, up 5.4% or so from the previous year. The growth last year in Korea was attributable to the government’s break on individual consumption tax for the automobile market.
Understandably, many research institutes expect a global rebound in 2021. The market research firm IHS Markit indicated that the global sales of light-duty vehicles (including passenger cars and pickup trucks) dropped 15% year-over-year to 76.5 million units in 2020 due to COVID-19. The market in 2021 is expected to grow 9% to 83.40 million units.
IHS Markit also pointed out the launch of online sales and zero-contact payments partially compensated the losses in many auto markets due to COVID-19. The global auto demand in 2021 is set to recover from the dip in 2020, particularly in China and the U.S. as the two largest markets. All industries around the world have been affected by the pandemic. The 2020 was indeed a special year for all companies. As shown by the most recent data of the different car markets, many markets witnessed a dramatic decline last year. The countries (such as Taiwan) with good control over the virus saw muted influence on car sales.

© Auto parts manufacturing industry in China

In 2020, COVID-19 occurred as the black swan event and pushed the already stressed global auto industry to be brink. Auto components makers suffered an even heavier blow compared to OEMs. Topline declines and bottom line losses were commonplace.

The auto industry first saw the disruption of the supply chain in the first half of the year. This was followed with the crisis of chip shortage during the second half of the year. Both resulted in sweeping impacts on the industry. Fortunately, the global auto demand gradually picked up in the second half of the year. Most auto component manufacturers slowly climbed from the trough. The production was first resumed throughout China, as a result of infection prevention and control. As China is the largest OEM market in the world, it was a great support for Chinese parts makers and multinational component manufacturers selling into China.

M&As and carve-outs in the auto parts industry continued, amid the pandemic. As the pandemic has become the new norms, changes in the industry deepen the sense of crisis for auto parts companies. The heated discussion of software-defined vehicles and the buzzwords in the capital market such as electrification and intelligence are accelerating the transformation of the auto parts industry, particularly for the long-established names. The growing popularity of smart cars is bringing tech and software companies into the game, and speeding up the restructuring of the auto parts industry. As the 2020 is reaching an end, it is time to review what has happened in the auto components industry.

■ Keyword 1: Death of the supply chain

COVID-19 crashed the auto supply chain that was seemingly robust in the good old days. This was particularly the case in the first few months of the pandemic. Lockdowns in many countries and regions caused massive disruptions of the global auto supply chain and headaches common to industry players. This has promoted the industry to reflect on the security and challenged the interdependence of the global auto supply chain.
Meanwhile, the pandemic highlights the problems of the auto supply chain in China – big but not strong, with shortcomings and chokepoints. Studies show that 70% of the production equipment for Chinese OEMs are imported. About 80% of production equipment for engines and gearboxes are imported. Approximately 90% of the instruments for R&D, tests and inspections are imported. Nearly 100% of the special function materials are imported. This is the reason why industry players advocate the leverage of new energy and smart technologies as the breakthrough points to complement and strengthen the supply chain.

■Keyword 2: Paying for software

The industry's discussion of software-defined vehicle gathered momentum this year. This provides a great opportunity for software companies, as well as tech players in radar, semiconductor and high-precision maps to enter the game. Meanwhile, OEMs including Volkswagen, Toyota, SAIC, Great Wall and Changan are all working on software.
The revolution of auto software is dismantling the rock solid, century-old supply chain of fossil fuels. The rulebook governing the roles and relations of OEMs and component makers is being rewritten. New business models are emerging. The time has come for paying for software (represented by OTA, over-the-air). Tesla pre-installed AutoPilot software in 2016. Users can decide whether they would like to activate the applications based on their needs. Tesla has been generating revenues via OTA upgrades. This has become an important part of the business model. Daimler and Ford are also developing ways of charging for software. The traditional business model for auto parts is seeing tremendous changes.

■Keyword 3: Chip shortage

The global shortage of chips has finally hit the auto industry. A few OEMs have suspended production due to chip shortage. For instance, Volkswagen recently indicated that the pandemic has affected the chip supply for certain auto electronics components. Meanwhile, the full recovery of the Chinese market is pushing up demand. All these factors contribute to the chip shortage and the risk of production suspension for some OEMs.
As intelligence and electrification continue in the auto industry. Chips are finding their ways to a growing variety of applications in cars. In other words, chips are increasingly important. Many companies are experiencing chip supply tightness, disruption or price hikes. However, uncertainty remains in the pandemic. NXP, Texas Instrument, Infineon, Renesas and STM who collectively have the lion's share of the global auto chip market may suspend production due to COVID-19 at any time. In China, the demand for high-end auto chips is met by imports. The chip shortage is another grim reminder that China should develop its own high-end chips.

■Keyword 4: Marginalization of multinational components

The four mega trends are gradually changing the landscape of traditional auto parts industry. Software and tech firms are increasingly focused on the auto supply chain. Batteries, electric-machinery and electrical control suppliers are becoming more and more influential given their pivotal role in new energy vehicles.
Component suppliers are at a disadvantage in face of OEMs in the fossil fuel era. However, this situation is different for new energy vehicles. OEMs are more than willing to bundle with battery manufacturers to ensure a stable supply of batteries. For instance, CATL has become the leading battery supplier to Mercedes-Benz. BYD and Toyota have established a joint venture. Daimler invested in Farasis Energy. Volkswagen increased its stake in Guoxuan High-Tech. All these activities highlight the importance of battery suppliers. It is hardly surprising many industry players bet on new energy vehicles as the breakthrough point for the Chinese auto parts industry.
Startups aiming to make cars more intelligent are mushrooming in Silicon Valley in the U.S., Germany, Israel, and China. Tech heavyweights including Google, Baidu, Apple, and Huawei have all jumped on the bandwagon, to compete with multinational component leaders such as Bosch, Continental, and ZF Friedrichshafen.

■ Keyword 5: M&As and carve-outs for upgrade

Traditional auto parts manufacturers are experiencing the largest and toughest transformation and upgrade in face of the four mega trends. Continental and ZF Friedrichshafen have recently announced their strategic plans for the next few years, with an emphasis on new energy, connectivity,

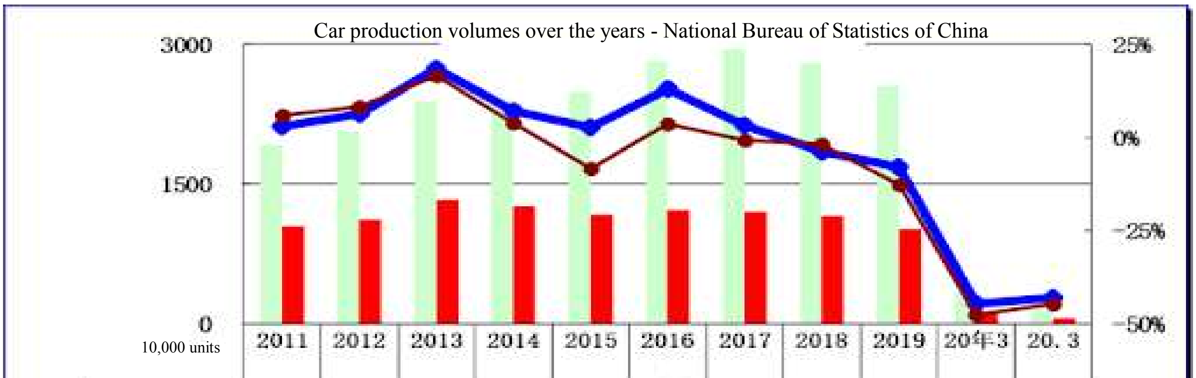
autonomous driving, software and digitalization.
M&As and carve-outs are still ongoing. BorgWarner took over Delphi Automotive for US$3.3 billion. ZF Friedrichshafen acquired WABCO for US$7 billion. Infineon also completed the acquisition of Cypress for Euro 9 billion in April 2020. Some companies chose restructuring by spinning out, via initial public offers, of the businesses with better prospects. LG Chem recently announced the carve-out of its battery business (as a 100% owned subsidiary), in order to cover its market value.

■ Keyword 6: In-sourcing

The disruption of the global auto parts supply due to COVID-19 presented opportunities for Chinese OEMs to pursue in-souring, instead of relying on multinational suppliers. Meanwhile, Tesla continues to source components in China. Ningbo Xusheng Auto Technology, Huayu Automotive Systems, Fuyao Glass, Joyson KSS Auto Safety, and Ningbo Huaxiang Electronic have generated considerable revenues by supplying to Tesla.
According to the forecasts by CAAM (China Association of Automobile Manufacturers), the demand for commercial vehicles is driven by “New Infrastructure”, phase-out of old and tired vehicles, and policy measures such as speed limits. The Chinese market for commercial vehicles is expected to exceed 5 million units, a record high level. The vibrant commercial vehicle market is an opportunity for relevant component suppliers. Diesel engines, gearboxes, axles, lubricants and diesel exhaust fluids used for commercial vehicles all bucked the trend and posted growth in 2020. In addition, the promulgation of certain regulations has been driving the demand for components such as disk brakes, air suspension and the warning system for friction liners in the commercial vehicle market.

I. Scrap system for cars less than straightforward; preowned car market still promising

Scrapped cars attract a lot fewer eyeballs than new cars in the marketplace. In fact, a good scrap system for cars enhances traffic safety by reducing the number of aged cars on the road, boosts sales and fosters the upgrade of the auto market.
Article 1 of the Implementation Measures for Acceleration of Phaseout of Aged Vehicles advocates an orderly overhaul of the scrap system. The regulations allow for reuse and rework of the five assemblies from scrapped vehicles. Where possible, appropriate subsidies will be provided to the car-owners phasing out cars with China-III emissions or lower and purchasing new cars from certain market platforms. ”
Dong Dajian, Deputy Director of the Information and Software Services Department of the Ministry of Industry and Information Technology commented on the Chinese auto market in 2019. “Many positive factors contributed to the development of the car industry this year. The national economy continued to grow in quality and quantity. Emission standards were enhanced. The implementation of the New Energy Vehicle Points System and the rapid development of intelligent and connected cars are paving the way for high-quality development of the car industry in China.



10,000 units	2011	2012	2013	2014	2015	2016	2017	2018	2019	20年3	20. 3
Car production volume	1919	2060	2387	2390	2484	2819	2994	2797	2553	347	146
Passenger car production volume	1045	1119	1330	1253	1170	1224	1199	1160	1018	130	55
Car market growth	3%	6%	18%	7%	3%	13%	3%	-4%	-8%	-45%	-43%
Passenger car market growth	6%	8%	17%	4%	-8%	4%	-1%	-2%	-13%	-48%	-45%

(D) Development trends

A report by PwC suggests that the global auto industry is in for massive change by 2030. By 2030, the fleet size in Europe is expected to reduce from 280 million to 200 million units. In the U.S., the number will drop from 270 million to 212 million over the same period. In comparison, the fleet size in China will increase from the 180 million to 280 millions units for the same period. In China, car sharing and autonomous driving is growing much faster than in the west. China will be the leading market for the transformation of cars.

The report also indicates the following five trends for the transformation of the global auto industry:

I. Electrified ─ Zero emissions will be a global initiative. The power for electric vehicles will come from renewable energy, so that mobility does not produce carbon emissions.

II. Autonomous ─ The rapid development of artificial intelligence, machine learning and deep neural networks is making autonomous driving a reality. No human intervention will be required even if a highly complex traffic situation. This will redefine the use of personality mobility platforms.

III. Shared ─ The development of autonomous driving is making sharing an economically viable concept. Users no need to search for shared vehicles in the proximity. Rather, car sharing will be an easy on-demand service.

IV. Connected ─ This word represents two ideas. On one hand, it is about Car2Car and Car2X communication, i.e. the connectivity between vehicles or with traffic infrastructure (e.g., traffic lights). On the other hand, it refers to the connectivity between passengers and the outside world. In the future, passengers will be able to communicate, work, browse webpages and use multimedia apps when on the road.

V. Yearly updated ─ The life cycle of auto products was about five to eight years in the past. However, the trends for electrification, autonomous driving, connectivity, and sharing are accelerating the innovation of auto products, and shortening the product lifecycles to annual updates for the integration of the latest hardware and software. Given the high cost of new cars, users naturally will not purchase new cars each year. Short cycles of innovation will be achieved primarily via regular updates of shared vehicles.

4. Competitive niches

A. Speed of mold development and advantage in capacity to meet procurement needs of customers
As a professional press forging company for high-precision metal products, the Company's core value sits in the capability in mold design. Precision and mold development speed are critical to capacity ramp-ups. Customers typically provide a design concept or drawings. At this juncture, Engineering Department can provide preliminary design suggestions via collaborative development with customers, and produce samples quickly for functionality test and verification by customers. By leveraging the trial production experience, the Company can quickly and precisely provide sample molds for certification by customers and proceed with scale production. This saves customers the troubles of looking for mold vendors and alternative capacities.

B. Stable customer relations and order flows
With years of experience in precision and continuous stamping, the Company is known for technology, quality, after-sale services and prompt deliveries. We have a stable clientele, as we are highly recognized by many companies in Taiwan and overseas, including leading international players. The Company has established long-term or partnership relations with key customers via the sharing of market intelligence and the development of products. We work with our customers in market development by exchanging thoughts and requirements. As the forging and stamping of metal products rely on the forging and stamping of molds, and molds are retained by the forging and stamping companies, the mastery of molds ensures orders from customers. Based on this industry characteristic, the Company has established a competitive niche.

C. Vertical integration to ensure cost control
The Company has long-standing experience in forging, stamping and mold development and the capability in the integration and planning of manufacturing processes, from mold design, stamping to electroplating. We develop with our suppliers the processing equipment dedicated to specific manufacturing steps. The fully integrated manufacturing workflows ensure cost control, timely deliveries and price competitiveness.

5. Positive and negative factors for development, and responding measures:

<u>Positive factors</u>

A. Bright outlook for the industry and the market
The development of information and consumer electronics products is growing in speed and diversity. The breakthrough in the application and demand of thin hard-disk drives over recent years is set to push for new technology, better quality and cost structure. The increasing penetration of thin hard-disk drives will drive the demand for hard-disk drives and relevant components.

B. High entry barriers for new entrants
The hard-disk drive industry is known for market share concentration, technology intensity, rapid product cycles and innovation requirements. Compared to other industries, the hard-disk drive

industry is relatively closed and the entry barrier in production and technology is high. To ensure the maximum speed and efficiency and stay ahead of the curve in technology and at the marketplace, the relation between upstream and downstream players in the hard-disk drive industry is close-knit. As a result, it is difficult for outsiders to enter the ecosystem.

C. Mold R&D capability
Since inception in 1992, the Company has cumulated extensive experience in mold design and metal components stamping. All of our in-house designers have more than 10 years of experience, and our design talent pipeline comes from top performers in mold repairs. This allows them to incorporate experience values into mold design. We also recruit juniors from undergraduate and postgraduate programs, so that the team can marry practice and theory. We are a leading player among peers because of our vertical integration, from quick turnaround in mold development, high-precision stamping processes and product quality testing. Electronic components are key to the quality and functionality of end products and applications. The vibrant development of the electronics industry means product functions are constantly changing. Time to market is essential for new products, from development to launch. Components are increasingly sophisticated and complex too. With extensive experience in stamping mold designs, timely production of quality and high-precision products over the years, we have established a great reputation among customers.

D. Overseas subsidiary capacities to stay close to the market and on top of the demand
To expand overseas markets and provide real-time services to customers, we have established facilities in Malaysia and China. This allows us to keep abreast of the market dynamics and information information and provide the best service to customers in the proximity.

E. Long-standing cooperation with world-class companies
Our main customers are global leading companies, with robust financial structure and operations. The Company has established cooperative ties with customers in product R&D and production, after years of efforts in the hard-disk drive market. Our quality and service is well-recognized by customers.

Negative factors

A. Raw materials prices subject to market volatility
Response: Our cost of steel plates, a major raw material, is subject to the fluctuation of the global steel prices. We seek to reduce procurement costs via development of new suppliers and alternative sources and pre-booking in batches. The Company strives to improve production technology and manufacturing processes and boost overall competitiveness with higher yields and efficiency and better mold development capability. Meanwhile, we attempt to reduce costs, including administration and marketing expenses, and increase unit prices by communicating with customers.

B. High concentration of sales and hence operating risks
Response: Given the high market concentration and entry barriers, small players will be hard pressed to enter the hard-disk drive market. The market is dominated with global players. In other words, our main clients are international leading companies, with stable finance and operations. To diversity the concentration of sales and the resulting operating risks, we have been expanding our footprint to the overseas auto parts market over recent years. With our efforts gradually paying off, we hope to reduce operating risks with higher contributions from other businesses.

C. High-precision stamping requirements and hence high risks of quality failure
Response: The requirement for precision of stamping products is high. Quality consistency management throughout the manufacturing process is the key to profitability. The Company introduces high-precision production equipment and implements a robust manufacturing process management system, in order to boost product quality. We have started with the development of dedicated production models and began to see improvement in manufacturing efficiency and quality control. Hopefully these initiatives can boost the group's revenue and profit and mitigate the cost of quality failure.

(II) Main applications and manufacturing processes of key products

1. Main applications of key products

Main products	Main applications
Hard-disk drives - voice coil motors (VCMs)	The VCM control the read-write head's range of data access and writing and resumes its position upon the shut-down of the hard-disk

Main products	Main applications
	drive, to avoid data damage due to disk scratches. It guides the radial movement of the read-write head, in order to change tracks for data reading and writing.
Gearbox components	Shifter in a manual or auto gearbox of cars
Oil plates	Hydraulic system in heavy-duty cranes and crawler excavators
Seat height adjuster	For adjustment of car seat height
Doors and locks	Side doors and truck locks of cars
Brake blocks	Brake pads for heavy trucks

2. Manufacturing processes of key products

A. Hard-disk drive industry

Mold tooling setup → material requisition → stamping → inspection frequency → vibration inspection → inspection frequency → quality inspection → electroplating →PQC→ warehousing of accepted products

B. Automobile industry

Mold tooling setup → Mold tooling fine-tuning → stamping → sand-slinger→vibration inspection→ thermal treatment → electroplating → PQC→ warehousing of accepted products

(III) Supply of major raw materials

Major raw materials	Suppliers	Supply status
Steel plates	Hubei DaFan, Suzhou Xianglou, Shanghai Legang	Good

(IV) List of main suppliers (customers) during the most recent two years :

1. List of supplies accounting for at least 10% of purchase of goods during either of the past two years

Unit: NT$1,000

	2019				2020				As of the most recent quarter of 2021 (note)			
Item	Name	Amount	As % of annual purchase of goods	Relation with the issuer	Name	Amount	As % of annual purchase of goods	Relation with the issuer	Name	Amount	As % of purchase of goods during the most recent quarter of the current year	Relation with the issuer
1	Hubei DaFan Metal Products Co., Ltd.	185,041	22.72	None	Hubei DaFan Metal Products Co., Ltd.	153,128	17.81	None	-	-	-	-
2	Suzhou Xianglou New Material Co.,Ltd.	85,635	10.51	None	Suzhou Xianglou New Material Co.,Ltd.	112,195	13.05	None	-	-	-	-
3	Others	543,821	66.77	None	Shanghai Legang Supply Chain Co., Ltd.	104,417	12.15	None	-	-	-	-
	-	-	-	-	Others	489,900	56.99	None	-	-	-	-
	Net purchase of goods	814,497	100.00	-	Net purchase of goods	859,640	100.00	-	-	-	-	-

Note: The financial report for the first quarter of 2021 not yet released as of the print date of the annual report

2. List of customers accounting for at least 10% of sales during either of the past two years

Unit: NT$1,000

	2019				2020				As of the most recent quarter of 2021 (note)			
Item	Name	Amount	As % of annual sales	Relation with the issuer	Name	Amount	As % of annual sales	Relation with the issuer	Name	Amount	As % of sales during the most recent quarter of the current year	Relation with the issuer
1	Company A	584,749	27.94	None	Company A	774,513	33.74	None	-	-	-	-
	Others	1,508,031	72.06	None	Others	1,521,062	66.26	None	-	-	-	-
	Net sales	2,092,780	100.00	-	Net sales	2,295,575	100.00	-	-	-	-	-

Note: The financial report for the first quarter of 2021 not yet released as of the print date of the annual report

(V) Production volumes and values during the most recent two years

Unit: 1,000 pieces; NT$1,000

Year / Production volume/ value / Main products (or by department)	2019			2020		
	Capacity	Output	Production value	Capacity	Output	Production value
Hard-disk drive components	140,086	95,525	803,572	127,518	125,757	1,003,983
Auto and motorcycle components	178,124	83,267	1,264,514	87,119	85,579	1,264,935
Others	1,737	1,539	24,981	1,359	1,335	10,219
Total	319,947	180,331	2,093,067	215,996	212,671	2,279,137

(VI) Sales volumes and values during the most recent two years

Unit: 1,000 pieces; NT$1,000

Year / Sales volume/ value / Main products(or by department)	2019				2020			
	Domestic sales		Overseas sales		Domestic sales		Overseas sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Hard-disk drive components			97,837	584,749			118,745	774,513
Auto and motorcycle components	80,312	1,327,478	3,533	118,157	81,770	1,403,809	3,231	91,685
Others	1,312	55,694	337	6,702	1,311	21,178	162	4,390
Total	81,624	1,383,172	101,707	709,608	83,081	1,424,987	122,138	870,588

III. Distribution of the number, average tenure, average age and education backgrounds of employees during the most recent two years and as of the print date of this annual report

Year		2019	2020	As of April 27, 2021
No. of employees	No. of managers	103	140	141
	No. of technical personnel	84	92	88
	No. of general personnel	1,043	783	784
	Total	1,230	1015	1013
Average age (years)		34.07	34.95	34.92
Average tenure (years)		4.22	11.33	9.83
Distribution of education levels	PhD	0.08%	0.20%	0.20%
	Master's degree	0.90%	1.18%	1.18%
	College	18.88%	24.93%	24.58%
	Senior high school	27.09%	29.36%	29.91%
	Below senior high school	53.05%	44.33%	44.13%

IV. Environmental protection expenses

Any losses (including damages) due to environmental pollutions (disclosure of the penalty date, offical document number, the laws and regulations violated, and penalty details required for any breach of environmental laws and regulations according to environmental audits) during the most recent year and as of the print date of the annual report; estimated amounts at the present and possibly in the future, and responding measures.

The Company has not incurred losses or been imposed with penalty due to environmental pollution during the most recent year and as of the print date of the annual report.

V. Labor relations.

(I) List of the Company's employee benefits, training & education and retirement systems and implementations, agreements with labor, and measures to protect employees' rights

(1) Employee benefits

A. Labor insurance and health insurance (according to the regulations governing labor insurance and health insurance)
B. Group insurance
C. Distribution of employees' remunerations
D. Subscription of rights issue shares by employees
E. Year-end bonuses
F. Benefits: for weddings, funerals, celebrations, and birthday gift vouchers
G. Bonuses for the Chinese New Year and festivals: gift vouchers for the Chinese New Year; Labor Day; Dragon Boat Festival, and Mid-Autumn Festivals and other holidays
H.Leisure & entertainment: employee trips, activities (such as year-end banquets), employee groups and lounges
I.Training & education: pre-boarding training for new hires; on-the-job training; health promotion activities; work-life balance activities

(2) Retirement system

The Company has formulated the retirement system according to the Labor Standards Act and the Labor Pension Act.

(3) Training & education

The Company has established the Guidelines for Employees' Training & Education and encourages employees to participate in a variety of training and education programs.

(4) Agreements with labor

Since inception, the Company has been maintaining a harmonious relation with employees. The rights and obligations of employees and the Company as the employer are handled according to the work rules. Periodic labor-employer meetings are convened. Committee of Occupational Health & Safety also meets regularly. All these initiatives aim to establish a common ground for employment conditions and occupational health & safety issues.

(5) Measures to protect employees' rights

The Company has established work rules for employees. These rules are properly implemented to protect employees' rights.

(II) Any losses due to labor disputes (disclosure of the penalty date, official document number, the laws and regulations violated, and penalty details required for any breach of the Labor Standards Act according to labor audits) during the most recent year and as of the print date of the annual report; estimated amounts at the present and possibly in the future; and responding measures. If a reasonable estimate cannot be made, it is necessary to provide the facts why this is the case.

The Company has not experienced labor disputes.

VI. Important contracts

As of the print date of the annual report, list of contract parties, key contents, restrictive clauses and start/end dates of sales and supply contracts, technical cooperation contracts, engineering contracts, long-term loan contracts and any other contracts still in force or due in the most recent yea and important enough to affect shareholders' equity

April 27, 2021

Nature of contract	Contract parties	Start/end dates	Key contents	Restrictive clause
Strategic alliance	MMI	August, 2020 to July, 2023	Strategic alliance, to achieve the target volume for voice coil motors (VCMs)	China Fineblanking Technology cannot contact the competitors who compete with MMI.
Engineering contract	Yu-Min M&E Co., Ltd.	April 1, 2020 to August 31, 2020	M&E engineering for facilities in Chuansing Industrial Park	None
Loan agreement	Hua Nan Bank	September 17, 2018 to September 17, 2022	Credit loan	None
Loan agreement	Chang Hwa Bank	April 25, 2018 to April 25, 2023	Machinery loan	None
Loan agreement	Chang Hwa Bank	September 25, 2018 to September 25, 2023	Machinery loan	None
Loan agreement	Land Bank of Taiwan	May 11, 2020 to May 11, 2025	Credit loan	None
Loan agreement	Land Bank of Taiwan	October 8, 2020 to October 8, 2025	Credit loan	None
Loan agreement	Taiwan Cooperative Bank	December 7, 2017 yo December 7, 2022	Credit loan	None
Loan agreement	Taiwan Cooperative Bank	November 5, 2019 to October 31, 2039	Collateralized loan	None
Loan agreement	Taiwan Cooperative Bank	May 22, 2020 to May 15, 2030	Collateralized loan	None
Loan agreement	Taiwan Cooperative Bank	September 9, 2020 to August 15, 2027	Credit loan	None
Loan agreement	Agricultural Bank of Taiwan	December 18, 2019 to December 18, 2021	Credit loan	None
Loan agreement	Agricultural Bank of Taiwan	June 8, 2020 to May 15, 2025	Credit loan	None

VI. Financials

I. Summary balance sheets and comprehensive income statements during the most recent five years, with the names of auditors and opinions issued by auditors

(I) Summary balance sheet (consolidated) - IFRS

Unit: NT$1,000

Item \ Year		Financial data during the past five years (Note 1)					As of March 31, 2021 for the current year (Note 3)
		2016	2017	2018	2019	2020	
Current assets		1,697,648	1,865,618	1,876,446	1,789,472	2,018,378	-
Property, plant and equipment		875,631	849,762	884,551	1,631,876	1,858,752	-
Intangible asset		7,770	5,980	6,111	6,822	8,320	-
Other assets		173,295	251,652	334,337	222,581	201,646	-
Total assets		2,754,344	2,973,012	3,101,405	3,650,751	4,087,096	-
Current liabilities	Before distribution	1,208,529	1,335,551	1,511,295	1,552,122	1,236,218	-
	After distribution	1,208,529	1,358,270	1,547,919	1,556,788	(Note 2)	-
Non-current liabilities		228,097	140,606	154,441	726,358	1,282,947	-
Total liabilities	Before distribution	1,436,626	1,476,157	1,665,736	2,278,480	2,519,165	-
	After distribution	1,436,626	1,498,876	1,702,360	2,283,146	(Note 2)	-
Equity attributable to shareholders of the parent		1,317,718	1,496,855	1,435,669	1,372,271	1,567,931	-
Share capital		695,694	757,315	764,888	801,512	838,841	-
Capital surplus		415,206	512,309	512,998	512,998	528,557	-
Retained earnings	Before distribution	257,729	287,381	365,331	309,916	405,553	-
	After distribution	257,729	264,662	292,083	267,921)	(Note 2)	-
Other equity interest		(50,911)	(60,150)	(87,006)	(131,613)	(124,488)	-
Treasury shares		-	-	(120,542)	(120,542)	(80,532)	-
Non-controlling interest		-	-	-	-	-	-
Total equity	Before distribution	1,317,718	1,496,855	1,435,669	1,372,271	1,567,931	-
	After distribution	1,317,718	1,474,136	1,399,045	1,367,605	(Note 2)	-

Note 1: All the above financial data audited or reviewed by external accountants
Note 2: Amounts after distribution not listed as the earnings distribution not yet resolved by the shareholders' meeting
Note 3: The financial report for the first quarter of 2021 not yet released as of the print date of the annual report

(II) Summary balance sheet (parent) - IFRS

Unit: NT$1,000

Item \ Year		Financial data during the past five years (Note 1)					As of March 31, 2021 for the current year (Note 3)
		2016	2017	2018	2019	2029	
Current assets		806,745	695,509	611,087	499,077	549,366	-
Property, plant and equipment		50,971	57,817	108,313	633,102	846,809	-
Intangible asset		2,041	1,117	1,137	2,081	3,244	-
Other assets		1,307,867	1,535,885	1,574,612	1,558,632	1,781,106	-
Total assets		2,167,624	2,290,328	2,295,149	2,692,892	3,180,525	-
Current liabilities	Before distribution	604,537	596,461	707,652	595,006	329,904	-
	After distribution	604,537	619,180	744,276	599,672	(Note 2)	-
Non-current liabilities		245,369	197,012	151,828	725,615	1,282,690	-
Total liabilities	Before distribution	849,906	793,473	859,480	1,320,621	1,612,594	-
	After distribution	849,906	816,192	896,104	1,325,287	(Note 2)	-
Equity attributable to shareholders of the parent		1,317,718	1,496,855	1,435,669	1,372,271	1,567,931	-
Share capital		695,694	757,315	764,888	801,512	838,841	-
Capital surplus		415,206	512,309	512,998	512,998	528,557	-
Retained earnings	Before distribution	257,729	287,381	365,331	309,916	405,553	-
	After distribution	257,729	264,662	292,083	267,921	(Note 2)	-
Other equity interest		(50,911)	(60,150)	(87,006)	(131,613)	(124,488)	-
Treasury shares		-	-	(120,542)	(120,542)	(80,532)	-
Non-controlling interest		-	-	-	-	-	-
Total equity	Before distribution	1,317,718	1,496,855	1,435,669	1,372,271	1,567,931	-
	After distribution	1,317,718	1,474,136	1,399,045	1,367,605	(Note 2)	-

Note 1: All the above financial data audited or reviewed by external accountants
Note 2: Amounts after distribution not listed as the earnings distribution not yet resolved by the shareholders' meeting
Note 3: The financial report for the first quarter of 2021 not yet released as of the print date of the annual report

(III) Summary Income Statement (consolidated) - IFRS

Unit: NT$1,000 (NT$ for earnings per share)

Item \ Year	Financial data during the past five years (Note 1)					As of March 31, 2021 for the current year (Note 3)
	2016	2017	2018	2019	2029	
Revenues	1,933,182	2,223,818	2,453,364	2,092,780	2,295,575	-
Gross profit	291,175	456,121	457,402	310,217	495,035	-
Operating profit (loss)	23,420	152,776	168,154	61,466	229,730	-
Non-operating income and expenses	(33,236)	(60,129)	(13,579)	(23,939)	(16,984)	-
Earnings before tax	(9,816)	92,647	154,575	37,527	212,746	-
Income from continuing operations	(36,923)	30,189	102,009	20,061	137,632	-
Loss from discontinued operations	-	-	-	-	-	-
Net income (loss)	(36,923)	30,189	102,009	20,061	137,632	-
Other comprehensive income (after tax)	(84,335)	(9,776)	(28,196)	(46,835)	7,125	-
Total comprehensive income	(121,258)	20,413	73,813	(26,774)	144,757	-
Net income attributable to shareholders of the parent	(36,923)	30,189	102,009	20,061	137,632	-
Net income attributable to non-controlling interest	-	-	-	-	-	-
Total comprehensive income attributable to shareholders of the parent	(121,258)	20,413	73,813	(26,774)	144,757	-
Total comprehensive income attributable to non-controlling interest	-	-	-	-	-	-
Earnings per share (Note 2)	(0.66)	0.42	1.29	0.26	1.69	-

Note 1: All the above financial data audited or reviewed by external accountants
Note 2: Earnings per share retroactively adjusted according to the weighted average number of shares outstanding of the current year
Note 3: The financial report for the first quarter of 2021 not yet released as of the print date of the annual report

(IV) Summary Income Statement (parent) - IFRS

Unit: NT$1,000 (NT$ for earnings per share)

Item \ Year	Financial data during the past five years (Note 1)					As of March 31, 2021 for the current year (Note 3)
	2016	2017	2018	2019	2029	
Revenues	914,660	992,391	981,446	639,315	797,210	-
Gross profit	93,151	69,817	190,291	93,356	144,872	-
Operating profit (loss)	(2,609)	(35,301)	99,927	9,210	53,771	-
Non-operating income and expenses	(38,149)	72,066	31,821	18,178	120,568	-
Earnings before tax	(40,758)	36,765	131,748	27,388	174,339	-
Income from continuing operations	(36,923)	30,189	102,009	20,061	137,632	-
Loss from discontinued operations	-	-	-	-	-	-
Net income (loss)	(36,923)	30,189	102,009	20,061	137,632	-
Other comprehensive income (after tax)	(84,335)	(9,776)	(28,196)	(46,835)	7,125	-
Total comprehensive income	(121,258)	20,413	73,813	(26,774)	144,757	-
Net income attributable to shareholders of the parent	(36,923)	30,189	102,009	20,061	137,632	-
Net income attributable to non-controlling interest	-	-	-	-	-	-
Total comprehensive income attributable to shareholders of the parent	(121,258)	20,413	73,813	(26,774)	144,757	-
Total comprehensive income attributable to non-controlling interest	-	-	-	-	-	-
Earnings per share (Note 2)	(0.66)	0.42	1.29	0.26	1.69	-

Note 1: All the above financial data audited or reviewed by external accountants
Note 2: Earnings per share retroactively adjusted according to the weighted average number of shares outstanding of the current year
Note 3: The financial report for the first quarter of 2021 not yet released as of the print date of the annual report

(V) Names and audit opinions of external accountants during the past five years

1. Names and audit opinions of external accountants during the past five years

Year	Names of external accountants	Name of the organization	Audit opinions
2016	CPA Tony Tzu-Ping Huang; CPA Martin Wen-Pi Yen	Ernst & Young Taiwan	Unqualified opinion
2017	CPA Tony Tzu-Ping Huang; CPA Martin Wen-Pi Yen	Ernst & Young Taiwan	Unqualified opinion
2018	CPA Tony Tzu-Ping Huang; CPA Martin Wen-Pi Yen	Ernst & Young Taiwan	Unqualified opinion
2019	CPA Tony Tzu-Ping Huang; CPA Martin Wen-Pi Yen	Ernst & Young Taiwan	Unqualified opinion
2020	CPA Jacky Chen; CPA David Chen	KPMG Taiwan	Unqualified opinion

2. Change of external accountants, accounting firms during the past five years and the reason for the change explained by the previous and current external accountants:

(1) Starting in the fourth quarter of 2016 and due to internal adjustments by Ernst & Young Global Limited, CPA Tony Tzu-Ping Huang; CPA Martin Wen-Pi Yen took over the auditing of financial statements.

(2) Beginning in the first quarter of 2020 and in line with the Company’s operational development and internal management requirements, CPA Jacky Chen; CPA David Chen from KPMG Taiwan took over the auditing and reviewing of financial statements.

II. Financial analysis for the most recent five years

(I) Financial analysis (consolidated) - IFRS

Item	Year (Note 1)	2. Financial analysis for the most recent five years					As of March 31, 2021 for the current year (Note 2)
		2016	2017	2018	2019	2020	
Financial structure (%)	Liabilities to assets ratio	52.16	49.65	53.71	62.41	61.64	-
	Ratio of long-term capital to property, plant and equipment	176.54	192.70	179.77	128.60	153.38	-
Liquidity %	Current ratio	140.47	139.69	124.16	115.29	163.27	-
	Quick ratio	86.81	87.72	67.87	68.26	103.77	-
	Interest coverage ratio	66.09	485.24	576.60	216.63	867.34	-
Operating efficiency	Accounts receivable turnover (time)	2.86	2.94	3.28	3.02	3.30	-
	Days sales outstanding	127.62	124.15	111.28	120.86	110.61	-
	Inventory turnover (times)	6.01	5.06	3.96	3.34	3.61	-
	Accounts payable turnover (times)	7.88	6.88	6.76	6.11	5.52	-
	Days inventory outstanding	60.73	72.13	92.17	109.28	101.10	-
	Property, plant, and equipment turnover (times)	2.17	2.58	2.83	1.66	1.32	-
	Total asset turnover (times)	0.72	0.78	0.81	0.62	0.59	-
Profitability	Return on assets (%)	(0.48)	1.75	4.21	1.36	4.13	-
	Return on equity (%)	(3.20)	2.15	6.96	1.43	9.36	-
	Earnings before tax to paid-in capital ratio (%)	(1.41)	12.23	20.21	4.68	25.36	-
	Net margin (%)	(1.91)	1.36	4.16	0.96	6.00	-
	Earnings per share (NT$)	(0.66)	0.42	1.36	0.26	1.69	-
Cash flows	Operating cash flow ratio (%)	5.96	11.03	3.50	30.53	25.43	-
	Cash flow adequacy ratio (%)	45.51	38.66	34.49	48.50	63.15	-
	Cash re-investment ratio (%)	3.04	5.86	1.46	12.00	7.74	-
Leverage	Operating leverage	15.83	1.54	1.66	7.16	1.28	-
	Financial leverage	(4.24)	1.19	1.24	2.10	1.14	-

Reason for changes in financial ratios during the most recent two years (with 20% change or above):
1. Current ratio and quick ratio: Higher ratios due to an increase in current (quick) assets and a decrease in current liabilities
2. Interest coverage ratio: higher interest coverage ratio due to an increase in earnings before interest and tax
3.Property, plant, and equipment turnover: turnover reduced due to an increase in property, plant and equipment
4. Return on assets, return on equity, earnings before tax to paid-in capital ratio, net margin and EPS (earnings per share): higher returns, net margin and EPS due to higher revenues and profits in 2020 compared with 2019
5. Cash flow adequacy ratio: higher ratio due to higher net cash flows from operating activities during the past five years
6. Cash re-investment ratio: lower ratio due to lower cash flows from operating activities and an increase in property, plant and equipment
7.operating leverage, financial leverage: lower leverage due to higher operating profits

Note 1: All the above financial data audited or reviewed by external accountants

Note 2: The financial report for the first quarter of 2021 not yet released as of the print date of the annual report

Note 3: The calculation of financial ratios at the end of this table is as follows:

1. Financial structure

(1) Liabilities to assets ratio ＝ total liabilities ／ total assets

(2) Ratio of long-term capital to property, plant and equipment ＝(total equity ＋non-current liabilities)／ net property, plant and equipment

2. Liquidity

(1) Current ratio ＝ current assets ／current liabilities
(2) Quick ratio ＝ (current assets － inventory － prepaid expenses)／ current liabilities
(3) Interest coverage ratio ＝ earnings before interest and taxes ／interest expenses

3. Operating efficiency
(1) Accounts receivable turnover (including accounts receivable and notes receivable due to operating activities) ＝ net sales ／average accounts receivable (including accounts receivable and notes receivable due to operating activities)
(2) Days sales outstanding ＝365／accounts receivable turnover
(3) Inventory turnover ＝ cost of goods sold ／average inventory
(4) Accounts payable turnover (including accounts payable and notes payable due to operating activities) ＝ cost of goods sold ／average accounts payable (including accounts payable and notes payable due to operating activities)
(5) Days inventory outstanding ＝365／inventory turnover
(6) Property, plant, and equipment turnover ＝net sales ／net average property, plant and equipment
(7) Total asset turnover ＝ net sales／average total assets

4. Profitability
(1) Return on assets＝(net income＋ interest expense × (1－ tax rate))／ average total assets
(2) Return on equity ＝ net income／average total equity
(3) Net margin ＝ net income ／net sales
(4) Earnings per share ＝（ Net income attributable to shareholders of the parent－preferred share dividends）／weighted average number of issued shares

5. Cash flows
(1) Operating cash flow ratio ＝Net cash flow from operating activities ／current liabilities
(2) Cash flow adequacy ratio ＝Net cash flows from operating activities during the past five years ／(capital expenditure ＋increase in inventory ＋cash dividends) during the past five years
(3) Cash re-investment ratio ＝(Net cash flows from operating activities－cash dividends)／(Gross property, plant and equipment＋long-term investment ＋ other non-current assets＋working capital) (Note 5)

6. Leverage
(1) Operating leverage ＝(net sales － variable costs and expenses) ／operating profits
(2) Financial leverage ＝ operating profits／ (operating profits－interest expenses)

(II) Financial analysis (parent) - IFRS

Item		Financial analysis for the most recent five years 2016	2017	2018	2019	2029	As of March 31, 2021 for the current year (Note 2) (Note 2)
Financial structure (%)	Liabilities to assets ratio	39.21	34.64	37.45	49.04	50.70	-
	Ratio of long-term capital to property, plant and equipment	3,066.62	2929.70	1,465.66	331.37	336.63	-
Liquidity %	Current ratio	133.45	116.61	86.35	83.88	166.52	-
	Quick ratio	96.27	96.41	62.59	58.04	118.29	-
	Interest coverage ratio	(175.47)	471.85	1,310.92	293.98	1,138.97	-
Operating efficiency	Accounts receivable turnover (time)	2.95	3.08	3.23	2.51	4.08	-
	Days sales outstanding	123.73	118.51	113.00	145.42	89.46	-
	Inventory turnover (times)	15.65	14.43	8.95	6.00	7.51	-
	Accounts payable turnover (times)	4.49	4.51	3.96	2.64	3.55	-
	Days inventory outstanding	23.32	25.29	40.78	60.83	48.60	-
	Property, plant, and equipment turnover (times)	15.65	18.24	11.82	1.72	1.08	-
	Total asset turnover (times)	0.44	0.45	0.43	0.26	0.27	-
Profitability	Return on assets (%)	(1.19)	1.72	4.84	1.27	5.14	-
	Return on equity (%)	(3.20)	2.15	6.96	1.43	9.36	-
	Earnings before tax to paid-in capital ratio (%)	(5.86)	4.85	17.22	3.42	20.78	-
	Net margin (%)	(4.04)	3.04	10.39	3.14	17.26	-
	Earnings per share (NT$)	(0.66)	0.42	1.36	0.26	1.69	-
Cash flows	Operating cash flow ratio (%)	(5.06)	(14.65)	4.96	24.82	19.32	-
	Cash flow adequacy ratio (%)	171.60	51.27	27.82	30.73	14.51	-
	Cash re-investment ratio (%)	(1.77)	(4.75)	1.14	4.87	1.95	-
Leverage	Operating leverage	(28.57)	(1.05)	1.88	11.11	2.95	-
	Financial leverage	0.15	0.78	1.12	(1.88)	1.45	-

Year (Note 1)

Reason for changes in financial ratios during the most recent two years (with 20% change or above):

1. Current ratio and quick ratio: Higher ratios due to a decrease in current liabilities
2. Interest coverage ratio: higher interest coverage ratio due to an increase in earnings before interest and tax
3. Operating efficiency: higher turnover ratios and shorter number of days, due to an increase in sales and cost of goods sold
4.Property, plant, and equipment turnover: turnover reduced due to an increase in property, plant and equipment
5. Return on assets, return on equity, earnings before tax to paid-in capital ratio, net margin and EPS (earnings per share): higher returns, net margin and EPS due to higher revenues and profits in 2020 compared with 2019
6. Cash flow adequacy ratio: lower ratio due to lower net cash flows from operating activities
7. Cash flow adequacy ratio: lower ratio due to an increase in capital expenditure
8. Cash re-investment ratio: lower ratio due to lower cash flows from operating activities and an increase in investment in property, plant and equipment
9. Operating leverage: lower leverage due to higher operating profits
10. Financial leverage: higher leverage due to higher operating profits

Note 1: All the above financial data audited or reviewed by external accountants
Note 2: The financial report for the first quarter of 2021 not yet released as of the print date of the annual report

III. Review Report by Audit Committee on financial statements for the most recent year

CHINA FINEBLANKING TECHNOLOGY
Review Report from Audit Committee

The board has prepared and proposed 2020 business report, financial statements and the table of earnings distribution. Under the commission from the board, the financial statements were audited and issued with independent auditor's reports by CPA Jacky Chen; CPA David Chen at KPMG Taiwan.

Audit Committee has inspected the abovementioned business report, financial statements and proposal for earnings distribution and found no cause for objection. Hence, this review report is issued according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Kind regards,

To 2021 General Shareholders' Meeting

CHINA FINEBLANKING TECHNOLOGY

Convener of Audi Committee: Wang Yuan-Hong

March 25, 2021

IV. Financial reports for the most recent year: Please refer to pages 88～150.

V. Audited parent's financial report for the most recent year: Please refer to pages 151～207.

VI. Impact on the Company's financials in event of financial difficulty experienced by the Company or its affiliates during the most recent year and as of the print date of this annual report: none

VII. Review and analysis of financials and financial performance and risks

I. Financial position

(I) Financial position analysis

Unit: NT$1,000

Item \ Year	2019	2020	Difference	
			Amount	%
Current assets	1,789,472	2,018,378	228,906	12.79%
Property, plant and equipment	1,631,876	1,858,752	226,876	13.90%
Investment property	9,610	-	(9,610)	(100.00%)
Intangible asset	6,822	8,320	1,498	21.96%
Other assets	212,971	201,646	(11,325)	(5.32%)
Total assets	3,650,751	4,087,096	436,345	11.95%
Current liabilities	1,552,122	1,236,218	(315,904)	(20.35%)
Non-current liabilities	726,358	1,282,947	556,589	76.63%
Total liabilities	2,278,480	2,519,165	240,685	10.56%
Share capital	801,512	838,841	37,329	4.66%
Capital surplus	512,998	528,557	15,559	3.03%
Retained earnings	309,916	405,553	95,637	30.86%
Other equity interest	(131,613)	(124,488)	7,125	(5.41%)
Treasury shares	(120,542)	(80,532)	40,010	(33.19%)
Total equity	1,372,271	1,567,931	195,660	14.26%

Reason for changes (20% change or above and for a changed amount no less than NT$10 million):

1. Current liabilities: primarily due to a reduction of short-term borrowings
2. Non-current liabilities: primarily due to an increase in corporate bonds payable and long-term borrowings
3. Retained earnings: primarily due to an increase in profits for the year
4. Treasury shares: primarily due to transfer of treasury shares to employees

(II) Future plans in response to signficant impacts:

1. Improvement of manufacturing processes, production and operating efficiency to boost competitiveness
2. Continued reduction of costs
3. Enhancement of product quality
4. Robust and comprehensive services to meet customers’ needs

II. Financial performance

(I) Financial performance analysis

Unit: NT$1,000

Item \ Year	2019	2020	Difference	
			Amount	%
Revenues	2,092,780	2,295,575	202,795	9.69%
Cost of goods sold	1,782,563	1,800,540	17,977	1.01%
Gross profit	310,217	495,035	184,818	59.58%
Operating expenses	248,751	265,305	16,554	6.65%
Operating profit (loss)	61,466	229,730	168,264	273.75%
Non-operating income and expenses	(23,939)	(16,984)	6,955	(29.05%)
Earnings before tax	37,527	212,746	175,219	466.91%
Income tax expense	17,466	75,114	57,648	330.06%
Net income (loss)	20,061	137,632	117,571	586.07%
Other comprehensive income (after tax)	(46,835)	7,125	53,960	(115.21%)
Total comprehensive income	(26,774)	144,757	171,531	(640.66%)

20% change or above and for a changed amount no less than NT$10 million:

1. Gross profit: significant increase in gross profits primarily due to higher revenues, change in product mix, and adjustment in order-taking strategy
2. Operating profit: primarily due to higher gross profit
3. Earnings before tax: primarily due to higher gross profit
4. Income tax expense: primarily due to higher operating profit and adjustment in deferred tax
5. Net income (loss): primarily due to higher gross profit and income tax expense
6. Other comprehensive income (after tax): primarily due to an increase in exchange differences on translation of financial statements of foreign operating units
7. Total comprehensive income: primarily due to higher net income and an increase in exchange differences on translation of financial statements of foreign operating units

(II) Expected sales volume and basis for the forecast:

The Company expects continued growth in sales volume for the next year, primarily due to industry dynamics and the Company's development direction, and near-term operating targets.

(III) Possible impact on the Company's finance going forward:

There is no material change in the Company's operation and hence no material impact on the Company's finance going forward.

(IV) Responding plans: N/A

III. Cash flows

(I) Cash flow changes during the most recent year

Unit: %

Item \ Year	2019	2020	Change %
Operating cash flow ratio (%)	30.53	25.43	(5.10%)
Cash flow adequacy ratio (%)	48.50	63.15	14.65%
Cash re-investment ratio (%)	12.00	7.74	(35.50%)

Analysis of change:

1、 Operating cash flow ratio: lower ratio due to a reduction in net cash flows from operating activities

2、 Cash flow adequacy ratio: higher ratio due to higher net cash flows from operating activities during the past five years

3、 Cash re-investment ratio: lower ratio due to a reduction in net cash flows from operating activities and an increase in property, plant and equipment

(II) Improvement plan for inadequate liquidity

The Company is still in the growth stage and there is no concern for a lack of liquidity.

(III) Cash flow analysis for the following year

Unit: NT$1,000

Cash at the beginning of the period	Net cash flows from operating activities during the year	Net cash outflows from investing and financing activities during the year	Cash at the end of the period	Measures to fund the cash gap	
				Investment plan	Financing plan
468,484	304,551	392,182	380,853	N/A	N/A

Analysis of cash flow change:

1.Operating activities: The Company expects to expand operations and increase sales for the following year, and hence generate net cash inflows from operating activities.

2. Investing activities: The Company plans to expand facilities and purchase equipment at CFTC Precision (HuaAng) Limited in China and at the Quanxing campus in Taiwan, and hence expects net cash outflows from investing activities.

3. Financing activities: The Company intends to repay bank loans and issue cash dividends, and hence expects net cash outflows from financing activities.

IV. Impact of major capital expenditures on finance and business during most recent year

(I) Background and benefits of facility construction

Facility site	Products	Main purpose of the site	Notes
New construction at the Quanxing campus in Chuansing Industrial Park	Hard-disk drive components Auto and motorcycle components	Operation expansion and revenue growth	-

1. Background of facility construction

(1) Development of the technology to produce hard-disk drive components (e.g., high-end models, thick hard-disks) for different applications (for notebooks, large servers and the cloud)

(2) Boosting the capacity of hard-disk drive components (modules)

(3) Plan for new facilities (Phase 1 and Phase 2) in Chuansing Industrial Park to meet the operational requirements

2. Benefits: operational expansion for higher sales and profits

(II) Impact on finance and business

As of December 31, 2020, the Company's liabilities to assets ratio stood at 61.64%, down by 0.77% from 62.41% as of December 31, 2019. The capital expenditure for the Quanxing campus during the most recent year had no impact on the Company's finance or business, given the conservative financing approach.

V. Equity investment policy, main reasons for profits or losses during most recent years, improvement measures, and investment plans for following year

(I) Equity investment policy

The Company makes equity investments for operational needs or future growth. Detailed assessments are conducted on the organizational type of investees, purpose of investments, location of investees, market conditions, business development and financial status, in order to develop investment suggestions as a reference to management's decision-making. Meanwhile, the Company has established the Procedures for Acquisition or Disposal of Assets for management and control of investees, in order to stay on top of the financial and business status of investees. The Company has put in place the Guidelines for Monitoring and Management of Subsidiaries as part of the internal control system, so as to urge subsidies to come up with their own operational procedures for major finance and business issues and supervise the implementation of these procedures by subsidiaries. The purpose is to establish a management mechanism for operational risks of subsidies and maximize the performance of businesses.

(II) Reason for profit or loss of equity investment and improvement plan

The Company recognized incomes from equity investments of NT$135,835,000 for 2020, up by NT$25,670,000 from NT$110,165,000 in 2019. The breakdown and the contributors are as follows:

Unit: NT$1,000

Company name	Incomes (losses) from equity investments recognized for 2020	Main reason for profits (losses)	Improvement plan
CFTC PRECISION SDN BHD	3,722	Profit from the sale of land and facilities	N/A
CHINA FINEBLANKING GROUP CO., LTD	132,113	CFTC Precision (JiaXing) Limited will continue to develop new products (particularly for autos and motorcycles) to attract orders and to boost profits with enhanced quality control. In the meantime, CFTC Precision (HuaAng) Limited expects to boost profits by activating assets.	N/A

(III) Investment plan for the following year

Long-term equity investments -Capital required for CFTC Precision (JiaXing) Limited: NT$242,080,000 (or US$8,500,000) This is primarily to fund the construction of the fifth workshop, offices and dormitories at the Jiaxing site.

VI. Risks and assessments during the most recent year and as of the print date of this annual report

(I) Impact of interest rate changes, exchange rate changes, and inflation on the Company's profit and loss and responding measures going forward

Unit: NT$1,000

Item/year	2019	2020
Revenues net	2,092,780	2,295,575
Net interest expense	32,175	27,725
Interest expense as % of net revenues	1.54%	1.21%
Exchange gains (losses)	(1,878)	(27,203)
Exchange gains (losses) as % of net revenues	(0.09%)	(1.19%)

1. Interest rate changes: The Company's net interest expense stood at 1.54% and 1.21% of net revenues during the most recent two years. At these low levels, interest rate changes do not have material influence on the Company's operations. Going forward, the Company will keep a close eye on interest rate changes and adopt responding measures when necessary (such as adjustment of cash flows and pursuit of favorable interest rates), in order to mitigate the impact of interest rate changes on profitability.
2. Exchange rate changes: The Company's exports accounted for 36.83% and 33.90% of total revenues in 2019 and 2020, respectively. The currency for most collections and some payments is US dollars. The Company's net exchange losses stood at 0.09% and 1.19% of net revenues during the most recent two years. To mitigate the risks of exchange rate changes, the Company collects data from banks regarding international finance, exchange rates and interest rates as a reference to the timing of currency conversions and payments for goods. Meanwhile, the Company also engages in forwards or swaps according to the size of foreign currency transactions at any given time. As the Company gradually expands operations, it will stay on top of exchange rate changes and adopt the following hedging measures:
   a. Conservative quotations to customers by taking into account the exchange rate changes, in order to avoid material influence on the Company's profits due to exchange rate fluctuations.
   b. Acquisition of hedging quotas for derivatives from reputable banks in Taiwan to mitigate exchange rate risks when required
   c. Appropriate timing of currency conversions and payments for goods by the finance departments by considering funding needs and exchange rate fluctuations in order to manage exchange rate risks
3. Inflation: The pandemic in 2020 hit the economies in Europe, the U.S. and Japan hard. The extremely loose monetary policies caused rising prices of commodities and non-ferrous metals and hence pressure on consumer prices and inflation. At times of inflation, the Company closely watches market price fluctuations and develop sources of raw material supplies. The purpose is to boost production efficiency, lower production cost and maintain good relations with customers so as to reflect, when appropriate, production costs to customers. This approach has so far been effective in the mitigation of inflation effects on profitability.

(II) Policies regarding highly-risky, highly-leveraged investments, lending, endorsements and guarantees, and derivatives trading; main reasons for related profits or losses, and responding measures

（1） The Company has established the Guidelines for Endorsements and Guarantees in providing endorsements and guarantees to subsidiaries for funding requirements.

（2） The Company has established the Regulations Governing Lending to Others for any loans with subsidiaries for funding requirements.

（3） To appropriately mitigate exchange rate risks, the Company's board approved on May 13, 2013 the hedging activities for the net risk position of transaction exposures (due to imports/exports), according to the Procedures for Acquisition or Disposal of Assets.

（4） Except for the abovementioned, the Company does not engage in highly-risky, highly-leveraged investments, lending, endorsements and guarantees, and derivatives trading.

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

(1) R&D projects

a. R&D on the viability of using composite materials in products; exploration of the characteristics and molding methods of such materials; joint development with customers to access product requirements and gauge application feasibility

b. Material substitution and optimization: Optimization of the manufacturing processes for materials production; processing of selected appropriate materials according to product/feature

requirements; cost control via the setup of materials production flows.
c. Precision aperture punching technology: the technology to meet aperture precision requirements by addressing the high tolerance of apertures and to achieve stable aperture sizes by reducing the variance of apertures due to different materials
d. Development of composite molding & stamping technology: development of multiple composite molding technologies to accommodate the increasing lightweight of product design and the growing complexity of product features. Optimization of workflow sequencing and balancing of molding loading via the simulation of molding procedures; high-tonnage stamping machines to accomplish complex molding and meet product requirements, in order to attract orders
e. Deep drawing process and mold development technology: correlation optimization of drawing process, change of barrel thickness, and control of drawn R angles in conjunction with a slider mechanism for side-shape requirements, in order to enhance production precision and meet the market demand

(2) Expected R&D expenses
R&D expense for 2020 was approximately 2.45% of revenues. R&D budgets going forward will depend on the progress of new product development.

(IV) Impact of major policy and law changes, domestic and overseas, on the Company’s finance and business and responding measures
In addition to compliance with relevant laws and regulations domestic and overseas, the Company constantly reviews and modifies its management guidelines to keep up with relevant laws and regulations. Going forward, on top of information collection, the Company continues to assess the impact of any change to domestic and overseas policies and laws and will consult professionals in order to formulate timely responding measures.

(V) Impact of technology and industry changes on the Company’s finance and business and responding measures
Technology and industry changes have certain influence on the Company’s finance and business. However, metal components produced by the Company with high-precision stamping technology has a wide range of applications. This somewhat mitigates the impact of technology and industry change on the Company’s finance and business. The Company will continue to keep abreast of product and industry trends, in order to adjust strategies in a timely manner. The product portfolios will be expanded continuously in order to develop new clientele and mitigate the impact of technology and industry change.

(VI) Impact of company image changes on the Company’s crisis management and responding measures
Since inception, the Company has been striving to strengthen internal management, focus on core businesses, maintain its image and adhere to relevant laws and regulations. This is the reason why the Company has not yet experienced any crisis management due to change of corporate image.

(VII) Expected benefits and potential risks of M&As ongoing, and responding measures
There has been no M&A plan during the most recent year and as of the print date of the annual report.

(VIII) Expected benefits and potential risks of facility expansions, and responding measures

The Company purchased the Quanxing campus in Changhua in October 2019 and obtained subsidies in February 2020 under the Returning Companies Investment Action Plan. The site construction and equipment installation will commerce soon and is scheduled for staged completion in 2019-2021.This project is expected to generate revenues totaling NT$1.332 billion by 2023. The expected benefits are a larger operating scale and revenue growth. The expansion of the Quanxing campus has obtained a favorable interest rate of 1.5% subsidized by the government under the Returning Companies Investment Action Plan. This helps to reduce cost of capital and accelerate recovery of investment.

(IX) Risks associated with purchase or sales concentration and responding measures

1. Risks of purchase concentration and responding measures
The Company’s main suppliers of raw materials are Hubei DaFan Metal Products Co., Ltd.; Suzhou Xianglou New Material Co., Ltd., and Shanghai Legang Supply Chain Co., Ltd. The relation with these suppliers is good and long-established. The main material for the manufacturing and processing of precision metal products is steel coils. The value chain of the iron and steel industry is in a pyramid structure. In the case of China Steel Corporation, the products from the same blast furnace are different as a result of different subsequent procedures. Therefore, China Steel Corporation uses a quota system to manage orders. Distributors serve as a reservoir between China Steel Corporation’s blast furnace capacity and the demand from the market. China Fineblanking Technology pre-orders with distributors and purchases from the spot to diversify procurement risks. Meanwhile, the subsidiary CFTC Precision (JiaXing) Limited develops sources from Bao Steel in China and from Europe, to ensure a diversity of

material sources. This mitigates the risk of supply concentration from a small number of manufacturers in Taiwan and maintains good relations with all suppliers to ensure the reliability of supplies. The triangular trade via purchases from CFTC Precision (JiaXing) Limited and CFTC Precision (HuaAng) Limited has been on the increase. CFTC Precision (JiaXing) Limited is currently China Fineblanking Technology's main production site in China. Orders are primarily taken by China Fineblanking Technology but most products are manufactured by CFTC Precision (JiaXing) Limited, according to the group's current structure. In sum, the Company should not have the risk of supply shortage or disruption due to purchase concentration.

2. Risks of sales concentration and responding measures

As of December 31, 2020, about 32.43% of the Company's revenues was from hard-disk drive components. Whilst the sales are concentrated on a single client due to industry characteristics, the relation between customers and suppliers is long-term and inter-dependent. There should not be risks due to sales concentration. That said, the Company has been seeking to reduce product cconcentration by developing business in the auto and motorcycle components market. These efforts have paid off and sales have been growing year over year. In 2020, 65.15% of sales were from this market. Going forward, the Company will strive to develop new clientele to diversify the risks of sales concentration.

(X) Impact and risk of significant transfers or change of stakes by directors, supervisors or major shareholders with at least 10% holdings, and responding measures

There was no significant transfer of stakes by directors, supervisors or major shareholders with at least 10% holdings.

(XI) Impact and risk of change of control, and responding measures:

The board has recruited professional managers to oversee the Company's operation and business. Chairman and the board are responsible for review and supervision of proposals from managers. The board was completely re-elected on May 23, 2019. Chairman Huang I-Hsiang was elected to carry out duties on behalf of the Company, monitor the Company's operations and fulfill corporate governance. As of the print date of the annual report, there has been no change of control or ensuing impact on or risks with the Company.

(XII) Litigation or non-litigation events: It is necessary to describe major litigations, non-litigations or administrative litigations with confirmed judgments or still ongoing involved by the Company or any of its directors, supervisors, General Manager, de facto responsible persons, major shareholders with at least 10% stakes or any of the subordinated companies. If the outcome may have material influence on shareholders' equity or securities prices, it is necessary to disclose the matters in contention, underlying amounts, start dates, main parties involved and progress as of the print date of the annual report.

(1) The leasing contract for the Company's previous facilities states that it is necessary to restore the facilities when moving out. The property owner demanded compensations as a result of difference in perceptions between the two parties. The Taiwan Changhua District Court decided at first instance on December 23, 2019 that the Company should pay NT$558,000. According to the decision by Taiwan High Court Taichung Branch Court on July 15, 2020, the amount payable should be NT$887,000. Therefore, the Company recognized a loss of NT$59,000 for 2020 based on the difference payable less the lease deposit.

(2) Fei-Long Engineering Ltd. asked the Company to pay NT$1,107,000 for facility repairs and additional engineering works. However, the Company did not pay as requested due to quotations for a number of projects higher than market prices. The Taiwan Changhua District Court decided at first instance on October 8, 2020 that the Company should pay NT$899,000. The Company then hired lawyers for an appeal during the statutory time limit. The Company lost the case at the first instance and hence recognized a loss of NT$830,000 in 2020 for the difference payable.

(3) The former Chairman brought a litigation against the Company on August 4, 2020 regarding the property demolition and the return of land in contention. According to the bill of complaint, the amount payable is estimated to be about NT$7,932,000 as of December 31, 2020. However, the Company has brought multiple lawsuits against the former Chairman for damages and these cases are still ongoing. Therefore, as of December 31, 2020, it was still not possible to produce a reasonable estimate of the outcome of the abovementioned litigations.

(XIII) Other important risks and responding measures

Assessment and control of risks associated with abnormal functioning of information systems

Information security assessments are conducted. Emergency measures for computer rooms and safety protective measures for the environment are put in place. Regular maintenance is administered to ensure operational safety. In the era of Big Data, all of the Company's internal information is stored in the ERP system. Therefore, the security of computer rooms can mitigate the likelihood of storage and data protection abnormality. The security inspection of computer rooms and the implementation of remote backups post risk assessments can mitigate risks. To control the risk of leakage of the Company’s confidential information, data access authorization is managed by dedicated personnel. The assessment results indicated these are not material operational risks; therefore, no responding measure is disclosed.

VII. Other important matters: none

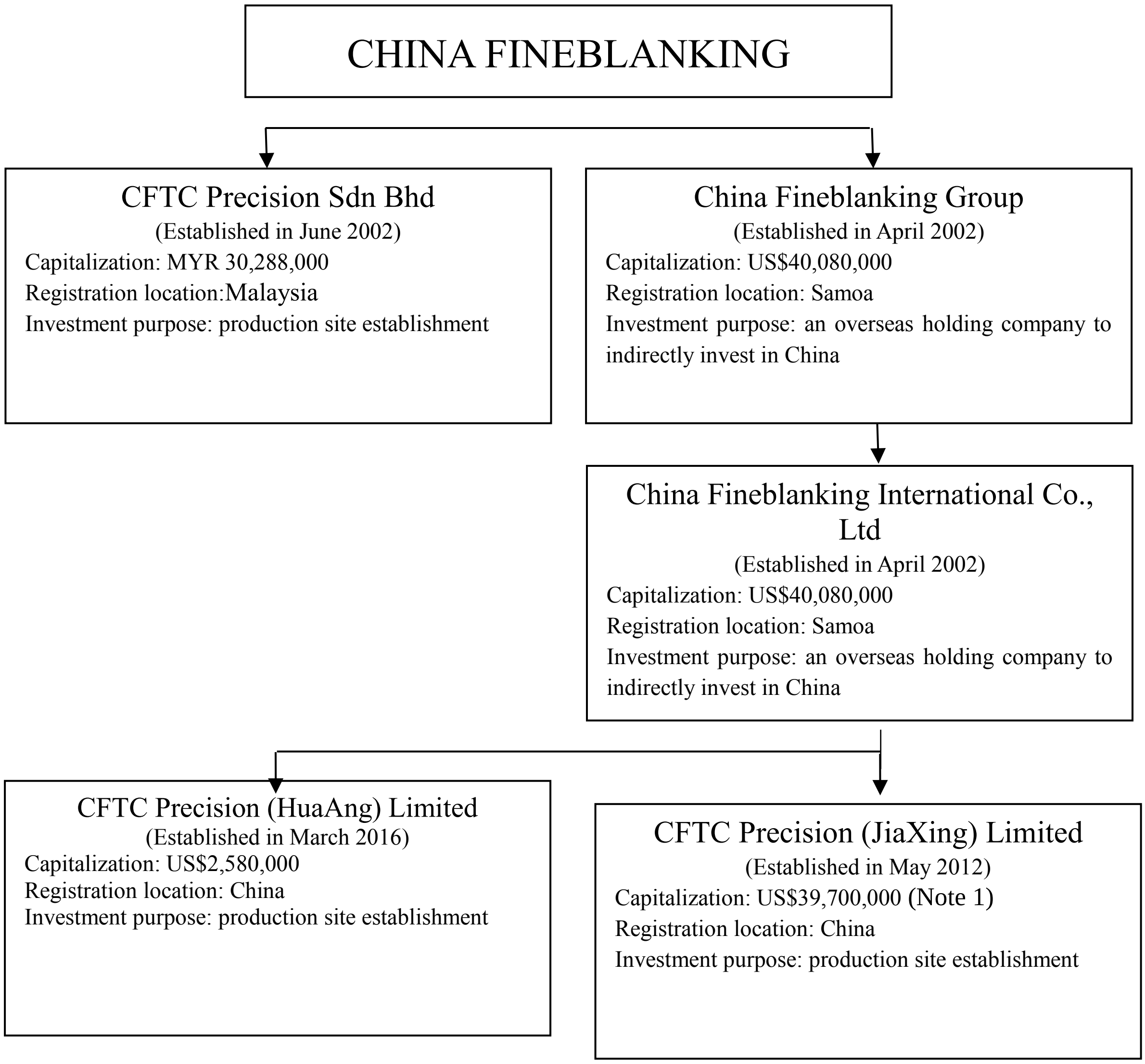
VIII. Special notes & supplements

I. Affiliated companies

(I) Summary of affiliated companies

1. Organizational chart of affiliated companies

December 31, 2020



Note 1: The outward remittances from Taiwan to CFTC Precision (JiaXing) Limited totaled US$37,500,000. This combined with the capitalization of CFTC Precision (JiaXing) Limited's earnings for US$2,200,000 adds to a total investment of US$39,700,000.

2. Basic data of affiliated companies

Unit: NT$1,000; December 31, 2020

Company name	Establishment date	Address	Capitalization	Scope of businesses
CHINA FINEBLANKING GROUP CO.,LTD	April 2, 2002	Offshore Chambers, P.O. Box 217, Apia, Samoa	US$40,080	International investment
CFTC PRECISION SDN BHD	October 2, 2002	Plo 346, Lot 84769, Jalan Perak, 81700, Pasir Gudang, Johor, Malaysia	MYR 30,288	Property management
CHINA FINEBLANKING INTERNATIONAL CO.,LTD	April 2, 2002	Offshore Chambers, P.O. Box 217, Apia, Samoa	US$40,080	International investment
CFTC Precision (JiaXing) Limited	May 15, 2002	No. 1, Tianshan Road, Jiashan Economic Development Zone, Zhejiang Province, China	US$39,700 (Note 1)	Manufacturing, processing, buying and selling of hardware, machinery and mold components
CFTC Precision (HuaAng) Limited	January 22, 2016	No. 11, Kaiming South Road, Huaian Economic and Technical Development Zone, Jiangsu, China	US$2,580	Manufacturing, process, buying and selling of calculator, machinery and iron pallet components

Note 1: The outward remittances from Taiwan to CFTC Precision (JiaXing) Limited totaled US$37,500,000. This combined with the capitalization of CFTC Precision (JiaXing) Limited's earnings for US$2,200,000 adds to a total investment of US$39,700,000.

3. Data inferring the same shareholders for controlling and subordinated companies: none

4. Businesses involved by the group and its affiliated companies: international investment; manufacturing, processing, buying and selling of hardware, machinery and mold components

5. Names and shareholders of directors, supervisors, and General Managers of affiliated companies

Unit: 1,000 shares

Company name	Title	Name or representative	Shareholdings	
			No. of shares	Shareholding %
CHINA FINEBLANKING GROUP CO.,LTD	Director	CHINA FINEBLANKING TECHNOLOGY CO.,LTD Representative: Huang I-Hsiang	40,080	100%
CFTC PRECISION SDN BHD	Director	CHINA FINEBLANKING TECHNOLOGY CO.,LTD Representative: Huang Hsiang-Yi	30,288	100%
CHINA FINEBLANKING INTERNATIONAL CO.,LTD	Director	CHINA FINEBLANKING GROUP CO.,LTD Representative: Huang I-Hsiang	40,080	100%
CFTC Precision (JiaXing) Limited	Director	CHINA FINEBLANKING INTERNATIONAL CO.,LTD Representative: Lu Hong-Yi	—	—
CFTC Precision (HuaAng) Limited	Director	CHINA FINEBLANKING INTERNATIONAL CO.,LTD Representative: Lu Hong-Yi	—	—

6. Operational status of affiliated companies

Unit: NT$1,000; December 31, 2020

Company name	Capitalization	Total assets	Total liabilities	Book value	Revenues	Operating profit	Net income (loss)	Earnings per shareNT$
China Fineblanking Group Co.,Ltd.	1,257,010	2,675,146	1,019,827	1,655,319	1,865,844	185,900	132,113	-
CFTC Precision Sdn.Bhd	233,442	18,290	7,543	10,666	0	(4,710)	3,722	-
China Fineblanking International Co.,Ltd	1,257,010	2,675,146	1,019,827	1,655,319	1,865,844	185,900	Not required by regulations	-
CFTC Precision (JiaXing) Limited	1,174,879	2,574,490	976,764	1,597,726	1,745,357	167,180	117,673	-
CFTC Precision (HuaAng) Limited	82,131	207,413	150,385	57,029	120,493	18,720	19,187	-

(II) Consolidated business report of affiliated companies, consolidated financial statements of affiliated companies and relationship report of affiliated companies

For the Company in 2020 (starting from January 1, 2020 to December 31, 2020), the entities to be included in the consolidated financial statements of affiliated companies according to the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are identical with the entities to be included in the parent's consolidated financial statements under the International Financial Reporting Standards (IFRS) 10. As the consolidated financial statements of affiliated companies are disclosed in the parent's consolidated financial statements, the consolidated financial statements of affiliated companies are not separately prepared. (Please refer to pages 88～150)

II. Private placement of marketable securities during the most recent year and as of the print date of this annual report:none

III. Possession or disposal of the Company's shares by subsidiaries during the most recent year and as of the print date of this annual report

IV. Other required supplementary information

Follow-up of commitments made upon listing on Taipei Exchange

Company listed on Taipei Exchange: CHINA FINEBLANKING TECHNOLOGY CO., LTD. **Ticker: 1586** **IPO date: January 9, 2012**

Commitments made upon listing on Taipei Exchange	Progress update of commitments	Index of submitted attachments	Comment from Taipei Exchange after review
II. Commitment: The addition of the clause to the Procedures for Acquisition or Disposal of Assets that "The Company shall not forgo the preemptive rights for subscription of rights issue shares issued by any company in the China Fineblanking Group or by CFTC Precision Sdn Bhd. in the future. China Fineblanking Group shall not forgo the preemptive rights for subscription of rights issue shares issued by China Fineblanking International Co., Ltd in the future. China Fineblanking International Co., Ltd shall not forgo the preemptive rights for subscription of rights issue shares issued by CFTC Precision (JiaXing) Limited in the future. With a view to strategic alliances or with permission from Taipei Exchange, if the Company must forgo the preemptive rights for subscription of right issue shares issued by the abovementioned entities or need to dispose of any abovementioned entities, a special resolution from the board of China Fineblanking Technology Co., Ltd. shall be required. In case of further amendment of the Procedures for Acquisition or Disposal of Assets, it is necessary to disclose as material information via Market Observation Post System (MOPS) and issue a letter to Taipei Exchange for reference.	I. 1. The general shareholders' meeting on June 25, 2012 approved the commitment added to the Procedures for Acquisition or Disposal of Assets. Any subsequent amendment to the Procedures or disposal of assets shall adhere to the commitment. 2. The general shareholders' meeting on May 24, 2019 approved the to amendment of certain articles in the Procedures for Acquisition or Disposal of Assets (without changing the commitment made upon listing on Taipei Exchange stated in original Article 13.4 on the left). This was disclosed as material information on May 24, 2019. 3. Proceeded as committed: Due to the decline of the hard-disk drive market, the surface treatment lines in Malaysia had been downsized. The special resolution by the Company's board on October 3, 2019 decided to sell the land and the facilities of CFTC PRECISION SDN BHD and authorized Chairman to proceed with the disposal for a price at least MYR 3 million. The buyer is C B Eqities Sdn. Bhd. The sale has been completed on June 19, 2020. The cancelation of CFTC PRECISION SDN BHD's company registration and the liquidation are scheduled for completion by the end of 2021. II. 110Q1 follow-up: The follow-up for the above points 1-3 still ongoing. Disclosed in 108Q4 commitment made upon listing on Taipei Exchange.	I. 1. Some articles of the Procedures for Acquisition or Disposal of Assets contain the contents of Article 13.4. 2. Material information disclosed via Market Observation Post System (MOPS) on May 24, 2019 3. Minute of the board meeting on October 3, 2019 4.SALE & PURCHASE AGREEMENT(for the land and the facilities in Malaysia) II. 110Q1 follow-up: The follow-up for the above points 1-4 still ongoing. Data submitted in 108Q4.	

IX. Matters with material influence on shareholders' equity or securities prices as defined by the second paragraph of Article 36-3 of the Securities and Exchange Act during the most recent year and as of the print date of this annual report: none

Stock Code:1586

CHINA FINEBLANKING TECHNOLOGY CO., LTD.
AND SUBSIDIARIES

Consolidated Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2020 and 2019

Address: No.40,Xinggong Rd., Shengang Township, Changhua County, Taiwan (R.O.C.)

Telephone: (04)7980339

Representation Letter

The entities that are required to be included in the combined financial statements of CHINA FINEBLANKING TECHNOLOGY CO., LTD. as of and for the year ended December 31, 2020 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, CHINA FINEBLANKING TECHNOLOGY CO., LTD. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: CHINA FINEBLANKING TECHNOLOGY CO., LTD.
Chairman: I-HSIANG HUANG
Date: March 25, 2021

Independent Auditors' Report

To the Board of Directors of CHINA FINEBLANKING TECHNOLOGY CO., LTD.:

Opinion

We have audited the consolidated financial statements of CHINA FINEBLANKING TECHNOLOGY CO., LTD. and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as of December 31, 2020, the consolidated statement of comprehensive income, changes in equity and cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020, and 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 with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of 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 of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Revenue recognition

   For the accounting policies of Revenue recognition, please refer to Note (4)(n) "Revenue from contracts with customers"; for the explanation of revenue recognition, please refer to Note (6)(t).

Description of key audit matter:

The main business items of the Group are producing and selling parts of HDD and parts of vehicles. The Group sets up shipping warehouse at the customers' places to fulfill the demands of the customers. The performance obligations are fulfilled at the time that the customers pick up the goods. Revenue recognition is the matter which needs high attention when we conduct the audit of financial statements, because the accuracy of the timepoint of revenue recognition is material to the financial statements and is the matter the users of financial statements concern.

Our principal audit procedures included:

- Assessing the adequacy of the accounting policies of revenue recognition; testing the Group's controls surrounding the Sale and Receipt cycle and checking the accuracy of the timepoint of revenue recognition;
- Conducting analysis of variances to the top ten customers to evaluate that there is material abnormality or not; sending confirmations to the trade partners;
- Choosing a period contains date of balance sheet and checking the original certificates concerning to verify that related transactions were presented appropriately.

2. Inventory valuation

For the accounting policies of Inventory valuation, please refer to Note (4)(h) "Inventories"; for the accounting assumptions and estimation uncertainty of Inventory valuation, please refer to Note (5)(b); for the explanation of Inventory valuation, please refer to Note (6)(d).

Description of key audit matter:

Inventories are measured at the lower of cost and net realizable value. The net realizable value changes arising from uncertainty of technical transformations, and may have a risk which becomes higher than the historical cost. Thus, we consider the inventory evaluation as a key audit matter.

Our principal audit procedures included:

- Obtaining aging statements of each kind of inventories and testing the changes in ages of inventories; selecting samples to check the accuracy of classification range of inventories ages;
- Obtaining the policies of inventories evaluation and evaluated the consistency of these policies; assessing the basis of the valuation net realizable value, sampling and testing the documentary evidence regarding purchases and sales to verify the accuracy of the valuation of allowance to reduce inventories to market.

Other Matter

The financial statements as of and for the year end December 31, 2019, were audited by other certified public accountant and they had issued an unqualified opinion at March 26, 2020.

CHINA FINEBLANKING TECHNOLOGY CO., LTD. has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2020, on which we have issued an unqualified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance 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.

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

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Chung-Che Chen and Kuo-Tsung Chen.

KPMG

Taipei, Taiwan (Republic of China)
March 25, 2021

Notes to Readers

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

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollar)

	Assets	December 31, 2020 Amount	%	December 31, 2019 Amount	%
	Current assets:				
1100	Cash and cash equivalents (Note (6)(a))	$ 468,484	11	315,774	9
1140	Current contract assets (Note (6)(t))	91,624	2	83,690	2
1150	Notes receivable, net (Note (6)(c) and (t))	83,725	2	30,605	1
1170	Accounts receivable, net (Note (6)(c) and (t))	626,245	16	617,249	17
1200	Other receivables, net (Note (8))	61,912	2	84,635	2
1220	Current tax assets	2,296	-	4,386	-
130X	Inventories (Note (6)(d))	503,316	12	472,717	13
1410	Prepayments (Note (6)(e))	177,951	4	179,821	5
1470	Other current assets	2,825	-	595	-
		2,018,378	49	1,789,472	49
	Non-current assets:				
1510	Non-current financial assets at fair value through profit or loss (Note (6)(l))	60	-	-	-
1600	Property, plant and equipment (Note (6)(f) and (8))	1,858,752	46	1,631,876	45
1755	Right-of-use assets (Note (6)(g) and (8))	34,766	1	39,341	1
1760	Investment property, net (Note (6)(h))	-	-	9,610	-
1780	Intangible assets	8,320	-	6,822	-
1840	Deferred tax assets (Note (6)(q))	33,951	1	34,532	1
1900	Other non-current assets (Note (6)(i) and (7))	132,869	3	139,098	4
		2,068,718	51	1,861,279	51
	Total assets	$ 4,087,096	100	3,650,751	100

	Liabilities and Equity	December 31, 2020 Amount	%	December 31, 2019 Amount	%
	Current liabilities:				
2100	Short-term borrowings (Note (6)(j))	$ 407,039	10	738,276	20
2130	Current contract liabilities (Note (6)(t))	5,579	-	1,431	-
2150	Notes payable	596	-	729	-
2170	Accounts payable	349,021	9	277,874	8
2180	Accounts payable to related parties (Note (7))	5,020	-	19,647	1
2200	Other payables (Note 6(k))	388,910	10	376,969	10
2220	Other payables to related parties (Note (6)(k) and (7))	7,023	-	58	-
2230	Current tax liabilities	7,089	-	8,560	-
2280	Current lease liabilities (Note (6)(n))	1,119	-	2,520	-
2320	Long-term liabilities, current portion (Note (6)(m))	64,537	2	125,708	3
2399	Other current liabilities, others	285	-	350	-
		1,236,218	31	1,552,122	42
	Non-Current liabilities:				
2530	Bonds payable (Note (6)(l))	386,166	9	-	-
2540	Long-term borrowings (Note (6)(m))	831,511	20	699,790	19
2570	Deferred tax liabilities (Note (6)(q))	53,176	1	25,059	1
2580	Non-current lease liabilities (Note (6)(n))	1,689	-	936	-
2630	Long-term deferred revenue	10,130	-	-	-
2645	Guarantee deposits received	275	-	573	-
		1,282,947	30	726,358	20
	Total liabilities	2,519,165	61	2,278,480	62
	Equity attributable to owners of parent (Note (6)(r)):				
3110	Ordinary shares	838,841	21	801,512	23
3200	Capital surplus	528,557	13	512,998	14
3300	Retained earnings	405,553	10	309,916	8
3400	Other equity interest	(124,488)	(3)	(131,613)	(4)
3500	Treasury shares	(80,532)	(2)	(120,542)	(3)
31XX	**Total equity attributable to owners of parent:**	1,567,931	39	1,372,271	38
36XX	Non-controlling interests	-	-	-	-
	Total equity	1,567,931	39	1,372,271	38
	Total liabilities and equity	$ 4,087,096	100	3,650,751	100

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollar , Except for Earnings Per Common Share)

		2020		2019	
		Amount	%	Amount	%
4000	**Operating revenue (Note (6)(t))**	$ 2,295,575	100	2,092,780	100
5000	**Operating costs (Notes (6)(d), (p) and (12))**	1,800,540	78	1,782,563	85
5900	**Gross profit (loss) from operations**	495,035	22	310,217	15
6000	**Operating expenses (Notes (6)(p) and (12)):**				
6100	Selling expenses	55,148	3	64,430	3
6200	Administrative expenses	148,870	7	141,504	7
6300	Research and development expenses	56,129	3	46,447	2
6450	Expected credit loss (gain) (Note (6)(c))	5,158	-	(3,630)	-
6300	**Total operating expenses**	265,305	13	248,751	12
6900	**Net operating income (loss)**	229,730	9	61,466	3
	Non-operating income and expenses:				
7100	Interest income (Note (6)(v))	2,074	-	674	-
7010	Other income (Note (6)(v))	35,426	2	58,900	3
7020	Other gains and losses, net (Note (6)(v))	(26,759)	(1)	(51,338)	(2)
7050	Finance costs, net (Note (6)(v))	(27,725)	(1)	(32,175)	(2)
	Total non-operating income and expenses	(16,984)	-	(23,939)	(1)
	Profit (loss) from continuing operations before tax	212,746	9	37,527	2
7950	Less: Income tax expenses (Note (6)(q))	75,114	3	17,466	1
	Profit (loss)	137,632	6	20,061	1
8300	**Other comprehensive income:**				
8360	**Components of other comprehensive income (loss) that will be reclassified to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	8,907	-	(58,544)	(3)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	1,782	-	(11,709)	(1)
8300	**Other comprehensive income**	7,125	-	(46,835)	(2)
	Total comprehensive income	$ 144,757	6	(26,774)	(1)
	Profit (loss), attributable to:				
8610	Profit (loss), attributable to owners of parent	$ 137,632	6	20,061	1
8720	Profit (loss), attributable to non-controlling interests	-	-	-	-
		$ 137,632	6	20,061	1
	Comprehensive income attributable to:				
8710	Comprehensive income, attributable to owners of parent	$ 144,757	6	(26,774)	(1)
8720	Comprehensive income, attributable to non-controlling interests	-	-	-	-
		$ 144,757	6	(26,774)	(1)
9750	Basic earnings per share (Note (6)(s))	$	1.69		0.26
9810	Diluted earnings per share (Note (6)(s))	$	1.53		0.26

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollar)

	Equity attributable to owners of parent										
	Share capital		Retained earnings				Total other equity interest				
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total other equity interest	Treasury shares	Total equity
Balance at January 1, 2019	$ 764,888	512,998	82,791	60,150	222,390	365,331	(84,778)	(2,228)	(87,006)	(120,542)	1,435,669
Profit (loss)	-	-	-	-	20,061	20,061	-	-	-	-	20,061
Other comprehensive income	-	-	-	-	-	-	(46,835)	-	(46,835)	-	(46,835)
Total comprehensive income	-	-	-	-	20,061	20,061	(46,835)	-	(46,835)	-	(26,774)
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	10,201	-	(10,201)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	26,856	(26,856)	-	-	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(36,624)	(36,624)	-	-	-	-	(36,624)
Stock dividends of ordinary shares	36,624	-	-	-	(36,624)	(36,624)	-	-	-	-	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(2,228)	(2,228)	-	2,228	2,228	-	-
Balance at December 31, 2019	801,512	512,998	92,992	87,006	129,918	309,916	(131,613)	-	(131,613)	(120,542)	1,372,271
Profit (loss)	-	-	-	-	137,632	137,632	-	-	-	-	137,632
Other comprehensive income	-	-	-	-	-	-	7,125	-	7,125	-	7,125
Total comprehensive income	-	-	-	-	137,632	137,632	7,125	-	7,125	-	144,757
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	2,006	-	(2,006)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	44,607	(44,607)	-	-	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(4,666)	(4,666)	-	-	-	-	(4,666)
Stock dividends of ordinary shares	37,329	-	-	-	(37,329)	(37,329)	-	-	-	-	-
Share-based payments	-	5,701	-	-	-	-	-	-	-	92,522	98,223
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	(52,512)	(52,512)
Due to recognition of equity component of convertible bonds	-	9,858	-	-	-	-	-	-	-	-	9,858
Balance at December 31, 2020	$ 838,841	528,557	94,998	131,613	178,942	405,553	(124,488)	-	(124,488)	(80,532)	1,567,931

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollar)

	For the years ended December 31	
	2020	2019
Cash flows from operating activities:		
Profit before tax	$ 212,746	37,527
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	163,127	151,805
Amortization expense	2,341	1,551
Expected credit loss (reversal gain)	5,158	(3,630)
Net gain on financial assets and liabilities at fair value through profit or loss	(20)	-
Interest expense	27,725	32,175
Interest income	(2,074)	(674)
(Gain) loss on disposal of property, plant and equipment	151	3,073
Loss (gain) on disposal of investment properties	(8,337)	-
Loss on fire damage	-	24,917
Profit from lease modification	-	(48)
Amortization of deferred revenue	(931)	-
Total adjustments to reconcile profit	187,140	209,169
Changes in operating assets and liabilities:		
Decrease (increase) in contract assets	(7,934)	(9,960)
Decrease (increase) in notes receivable	(53,120)	(11,287)
Decrease (increase) in accounts receivable	(14,272)	72,338
Decrease (increase) in other receivables	22,723	10,235
(Increase) decrease in inventories	(30,599)	66,272
Decrease (increase) in prepayments	1,870	26,456
(Increase) decrease in other current assets	(2,230)	3,137
Total changes in operating assets	(83,562)	157,191
Increase (decrease) in contract liabilities	4,148	(2,201)
(Decrease) increase in notes payable	(133)	(2,745)
Increase (decrease) in accounts payable	56,521	15,502
Increase (decrease) in other payables	18,572	71,033
Increase (decrease) in other current liabilities	(66)	(11,553)
Total changes in operating liabilities	79,042	70,036
Total changes in operating assets and liabilities	(4,520)	227,227
Total adjustments	182,620	436,396
Cash (outflow) inflow generated from operations	395,366	473,923
Interest received	2,074	674
Interest paid	(35,486)	(38,612)
Income taxes paid	(47,578)	(23,416)
Net cash flows (used in) from operating activities	314,376	412,569

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (CONT'D)

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollar)

	For the years ended December 31 2020	2019
Cash flows from investing activities:		
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	3,947
Acquisition of property, plant and equipment	(291,589)	(780,536)
Proceeds from disposal of property, plant and equipment	7,584	32
Decrease in refundable deposits	-	15,370
Acquisition of intangible assets	(3,814)	(2,446)
Proceeds from disposal (acquisition) of right-of-use assets	2,812	(679)
Proceeds from disposal of investment properties	17,435	-
Decrease in other non-current assets	(83,324)	(26,018)
Increase in prepayments on purchase of equipment	-	(61,057)
Proceeds from fire claims	-	53,999
Net cash flows used in investing activities	(350,896)	(797,388)
Cash flows from financing activities:		
Increase in short-term loans	637,710	-
Decrease in short-term loans	(981,609)	(57,079)
Proceeds from issuing bonds	394,110	-
Proceeds from long-term loans	703,000	695,000
Repayments of long-term loans	(618,384)	(89,730)
Decrease in guarantee deposits received	(298)	(2,240)
Repayments of lease liabilities	(3,109)	(4,000)
Cash dividends paid	(4,666)	(36,624)
Payments to acquire treasury shares	(52,512)	-
Treasury shares sold to employees	98,223	-
Net cash flows from (used in) financing activities	172,465	505,327
Effect of exchange rate fluctuations on cash held	16,765	(18,617)
Net increase in cash and cash equivalents	152,710	101,891
Cash and cash equivalents, beginning of the period	315,774	213,883
Cash and cash equivalents, end of the period	$ 468,484	315,774

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollar, Unless Otherwise Specified)

(1) Company history

CHINA FINEBLANKING TECHNOLOGY CO., LTD. (the "Company") was incorporated in November 1992. The major business activities of the Company are the manufacture and sale of hardware parts, mechanical hardware parts and molding components. The Company completed supplementary procedures for classification as a public company on August 18, 2008. The procedures were approved by the Financial Supervisory Commission R.O.C.(Taiwan) Securities and Futures Bureau. The Company's common shares were listed on GreTai Securities Market (Formerly known as the ROC Over-the-Counter Securities Exchange) on January 9, 2012. The address of its registered office and principal place of business is No.40, Xinggong Rd., Shengang Township, Changhua County, Taiwan (R.O.C.).

The consolidated financial statements comprise the Company and subsidiaries (together referred to as the "Group" and individually as "Group entities").

(2) Approval date and procedures of the consolidated financial statements:

The accompanying consolidated financial statements were authorized for issue by the Board of Directors on March 25, 2021.

(3) New standards, amendments and interpretations adopted:

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2020:

- Amendments to IFRS 3 "Definition of a Business"
- Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"
- Amendments to IAS 1 and IAS 8 "Definition of Material"
- Amendments to IFRS 16 "COVID-19-Related Rent Concessions"

(b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform －Phase 2"

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The Group does not expect the new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements.

(4) Summary of significant accounting policies:

The significant accounting policies presented in the consolidated financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C. (hereinafter referred to as “IFRS endorsed by the FSC”).

(b) Basis of preparation

(i) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the balance sheets：

1) Financial instruments at fair value through profit or loss are measured at fair value；

(ii) Functional and presentation currency

The functional currency of each Group entities is determined based on the primary economic environment in which the entities operate. The consolidated financial statements are presented in New Taiwan Dollar, which is the Company’s functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles for preparing consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group ‘controls’ an entity when it is exposed to, 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.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances. Changes in the Group’ s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

(ii) List of subsidiaries in the consolidated financial statements:

The detail information of the subsidiaries at the end of reporting period was as follows:

Investor	Subsidiary	Nature of business	Shareholding ratio December 31, 2020	Shareholding ratio December 31, 2019	Notes
The Company	China Fineblanking Group Co., Ltd. (CFTC Group)	Investment activities	100.00%	100.00%	
The Company	CFTC Precision Sdn. Bhd. (CFTC Malaysia)	Property management	100.00%	100.00%	
CFTC Group	China Fineblanking International Co., Ltd. (CFTC International)	Investment activities	100.00%	100.00%	
CFTC International	CFTC Precision (Jia-Xing) (CFTC Jia-Xing)	Manufacture and sale of hardware parts, mechanical hardware parts and molding compenents	100.00%	100.00%	
CFTC International	CFTC (Huai-An) Limited (CFTC Huai-An)	Manufactrue of mechanical parts and molding components	100.00%	100.00%	

(iii) Subsidiaries excluded from consolidation financial statements: None.

(d) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

1) an investment in equity securities designated as at fair value through other comprehensive income;

2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

3) qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to noncontrolling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(e) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

(i) It is expected to be realized the asset, or intended to be sold or consumed, during the normal operating cycle；

(ii) It is held primarily for the purpose of trading；

(iii) It is expected to be realized within twelve months after the reporting period； or

(iv) The asset is cash and cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

(i) It is expected to be settled within the Group’ s normal operating cycle；

(ii) It is held primarily for the purpose of trading；

(iii) The liability is due to be settled within twelve months after the reporting period；or

(iv) The Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are assets that are readily convertible to known amounts of cash, and are subject to an insignificant risk of changes in their fair value.

Time deposits are accounted under cash and cash equivalents if they are accord with the definition aforementioned, and are held for the purpose of meeting short-term cash commitment rather than for investment or other purpose should be recognized as cash equivalents.

(g) Financial instruments

Accounts receivable and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is an accounts receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. An accounts receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL：

a) it is held within a business model whose objective is to hold assets to collect contractual cash flows；and

b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. Accounts receivable that the Group intends to sell immediately or in the near term are measured at FVTPL; however, they are included in the 'accounts receivable' line item. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

3) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, other receivable and other financial assets) and trade receivables measured at FVOCI.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL：

a) debt securities that are determined to have low credit risk at the reporting date； and

b) other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivable and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is overdue the payment terms.

The Group considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Group in full.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data：

a) significant financial difficulty of the borrower or issuer；

b) a breach of contract such as a default or being overdue the payment terms；

c) the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider；

d) it is probable that the borrower will enter bankruptcy or other financial reorganization； or

e) the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in other comprehensive income.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amount due.

4) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

4) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bonds denominated in TWD that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

5) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

6) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

7) Offsetting of financial assets and liabilities

Financial assets and liabilities are presented on a net basis when the Group has the legally enforceable rights to offset, and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

Buildings	
Plant main buildings	20～50 years
Other	20 years
Machinery	3～15 years
Molding equipment	2～5 years
Transportation equipment	5 years
Office and other equipment	2～10 years
Lease improvement	Whichever is shorter the lease period or the useful lives
Miscellaneous equipment	2～10 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

(k) Leases

(i) Identifying a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

3) the customer has the right to direct the use of the asset throughout the period of use only if either:

- the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
- the relevant decisions about how and for what purpose the asset is used are predetermined and:
  - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or

- the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

(ii) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group’s incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group’s estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of Office and other equipment that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

(l) Intangible assets

(i) Recognition and measurement

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

Computer software	3~5 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(m) Impairment – non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(n) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group’s main types of revenue are explained below.

(i) Sale of goods

The Group manufactures and sells hard disk drive components and auto parts. The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer’s acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

For contracts in which the control of the commodity has been transferred and the Group has the unconditional right to collect consideration, accounts receivable is recognized, while without the unconditional right to collect consideration, the contractual assets are recognized for the contracts that the control of the commodity has been transferred.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

(ii) Financial components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(o) Government grants and Government assistance

For low-interest loan obtained from a financial institution in accordance with the Government’s project borrowing policy, the Group recognizes the difference between the fair valued of the loan, calculated at market rate, and the proceed received as deferred revenue, which is amortized as other income on a systematic basis. When the proceed of the loan is utilized to acquire assets, the difference is regarded as a deduction to the cost of acquired assets and amortized on a systematic basis as a reduction of depreciation expense.

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(q) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the liability are recognized in profit or loss.

Grant date of a share-based payment award is the date which the board of directors authorized the price and number of a new award.

(r) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses that are related to business combinations, expenses recognized in equity or other comprehensive income directly, and other related expenses, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are not recognized for the following:

(i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(s) Earnings per share

Disclosures are made of basic and diluted earnings per share attributable to ordinary equity holders of the Company. The basic earnings per share is calculated based on the profit attributable to the ordinary shareholders of the Company divided by weighted average number of ordinary shares outstanding. The diluted earnings per share is calculated based on the profit attributable to ordinary shareholders of the Company, divided by weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares.

(t) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may incur revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group’s chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Each operating segment consists of standalone financial information.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the consolidated financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows:

(a) The loss allowance of accounts receivables

The Group has estimated the loss allowance of accounts receivables that is based on the risk of a default occurring and the rate of expected credit loss. The Group has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. The relevant assumptions and input values, please refer to Note 6(c).

(b) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Please refer to Note 6(d) for further description of the valuation of inventories.

The Group’s accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit or loss.

The Group strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

(a) Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.

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

(c) Level 3: inputs for the assets or liability that are not based on observable market data.

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date.

Please refer to notes listed as below for assumptions used in measuring fair value.

(a) Note 6(h) , Investment property

(b) Note 6(w) , Financial instruments

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand and petty cash	$ 193	187
Cash in banks	468,291	315,587
	$ 468,484	315,774

Please refer to Note 6(w) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Group.

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

The Group has derecognized its equity investments at fair value through other comprehensive income as a result of its investment strategy and the information about the derecognition for the year ended December 31, 2019 is as follows:

	For the years ended December 31	
	2019	
Fair value on the day of derecognition	$	3,947
Accumulated gain (loss) on disposal of transferring from other equity interest to retained earnings	$	(2,228)

(c) Notes and accounts receivable

		December 31, 2020	December 31, 2019
Notes receivable	$	83,725	30,605
Accounts receivable		645,829	631,556
Less: Loss allowance		(19,584)	(14,307)
	$	709,970	647,854

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as the incorporated forward-looking information, including macroeconomic and relevant industry information. The loss allowance provisions for the Group were determined as follows:

	December 31, 2020			
		Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$	688,893	0%	-
1 to 30 days past due		8,518	0.1%~30%	2,595
31 to 60 days past due		15,170	5%~17%	2,579
61 to 120 days past due		5,026	10%~49%	2,463
121 to 180 days past due		1,595	30%~100%	1,595
More than 181 days past due		10,352	70%~100%	10,352
	$	729,554		19,584

	December 31, 2019		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 616,501	0%	-
1 to 30 days past due	14,822	0.1%~10%	1,336
31 to 60 days past due	10,561	5%~17%	1,795
61 to 120 days past due	13,261	10%~49%	5,294
121 to 180 days past due	4,798	30%~92%	3,664
More than 181 days past due	2,218	70%~100%	2,218
	$ 662,161		14,307

Please refer to Note 6(w) for the Group’ s notes and accounts receivable exposure to credit risk and currency risk.

The movement in the allowance for notes and accounts receivable were as follows:

	For the years ended December 31	
	2020	2019
Balance at January 1	$ 14,307	18,495
Impairment losses recognized (losses reversed)	5,158	(3,630)
Foreign exchange losses	119	(558)
Balance at December 31	$ 19,584	14,307

As of December 31, 2020 and 2019, the notes and accounts receivable of the Group were not pledged as collateral.

(d) Inventories

	December 31, 2020	December 31, 2019
Raw materials	$ 83,732	99,120
Work in progress	163,071	166,624
Finished goods	256,513	206,973
	$ 503,316	472,717

For the years ended December 31, 2020 and 2019, the components of the cost of sales were as follows:

	For the years ended December 31	
	2020	2019
Cost of goods sold	$ 1,796,551	1,788,396
(Gain on reversal of) inventory valuation losses	3,989	(5,833)
	$ 1,800,540	1,782,563

As of December 31, 2020 and 2019, the Group did not provide any inventories as collateral for its loans.

(e) Prepayments

	December 31, 2020	December 31, 2019
Supplies inventory (including mold components and spare parts)	$ 115,893	139,244
Other prepayments	62,058	40,577
	$ 177,951	179,821

(f) Property, plant and equipment

	Land	Buildings and construction	Machinery and equipment	Molds	Transportation equipment	Office equipment	Leasehold improvements	Leased assets	Other facilities	Construction in progress and testing equip	Total
Cost or deemed cost:											
Balance on January 1, 2020	$ 479,357	172,804	1,451,168	275,174	16,280	40,147	15,833	-	8,320	207,855	2,666,938
Additions	-	180	7,171	6,102	-	1,389	-	-	-	276,747	291,589
Reclassification	-	365	62,090	28,266	-	3,366	-	-	-	2,507	96,594
Disposal	-	-	(37,868)	(13,324)	(2,643)	(1,568)	-	-	(2,624)	-	(58,027)
Others	-	-	-	4,818	(565)	570	-	-	-	(4,917)	(94)
Effect of movements in exchange rates	-	779	7,242	1,243	63	185	-	-	-	1,414	10,926
Balance on December 31, 2020	$ 479,357	174,128	1,489,803	302,279	13,135	44,089	15,833	-	5,696	483,606	3,007,926
Balance on January 1, 2019	$ -	180,665	1,315,823	248,347	17,159	43,026	15,833	55,900	8,320	-	1,885,073
Additions	478,105	-	115,988	2,355	378	753	-	-	-	182,957	780,536
Disposal	-	(1,986)	(117,640)	-	(725)	(3,869)	-	-	-	-	(124,220)
Others	1,252	-	131,824	32,000	-	1,337	-	-	-	31,138	197,551
Reclassification	-	-	55,737	-	-	-	-	(55,737)	-	-	-
Effect of movements in exchange rates	-	(5,875)	(50,564)	(7,528)	(532)	(1,100)	-	(163)	-	(6,240)	(72,002)
Balance on December 31, 2019	$ 479,357	172,804	1,451,168	275,174	16,280	40,147	15,833	-	8,320	207,855	2,666,938
Depreciation and impairment loss:											
Balance on January 1, 2020	$ -	92,975	679,700	197,608	9,386	32,753	14,425	-	8,215	-	1,035,062
Depreciation	-	6,946	106,952	39,945	155	3,276	1,405	-	17	-	158,696
Disposal	-	-	(34,033)	(11,534)	(786)	(1,315)	-	-	(2,624)	-	(50,292)
Others	-	-	-	(3)	622	(615)	-	-	-	-	4
Effect of movements in exchange rates	-	446	4,088	997	51	122	-	-	-	-	5,704
Balance on December 31, 2020	$ -	100,367	756,707	227,013	9,428	34,221	15,830	-	5,608	-	1,149,174
Balance on January 1, 2019	$ -	89,048	659,935	174,274	8,260	35,009	11,081	14,757	8,198	-	1,000,562
Depreciation	-	7,237	100,835	29,949	2,091	2,088	3,344	-	17	-	145,561
Disposal	-	(703)	(69,945)	-	(627)	(3,477)	-	-	-	-	(74,752)
Others	-	212	(2,033)	(660)	-	-	-	-	-	-	(2,481)
Reclassification	-	-	14,714	-	-	-	-	(14,714)	-	-	-
Effect of movements in exchange rates	-	(2,819)	(23,806)	(5,955)	(338)	(867)	-	(43)	-	-	(33,828)
Balance on December 31, 2019	$ -	92,975	679,700	197,608	9,386	32,753	14,425	-	8,215	-	1,035,062
Carrying amounts:											
Balance on December 31, 2020	$ 479,357	73,761	733,096	75,266	3,707	9,868	3	-	88	483,606	1,858,752
Balance on January 1, 2019	$ -	91,617	655,888	74,073	8,899	8,017	4,752	41,143	122	-	884,511
Balance on December 31, 2019	$ 479,357	79,829	771,468	77,566	6,894	7,394	1,408	-	105	207,855	1,631,876

(i) During 2020 and 2019, the Group has capitalized borrowing costs related to the acquisition of the equipment and construction of the factory of $11,070 and $6,831, calculated using a capitalization rate of 1.45%~4.42% and 1.57%~4.77%.

(ii) The difference between the fair value and the amount received from low-interest government loans projects was regarded as the deduction of the cost of additions of assets and recognized as construction in progress of $4,846 during 2020.

(iii) As of December 31, 2020 and 2019, the property, plant and equipment of the Group had been pledged as collateral for long and short-term borrowings; please refer to Note 8.

(g) Right-of-use assets

The Group leased many assets including land and buildings, vehicles and office equipment leases for which the Group as a lessee was presented below:

		Land	Buildings	Transportation equipment	Office equipment	Total
Cost:						
Balance at January 1, 2020	$	36,762	6,271	1,491	370	44,894
Additions		-	-	2,302	165	2,467
Disposals		(2,920)	(4,402)	(864)	-	(8,186)
Effect of movements in exchange rates		55	10	4	-	69
Balance at December 31, 2020	$	33,897	1,879	2,933	535	39,244
Balance at January 1, 2019	$	37,892	8,692	874	-	47,458
Additions		-	679	631	370	1,680
Losses		-	(3,029)	-	-	(3,029)
Effect of movements in exchange rates		(1,130)	(71)	(14)	-	(1,215)
Balance at December 31, 2019	$	36,762	6,271	1,491	370	44,894
Accumulated depreciation and impairment losses:						
Balance at January 1, 2020	$	996	3,779	747	31	5,553
Depreciation		931	2,357	912	90	4,290
Disposal		(109)	(4,402)	(864)	-	(5,375)
Effect of movements in exchange rates		2	4	4	-	10
Balance at December 31, 2020	$	1,820	1,738	799	121	4,478
Balance at January 1, 2019	$	-	-	-	-	-
Depreciation		1,030	3,804	769	31	5,634
Effect of movements in exchange rates		(34)	(25)	(22)	-	(81)
Balance at December 31, 2019	$	996	3,779	747	31	5,553
Carrying amounts:						
Balance at December 31, 2020	$	32,077	141	2,134	414	34,766
Balance at January 1, 2019	$	37,892	8,692	874	-	47,458
Balance at December 31, 2019	$	35,766	2,492	744	339	39,341

As of December 31, 2020 and 2019, the right-of-use assets of the Group had been pledged as collateral for long and short-term borrowings; please refer to Note 8.

(h) Investment property

Investment property comprises office buildings that are leased to third parties under operating leases, including properties that are owned by the Group. The leases contain an initial non-cancellable lease term of 3 years.

For all investment property leases, the rental income is fixed under the contracts. The lease contract contains provisions to adjust the rent according to the annual market environment.

		Buildings
Cost or deemed cost:		
Balance at January 1, 2020	$	15,892
Disposal		(15,280)
Effect of movements in exchange rates		(612)
Balance at December 31, 2020	$	-
Balance at January 1, 2019	$	16,071
Effect of movements in exchange rates		(179)
Balance at December 31, 2019	$	15,892
Accumulated depreciation and impairment losses:		
Balance at January 1, 2020	$	6,282
Depreciation		141
Disposal		(6,182)
Effect of movements in exchange rates		(241)
Balance at December 31, 2020	$	-
Balance at January 1, 2019	$	5,748
Depreciation		610
Effect of movements in exchange rates		(76)
Balance at December 31, 2019	$	6,282
Carrying amount:		
Balance at December 31, 2020	$	-
Balance at January 1, 2019	$	10,323
Balance at December 31, 2019	$	9,610
Fair value:		
Balance at December 31, 2020	$	-
Balance at January 1, 2019	$	11,383
Balance at December 31, 2019	$	9,419

(i) Investment property comprises a number of commercial properties that are leased to third parties. Each of the leases contains an initial non-cancellable period of 2 to 3 years. Subsequent renewals are negotiated with the lessee. No contingent rents are charged. See Note 6(o) for further information.

(ii) The fair value of the investment property of the Group is according to the key assumption of long-term net profit method for the estimated cash flow covers the remaining average useful life of the property the discount rate used is 4.03%.

(iii) As of December 31, 2019, the investment property of the Group had not been pledged as collateral for bank borrowings.

(i) Other non-current assets

		December 31, 2020	December 31, 2019
Prepayments for equipments	$	104,384	110,110
Guarantee deposits paid		4,193	4,958
Other non-current assets		24,292	24,030
	$	132,869	139,098

During 2020, the Group has capitalized borrowing costs related to the aquisition of the equipment and construction of factory of $507, calculated using a capitalization rate of 1.45%.

(j) Short-term borrowings

		December 31, 2020	December 31, 2019
Unsecured bank loans	$	225,437	549,126
Secured bank loans		181,602	189,150
Total	$	407,039	738,276
Unused short-term credit lines	$	556,020	196,137
Range of interest rates		1.27%~5.00%	1.65%~5.22%

For the collateral for short-term borrowing, please refer to Note 8.

(k) Other payables (including related parties)

		December 31, 2020	December 31, 2019
Payable on expendables	$	10,701	56,378
Outsourced processing expenses payable		116,029	60,652
Wages and salaries payable		51,144	30,872
Mold-processing expenses payable		28,414	44,726
Indemnity payable		5,988	14,992
Payable on machinery and repairing		34,188	57,587
Packing expenses payable		11,381	9,741
Payable on construction		9,604	11,845
Others		128,484	90,234
	$	395,933	377,027

(l) Bonds payable

The details of bonds payable were as follows:

		December 31, 2020
Secured convertible bonds	$	194,121
Unsecured convertible bonds		192,045
	$	**386,166**

(i) The details of convertible bonds were as follows:

		December 31, 2020
Total convertible corporate bonds issued	$	401,504
Unamortized discounted corporate bonds payable		(15,338)
Cumulative converted amount		-
Corporate bonds issued balance at year end	**$**	**386,166**
Embedded derivative –call and put options, included in financial liabilities at fair value through profit or loss	**$**	**60**
Equity component－conversion options, included in capital surplus－stock options	**$**	**9,858**

On August 31 and September 1, 2020, the Group issues the three-year secured convertible bonds with zero interest rate $200,000 and the three-year unsecured convertible bonds with zero interest rate $201,504, the offering information were as follows:

Secured convertible bonds	Unsecured convertible bonds
• The conversion price was $46 per share, when it comes to adjusting conversion price of the Company’s common share, it should adhere to the Company’s conversion’s rules. The conversion price change with formula within issuance details. These secured convertible bonds do not have reset feature.	• The conversion price was $45 per share, when it comes to adjusting conversion price of the Company’s common share, it should adhere to the Company’s conversion’s rules. The conversion price change with formula within issuance details. These secured convertible bonds do not have reset feature.
• From the day after the bond has been issued for three months to 40 days before the expiry, if the closing price of the Company’s common shares listed on the Taipei Exchange exceeds or equals 30% of the conversion price for 30 consecutive days, or the outstanding balance of the bond is less than 10% of the original issuance then the Company will redeem the bonds based on the bond denomination.	• From the day after the bond has been issued for three months to 40 days before the expiry, if the closing price of the Company’s common shares listed on the Taipei Exchange exceeds or equals 30% of the conversion price for 30 consecutive days, or the outstanding balance of the bond is less than 10% of the original issuance then the Company will redeem the bonds based on the bond denomination.

Secured convertible bonds	Unsecured convertible bonds
• Unless the bond has been redeemed before maturity, repurchased and cancelled or converted, the bonds will be redeemed by the Company on the bond denomination.	• Unless the bond has been redeemed before maturity, repurchased and cancelled or converted, the bonds will be redeemed by the Company on the maturity date at 100.7519% of the principal amount of the bond (the real yield is 0.25%).

(ii) For the details of collateral of convertible bonds, please refer to Note 8.

(iii) Please refer to note 6(v) for the interest expense for the years ended December 31, 2020.

(m) Long-term borrowings

The details were as follows:

	December 31, 2020			
	Currency	**Rate**	**Maturity date**	**Amount**
Unsecured bank loans	TWD	0.050%~1.800%	2021.06.27~2025.10.08	$ 249,492
Secured bank loans	TWD	0.100%~1.55%	2023.04.25~2039.10.31	646,556
				896,048
Less: current portion				(64,537)
Total				**$ 831,511**
Unused long-term credit lines				**$ 409,000**

	December 31, 2019			
	Currency	**Rate**	**Maturity date**	**Amount**
Unsecured bank loans	TWD	1.580%~2.095%	2021.05.31~2022.12.07	$ 161,822
Secured bank loans	TWD	1.570%~2.250%	2022.08.19~2039.10.31	663,676
				825,498
Less: current portion				(125,708)
Total				**$ 699,790**
Unused long-term credit lines				**$ -**

(i) For the collateral for long-term borrowings, please refer to Note 8.

(ii) The low-interest government loans projects

As of December 31, 2020, the Group had borrowed unsecured bank loans of $100,000 and secured bank loans of $238,828. The annual interest rates of loans were 0.05% and 0.10%, and the loans will expire in May 2025 and between August 2027 to May 2030, respectively. The loans were applied according to the "Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan”.

(n) Lease liabilities

The carrying amount of lease liabilities of the Group were as follows:

	December 31, 2020	December 31, 2019
Current	$ 1,119	2,520
Non-current	$ 1,689	936

For the maturity analysis, please refer to Note 6(w).

The amounts recognized in profit or loss were as follows:

	For the year ended December 31	
	2020	2019
Interest on lease liabilities	$ 110	182
Expenses relating to short-term leases	$ 2,205	2,395

The amounts recognized in the statement of cash flows for the Group were as follows:

	For the year ended December 31	
	2020	2019
Total cash outflow for leases	$ 5,424	6,577

The Group leases machinery equipment for a period of 3 years. Some leases include an option to renew the lease for on additional period after the end of the contract term.

(o) Operating lease

Leases as lessor

The Group leases out its investment property. The Group has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Please refer to Note 6(h) sets out information about the operating leases of investment property.

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows:

	December 31, 2020	December 31, 2019
Less than one year	$ -	1,792

Rental income from investment properties was $307 (2019: $1,807).

(p) Employee benefits

(i) Defined contribution plans

The Group allocates 6.00% of each employee’s monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

For the years ended December 31, 2020 and 2019, the pension costs incurred from the contributions to the Bureau of Labor Insurance as follows:

	For the years ended December 31	
	2020	**2019**
Operating costs	$ 1,741	1,743
Selling expenses	1,549	1,742
	$ 3,290	**3,485**

(ii) For the years ended December 31, 2020 and 2019, the foreign subsidiary recognized pension costs according to local laws as follows:

	For the years ended December 31	
	2020	**2019**
Operating costs	$ 16,162	17,153
Selling expenses	4,100	4,761
Total	**$ 20,262**	**21,914**

(q) Income taxes

(i) The components of income tax in the years 2020 and 2019 were as follows:

	For the years ended December 31	
	2020	**2019**
Current tax expense		
Current period	$ 47,444	9,172
Adjustment for prior periods	700	1,558
Deferred tax expense		
Origination and reversal of temporary differences	26,970	6,736
Income tax expense	**$ 75,114**	**17,466**

(ii) Reconciliations of income tax and profit before tax for 2020 and 2019 were as follows:

	For the years ended December 31	
	2020	**2019**
Profit excluding income tax	$ 212,746	37,527
Income tax the Company's domestic tax rate	42,549	7,505
Effect of tax rates in foreign jurisdiction	37,048	7,364
Non-deductible expenses	477	667
Tax-exempt income	(42)	(74)
Recognition of previously unrecognizd tax losses	(892)	(46)
Current-year losses for which no deferred tax asset was unrecognized	(4,797)	160
Underestimation (overestimation) in prior period	700	1,558
Others	71	332
	$ 75,114	**17,466**

(iii) The amount of income tax recognized in other comprehensive income (loss) for the years ended December 31, 2020 and 2019 was as follows:

	For the years ended December 31	
	2020	**2019**
Items that will be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statement	**$ 1,782**	**(11,709)**

(iv) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

The details of unrecognized deferred tax assets for the Group were as follows:

	December 31, 2020	**December 31, 2019**
Tax loss	**$ 44,961**	**56,105**

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2020 and 2019 were as follows:

		Inventory valuation losses	Other	Total
Deferred tax assets:				
Balance at January 1, 2020	$	7,047	27,485	34,532
Recognized in profit or loss		(1,261)	2,408	1,147
Recognized in other comprehensive income		-	(1,782)	(1,782)
Exchange differences on translation of foreign financial statement		22	32	54
Balance at December 31, 2020	$	5,808	28,143	33,951
Balance at January 1, 2019	$	9,382	16,655	26,037
Recognized in profit or loss		(2,062)	(740)	(2,802)
Recognized in other comprehensive income		-	11,709	11,709
Exchange differences on translation of foreign financial statement		(273)	(139)	(412)
Balance at December 31, 2019	$	7,047	27,485	34,532

		Investment income overseas	Other	Total
Deferred tax liabilities:				
Balance at January 1, 2020	$	25,059	-	25,059
Recognized in profit or loss		28,117	-	28,117
Balance at December 31, 2020	$	53,176	-	53,176
Balance at January 1, 2019	$	19,507	1,618	21,125
Recognized in profit or loss		5,552	(1,618)	3,934
Balance at December 31, 2019	$	25,059	-	25,059

(v) The Company’ s income tax returns for the years through 2018 were assessed by the tax authorities.

(r) Capital and other equity

(i) Ordinary shares

As of December 31, 2020 and 2019, the number of authorized share capital were 150,000 thousand shares and 100,000 thousand shares with par value $10 per share. The total value of authorized share capital amounted to $1,500,000 and $1,000,000, respectively. Issued ordinary shares are 83,884 thousand shares and 80,151 thousand shares, respectively.

The reconciliation of shares outstanding for 2020 and 2019 was as follows:

(in thousands of shares)

	Ordinary Shares	
	2020	**2019**
Balance on January 1	80,151	76,489
Capital increase by retained earnings	3,733	3,662
Balance on December 31	**83,884**	**80,151**

A resolution was passed during the general meeting of shareholders held on May 24, 2019 for the issuance of 3,662 thousand new shares by retained earnings with par value of $10 per share, amounting to $36,624. The Board of Directors approved the record date of capital increase by August 31, 2019. The relevant statutory registration procedures have since been completed by September 19, 2019.

A resolution was passed during the general meeting of shareholders held on May 28, 2020 for the issuance of 3,733 thousand new shares by retained earnings with par value of $10 per share, amounting to $37,329. On August 20, 2020, the chairman of the Board of Directors authorized the increase of capital by the Board of Directors on August 5, 2019 to set the capital increase record date as September 30, 2020. The relevant statutory registration procedures have since been completed by October 15, 2020.

(ii) Capital surplus

The balances of capital surplus as of December 31, 2020 and 2019, were as follows:

	December 31, 2020	**December 31, 2019**
Premium from issuing new shares	$ 303,851	303,851
Premium from converting bonds	194,185	194,185
Share-based payment	18,303	12,602
Treasury share transactions	2,360	2,360
Issuance of convertible bonds	9,858	-
	$ 528,557	**512,998**

(iii) Retained earnings

Company's article of incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

Before the distribution of dividends, the Company shall first take into consideration its operating environment, industry developments, and the long-term interests of stockholders, as well as its programs to maintain operating efficiency and meet its capital expenditure budget and financial goals in determining the stock or cash dividends to be paid. After the above appropriations, current and prior-period earnings that remain undistributed will be proposed for distribution by the Board of Directors, and a meeting of shareholders will be held to decide on this matter. The cash dividends shall not be more than 10% of total dividends.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

The Company has selected to apply the optional exemptions according to IFRS 1 "First-time Adoption of International Financial Reporting Standards".

In accordance with Rule No. 10100112865 issued by the FSC on April 6, 2012, a special reserve was appropriate from the accumulated conversion adjustment (benefits) under equity transferred to retained earnings is $52,050. The special reserve appropriated can be reversed to the extent that the net debit balance reverses.

In accordance with the aforesaid Rule, a special reserve is set aside from the current years' net income after tax and prior year's undistributed earnings at an amount equal to the debit balance of contra accounts in shareholders' equity. When the debit balance of any of these contra accounts in shareholders' equity is reversed, the related special reserve can be reversed. The subsequent reversals of contra accounts in shareholder's equity shall qualify for additional distributions. As of December 31, 2020 and 2019, the special reserve appropriated from the undistributed earnings amounted to $131,613 and $87,006.

3) Earnings distribution

The amounts of earnings distribution on the appropriations of earnings for 2019 and 2018 had been approved during the shareholders' meeting on May 28, 2020 and May 24, 2019, respectively.

	2019			2018	
		Amount per share	Total amount	Amount per share	Total amount
Dividends distributed to ordinary shareholders:					
Cash	$	0.06	4,666	0.5	36,624
Share		0.48	37,329	0.5	36,624
Total			$ 41,995		73,248

The amounts of cash dividends on the appropriations of earnings for 2020, and the amount of shares dividends of appropriations of earnings for 2020, had been approved and proposed, respectively during the board meeting on March 25, 2021 as follows:

	2020		
		Amount per share	Total amount
Dividends distributed to ordinary shareholders:			
Cash	$	0.8	65,522
Share		0.2	16,380
Total			$ 81,902

(iv) Treasury shares

In order to encourage employee, the Company decided to repurchase shares as treasury shares by the propose of the Board of Directors. The Company repurchased 3,000,000 shares between May 20 to July 23, 2018. The range of repurchased price is between $21 to $40 TWD and the actual average share price was $38.15 TWD per share. The total amount of shares purchased is $114,455.

At July 16, 2018, the Board of Directors proposed to transfer treasury shares to employees by 38.15 TWD per share, and the total price of the transformation is $105,907. The differences $689 were recognized as capital surplus on the day of delivering stocks to the employees.

At September 18, 2020, the Board of Directors proposed to transfer treasury shares to employees by 38.15 TWD per share, and the total price of the transformation is $10,490. The differences $1,258 were recognized as capital surplus on the day of delivering stocks to the employees.

The Company repurchased 3,000,000 shares between October 12 to December 11, 2018. The range of repurchased price is between $23.80 to $57.81 TWD and the actual average share price was $37.10 TWD per share. The total amount of shares purchased is $111,305.

At February 20, 2020 and November 4, 2020, the Board of Directors proposed to transfer treasury shares to employees by 37.10 TWD per share, and the total price of the transformation is $33,094 and $54,639, respectively. The differences $1,188 and $3,255 were recognized as capital surplus on the day of delivering stocks to the employees.

At March 19, 2020, the Company decided to repurchase shares as treasury shares by the propose of the Board of Directors. The Company expected to repurchase 3,000,000 shares between March 20 to May 19, 2020. The expected range of repurchased price is between $23.10 to $56.71 TWD. As of December 31, 2020, the Company had repurchased 1,500,000 shares and the actual average share price was $35.01 TWD per share. The total amount of shares purchased is $52,512.

According to the Securities and Exchange Act, the proportion of the shares which the Company repurchased shall not exceed 10% of the total number of shares the Company have issued. And the total amount of shares shall not exceed the total amount of retained earnings, premium from issuing new shares and realized capital surplus.

In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and do not hold any shareholder rights before their transfer.

(v) Other equity items

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance at January 1, 2020	$ (131,613)	-	(131,613)
Exchange differences on foreign operations	7,125	-	7,125
Balance at December 31, 2020	**$ (124,488)**	**-**	**(124,488)**
Balance at January 1, 2019	$ (84,778)	(2,228)	(87,006)
Exchange differences on foreign operations	(46,835)	-	(46,835)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	2,228	2,228
Balance at December 31, 2019	**$ (131,613)**	**-**	**(131,613)**

(s) Earnings per share

The details on the calculation of basic earnings per share and diluted earnings per share were as follows:

	For the years ended December 31	
	2020	2019
Basic earnings per share		
Profit/(loss) attributable to ordinary shareholders of the Company	$ 137,632	20,061
Weighted average number of ordinary (thousands shares)	81,443	76,909
Basic earnings per share (dollars)	$ 1.69	0.26
Diluted earnings per share		
Profit/(loss) attributable to ordinary shareholders of the Company (diluted)	$ 139,130	20,061
Weighted average number of ordinary (thousands shares)	81,443	76,909
Effect of dilutive potential ordinary shares		
Effect of employee share bonus	84	21
Effect of conversion of convertible bonds	9,235	-
Weighted average number of ordinary (Including adjustment of effect of dilutive potential ordinary shares)	90,762	76,930
Diluted earnings per share (dollars)	$ 1.53	0.26

(t) Revenue from contracts with customers

(i) Details of revenue

	For the year ended December 31, 2020			
	Parts of HDD	Parts of vehicles	Management & operations	Total
Major products/services lines:				
Sales of goods	$ 744,513	1,495,493	20,405	2,260,411
Other sales revenue	-	-	35,164	35,164
Total	$ 744,513	1,495,493	55,569	2,295,575
Timing of revenue recognition:				
Products transferred at a point in time	$ 744,513	1,495,493	55,569	2,295,575

	For the year ended December 31, 2019			
	Parts of HDD	Parts of vehicles	Management & operations	Total
Major products/services lines:				
Sales of goods	$ 584,749	1,445,635	27,750	2,058,134
Other sales revenue	-	-	34,646	34,646
Total	$ 584,749	1,445,635	62,396	2,092,780
Timing of revenue recognition:				
Products transferred at a point in time	$ 584,749	1,445,635	62,396	2,092,780

(ii) Contract balances

		December 31, 2020	December 31, 2019	January 1, 2019
Notes receivables	$	83,725	30,605	19,318
Account receivables		645,829	631,556	704,452
Less: allowance for impairment		(19,584)	(14,307)	(18,495)
Total	**$**	**709,970**	**647,854**	**705,275**
Contract assets—products selling	**$**	**91,624**	**83,690**	**73,730**
Contract liabilities—advance sales receipts	**$**	**5,579**	**1,431**	**3,632**

For details on accounts receivable and allowance for impairment, please refer to Note 6(c).

(u) Employee compensation and directors' and supervisors' remuneration

In accordance with the articles of incorporation the Company should contribute no less than 2% of the profit as employee compensation and less than 5% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The amount of remuneration of each director and supervisor and of compensation for employees entitled to receive the abovementioned employee compensation is approved by the Board of Directors. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

For the years ended December 31, 2020 and 2019, the Company estimated its employee remuneration amounting to $3,595 and $654, and directors' and supervisors' remuneration amounting to $1,797 and $327, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2020 and 2019. Related information would be available at the Market Observation Post System website. The amounts, as stated in the financial statements, are identical to those of the actual distributions for 2019 and 2018.

(v) Non-operating income and expenses

(i) Interest income

The details of interest income in 2020 and 2019 were as follows:

	For the years ended December 31		
		2020	2019
Interest income	**$**	**2,074**	**674**

(ii) Other income

The details of other income in 2020 and 2019 were as follows:

	For the years ended December 31		
		2020	2019
Other income	$	35,426	58,900

(iii) Other gains and losses

The details of other gains and losses in 2020 and 2019 were as follows:

	For the years ended December 31		
		2020	2019
Gains (Losses) on disposals of property, plant and equipment	$	(151)	(3,073)
Gains (Losses) on disposals of investment property		8,337	-
Gain on lease modification		-	48
Gain (loss) on foreign currency exchange		(27,203)	(1,878)
Others		(7,742)	(46,435)
	$	(26,759)	(51,338)

Note: The plants of subsidiary CFTC Jia-Xing broke out of fire at January 14, 2019. The inventories in the workshop and property, plant and equipment were insured. The company has already received the indemnification for about $53,999 at October 8, 2019.

(iv) Finance costs

The details of finance costs in 2020 and 2019 were as follows:

	For the years ended December 31		
		2020	2019
Interest expense	$	37,429	39,006
Amortization of discounts of bond		1,873	-
Less: interest capitalized		(11,577)	(6,831)
	$	27,725	32,175

(w) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk. The maximum amount were both $1,331,797 and $1,131,766 in 2020 and 2019.

2) Concentration of credit risk

Credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria, etc. To lower certain issuers' or counter parties' credit risk, credit enhancing instruments (such like sales receipts and insurance) will be taken at the appropriate time.

3) Credit risk of receivables and debt securities

For credit risk exposure of notes and trade receivables, please refer to Note 6(c).

Other financial assets at amortized cost includes other receivables. All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected credit losses. The certificates of deposit owned by the Group are considered to have low risk because of the trade partners and performance partners are financial institutions above investment grade. As a result, they did not make allowance for loss.

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	Within 1 years	2-3 years	4-5 years	Over 5 years
December 31, 2020						
Non-derivative financial liabilities						
Short-term loans	$ 407,039	422,254	422,254	-	-	-
Notes and trade payable (including related parties)	354,637	354,637	354,637	-	-	-
Other payables (including related parties)	395,933	395,933	395,933	-	-	-
Bonds payable	386,166	401,504	-	401,504	-	-
Long-term loans (including the ones expired within 1 year or an operating cycle)	896,048	910,113	64,537	194,889	183,173	467,514
Lease liabilities	2,808	3,099	1,350	1,649	100	-
	$ 2,442,631	2,487,540	1,238,711	598,042	183,273	467,514
December 31, 2019						
Non-derivative financial liabilities						
Short-term loans	$ 738,276	766,879	766,879	-	-	-
Notes and trade payable (including related parties)	298,250	298,250	298,250	-	-	-
Other payables (including related parties)	377,027	377,027	377,027	-	-	-
Long-term loans (including the ones expired within 1 year or an operating cycle)	825,498	840,441	127,974	300,210	27,415	384,842
Lease liabilities	3,456	3,456	2,520	809	127	-
	$ 2,242,507	2,286,053	1,572,650	301,019	27,542	384,842

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk were as follows:

		December 31, 2020			December 31, 2019	
	Foreign Currency	**Exchange Rate**	**TWD**	**Foreign Currency**	**Exchange Rate**	**TWD**
Financial assets						
Monetary items						
USD:TWD	$ 12,853	28.4800	366,061	9,179	29.9800	275,186
USD:CNY	8,223	6.5819	234,199	4,942	6.9640	148,161
Financial liabilities						
Monetary items						
USD:CNY	4,257	6.5819	121,225	3,721	6.9640	111,556
JPY:TWD	59,276	0.2763	16,378	-	-	-

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts and other receivables, financial assets at fair value through other comprehensive income, loans and borrowings; and accounts and other payables that are denominated in foreign currency.

A strengthening (weakening) of 1% of the TWD against the USD, EUR, and CNY in 2020 and 2019, would have increased (decreased) the net profit after tax by $4,619 and $3,118, respectively. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2019.

3) Foreign exchange gain and loss on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For years 2020 and 2019, foreign exchange gain (loss) (including realized and unrealized portions) amounted to loss $27,203 and loss $1,878, respectively.

(iv) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Group's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding liabilities with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year.

If the interest rate had increased / decreased by 10 basis points, the Group’s net income would have increased / decreased by $1,303 for the year ended December 31, 2020 and $1,564 for the year ended December 31, 2019, with all other variable factors remaining constant. This is mainly due to the Group’s borrowing at variable rates.

(v) Fair value information

1) Fair value and type of financial instruments

The fair value of financial assets at fair value through profit or loss, financial instruments used for hedging, and financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Group’s financial assets, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

	December 31, 2020				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Call options of convertible bonds	$ 60	-	60	-	60
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 468,484	-	-	-	-
Contract assets	91,624	-	-	-	-
Notes and accounts receivables	709,970	-	-	-	-
Other receivables	61,912	-	-	-	-
Subtotal	1,331,990	-	-	-	-
Total	$ 1,332,050	-	60	-	60
Financial liabilities at amortized cost					
Bank loans	$ 1,303,087	-	-	-	-
Notes and accounts payables	354,637	-	-	-	-
Other payables	395,933	-	-	-	-
Lease liabilities	2,808	-	-	-	-
Bonds payables	386,166	-	-	-	-
Total	$ 2,442,631	-	-	-	-

	December 31, 2019				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 315,774	-	-	-	-
Contract assets	83,690	-	-	-	-
Notes and accounts receivables	647,854	-	-	-	-
Other receivables	84,635	-	-	-	-
Total	$ 1,131,953	-	-	-	-

	December 31, 2019				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial liabilities at amortized cost					
Bank loans	$ 1,563,774	-	-	-	-
Notes and accounts payables	298,250	-	-	-	-
Other payables	377,027	-	-	-	-
Lease liabilities	3,456	-	-	-	-
Total	$ 2,242,507	-	-	-	-

2) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm’s-length basis. Whether transactions are taking place ‘regularly’ is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

Measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the reporting date.

b) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants such as the discounted cash flow or option pricing models. Fair value of forward currency is usually determined by the forward currency exchange rate.

3) There have been no transfers from each level for the years ended December 31, 2020 and 2019.

(x) Financial risk management

(i) Overview

The Group have exposures to the following risks from its financial instruments:

1) credit risk

2) liquidity risk

3) market risk

The following likewise discusses the Group’s objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risk exposures, please refer to the respective notes in the accompanying consolidated financial statements.

(ii) Structure of risk management

The Group’s major targets of financial risk management were to manage the market risk, credit risk, and liquidity risk regarding operation activities. The Group identifies, evaluates and manages the aforesaid risk in accordance with its policies and risk preferences.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group’s accounts and notes receivables from customers, contract assets, cash in banks and various financial instruments.

1) Accounts and other receivables

Credit risk is managed by each business unit subject to the Group’s established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group’s internal rating criteria, etc. To lower certain issuers’ or counter parties’ credit risk, credit enhancing instruments(such like sales receipts and insurance) will be taken at the appropriate time.

The Group sets a loss allowance for expected credit losses to reflect the estimated loss on accounts receivable. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets. However, the Group does not centralize its sales to any single customer, therefore the credit risks of accounts receivables do not significantly concentrate.

2) Investments

The exposure to credit risk for the bank deposits and other financial instruments is measured and monitored by the Group's finance department. The Group only deals with banks, corporate organizations and financial institutions with good credit rating. There was no material doubt on contract performance so there was no material credit risk.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

As of December 31, 2020 and 2019, the Group's unused credit line were amounted to $965,020 and $196,137, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Group is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the TWD, US Dollar (USD), and Chinese Yuan (CNY). The currencies used in these transactions are the TWD, USD and CNY.

The interest is denominated in the same currency as borrowings. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group, which are mainly TWD, CNY and USD. This provides an economic hedge without derivatives being entered into, and therefore, hedge accounting is not applied in these circumstances.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

2) Interest rate risk

The Group is exposed to fair value risk and cash flow risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings.

3) Other market price risk

The Group does not enter into any commodity contracts other than to meet the Group’s expected usage and sales requirements; such contracts are not settled on a net basis.

(y) Capital management

The Group’s objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

The Group and other entities in the same industry use the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents.

The total capital and equity include share capital, capital surplus, retained earnings, other equity, and non-controlling interest plus net debt.

As of December 31, 2020, the Group’s capital management strategy is consistent with the prior year as of December 31, 2019 to ensure financing at reasonable cost. The Group’s debt-to-equity ratio at the end of the reporting period as of December 31, 2020 and 2019, is as follows:

	December 31, 2020	**December 31, 2019**
Total liabilities	$ 2,519,165	2,278,480
Less: cash and cash equivalents	(468,484)	(315,774)
Net debt	**$ 2,050,681**	**1,962,706**
Total equity	**$ 1,567,931**	**1,372,271**
Adjusted equity	**$ 3,618,612**	**3,334,977**
Debt-to-equity ratio at 31 December	**56.67%**	**58.85%**

As of December 31, 2020, the capital management method of the Group has no change.

(7) Related-party transactions:

(a) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

Name of related party	Relationship with the Group
Flourish Precision Machining Co., Ltd. (Flourish Precision)	An associate
Yung-Hung Engineering Ltd. (Yung-Hung Engineering)	The entity’ s owner is the chairman of the Company

Note: Flourish Precision has been a related since May 24, 2019.

(b) Significant transactions with related parties

(i) Purchases

The amounts of significant purchases by the Group from related parties were as follows:

	For the years ended December 31	
	2020	2019
Associates－Flourish Precision	$ 15,800	24,509

(ii) Payables to Related Parties

The payables to related parties were as follows:

Account	Relationship	December 31, 2020	December 31, 2019
Accounts payables	Associates－Flourish Precision	$ 5,020	19,647
Other payables	Associates－Flourish Precision	6,965	-
Other payables	Associates－Yung-Hung Engineering	58	58
		$ 12,043	19,705

(iii) Other

1) Due to operational requirements, the Group appointed Yung-Hung Engineering to provide labor services. During 2020 and 2019, labor service costs were reported at $660 and $110, respectively.

2) The Board of Directors of the Group decided to contract out the sewage treatment equipment of the Chuansing plant to Yung-Hung Engineering, and signed a contract which was worth $12,500 at June 23, 2020. As of December 31, 2020, the Group paid $3,750 and were recognized as prepayment for equipment.

(c) Key management personnel compensation

		For the years ended December 31	
		2020	2019
Short-term employee benefits	$	19,324	15,472
Post-employment benefits		108	257
	$	19,432	15,729

(8) Pledged assets:

Pledged assets	Object		December 31, 2020	December 31, 2019
Other receivables－restricted deposit	Collateral for loans and bonds payables	$	54,277	76,862
Property, plant and equipment	〃		533,180	625,354
Right-of-use assets (land-use right)	〃		20,009	9,444
		$	607,466	711,660

(9) Commitments and contingencies:

(a) Unrecognized contractual commitments

The Board of Directors of the Group approved the construction project of entering Erlin Science Park of Central Taiwan Science Park at December 14, 2018, and paid $3,000 as the deposit to the Administration of Central Taiwan Science Park, Ministry of Science and Technology. However, the Group should accelerate mass production due to the impact of U.S.-China trade war, so it planned to shift the production lines to the existing plant in Chuansing Industrial Park in Changhua, and the Board of Directors modified the decision at August 7, 2019. The Group still has a plan to enter Erlin Science Park, and has successfully communicated with Central Taiwan Science Park, Ministry of Science and Technology, to modify the land for medium-term and long-term investment plans.

(b) Contingencies

(i) The lease contract of the previous plant requested that the Group should revert the plant to the original state, however, due to the cognitive difference in each other, the owner of the plant claimed for damages to the court. Taiwan Changhua District Court judged that the Group should compensate $558 in the first instance at December 23, 2019. The conviction was affirmed by Taiwan High Court Taichung Branch Court in the second instance, and the Group was requested to compensate $887. Therefore, the Group accrued $59 of loss according to the payable difference and less the security deposit during 2020.

(ii) The dispute that Fei-Long Engineering Ltd. requested the Group to pay the plant repairment and additional engineering expenses that amounted to $1,107 was not solved. Because the prices of several projects were offered above market price and the projects were not checked and accepted, the Group did not pay in obedience to Fei-Long’ s requests. Taiwan Changhua District Court judged that the Group should compensate $899 in the first instance at October 8, 2020, and the Group had mandated the lawyer to file an appeal within statutory period. The Group was defeated in the first instance and accrued $830 of loss at during 2020.

(iii) The previous chairman of the Board of Directors sued the Group for dismantling the building on the basis of ownership and illegal appropriation of land at August 4, 2020. As of December 31, 2020, the Group estimated that $7,932 should be paid according to the complaint. However, considering that the Group has also sued the previous chairman for several suits of damages and the suits are still pending, the Group cannot reasonably estimate the results of suits above as of December 31, 2020.

(10) Losses due to major disasters:

CFTC Precision (Jia-Xing) Limited, a subsidiary of the Group, broke out of fire at January 14, 2019, and some of the electroplating plants were burned down. The management of the Group estimated that the claim will be about $11,889(CNY) and received at October 8, 2019, according to the contract of insurance and the third-party notary institution’ s assessment. The net losses of the disasters above were approximately $5,588(CNY), and were recognized as other non-operating income and expenses under non-operating income and expenses during 2019.

(11) Subsequent events:None

(12) Other:

(a) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

	For the year ended December 31					
	2020			2019		
By function / By item	Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits						
Salary	$ 304,000	97,752	401,752	294,153	82,586	376,739
Labor and health insurance	17,473	6,360	23,833	18,490	7,538	26,028
Pension	17,903	5,649	23,552	18,896	6,503	25,399
Others	17,255	9,477	26,732	18,984	10,197	29,181
Depreciation	153,920	9,207	163,127	139,166	12,639	151,805
Amortization	650	1,691	2,341	348	1,203	1,551

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
1	CFTC Jia-Xing	CFTC Huai-An	Other receivables	Yes	14,299	13,629	13,421	5.2%	1	13,629		-		-	639,090	639,090
1	CFTC Jia-Xing	CFTC Huai-An	Other receivables	Yes	73,903	73,869	34,703	4.8%~5.2%	2	-	The operating turnover	-		-	639,090	639,090

Note 1: CFTC Jia-Xing has business relationship with it.

Note 2: CFTC Jia-Xing requires a short-term financing with it.

Note 3: CFTC Jia-Xing's limit on total amount and amount to single party of loans to others is 40% of net assets in latest audited or reviewed financial statements of CFTC Jia-Xing.

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	CFTC Jia-Xing	1	313,586	273,610	232,040	56,960	-	3.63%	627,172	Y	N	Y
0	The Company	CFTC Huai-An	1	313,586	31,050	19,936	19,936	-	1.27%	627,172	Y	N	Y
1	CFTC Jia-Xing	CFTC Huai-An	4	672,172	17,516	17,508	17,508	-	1.12%	627,172	N	N	Y

Note 1: The Company's limit on total amount of endorsements/ guarantees provided to others is 40% of net assets in latest audited or reviewed financial statements of the Company. The Company's limit on amount of endorsements/ guarantees provided to single party is 20% of net assets in latest audited or reviewed financial statements of the Company.

Note 2: CFTC Jia-Xing's limit on total amount of endorsements/ guarantees provided to others is 40% of net assets in latest audited or reviewed financial statements of the Company and CFTC Jia-Xing.

Note 3: The relationships between endorser and endorsee were as follows:

(1) The Company owns above 50% of its shares with voting rights directly or indirectly.

(2) The one owns above 50% of the Company's shares with voting rights directly or indirectly.

(3) The Company or business with business relationship.

(4) Within the companies which the Company owns above 90% of its shares with voting rights directly or indirectly.

(iii) Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures): None

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	CFTC Jia-Xing	Subsidiary of the Company	Purchase	235,661	57%	90 dyas	Normal	Normal	(120,649)	(34)%	
CFTC Jia-Xing	The Company	Subsidiary of the Company	Sale	(235,661)	(57)%	90 dyas	Normal	Normal	120,649	34%	

Note: Reconciliated in the preparation of consolidated report.

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
CFTC Jia-Xing	The Company	Subsidiary	120,649	1.67	-	-	26,977	-

Note: Reconciliated in the preparation of consolidated report.

(ix) Trading in derivative instruments: None

(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	CFTC Jia-Xing	1	Purchase	235,661	Normal	10.27%
1	CFTC Jia-Xing	The Company	2	Sale	235,661	Normal	10.27%
0	The Company	CFTC Jia-Xing	1	Accounts payable	120,649	Normal	2.95%
1	CFTC Jia-Xing	The Company	2	Accounts receivable	120,649	Normal	2.95%

Note 1: The numbering is as follows:

1. "0" represents the parent company
2. Subsidiaries are sequentially numbered from 1 by company

Note 2: Relation between related parties are as follows:

1. Parent company and its subsidiaries
2. Subsidiaries and its parent company
3. Subsidiaries and its subsidiaries

Note 3: The calculations of the percentage that total transaction amount takes of the consolidated sales or assets, can be calculated by dividing the ending balance by the consolidated assets if there is an account in balance sheet, or by dividing the accumulated amount by the consolidated sales if there is an account in income statement.

Note 4: Reconciliated in the preparation of consolidated report.

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2020 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars/ thousand shares)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value				
The Company	China Fineblanking Group Co., Ltd.	Samoa Islands	Investment activities	USD 40,080	USD 40,080	40,080	100.00%	1,639,235	100.00%	132,113	132,113	Note 1
The Company	CFTC Precision Sdn. Bhd.	Malaysia	Property management	MRY 30,288	MRY 30,288	30,288	100.00%	10,666	100.00%	3,722	3,722	Note 1
China Fineblanking Group Co., Ltd.	China Fineblanking International Co., Ltd.	Samoa Islands	Investment activities	USD 40,080	USD 40,080	40,080	100.00%	USD 58,122	100.00%	USD 4,800	-	Note 1

Note 1: Reconciliated in the preparation of consolidated report.

Note 2: The current net income or loss included the influences of upstream and downstream transactions within the associates.

(c) Information on investment in Mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	Net income (losses) of the investee	Percentage of ownership	Highest percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow							
CFTC Jia-Xing	Manufacture and sale of hardware parts, mechanical hardware parts and molding components	RMB270,034 (USD39,700)	(Note1)	1,173,787 (USD37,500)	-	-	1,173,787 (USD37,500)	117,673 (USD4,127)	100.00%	100.00%	117,673 (USD4,127)	1,597,726 (USD56,100)	20,249 (USD633)
CFTC Huai-An	Manufacture of mechanical parts and molding components	RMB 17,131 (USD2,580)	(Note1)	82,131 (USD2,580)	-	-	82,131 (USD2,580)	19,187 (USD673)	100.00%	100.00%	19,187 (USD673)	57,029 (USD2,002)	-

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
1,255,918	1,446,214 (USD 50,780)	NA (Note 2)

Note 1: The Company invest in Mainland China companies through a company invested and established in a third region.

Note 2: In accordance with the provisions of the "Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area" passed on August 29, 2008, the Company has acquired the Business Operation Headquarter Certificate issued by the Industrial Development Bureau of the Ministry of Economic Affairs, which exempts the Company from the limitation of the amount or ratio of investment in mainland China.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions" and "Business relationships and Significant intercompany transactions".

(d) Major shareholders:

Shareholding / Shareholder's Name	Shares	Percentage
LIU, CHING-I	7,792,714	9.28%
HSIEH, LING	5,652,235	6.73%
CHIA-CHUAN Investment Co. LTD	5,428,285	6.47%
WU, CHIH-WEI	4,834,336	5.76%

Note: The table discloses stockholding information of stockholders whose ownership percentages are more than 5%. The Taiwan Depository & Clearing Corporation calculates the total number of common stocks and special stocks (including treasury stocks) that have completed the dematerialized registration and delivery on the last business day of the quarter. The stocks reported in the financial statements and the actual number of stocks that have completed the dematerialized registration and delivery may be different due to the basis of calculation.

(14) Segment information:

(a) General information

The Group has three reportable segments: segment of HDD parts, segment of vehicle parts, and segment of management and operation. Segment HDD parts produces and sells HDD parts. Segment of vehicle parts produces and sells vehicle parts. Segment of management and operation is involved in business items other than the operation of the above two segments, and reinvestment business.

The reportable segments are the Group’s strategic divisions. They offer different products and services, and are managed separately because they require different technology and marketing strategies. Most of the strategic divisions were acquired separately. The management of the acquired divisions remains being employed by the Group.

(b) Information about reportable segments and their measurement and reconciliations

The Group uses the internal management report that the chief operating decision maker reviews as the basis to determine resource allocation and make a performance evaluation. The internal management report includes profit before taxation, but not including any extraordinary activity and foreign exchange gain or losses, because taxation, extraordinary activity, and foreign exchange gain or losses are managed on a group basis, and hence they are not able to be allocated to each reportable segment. In addition, not all reportable segments include depreciation and amortization of significant non-cash items. The reportable amount is similar to that in the report used by the chief operating decision maker.

The operating segment accounting policies are similar to those described in note 4 “significant accounting policies” except for the recognition and measurement of pension cost, which are on a cash basis.

The Group treated intersegment sales and transfers as third-party transactions. They are measured at market price.

The Group’s operating segment information and reconciliation are as follows:

For the years ended December 31, 2020	Parts of HDD	Parts of vehicles	Management &operation	Reconciliation and elimination	Total
Revenue from external customers	$ 744,513	1,495,493	55,569	-	2,295,575
Intersegment revenues	230,601	129,261	7,617	(367,479)	-
Total revenue	**$ 975,114**	**1,624,754**	**63,186**	**(367,479)**	**2,295,575**
Reportable segment profit or loss	**$ 225,106**	**208,976**	**(215,068)**	**(6,268)**	**212,746**

For the years ended December 31, 2019	Parts of HDD	Parts of vehicles	Management &operation	Reconciliation and elimination	Total
Revenue from external customers	$ 584,749	1,445,635	62,396	-	2,092,780
Intersegment revenues	186,580	54,742	20,455	(261,777)	-
Total revenue	**$ 771,329**	**1,500,377**	**82,851**	**(261,777)**	**2,092,780**
Reportable segment profit or loss	**$ 89,505**	**172,047**	**(184,780)**	**(39,245)**	**37,527**

(c) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and non-current assets are based on the geographical location of the assets.

Revenue from external customers:

Region	For the years ended December 31	
	2020	2019
Taiwan	$ 35,237	46,246
Asia	2,164,263	1,929,091
Europe	83,339	97,038
Other	12,736	20,405
Total	$ 2,295,575	2,092,780

Non-current assets:

Region	For the years ended December 31	
	2020	2019
China	$ 1,076,600	1,148,886
Taiwan	958,107	665,305
Malaysia	-	12,556
Total	$ 2,034,707	1,826,747

Non-current assets include property, plant and equipment, investment property, right-of-use assets, intangible assets and other non-current assets.

(d) Major customers

The major customer which possesses over 10% of consolidated revenues were as follows:

	For the years ended December 31	
	2020	2019
Customer A from HDD parts division	$ 774,513	584,749

Stock Code:1586

CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Parent Company Only Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2020 and 2019

Address: No.40,Xinggong Rd., Shengang Township, Changhua County, Taiwan (R.O.C.)
Telephone: (04)7980339

Independent Auditors' Report

To the Board of Directors of CHINA FINEBLANKING TECHNOLOGY CO., LTD.:

Opinion

We have audited the financial statements of CHINA FINEBLANKING TECHNOLOGY CO., LTD.("the Company"), which comprise the balance sheet as of December 31, 2020, the statement of comprehensive income, changes in equity and cash flows for the year then ended and notes to the financial statement, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of 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 of the current period. These matters were addressed in the context of our audit of the non-consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Revenue recognition

   For the accounting policies of Revenue recognition, please refer to Note (4)(m) "Revenue from contracts with customers" ; for the explanation of revenue recognition, please refer to Note (6)(r).

   Description of key audit matter:

   The main business items of the Company are producing and selling parts of HDD and parts of vehicles. The Company sets up shipping warehouse at the customers' places to fulfill the demands of the customers. The performance obligations are fulfilled at the time that the customers pick up the goods. Revenue recognition is the matter which needs high attention when we conduct the audit of financial statements, because the accuracy of the timepoint of revenue recognition is material to the financial statements and is the matter the users of financial statements concern.

Our principal audit procedures included:

- Assessing the adequacy of the accounting policies of revenue recognition; testing the Company's controls surrounding the Sale and Receipt cycle and checking the accuracy of the timepoint of revenue recognition;
- Conducting analysis of variances to the top ten customers to evaluate that there is material abnormality or not; sending confirmations to the trade partners;
- Choosing a period contains date of balance sheet and checking the original certificates concerning to verify that related transactions were presented appropriately.

2. Inventory valuation

For the accounting policies of Inventory valuation, please refer to Note (4)(g) "Inventories"; for the accounting assumptions and estimation uncertainty of Inventory valuation, please refer to Note (5)(b); for the explanation of Inventory valuation, please refer to Note (6)(d).

Description of key audit matter:

Inventories are measured at the lower of cost and net realizable value. The net realizable value changes arising from uncertainty of technical transformations, and may have a risk which becomes higher than the historical cost. Thus, we consider the inventory evaluation as a key audit matter.

Our principal audit procedures included:

- Obtaining aging statements of each kind of inventories and testing the changes in ages of inventories; selecting samples to check the accuracy of classification range of inventories ages;
- Obtaining the policies of inventories evaluation and evaluated the consistency of these policies; assessing the basis of the valuation net realizable value, sampling and testing the documentary evidence regarding purchases and sales to verify the accuracy of the valuation of allowance to reduce inventories to market.

Other Matter

The financial statements as of and for the year end December 31, 2019, were audited by other certified public accountant and they had issued an unqualified opinion at March 26, 2020.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Chung-Che Chen and Kuo-Tsung Chen.

KPMG

Taipei, Taiwan (Republic of China)
March 25, 2021

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollar)

	Assets	December 31, 2020 Amount	%	December 31, 2019 Amount	%
	Current assets:				
1100	Cash and cash equivalents(Note (6)(a))	$ 194,750	6	129,894	5
1140	Current contract assets(Note (6)(r))	196	-	1,363	-
1150	Notes receivable, net(Note (6)(c) and (r))	1,732	-	1,675	-
1170	Accounts receivable, net(Note (6)(c) and (r))	183,046	6	201,432	8
1200	Other receivables, net(Note (8))	57,657	2	76,984	3
1210	Other receivables-related parties(Note (7))	142	-	919	-
1220	Current tax assets	2,296	-	4,386	-
130X	Inventories(Note (6)(d))	93,741	3	78,271	3
1410	Prepayments	11,117	-	2,944	-
1470	Other current assets	4,689	-	1,209	-
		549,366	17	499,077	19
	Non-current assets:				
1510	Non-current financial assets at fair value through profit or loss(Note(6)(k))	60	-	-	-
1550	Investments accounted for using equity method(Note (6)(e))	1,649,901	52	1,504,879	56
1600	Property, plant and equipment(Note (6)(f) and (8))	846,809	27	633,102	23
1755	Right-of-use assets(Note (6)(g))	2,548	-	2,140	-
1780	Intangible assets	3,244	-	2,081	-
1840	Deferred tax assets(Note (6)(o))	23,091	1	23,631	1
1900	Other non-current assets(Note (6)(h) and (7))	105,506	3	27,982	1
		2,631,159	83	2,193,815	81
	Total assets	$ 3,180,525	100	2,692,892	100

	Liabilities and Equity	December 31, 2020 Amount	%	December 31, 2019 Amount	%
	Current liabilities:				
2100	Short-term borrowings(Note (6)(i))	$ 16,378	1	210,000	8
2130	Current contract liabilities(Note (6)(r))	5,055	-	835	-
2150	Notes payable	596	-	729	-
2170	Accounts payable	38,348	1	46,452	2
2180	Accounts payable to related parties(Note (7))	120,649	4	161,146	6
2200	Other payables(Note 6(j))	75,708	2	46,137	2
2220	Other payables to related parties(Note (6)(j) and (7))	58	-	58	-
2230	Current tax liabilities	7,063	-	2,000	-
2280	Current lease liabilities(Note (6)(m))	1,079	-	1,591	-
2320	Long-term liabilities, current portion(Note (6)(l))	64,537	2	125,708	4
2399	Other current liabilities, others	433	-	350	-
		329,904	10	595,006	22
	Non-Current liabilities:				
2530	Bonds payable(Note (6)(k))	386,166	12	-	-
2540	Long-term borrowings(Note (6)(l))	831,511	27	699,790	26
2570	Deferred tax liabilities(Note (6)(o))	53,176	2	25,059	1
2580	Non-current lease liabilities(Note (6)(m))	1,507	-	566	-
2630	Long-term deferred revenue	10,130	-	-	-
2645	Guarantee deposits received	200	-	200	-
		1,282,690	41	725,615	27
	Total liabilities	1,612,594	51	1,320,621	49
	Share capital (Note (6)(p)):				
3110	Ordinary shares	838,841	26	801,512	30
3200	Capital surplus	528,557	17	512,998	19
3300	Retained earnings	405,553	13	309,916	12
3400	Other equity interest	(124,488)	(4)	(131,613)	(5)
3500	Treasury shares	(80,532)	(3)	(120,542)	(5)
	Total equity	1,567,931	49	1,372,271	51
	Total liabilities and equity	$ 3,180,525	100	2,692,892	100

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollar , Except for Earnings Per Common Share)

		2020 Amount	2020 %	2019 Amount	2019 %
4000	**Operating revenue (Note (6)(r) and (7))**	$ 797,210	100	639,315	100
5000	**Operating costs (Notes (6)(d), (n), (s), (7) and (12))**	652,619	82	545,959	85
5900	**Gross profit from operations**	144,591	18	93,356	15
5910	Less:Unrealized gain or loss from sale	2,075	-	2,356	-
5920	Plus:Realized gain or loss from sale	2,356	-	2,726	-
5950	**Net gross profit from operations**	144,872	18	93,726	15
6000	**Operating expenses (Notes (6)(n), (s) and (12)):**				
6100	Selling expenses	20,548	2	14,619	2
6200	Administrative expenses	58,456	7	57,380	9
6300	Research and development expenses	12,100	2	13,313	2
6450	Expected credit loss (gain) (Note (6)(c))	(3)	-	(796)	-
6300	**Total operating expenses**	91,101	11	84,516	13
6900	**Net operating income**	53,771	7	9,210	2
	Non-operating income and expenses:				
7100	Interest income (Note (6)(t))	174	-	628	-
7010	Other income (Note (6)(t))	8,809	1	7,868	1
7020	Other gains and losses, net (Note (6)(t))	(7,470)	(1)	(1,869)	-
7050	Finance costs, net (Note (6)(t))	(16,780)	(2)	(14,119)	(2)
7070	Share of profit (loss) of associates and joint ventures accounted for using equity method, net (Note 6(e))	135,835	17	25,670	4
	Total non-operating income and expenses	120,568	15	18,178	3
	Profit from continuing operations before tax	174,339	22	27,388	5
7950	Less: Income tax expenses (Note (6)(o))	36,707	5	7,327	1
	Profit	137,632	17	20,061	4
8300	**Other comprehensive income:**				
8360	**Components of other comprehensive income (loss) that will be reclassified to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	8,907	1	(58,544)	(9)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	1,782	-	(11,709)	(2)
8300	**Other comprehensive income**	7,125	1	(46,835)	(7)
	Total comprehensive income	$ 144,757	18	(26,774)	(3)
9750	Basic earnings per share (Note (6)(q))	$	1.69		0.26
9810	Diluted earnings per share (Note (6)(q))	$	1.53		0.26

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollar)

	Share capital		Retained earnings				Total other equity interest				
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total other equity interest	Treasury shares	Total equity
Balance at January 1, 2019	$ 764,888	512,998	82,791	60,150	222,390	365,331	(84,778)	(2,228)	(87,006)	(120,542)	1,435,669
Profit (loss)	-	-	-	-	20,061	20,061	-	-	-	-	20,061
Other comprehensive income	-	-	-	-	-	-	(46,835)	-	(46,835)	-	(46,835)
Total comprehensive income	-	-	-	-	20,061	20,061	(46,835)	-	(46,835)	-	(26,774)
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	10,201	-	(10,201)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	26,856	(26,856)	-	-	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(36,624)	(36,624)	-	-	-	-	(36,624)
Stock dividends of ordinary shares	36,624	-	-	-	(36,624)	(36,624)	-	-	-	-	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(2,228)	(2,228)	-	2,228	2,228	-	-
Balance at December 31, 2019	801,512	512,998	92,992	87,006	129,918	309,916	(131,613)	-	(131,613)	(120,542)	1,372,271
Profit (loss)	-	-	-	-	137,632	137,632	-	-	-	-	137,632
Other comprehensive income	-	-	-	-	-	-	7,125	-	7,125	-	7,125
Total comprehensive income	-	-	-	-	137,632	137,632	7,125	-	7,125	-	144,757
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	2,006	-	(2,006)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	44,607	(44,607)	-	-	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(4,666)	(4,666)	-	-	-	-	(4,666)
Stock dividends of ordinary shares	37,329	-	-	-	(37,329)	(37,329)	-	-	-	-	-
Due to recognition of equity component of convertable bonds	-	9,858	-	-	-	-	-	-	-	-	9,858
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	(52,512)	(52,512)
Share-based payments	-	5,701	-	-	-	-	-	-	-	92,522	98,223
Balance at December 31, 2020	$ 838,841	528,557	94,998	131,613	178,942	405,553	(124,488)	-	(124,488)	(80,532)	1,567,931

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollar)

	For the years ended December 31	
	2020	2019
Cash flows from operating activities:		
Profit before tax	$ 174,339	27,388
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	32,728	29,876
Amortization expense	1,141	714
Expected credit reversal gain	(3)	(796)
Net gain on financial assets and liabilities at fair value through profit or loss	(20)	-
Interest expense	16,780	14,119
Interest income	(174)	(628)
Share of gain of associates and joint ventures accounted for using the equity method	(135,835)	(25,670)
Gain on disposal of property, plant and equipment	(3,551)	(184)
Unrealized loss on from sales	2,075	2,356
Realized profit on from sales	(2,356)	(2,726)
Amotization of deferred revenue	(931)	-
Profit from lease modification	-	(48)
Total adjustments to reconcile profit	(90,146)	17,013
Changes in operating assets and liabilities:		
Decrease (increase) in contract assets	1,167	(1,363)
Decrease (increase) in notes receivable	(57)	(218)
Decrease (increase) in accounts receivable	18,389	100,737
Decrease (increase) in other receivables	20,104	3,564
(Increase) decrease in inventories	(15,470)	23,573
(Increase) decrease in prepayments	(8,173)	115
(Increase) decrease in other current assets	(3,479)	2,524
Total changes in operating assets	12,481	128,932
Increase in contract liabilities	4,220	236
(Decrease) increase in notes payable	(133)	(2,745)
(Decrease) increase in accounts payable	(48,601)	6,257
Increase (decrease) in other payables	29,238	(54)
Increase in other current liabilities	83	9
Total changes in operating liabilities	(15,193)	3,703
Total changes in operating assets and liabilities	(2,712)	132,635
Total adjustments	(92,858)	149,648
Cash (outflow) inflow generated from operations	81,481	177,036
Interest received	174	628
Interest paid	(15,237)	(15,664)
Income taxes paid	(2,679)	(14,294)
Net cash flows (used in) from operating activities	63,739	147,706

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Statements of Cash Flows (CONT'D)

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollar)

	For the years ended December 31	
	2020	2019
Cash flows from investing activities:		
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	3,947
Acquisition of property, plant and equipment	(234,685)	(525,082)
Proceeds from disposal of property, plant and equipment	7,808	2,675
Increase in refundable deposits	-	(91)
Acquisition of intangible assets	(2,285)	(1,658)
Increase in other non-current assets	(93,833)	(2,253)
Increase in prepayments on purchase of equipment	-	(27,548)
Net cash flows used in investing activities	(322,995)	(550,010)
Cash flows from financing activities:		
Increase in short-term loans	211,136	-
Decrease in short-term loans	(404,758)	(144,990)
Proceeds from issuing bonds	394,110	-
Proceeds from long-term loans	703,000	695,000
Repayments of long-term loans	(618,384)	(89,730)
Repayments of lease liabilities	(2,037)	(3,198)
Cash dividends paid	(4,666)	(36,624)
Payments to acquire treasury shares	(52,512)	-
Treasury shares sold to employees	98,223	-
Net cash flows from (used in) financing activities	324,112	420,458
Net increase in cash and cash equivalents	64,856	18,154
Cash and cash equivalents, beginning of the period	129,894	111,740
Cash and cash equivalents, end of the period	$ 194,750	129,894

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Notes to the Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollar, Unless Otherwise Specified)

(1) Company history

CHINA FINEBLANKING TECHNOLOGY CO., LTD. (the "Company") was incorporated in November 1992. The major business activities of the Company are the manufacture and sale of hardware parts, mechanical hardware parts and molding components. The Company completed supplementary procedures for classification as a public company on August 18, 2008. The procedures were approved by the Financial Supervisory Commission R.O.C.(Taiwan) Securities and Futures Bureau. The Company's common shares were listed on GreTai Securities Market (Formerly known as the ROC Over-the-Counter Securities Exchange) on January 9, 2012. The address of its registered office and principal place of business is No.40, Xinggong Rd., Shengang Township, Changhua County, Taiwan (R.O.C.).

(2) Approval date and procedures of the financial statements:

The accompanying financial statements were authorized for issue by the Board of Directors on March 25, 2021.

(3) New standards, amendments and interpretations adopted:

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2020:

- Amendments to IFRS 3 "Definition of a Business"
- Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"
- Amendments to IAS 1 and IAS 8 "Definition of Material"
- Amendments to IFRS 16 "COVID-19-Related Rent Concessions"

(b) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform －Phase 2"

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The Company does not expect the new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements.

(4) Summary of significant accounting policies:

The significant accounting policies presented in the financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

These financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”).

(b) Basis of preparation

(i) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following material items in the balance sheets：

1) Financial instruments at fair value through profit or loss are measured at fair value；

(ii) Functional and presentation currency

The functional currency of each Company entities is determined based on the primary economic environment in which the entities operate. The financial statements are presented in New Taiwan Dollar, which is the Company’s functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(c) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Company entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

1) an investment in equity securities designated as at fair value through other comprehensive income;

2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

3) qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to noncontrolling interests. When the Company disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

(i) It is expected to be realized the asset, or intended to be sold or consumed, during the normal operating cycle；

(ii) It is held primarily for the purpose of trading；

(iii) It is expected to be realized within twelve months after the reporting period； or

(iv) The asset is cash and cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

(i) It is expected to be settled within the Company’ s normal operating cycle；

(ii) It is held primarily for the purpose of trading；

(iii) The liability is due to be settled within twelve months after the reporting period；or

(iv) The Company does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are assets that are readily convertible to known amounts of cash, and are subject to an insignificant risk of changes in their fair value.

Time deposits are accounted under cash and cash equivalents if they are accord with the definition aforementioned, and are held for the purpose of meeting short-term cash commitment rather than for investment or other purpose should be recognized as cash equivalents.

(f) Financial instruments

Accounts receivable and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is an accounts receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. An accounts receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL：

a) it is held within a business model whose objective is to hold assets to collect contractual cash flows；and

b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. Accounts receivable that the Group intends to sell immediately or in the near term are measured at FVTPL; however, they are included in the ‘accounts receivable’ line item. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

3) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, other receivable and other financial assets) and trade receivables measured at FVOCI.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL：

a) debt securities that are determined to have low credit risk at the reporting date； and

b) other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivable and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company’s historical experience and informed credit assessment as well as forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is overdue the payment terms.

The Company considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Company in full.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data：

a) significant financial difficulty of the borrower or issuer；

b) a breach of contract such as a default or being overdue the payment terms；

c) the lender of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider；

d) it is probable that the borrower will enter bankruptcy or other financial reorganization； or

e) the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in other comprehensive income.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company’s procedures for recovery of amount due.

4) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

4) Compound financial instruments

Compound financial instruments issued by the Company comprise convertible bonds denominated in TWD that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

5) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

6) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

7) Offsetting of financial assets and liabilities

Financial assets and liabilities are presented on a net basis when the Company has the legally enforceable rights to offset, and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Subsidiaries

The subsidiaries in which the Company holds controlling interest are accounted for under equity method in the non-consolidated financial statements. Under equity method, the net income, other comprehensive income and equity in the non-consolidated financial statement are the same as those attributable to the owners of parent in the consolidated financial statements.

The changes in ownership of the subsidiaries are recognized as equity transaction.

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

Buildings	
Plant main buildings	20～50 years
Other	20 years
Machinery	3～15 years
Molding equipment	2～5 years
Transportation equipment	5 years
Office and other equipment	2～10 years
Lease improvement	Whichever is shorter the lease period or the useful lives
Miscellaneous equipment	2～10 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Leases

(i) Identifying a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

3) the customer has the right to direct the use of the asset throughout the period of use only if either:

- the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
- the relevant decisions about how and for what purpose the asset is used are predetermined and:
  - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
  - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

(ii) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company' s estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of Office and other equipment that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

(k) Intangible assets

(i) Recognition and measurement

Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

Computer software	3~5 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(l) Impairment – non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(m) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company’s main types of revenue are explained below.

(i) Sale of goods

The Company manufactures and sells hard disk drive components and auto parts. The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer’s acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

For contracts in which the control of the commodity has been transferred and the Company has the unconditional right to collect consideration, accounts receivable is recognized, while without the unconditional right to collect consideration, the contractual assets are recognized for the contracts that the control of the commodity has been transferred.

(ii) Financial components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(n) Government grants and Government assistance

For low-interest loan obtained from a financial institution in accordance with the Government’s project borrowing policy, the Company recognizes the difference between the fair valued of the loan, calculated at market rate, and the proceed received as deferred revenue, which is amortized as other income on a systematic basis. When the proceed of the loan is utilized to acquire assets, the difference is regarded as a deduction to the cost of acquired assets and amortized on a systematic basis as a reduction of depreciation expense.

(o) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(p) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the liability are recognized in profit or loss.

Grant date of a share-based payment award is the date which the board of directors authorized the price and number of a new award.

(q) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses that are related to business combinations, expenses recognized in equity or other comprehensive income directly, and other related expenses, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are not recognized for the following:

(i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(r) Earnings per share

Disclosures are made of basic and diluted earnings per share attributable to ordinary equity holders of the Company. The basic earnings per share is calculated based on the profit attributable to the ordinary shareholders of the Company divided by weighted average number of ordinary shares outstanding. The diluted earnings per share is calculated based on the profit attributable to ordinary shareholders of the Company, divided by weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares.

(s) Operating segments

The related information on the operating segments is disclosed in the consolidated financial statements.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the financial statements in conformity with the Regulations requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is as follows:

(a) The loss allowance of accounts receivables

The Company has estimated the loss allowance of accounts receivables that is based on the risk of a default occurring and the rate of expected credit loss. The Company has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. The relevant assumptions and input values, please refer to Note 6(c).

(b) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Please refer to Note 6(d) for further description of the valuation of inventories.

The Company’s accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit or loss.

The Company strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

(a) Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.

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

(c) Level 3: inputs for the assets or liability that are not based on observable market data.

Please refer to Note 6(u), financial instruments for assumptions used in measuring fair value.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

		December 31, 2020	December 31, 2019
Cash on hand and petty cash	$	63	58
Cash in banks		194,687	129,836
	$	194,750	129,894

Please refer to Note 6(u) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Company.

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

The Company has derecognized its equity investments at fair value through other comprehensive income as a result of its investment strategy and the information about the derecognition for the year ended December 31, 2019 is as follows:

		For the years ended December 31 2019
Fair value on the day of derecognition	$	3,947
Accumulated gain (loss) on disposal of transferring from other equity interest to retained earnings	$	(2,228)

(c) Notes and accounts receivable

		December 31, 2020	December 31, 2019
Notes receivable	$	1,732	1,675
Accounts receivable		183,046	201,435
Less: Loss allowance		-	(3)
	$	184,778	203,107

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as the incorporated forward-looking information, including macroeconomic and relevant industry information. The loss allowance provisions for the Company were determined as follows:

	December 31, 2020			
		Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$	184,778	0%	-

	December 31, 2019			
	Gross carrying amount		Weighted-average loss rate	Loss allowance provision
Current	$	201,631	0%	-
1 to 30 days past due		1,474	0.1%	1
31 to 60 days past due		-	5%	-
61 to 120 days past due		-	10%~20%	-
121 to 180 days past due		5	30%~50%	2
More than 181 days past due		-	70%~100%	-
	$	203,110		3

Please refer to Note 6(u) for the Company's notes and accounts receivable exposure to credit risk and currency risk.

The movement in the allowance for notes and accounts receivable were as follows:

	For the years ended December 31		
	2020		2019
Balance at January 1	$	3	799
Impairment losses recognized (losses reversed)		(3)	(796)
Balance at December 31	$	-	3

As of December 31, 2020 and 2019, the notes and accounts receivable of the Company were not pledged as collateral.

(d) Inventories

	December 31, 2020		December 31, 2019
Raw materials	$	7,789	9,346
Work in progress		21,791	27,116
Finished goods		64,161	41,809
	$	93,741	78,271

For the years ended December 31, 2020 and 2019, the components of the cost of sales were as follows:

	For the years ended December 31		
	2020		2019
Cost of goods sold	$	652,352	546,332
(Gain on reversal of) inventory valuation losses		267	(373)
	$	652,619	545,959

As of December 31, 2020 and 2019, the Company did not provide any inventories as collateral for its loans.

(e) Investments accounted for using equity method

The components of investments accounted for using the equity method at the reporting date were as follows:

		December 31, 2020	December 31, 2019
Subsidiaries	$	1,649,901	1,504,879

(i) Please refer to consolidated financial statement of 2020.

(ii) As of December 31, 2020 and 2019, the investments accounted for using the equity method of the Company had not been pledged as collateral.

(f) Property, plant and equipment

	Land	Buildings and construction	Machinery and equipment	Molds	Transportation equipment	Office equipment	Leasehold improvements	Other facilities	Construction in progress and testing equip	Total
Cost or deemed cost:										
Balance on January 1, 2020	$ 479,357	21,515	171,568	73,503	2,605	11,933	15,832	8,321	33,377	818,011
Additions	-	-	6,513	-	-	110	-	-	228,062	234,685
Reclassification	-	-	1,267	15,760	-	-	-	-	1,768	18,795
Disposal	-	-	(25,563)	(13,286)	(2,605)	(150)	-	(2,624)	-	(44,228)
Others	-	-	-	-	-	-	-	-	(4,846)	(4,846)
Balance on December 31, 2020	$ 479,357	21,515	153,785	75,977	-	11,893	15,832	5,697	258,361	1,022,417
Balance on January 1, 2019	$ -	21,515	152,786	53,895	2,605	11,718	15,832	8,321	-	266,672
Additions	478,105	-	13,622	-	-	215	-	-	33,140	525,082
Disposal	-	-	-	(2,554)	-	-	-	-	-	(2,554)
Others	1,252	-	5,160	22,162	-	-	-	-	237	28,811
Balance on December 31, 2019	$ 479,357	21,515	171,568	73,503	2,605	11,933	15,832	8,321	33,377	818,011
Depreciation and impairment loss:										
Balance on January 1, 2020	$ -	19,822	94,055	37,185	628	10,579	14,425	8,215	-	184,909
Depreciation	-	136	9,632	18,782	155	543	1,405	17	-	30,670
Disposal	-	-	(24,880)	(11,534)	(783)	(150)	-	(2,624)	-	(39,971)
Balance on December 31, 2020	$ -	19,958	78,807	44,433	-	10,972	15,830	5,608	-	175,608
Balance on January 1, 2019	$ -	19,686	85,726	23,598	163	9,907	11,081	8,198	-	158,359
Depreciation	-	136	8,329	13,650	465	672	3,344	17	-	26,613
Disposal	-	-	-	(63)	-	-	-	-	-	(63)
Balance on December 31, 2019	$ -	19,822	94,055	37,185	628	10,579	14,425	8,215	-	184,909
Carrying amounts:										
Balance on December 31, 2020	$ 479,357	1,557	74,978	31,544	-	921	2	89	258,361	846,809
Balance on January 1, 2019	$ -	1,829	67,060	30,297	2,442	1,811	4,751	123	-	108,313
Balance on December 31, 2019	$ 479,357	1,693	77,513	36,318	1,977	1,354	1,407	106	33,377	633,102

(i) During 2020 and 2019, the Company has capitalized borrowing costs related to the acquisition of the equipment and construction of the factory of $1,768 and $1,382, calculated using a capitalization rate of 1.45% and 1.57%.

(ii) The difference between the fair value and the amount received from low-interest government loans projects was regarded as the deduction of the cost of additions of assets and recognized as construction in progress of $4,846 during 2020.

(iii) As of December 31, 2020 and 2019, the property, plant and equipment of the Company had been pledged as collateral for long and short-term borrowings; please refer to Note 8.

(g) Right-of-use assets

The Company leased many assets including land and buildings, vehicles and office equipment leases for which the Company as a lessee was presented below:

	Buildings and construction	Transportation equipment	Office equipment	Total
Cost:				
Balance at January 1, 2020	$ 4,402	631	370	5,403
Additions	-	2,302	164	2,466
Disposals	(4,402)	-	-	(4,402)
Balance at December 31, 2020	$ -	2,933	534	3,467
Balance at January 1, 2019	$ 7,431	-	-	7,431
Additions	-	631	370	1,001
Disposals	(3,029)	-	-	(3,029)
Balance at December 31, 2019	$ 4,402	631	370	5,403
Accumulated depreciation and impairment losses:				
Balance at January 1, 2020	$ 3,092	140	31	3,263
Depreciation	1,310	658	90	2,058
Disposal	(4,402)	-	-	(4,402)
Balance at December 31, 2020	$ -	798	121	919
Balance at January 1, 2019	$ -	-	-	-
Depreciation	3,092	140	31	3,263
Balance at December 31, 2019	$ 3,092	140	31	3,263
Carrying amounts:				
Balance at December 31, 2020	$ -	2,135	413	2,548
Balance at January 1, 2019	$ 7,431	-	-	7,431
Balance at December 31, 2019	$ 1,310	491	339	2,140

(h) Other non-current assets

	December 31, 2020	December 31, 2019
Prepayments for equipments	$ 96,020	15,283
Guarantee deposits paid	4,193	3,558
Other non-current assets	5,293	9,141
	$ 105,506	27,982

During 2020, the Company has capitalized borrowing costs related to the aquisition of the equipment and construction of factory of $507, calculated using a capitalization rate of 1.45%.

(i) Short-term borrowings

	December 31, 2020	December 31, 2019
Unsecured bank loans	$ 16,378	150,000
Secured bank loans	-	60,000
Total	**$ 16,378**	**210,000**
Unused short-term credit lines	**$ 310,000**	**70,000**
Range of interest rates	**1.27%~1.28%**	**1.65%~2.10%**

For the collateral for short-term borrowing, please refer to Note 8.

(j) Other payables (including related parties)

	December 31, 2020	December 31, 2019
Payable on expendables	$ 163	1,461
Outsourced processing expenses payable	7,464	1,576
Wages and salaries payable	9,459	5,703
Mold-processing expenses payable	2,343	20,059
Employee compensation payable	4,247	3,254
Payable on repairing	14,830	2,296
Labor/health insurance payable	1,694	1,658
Others	35,566	10,188
	$ 75,766	**46,195**

(k) Bonds payable

The details of bonds payable were as follows:

	December 31, 2020
Secured convertible bonds	$ 194,121
Unsecured convertible bonds	192,045
	$ 386,166

(i) The details of convertible bonds were as follows:

	December 31, 2020
Total convertible corporate bonds issued	$ 401,504
Unamortized discounted corporate bonds payable	(15,338)
Cumulative converted amount	-
Corporate bonds issued balance at year end	$ 386,166
Embedded derivative –call and put options, included in financial liabilities at fair value through profit or loss	$ 60
Equity component－conversion options, included in capital surplus－stock options	$ 9,858

On August 31 and September 1, 2020, the Company issues the three-year secured convertible bonds with zero interest rate $200,000 and the three-year unsecured convertible bonds with zero interest rate $201,504, the offering information were as follows:

Secured convertible bonds	Unsecured convertible bonds
• The conversion price was $46 per share, when it comes to adjusting conversion price of the Company's common share, it should adhere to the Company's conversion's rules. The conversion price change with formula within issuance details. These secured convertible bonds do not have reset feature.	• The conversion price was $45 per share, when it comes to adjusting conversion price of the Company's common share, it should adhere to the Company' conversion's rules. The conversion price change with formula within issuance details. These secured convertible bonds do not have reset feature.
• From the day after the bond has been issued for three months to 40 days before the expiry, if the closing price of the Company's common shares listed on the Taipei Exchange exceeds or equals 30% of the conversion price for 30 consecutive days, or the outstanding balance of the bond is less than 10% of the original issuance then the Company will redeem the bonds based on the bond denomination.	• From the day after the bond has been issued for three months to 40 days before the expiry, if the closing price of the Company's common shares listed on the Taipei Exchange exceeds or equals 30% of the conversion price for 30 consecutive days, or the outstanding balance of the bond is less than 10% of the original issuance then the Company will redeem the bonds based on the bond denomination.
• Unless the bond has been redeemed before maturity, repurchased and cancelled or converted, the bonds will be redeemed by the Company on the bond denomination.	• Unless the bond has been redeemed before maturity, repurchased and cancelled or converted, the bonds will be redeemed by the Company on the maturity date at 100.7519% of the principal amount of the bond (the real yield is 0.25%).

(ii) For the details of collateral of convertible bonds, please refer to Note 8.

(iii) Please refer to note 6(t) for the interest expense for the year ended December 31, 2020.

(l) Long-term borrowings

The details were as follows:

	December 31, 2020			
	Currency	Rate	Maturity date	Amount
Unsecured bank loans	TWD	0.050%~1.800%	2021.06.27~2025.10.08	$ 249,492
Secured bank loans	TWD	0.100%~1.550%	2023.04.25~2039.10.31	646,556
				896,048
Less: current portion				(64,537)
Total				$ 831,511
Unused long-term credit lines				$ 409,000

	December 31, 2019			
	Currency	Rate	Maturity date	Amount
Unsecured bank loans	TWD	1.580%~2.095%	2021.05.31~2022.12.07	$ 161,822
Secured bank loans	TWD	1.570%~2.250%	2022.08.19~2039.10.31	663,676
				825,498
Less: current portion				(125,708)
Total				$ 699,790
Unused long-term credit lines				$ -

(i) For the collateral for long-term borrowings, please refer to Note 8.

(ii) The low-interest government loans projects

As of December 31, 2020, the Company had borrowed unsecured bank loans of $100,000 and secured bank loans of $238,828. The annual interest rates of loans were 0.05% and 0.10%, and the loans will expire in May 2025 and between August 2027 to May 2030, respectively. The loans were applied according to the "Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan” .

(m) Lease liabilities

The carrying amount of lease liabilities of the Company were as follows:

	December 31, 2020	December 31, 2019
Current	$ 1,079	1,591
Non-current	$ 1,507	566

For the maturity analysis, please refer to Note 6(u).

The amounts recognized in profit or loss were as follows:

	For the year ended December 31	
	2020	2019
Interest on lease liabilities	$ 61	121
Expenses relating to short-term leases	$ 2,205	334

The amounts recognized in the statement of cash flows for the Company were as follows:

	For the year ended December 31	
	2020	2019
Total cash outflow for leases	$ 4,303	3,653

The Company leases machinery equipment for a period of 3 years. Some leases include an option to renew the lease for on additional period after the end of the contract term.

(n) Employee benefits

The Company allocates 6.00% of each employee’s monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

For the years ended December 31, 2020 and 2019, the pension costs incurred from the contributions to the Bureau of Labor Insurance as follows:

	For the years ended December 31	
	2020	2019
Operating costs	$ 1,741	1,743
Selling expenses	1,549	1,742
	$ 3,290	3,485

(o) Income taxes

(i) The components of income tax in the years 2020 and 2019 were as follows:

	For the years ended December 31	
	2020	2019
Current tax expense		
Current period	$ 7,964	1,761
Adjustment for prior periods	1,868	1,844
Deferred tax expense		
Origination and reversal of temporary differences	26,875	3,722
Income tax expense	$ 36,707	7,327

(ii) Reconciliations of income tax and profit before tax for 2020 and 2019 were as follows:

	For the years ended December 31	
	2020	**2019**
Profit excluding income tax	$ 174,339	27,388
Income tax the Company's domestic tax rate	34,868	5,478
Non-deductible expenses	13	79
Tax-exempt income	(42)	(74)
Underestimation (overestimation) in prior period	1,868	1,844
	$ 36,707	7,327

(iii) The amount of income tax recognized in other comprehensive income (loss) for the years ended December 31, 2020 and 2019 was as follows:

	For the years ended December 31	
	2020	**2019**
Items that will be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statement	$ 1,782	(11,709)

(iv) Deferred tax assets and liabilities

1) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2020 and 2019 were as follows:

	Inventory valuation losses	**Other**	**Total**
Deferred tax assets:			
Balance at January 1, 2020	$ 151	23,480	23,631
Recognized in profit or loss	53	1,189	1,242
Recognized in other comprehensive income	-	(1,782)	(1,782)
Balance at December 31, 2020	$ 204	22,887	23,091
Balance at January 1, 2019	$ 226	11,484	11,710
Recognized in profit or loss	(75)	287	212
Recognized in other comprehensive income	-	11,709	11,709
Balance at December 31, 2019	$ 151	23,480	23,631

		Investment income overseas	Other	Total
Deferred tax liabilities:				
Balance at January 1, 2020	$	25,059	-	25,059
Recognized in profit or loss		28,117	-	28,117
Balance at December 31, 2020	$	53,176	-	53,176
Balance at January 1, 2019	$	19,507	1,618	21,125
Recognized in profit or loss		5,552	(1,618)	3,934
Balance at December 31, 2019	$	25,059	-	25,059

(v) The Company’s income tax returns for the years through 2018 were assessed by the tax authorities.

(p) Capital and other equity

(i) Ordinary shares

As of December 31, 2020 and 2019, the number of authorized share capital were 150,000 thousand shares and 100,000 thousand shares with par value $10 per share. The total value of authorized share capital amounted to $1,500,000 and $1,000,000,respectively. Issued ordinary shares are 83,884 thousand shares and 80,151 thousand shares, respectively.

The reconciliation of shares outstanding for 2020 and 2019 was as follows:

(in thousands of shares)

	Ordinary Shares	
	2020	2019
Balance on January 1	80,151	76,489
Capital increase by retained earnings	3,733	3,662
Balance on December 31	83,884	80,151

A resolution was passed during the general meeting of shareholders held on May 24, 2019 for the issuance of 3,662 thousand new shares by retained earnings with par value of $10 per share, amounting to $36,624. The Board of Directors approved the record date of capital increase by August 31, 2019. The relevant statutory registration procedures have since been completed by September 19, 2019.

A resolution was passed during the general meeting of shareholders held on May 28, 2020 for the issuance of 3,733 thousand new shares by retained earnings with par value of $10 per share, amounting to $37,329. On August 20, 2020, the chairman of the Board of Directors authorized the increase of capital by the Board of Directors on August 5, 2020 to set the capital increase record date as September 30, 2020. The relevant statutory registration procedures have since been completed by October 15, 2020.

(ii) Capital surplus

The balances of capital surplus as of December 31, 2020 and 2019, were as follows:

	December 31, 2020	December 31, 2019
Premium from issuing new shares	$ 303,851	303,851
Premium from converting bonds	194,185	194,185
Share-based payment	18,303	12,602
Treasury share transactions	2,360	2,360
Issuance of convertible bonds	9,858	-
	$ 528,557	512,998

(iii) Retained earnings

Company's article of incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

Before the distribution of dividends, the Company shall first take into consideration its operating environment, industry developments, and the long-term interests of stockholders, as well as its programs to maintain operating efficiency and meet its capital expenditure budget and financial goals in determining the stock or cash dividends to be paid. After the above appropriations, current and prior-period earnings that remain undistributed will be proposed for distribution by the Board of Directors, and a meeting of shareholders will be held to decide on this matter. The cash dividends shall not be more than 10% of total dividends.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

The Company has selected to apply the optional exemptions according to IFRS 1 "First-time Adoption of International Financial Reporting Standards".

In accordance with Rule No. 10100112865 issued by the FSC on April 6, 2012, a special reserve was appropriate from the accumulated conversion adjustment (benefits) under equity transferred to retained earnings is $52,050. The special reserve appropriated can be reversed to the extent that the net debit balance reverses.

In accordance with the aforesaid Rule, a special reserve is set aside from the current years' net income after tax and prior year's undistributed earnings at an amount equal to the debit balance of contra accounts in shareholders' equity. When the debit balance of any of these contra accounts in shareholders' equity is reversed, the related special reserve can be reversed. The subsequent reversals of contra accounts in shareholder's equity shall qualify for additional distributions. As of December 31, 2020 and 2019, the special reserve appropriated from the undistributed earnings amounted to $131,613 and $87,006.

3) Earnings distribution

The amounts of earnings distribution on the appropriations of earnings for 2019 and 2018 had been approved during the shareholders' meeting on May 28, 2020 and May 24, 2019, respectively.

	2019		2018	
	Amount per share	**Total amount**	**Amount per share**	**Total amount**
Dividends distributed to ordinary shareholders:				
Cash	$ 0.06	4,666	0.5	36,624
Share	0.48	37,329	0.5	36,624
Total		$ 41,995		73,248

The amounts of cash dividends on the appropriations of earnings for 2020, and the amount of shares dividends of appropriations of earnings for 2020, had been approved and proposed, respectively during the board meeting on March 25, 2021 as follows:

	2020	
	Amount per share	**Total amount**
Dividends distributed to ordinary shareholders:		
Cash	$ 0.8	65,522
Share	0.2	16,380
Total		$ 81,902

(iv) Treasury shares

In order to encourage employee, the Company decided to repurchase shares as treasury shares by the propose of the Board of Directors. The Company repurchased 3,000,000 shares between May 20 to July 23, 2018. The range of repurchased price is between $21 to $40 TWD and the actual average share price was $38.15 TWD per share. The total amount of shares purchased is $114,455.

At July 16, 2018, the Board of Directors proposed to transfer treasury shares to employees by 38.15 TWD per share, and the total price of the transformation is $105,907. The differences $689 were recognized as capital surplus on the day of delivering stocks to the employees.

At September 18, 2020, the Board of Directors proposed to transfer treasury shares to employees by 38.15 TWD per share, and the total price of the transformation is $10,490. The differences $1,258 were recognized as capital surplus on the day of delivering stocks to the employees.

The Company repurchased 3,000,000 shares between October 12 to December 11, 2018. The range of repurchased price is between $23.80 to $57.81 TWD and the actual average share price was $37.10 TWD per share. The total amount of shares purchased is $111,305.

At February 20, 2020 and November 4, 2020, the Board of Directors proposed to transfer treasury shares to employees by 37.10 TWD per share, and the total price of the transformation is $33,094 and $$54,639, respectively. The differences $1,188 and $$3,255 were recognized as capital surplus on the day of delivering stocks to the employees.

At March 19, 2020, the Company decided to repurchase shares as treasury shares by the propose of the Board of Directors. The Company expected to repurchase 3,000,000 shares between March 20 to May 19, 2020. The expected range of repurchased price is between $23.10 to $56.71 TWD. As of December 31, 2020, the Company had repurchased 1,500,000 shares and the actual average share price was $35.01 TWD per share. The total amount of shares purchased is $52,512.

According to the Securities and Exchange Act, the proportion of the shares which the Company repurchased shall not exceed 10% of the total number of shares the Company have issued. And the total amount of shares shall not exceed the total amount of retained earnings, premium from issuing new shares and realized capital surplus.

In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and do not hold any shareholder rights before their transfer.

(v) Other equity items

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance at January 1, 2020	$ (131,613)	-	(131,613)
Exchange differences on foreign operations	7,125	-	7,125
Balance at December 31, 2020	**$ (124,488)**	**-**	**(124,488)**
Balance at January 1, 2019	$ (84,778)	(2,228)	(87,006)
Exchange differences on foreign operations	(46,835)	-	(46,835)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	2,228	2,228
Balance at December 31, 2019	**$ (131,613)**	**-**	**(131,613)**

(q) Earnings per share

The details on the calculation of basic earnings per share and diluted earnings per share were as follows:

	For the years ended December 31	
	2020	2019
Basic earnings per share		
Profit/(loss) attributable to ordinary shareholders of the Company	$ 137,632	20,061
Weighted average number of ordinary (thousands shares)	81,443	76,909
Basic earnings per share (dollars)	$ 1.69	0.26
Diluted earnings per share		
Profit/(loss) attributable to ordinary shareholders of the Company (diluted)	$ 139,130	20,061
Weighted average number of ordinary (thousands shares)	81,443	76,909
Effect of dilutive potential ordinary shares		
Effect of employee share bonus	84	21
Effect of conversion of convertible bonds	9,235	-
Weighted average number of ordinary (Including adjustment of effect of dilutive potential ordinary shares)	90,762	76,930
Diluted earnings per share (dollars)	$ 1.53	0.26

(r) Revenue from contracts with customers

(i) Details of revenue

	For the year ended December 31, 2020			
	Parts of HDD	Parts of vehicles	Management & operations	Total
Major products/services lines:				
Sales of goods	$ 744,514	29,679	19,117	793,310
Other sales revenue	-	-	3,900	3,900
Total	$ 744,514	29,679	23,017	797,210
Timing of revenue recognition:				
Products transferred at a point in time	$ 744,514	29,679	23,017	797,210

	For the year ended December 31, 2019			
	Parts of HDD	Parts of vehicles	Management & operations	Total
Major products/services lines:				
Sales of goods	$ 583,841	19,076	27,807	630,724
Other sales revenue	-	-	8,591	8,591
Total	$ 583,841	19,076	36,398	639,315
Timing of revenue recognition:				
Products transferred at a point in time	$ 583,841	19,076	36,398	639,315

(ii) Contract balances

	December 31, 2020	December 31, 2019	January 1, 2019
Notes receivables	$ 1,732	1,675	1,457
Account receivables (including related paries)	183,046	201,435	302,172
Less: allowance for impairment	-	(3)	(799)
Total	$ 184,778	203,107	302,830
Contract assets—products selling	$ 196	1,363	-
Contract liabilities—advance sales receipts	$ 5,055	835	599

For details on accounts receivable and allowance for impairment, please refer to Note 6(c).

(s) Employee compensation and directors' and supervisors' remuneration

In accordance with the articles of incorporation the Company should contribute no less than 2% of the profit as employee compensation and less than 5% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The amount of remuneration of each director and supervisor and of compensation for employees entitled to receive the abovementioned employee compensation is approved by the Board of Directors. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

For the years ended December 31, 2020 and 2019, the Company estimated its employee remuneration amounting to $3,595 and $654, and directors' and supervisors' remuneration amounting to $1,797 and $327, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2020 and 2019. Related information would be available at the Market Observation Post System website. The amounts, as stated in the financial statements, are identical to those of the actual distributions for 2019 and 2018.

(t) Non-operating income and expenses

(i) Interest income

The details of interest income in 2020 and 2019 were as follows:

	For the years ended December 31	
	2020	2019
Interest income	$ 174	628

(ii) Other income

The details of other income in 2020 and 2019 were as follows:

	For the years ended December 31		
		2020	2019
Other income	$	8,809	7,868

(iii) Other gains and losses

The details of other gains and losses in 2020 and 2019 were as follows:

	For the years ended December 31		
		2020	2019
Gains (Losses) on disposals of property, plant and equipment	$	3,551	184
Gain on lease modification		-	48
Gain (loss) on foreign currency exchange		(9,544)	(1,601)
Gain on financial assets at fair value through profit or loss		20	-
Others		(1,497)	(500)
	$	(7,470)	(1,869)

(iv) Finance costs

The details of finance costs in 2020 and 2019 were as follows:

	For the years ended December 31		
		2020	2019
Interest expense	$	17,182	15,501
Amortization of discounts of bond		1,873	-
Less: interest capitalized		(2,275)	(1,382)
	$	16,780	14,119

(u) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk. The maximum amount were both $437,460 and $412,209 in 2020 and 2019.

2) Concentration of credit risk

Credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria, etc. To lower certain issuers' or counter parties' credit risk, credit enhancing instruments (such like sales receipts and insurance) will be taken at the appropriate time.

3) Credit risk of receivables and debt securities

For credit risk exposure of notes and trade receivables, please refer to Note 6(c).

Other financial assets at amortized cost includes other receivables. All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected credit losses. The certificates of deposit owned by the Company are considered to have low risk because of the trade partners and performance partners are financial institutions above investment grade. As a result, they did not make allowance for loss.

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	Within 1 years	2-3 years	4-5 years	Over 5 years
December 31, 2020						
Non-derivative financial liabilities						
Short-term loans	$ 16,378	16,586	16,586	-	-	-
Notes and trade payable (including related parties)	159,593	159,593	159,593	-	-	-
Other payables (including related parties)	75,766	75,766	75,766	-	-	-
Bonds payable	386,166	401,504	-	401,504	-	-
Long-term loans (including the ones expired within 1 year or an operating cycle)	896,048	910,113	64,537	194,889	183,173	467,514
Lease liabilities	2,586	2,698	1,137	1,461	100	-
	$ 1,536,537	1,566,260	317,619	597,854	183,273	467,514
December 31, 2019						
Non-derivative financial liabilities						
Short-term loans	$ 210,000	213,706	213,706	-	-	-
Notes and trade payable (including related parties)	208,327	208,327	208,327	-	-	-
Other payables (including related parties)	46,195	46,195	46,195	-	-	-
Long-term loans (including the ones expired within 1 year or an operating cycle)	825,498	840,441	127,974	300,210	27,415	384,842
Lease liabilities	2,157	2,196	1,614	453	129	-
	$ 1,292,177	1,310,865	597,816	300,663	27,544	384,842

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to foreign currency risk

The Company's significant exposure to foreign currency risk were as follows:

	December 31, 2020			December 31, 2019		
	Foreign Currency	**Exchange Rate**	**TWD**	**Foreign Currency**	**Exchange Rate**	**TWD**
Financial assets						
Monetary items						
USD:TWD	$ 15,398	28.48	438,535	11,808	29.98	354,005
Non-monetary items						
USD:TWD	57,557	28.48	1,639,235	49,957	29.98	1,497,720
MYR:TWD	1,571	6.7895	10,666	1,018	7.03	7,159
Financial liabilities						
Monetary items						
USD:TWD	6,210	28.48	176,861	7,458	29.98	223,577
JPY:TWD	59,276	0.2763	16,378	-	-	-

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts and other receivables, financial assets at fair value through other comprehensive income, loans and borrowings; and accounts and other payables that are denominated in foreign currency.

A strengthening (weakening) of 1% of the TWD against the USD, EUR, and CNY in 2020 and 2019, would have increased (decreased) the net profit after tax by $2,453 and $16,281, respectively. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2019.

3) Foreign exchange gain and loss on monetary items

Since the Company has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For years 2020 and 2019, foreign exchange gain (loss) (including realized and unrealized portions) amounted to loss $9,544 and loss $1,601, respectively.

(iv) Interest rate analysis

Please refer to the notes on interest rate exposure of the Company's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding liabilities with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year.

If the interest rate had increased / decreased by 10 basis points, the Company's net income would have increased / decreased by $912 for the year ended December 31, 2020 and $1,035 for the year ended December 31, 2019, with all other variable factors remaining constant. This is mainly due to the Company's borrowing at variable rates.

(v) Fair value information

1) Fair value and type of financial instruments

The fair value of financial assets at fair value through profit or loss, financial instruments used for hedging, and financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Company's financial assets, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

	December 31, 2020				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Call options of convertible bonds	$ 60	-	60	-	60
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 194,750	-	-	-	-
Contract assets	196	-	-	-	-
Notes and accounts receivables	184,778	-	-	-	-
Other receivables	57,799	-	-	-	-
Subtotal	437,523	-	-	-	-
Total	$ 437,583	-	60	-	60
Financial liabilities at amortized cost					
Bank loans	$ 912,426	-	-	-	-
Notes and accounts payables	159,593	-	-	-	-
Other payables	75,766	-	-	-	-
Lease liabilities	2,586	-	-	-	-
Bonds payables	386,166	-	-	-	-
Total	$ 1,536,537	-	-	-	-

	December 31, 2019				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 129,894	-	-	-	-
Contract assets	1,363	-	-	-	-
Notes and accounts receivables	203,107	-	-	-	-
Other receivables	77,903	-	-	-	-
Total	$ 412,267	-	-	-	-

	December 31, 2019				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial liabilities at amortized cost					
Bank loans	$ 1,035,498	-	-	-	-
Notes and accounts payables	208,327	-	-	-	-
Other payables	46,195	-	-	-	-
Lease liabilities	2,157	-	-	-	-
Total	$ 1,292,177	-	-	-	-

2) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm’s-length basis. Whether transactions are taking place ‘regularly’ is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

Measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the reporting date.

b) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants such as the discounted cash flow or option pricing models. Fair value of forward currency is usually determined by the forward currency exchange rate.

3) There have been no transfers from each level for the years ended December 31, 2020 and 2019.

(v) Financial risk management

(i) Overview

The Company have exposures to the following risks from its financial instruments:

1) credit risk

2) liquidity risk

3) market risk

The following likewise discusses the Company's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risk exposures, please refer to the respective notes in the consolidated financial statements.

(ii) Structure of risk management

The Company's major targets of financial risk management were to manage the market risk, credit risk, and liquidity risk regarding operation activities. The Company identifies, evaluates and manages the aforesaid risk in accordance with its policies and risk preference.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Company complies with its financial risk management policies at all times.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's accounts and notes receivables from customers, contract assets, cash in banks and various financial instruments.

1) Accounts and other receivables

Credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria, etc. To lower certain issuers' or counter parties' credit risk, credit enhancing instruments(such like sales receipts and insurance) will be taken at the appropriate time.

The Company sets a loss allowance for expected credit losses to reflect the estimated loss on accounts receivable. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets. However, the Company does not centralize its sales to any single customer, therefore the credit risks of accounts receivables do not significantly concentrate.

2) Investments

The exposure to credit risk for the bank deposits and other financial instruments is measured and monitored by the Company's finance department. The Company only deals with banks, corporate organizations and financial institutions with good credit rating. There was no material doubt on contract performance so there was no material credit risk.

3) Guarantee

The Company only provide guarantee to wholly owned subsidiaries. As of December 31, 2020 and 2019, please refer to Note7(b) for the guarantees provided to the subsidiaries.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

As of December 31, 2020 and 2019, the Company's unused credit line were amounted to $719,000 and $70,000, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Company is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Company's entities, primarily the TWD, US Dollar (USD), Malaysian Ringgit (MYR) and Chinese Yuan (CNY). The currencies used in these transactions are the TWD, USD, MYR and CNY.

The interest is denominated in the same currency as borrowings. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Company, which are mainly TWD, CNY and USD. This provides an economic hedge without derivatives being entered into, and therefore, hedge accounting is not applied in these circumstances.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

2) Interest rate risk

The Company is exposed to fair value risk and cash flow risk because entities in the Company borrow funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix of fixed and floating rate borrowings.

3) Other market price risk

The Company does not enter into any commodity contracts other than to meet the Company's expected usage and sales requirements; such contracts are not settled on a net basis.

(w) Capital management

The Company's objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

The Company and other entities in the same industry use the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents.

The total capital and equity include share capital, capital surplus, retained earnings, other equity, and non-controlling interest plus net debt.

As of December 31, 2020, the Company's capital management strategy is consistent with the prior year as of December 31, 2019 to ensure financing at reasonable cost. The Company's debt-to-equity ratio at the end of the reporting period as of December 31, 2020 and 2019, is as follows:

		December 31, 2020	December 31, 2019
Total liabilities	$	1,612,594	1,320,621
Less: cash and cash equivalents		(194,750)	(129,894)
Net debt	$	1,417,844	1,190,727
Total equity	$	1,567,931	1,372,271
Adjusted equity	$	2,985,775	2,562,998
Debt-to-equity ratio at 31 December		47.49%	46.46%

As of December 31, 2020, the capital management method of the Company has no change.

(7) Related-party transactions:

(a) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

Name of related party	Relationship with the Company
China Fineblanking Group Co., Ltd. (CFTC Group)	A subsidiaries
CFTC Precision Sdn. Bhd. (CFTC Malaysia)	A subsidiaries
China Fineblanking International Co., Ltd. (CFTC International)	A subsidiaries
CFTC Precision (Jia-Xing) (CFTC Jia-Xing)	A subsidiaries
CFTC (Huai-An) Limited (CFTC Huai-An)	A subsidiaries
Yung-Hung Engineering Ltd. (Yung-Hung Engineering)	The entity's owner is the chairman of the Company

(b) Significant transactions with related parties

(i) Sales

The amounts of significant sales by the Company to related parties were as follows:

	For the years ended December 31	
	2020	2019
Subsidiaries－CFTC Jia-Xing	$ 8,720	2,515

The sale price to the above related parties was determined through mutual agreement based on the market rates. The trade credit term for related parties was 90 days while third-party suppliers was between 60-120 days. The accounts receivables-related parties were not guaranteed.

(ii) Purchases

The amounts of significant purchases by the Company from related parties were as follows:

	For the years ended December 31	
	2020	2019
Subsidiaries－CFTC Jia-Xing	$ 235,661	192,779

The purchase price to the above related parties was determined through mutual agreement based on the market rates. The trade credit terms for related parties and third-party suppliers were similar. The trade credit term of CFTC Jia-Xing was 90 days.

(iii) Receivables to related parties

The receivables to related parties were as follows:

Account	Relationship	December 31, 2020	December 31, 2019
Other receivables	Subsidiaries－CFTC Jia-Xing	$ 142	914
Other receivables	Subsidiaries－CFTC Huai-An	-	5
		$ 142	919

(iv) Payables to related parties

The payables to related parties were as follows:

Account	Relationship	December 31, 2020	December 31, 2019
Accounts payables	Subsidiaries－CFTC Jia-Xing	$ 120,649	161,146
Other payables	Associates－Yung-Hung Engineering	58	58
		$ 120,707	161,204

(v) Property transactions

1) Acquisitions of property, plant and equipment

Details of acquisition of property, plant and equipment to related parties were as follows:

	For the years ended December 31	
	2020	2019
Subsidiaries－CFTC Jia-Xing	$ 944	17,022

For the year ended December 31, 2020 and 2019, the Company purchased machinery and molding equipment from subsidiaries amounted to $944 and $17,022, respectively. As of December 31, 2020 and 2019, payables for the purchase transactions were $944 and $0, respectively.

2) Disposals of property, plant and equipment

Details of disposal of property, plant and equipment to related parties were as follows:

	For the years ended December 31			
	2020		2019	
Relationship	Proceeds	Gain (loss) on disposal	Proceeds	Gain (loss) on disposal
Subsidiaries－CFTC Jia-Xing	$ 1,814	85	2,675	184

For the years ended December 31, 2020 and 2019, the Company sold machinery and molding equipment to subsidiaries amounted to $1,814 and $2,675, respectively. As of December 31, 2020 and 2019, payables for the purchase transactions were $0 and $2,675, respectively.

(vi) Guarantees

The Company provided guarantees to subsidiary company. As of December 31, 2020 the guarantee ceiling was $251,976 (2019: $304,660) and the amount was $76,896 (2019: $141,243). In 2020 and 2019, the subsidiary company paid the Company $931 and $2,346 as handling fee for the guarantee mention above.

(vii) Other incomes and expenses

Account	Catagories	December 31, 2020	December 31, 2019
Manufacturing overhead-outsourcing cost	Subsidiaries－CFTC Jia-Xing	$ 164,862	92,407

The price of outsourcing cost to the above related parties was determined through mutual agreement based on the market rates. The trade credit terms for related parties and third-party suppliers were similar. The trade credit term of CFTC Jia-Xing was 90 days.

(viii) Other

1) Due to operational requirements, the Company appointed Yung-Hung Engineering to provide labor services. During 2020 and 2019, labor service costs were reported at $660 and $110, respectively.

2) The Board of Directors of the Company decided to contract out the sewage treatment equipment of the Chuansing plant to Yung-Hung Engineering, and signed a contract which was worth $12,500 at June 23, 2020. As of December 31, 2020, the Company paid $3,750 and were recognized as prepayment for equipment.

(c) Key management personnel compensation

	For the years ended December 31	
	2020	2019
Short-term employee benefits	$ 19,324	15,472
Post-employment benefits	108	257
	$ 19,432	15,729

(8) Pledged assets:

Pledged assets	Object	December 31, 2020	December 31, 2019
Other receivables－restricted deposit	Collateral for loans and bonds payables	$ 54,277	72,524
Property, plant and equipment	〃	539,062	514,331
		$ 593,339	586,855

(9) Commitments and contingencies:

(a) Unrecognized contractual commitments

The Board of Directors of the Company approved the construction project of entering Erlin Science Park of Central Taiwan Science Park at December 14, 2018, and paid $3,000 as the deposit to the Administration of Central Taiwan Science Park, Ministry of Science and Technology. However, the Company should accelerate mass production due to the impact of U.S.-China trade war, so it planned to shift the production lines to the existing plant in Chuansing Industrial Park in Changhua, and the Board of Directors modified the decision at August 7, 2019. The Company still has a plan to enter Erlin Science Park, and has successfully communicated with Central Taiwan Science Park, Ministry of Science and Technology, to modify the land for medium-term and long-term investment plans.

(b) Contingencies

(i) The lease contract of the previous plant requested that the Company should revert the plant to the original state, however, due to the cognitive difference in each other, the owner of the plant claimed for damages to the court. Taiwan Changhua District Court judged that the Company should compensate $558 in the first instance at December 23, 2019. The conviction was affirmed by Taiwan High Court Taichung Branch Court in the second instance, and the Company was requested to compensate $$887. Therefore, the Company accrued $$59 of loss according to the payable difference and less the security deposit during 2020.

(ii) The dispute that Fei-Long Engineering Ltd. requested the Company to pay the plant repairment and additional engineering expenses that amounted to $$1,107 was not solved. Because the prices of several projects were offered above market price and the projects were not checked and accepted, the Company did not pay in obedience to Fei-Long’s requests. Taiwan Changhua District Court judged that the Company should compensate $899 in the first instance at October 8, 2020, and the Company had mandated the lawyer to file an appeal within statutory period. The Company was defeated in the first instance and accrued $830 of loss at during 2020.

(iii) The previous chairman of the Board of Directors sued the Company for dismantling the building on the basis of ownership and illegal appropriation of land at August 4, 2020. As of December 30, 2020, the Company estimated that $7,932 should be paid according to the complaint. However, considering that the Company has also sued the previous chairman for several suits of damages and the suits are still pending, the Company cannot reasonably estimate the results of suits above as of December 31, 2020.

(10) Losses due to major disasters:

CFTC Precision (Jia-Xing) Limited, a subsidiary of the Company, broke out of fire at January 14, 2019, and some of the electroplating plants were burned down. The management of the Company estimated that the claim will be about $11,889(CNY) and received at October 8, 2019, according to the contract of insurance and the third-party notary institution’s assessment. The net losses of the disasters above were approximately $5,588(CNY), and were recognized as other non-operating income and expenses under non-operating income and expenses during 2019.

(11) Subsequent events:None

(12) Other:

A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By function / By item	For the year ended December 31					
	2020			2019		
	Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits						
Salary	$ 51,261	39,308	90,569	41,673	33,138	74,811
Labor and health insurance	4,679	3,050	7,729	4,755	3,253	8,008
Pension	1,741	1,549	3,290	1,743	1,742	3,485
Remuneration of directors	-	2,283	2,283	-	879	879
Others	2,688	2,241	4,929	2,407	2,311	4,718
Depreciation	29,878	2,850	32,728	24,773	5,103	29,876
Amortization	100	1,041	1,141	102	612	714

For the years ended December 31, 2020 and 2019, the information on the number of employees and employee benefit expense of the Company is as follows:

	2020	2019
Number of employees	146	149
Number of directors who were not employees	9	10
The average employee benefit	$ 777	655
The average salaries and wages	$ 661	538
Percentage of average employee salary expense adjusted	22.86%	
Remuneration to supervisors	$ -	-

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral Item	Collateral Value	Individual funding loan limits	Maximum limit of fund financing
1	CFTC Jia-Xing	CFTC Huai-An	Other receivables	Yes	14,299	13,629	13,421	5.2%	1	13,629		-		-	639,090	639,090
1	CFTC Jia-Xing	CFTC Huai-An	Other receivables	Yes	73,903	73,869	34,703	4.8%~5.2%	2	-	The operating turnover	-		-	639,090	639,090

Note 1: CFTC Jia-Xing has business relationship with it.

Note 2: CFTC Jia-Xing requires a short-term financing with it.

Note 3: CFTC Jia-Xing's limit on total amount and amount to single party of loans to others is 40% of net assets in latest audited or reviewed financial statements of CFTC Jia-Xing.

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement: Name	Counter-party of guarantee and endorsement: Relationship with the Company	Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
0	The Company	CFTC Jia-Xing	1	313,586	273,610	232,040	56,960	-	3.63%	627,172	Y	N	Y
0	The Company	CFTC Huai-An	1	313,586	31,050	19,936	19,936	-	1.27%	627,172	Y	N	Y
1	CFTC Jia-Xing	CFTC Huai-An	4	627,172	17,516	17,508	17,508	-	1.12%	627,172	N	N	Y

Note 1: The Company's limit on total amount of endorsements/ guarantees provided to others is 40% of net assets in latest audited or reviewed financial statements of the Company. The Company's limit on amount of endorsements/ guarantees provided to single party is 20% of net assets in latest audited or reviewed financial statements of the Company.

Note 2: CFTC Jia-Xing's limit on total amount of endorsements/ guarantees provided to others is 40% of net assets in latest audited or reviewed financial statements of the Company and CFTC Jia-Xing.

Note 3: The relationships between endorser and endorsee were as follows:

(1) The Company owns above 50% of its shares with voting rights directly or indirectly.

(2) The one owns above 50% of the Company's shares with voting rights directly or indirectly.

(3) The Company or business with business relationship.

(4) Within the companies which the Company owns above 90% of its shares with voting rights directly or indirectly.

(iii) Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures): None

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	CFTC Jia-Xing	Subsidiary of the Company	Purchase	235,661	57%	90 dyas	Normal	Normal	(120,649)	(34)%	
CFTC Jia-Xing	The Company	Subsidiary of the Company	Sale	(235,661)	(57)%	90 dyas	Normal	Normal	120,649	34%	

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
CFTC Jia-Xing	The Company	Subsidiary	120,649	1.67	-	-	26,977	-

(ix) Trading in derivative instruments: None

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2020 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars/ thousand shares)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	China Fineblanking Group Co., Ltd.	Samoa Islands	Investment activities	USD 40,080	USD 40,080	40,080	100.00%	1,639,235	132,113	132,113	
The Company	CFTC Precision Sdn. Bhd.	Malaysia	Property management	MRY 30,288	MRY 30,288	30,288	100.00%	10,666	3,722	3,722	
China Fineblanking Group Co., Ltd.	China Fineblanking International Co., Ltd.	Samoa Islands	Investment activities	USD 40,080	USD 40,080	40,080	100.00%	USD 58,122	USD 4,800	-	

Note1：The current net income or loss included the influences of upstream and downstream transactions within the associates.

(c) Information on investment in Mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
CFTC Jia-Xing	Manufacture and sale of hardware parts, mechanical hardware parts and molding components	RMB270,034 (USD39,700)	(Note1)	1,173,787 (USD37,500)	-	-	1,173,787 (USD37,500)	117,673 (USD4,127)	100.00%	117,673 (USD4,127)	1,597,726 (USD56,100)	20,249 (USD633)
CFTC Huai-An	Manufacture of mechanical parts and molding components	RMB 17,131 (USD2,580)	(Note1)	82,131 (USD2,580)	-	-	82,131 (USD2,580)	19,187 (USD673)	100.00%	19,187 (USD673)	57,029 (USD2,002)	-

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
1,255,918	1,446,214 (USD 50,780)	NA (Note 2)

Note 1: The Company invest in Mainland China companies through a company invested and established in a third region.

Note 2: In accordance with the provisions of the "Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area" passed on August 29, 2008, the Company has acquired the Business Operation Headquarter Certificate issued by the Industrial Development Bureau of the Ministry of Economic Affairs, which exempts the Company from the limitation of the amount or ratio of investment in mainland China.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

(d) Major shareholders:

Shareholding Shareholder's Name	Shares	Percentage
LIU, CHING-I	7,792,714	9.28%
HSIEH, LING	5,652,235	6.73%
CHIA-CHUAN Investment Co. LTD	5,428,285	6.47%
WU, CHIH-WEI	4,834,336	5.76%

Note: The table discloses stockholding information of stockholders whose ownership percentages are more than 5%. The Taiwan Depository & Clearing Corporation calculates the total number of common stocks and special stocks (including treasury stocks) that have completed the dematerialized registration and delivery on the last business day of the quarter. The stocks reported in the financial statements and the actual number of stocks that have completed the dematerialized registration and delivery may be different due to the basis of calculation.

(14) Segment information:

Please refer to the consolidated financial statements of 2020.

CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Chairman: Huang I-Hsiang