



Stock Code: 1586

# **CHINA FINEBLANKING TECHNOLOGY CO., LTD**

## **2021 General Shareholders' Meeting**

# **Meeting Agenda Handbook**

**Time: May 28, 2021**

**Venue: No. 40, Xinggong Road, Shengang Township,  
Changhua County**

**(The Company's Main Conference Room)**



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# **CHINA FINEBLANKING TECHNOLOGY CO., LTD**

## **Procedures for 2021 General Shareholders' Meeting**

Time: 2pm, May 28, 2021 (Friday)

PLACE: No. 40, Xinggong Road, Shengang Township, Changhua County  
(The Company's Main Conference Room)

- 1. Call the Meeting to Order**
- 2. Chairperson's Remarks**
- 3. Management Presentation**
- 4. Matters to be Ratified**
- 5. Matters to be Discussed**
- 6. Election Matters**
- 7. Other Proposals**
- 8. Extemporaneous Motions**
- 9. Adjournment**

# China Fineblanking Technology Co., Ltd

## Agenda of 2021 General Shareholders'

### Meeting

Time: 2pm, May 28, 2021 (Friday)

Venue: No. 40, Xingong Road, Shengang Township, Changhua County (The Company's Main Conference Room)

**1. Call the Meeting to Order (reporting of the number of shares represented by attendance)**

**2. Chairperson's Remarks**

**3. Management Presentation**

- (1) 2020 Business Report
- (2) 2020 Review Report by Audit Committee
- (3) 2020 distribution of remunerations to employees and directors
- (4) 2020 distribution of earnings via cash dividends
- (5) Reasons for and matters in relation to 2020 raising and issuance of convertible bonds
- (6) Update on the subsidiary CFTC PRECISION SDN BHD's plan, schedule and progress for liquidation
- (7) Report on Establishment of Code of Ethical Conduct for Directors and Managers

**4. Matters to be Ratified**

- (1) Please kindly rectify the Company's 2020 Business Report and Financial Statements.
- (2) Please kindly rectify the Company's Distribution of 2020 Earnings.

**5. Matters to be Discussed**

- (1) Issuance of new shares via capitalization of retained earnings
- (2) Amendment of Rules of Procedure for Shareholder Meetings
- (3) Amendment of Procedures for Election and Appointment of Directors

## **6. Election Matters**

- (1) Election of additional independent directors

## **7. Other Proposals**

- (1) Removal of non-compete covenants on directors

## **8. Extemporaneous Motions**

## **9. Adjournment**

# **Management Presentation**

### Subject 1

Summary: Please kindly assess the Company's 2020 Business Report.

Explanation: Please kindly refer to page 12~15 of this manual (Attachment 1) for the Company's 2020 Business Report.

### Subject 2

Summary: Please kindly assess 2020 Review Report by Audit Committee.

Explanation: Please kindly refer to page 16 of this manual (Attachment 2) for 2020 Review Report by Audit Committee.

### Subject 3

Summary: Please kindly assess the 2020 distribution of remunerations to employees and directors.

Explanation: 1. This is processed pursuant to Article 24 of the Company's Articles of Incorporation.

2. The 2020 distribution of remunerations to employees and directors is made in cash, based on 1% or NT\$1,797,307 to directors and 2% or NT\$3,594,614 to employees.

3. The above remunerations were approved by the board on March 25, 2021.

### Subject 4

Summary: Please kindly assess the 2020 distribution of earnings via cash dividends.

Explanations: 1. Per Article 24-1 of the Company's Articles of Incorporation, the distribution of dividends from earnings or the legal reserve or capital surplus in part or in all requires the attendance of at

- least two thirds of the directors and the consent of at least half of the attending directors. Subsequent reporting to a shareholders' meeting is required.
2. A total of NT\$65,521,780 is to appropriated as cash dividends from 2020 distributable earnings. As of March 17, 2021, the total number of shares outstanding is 81,902,225 (including 83,884,122 shares issued, less 2,255,000 treasury shares, plus conversion of convertible bonds into 273,103 ordinary shares). This means each share is entitled to a cash dividend of NT\$0.80. The dividends paid will be rounded down to NT\$1 for each shareholder. Any fractional amount will be transferred to Employees' Benefit Committee.
  3. This distribution of earnings prioritizes the distribution of 2020 earnings.
  4. This proposal was approved by the board and authorized to Chairperson to determine the ex-dividend base date, issuance date and other relevant matters. If the Company's share capital and thus number of shares outstanding are subsequently changed and as a result, the payout ratio is different, Chairperson has the full discretion as to the handling of relevant matters according to the Company Act or other applicable laws and regulations.

#### Subject 5

Summary: Please kindly assess the reasons for and matters in relation to 2020 raising and issuance of convertible bonds.

Explanation: 1. To repay bank loans, the Company's board on June 23, 2020 decided to issue the second secured convertible bonds and the third unsecured convertible bonds in Taiwan. This was approved by the Financial Supervisory Commission on August 14, 2020 with Official Letter FSC-Securities-Issuance No. 1090350939. The second issuance of secured convertible bonds in Taiwan started to be trading on Taipei Exchange on August 31, 2020, the third issuance of unsecured convertible bonds on September 1, 2020.



2. Please refer to page 17~18 Attachment 3 of this manual for the reasons for and matters in relation to the raising and issuance of convertible bonds under Article 246 of the Company Act.

Subject 6

Summary: Update on the subsidiary CFTC PRECISION SDN BHD's plan, schedule and progress for liquidation.

Explanation: 1. According to Official Letter FSC-Securities-Issuance No. 1090350939 issued by the Financial Supervisory Commission on August 14, 2020, the Company should present its subsidiary subsidiary CFTC PRECISION SDN. BHD's plan, schedule and progress for liquidation to the board for control purposes and to the next shareholders' meeting.

2. The Company's CFTC PRECISION SDN BHD's liquidation schedule and progress is as follows:

Schedule	Plan
By the end of 2020	Completion of CFTC PRECISION SDN. BHD's financial statement auditing and tax auditing for 2017, 2018, and 2019
By the end of July 2021	Completion of 2020 financial statement auditing and tax auditing
3Q/4Q 2021	After the CFTC PRECISION SDN. BHD's financial statement auditing and tax auditing for individual have been completed, an application will be filed with Taipei Exchange for change to committed items for listing on Taipei Exchange. Once approved by Taipei Exchange, the Company's board will via a special resolution, initial relevant reporting and filing procedures according to applicable laws and regulations in Malaysia, where CFTC PRECISION SDN. BHD is domiciled.
By the end of 2021	Completion of CFTC PRECISION SDN. BHD's company registration

**Subject 7**

**Summary:** Please kindly assess the Code of Conduct for Directors and Managers.

**Explanation:** According to the requirements specified in Official Letter OTC-Oversight No. 10900582662 issued by Taipei Exchange on June 12, 2020, the Company formulated its Code of Conduct for Directors and Managers. Please refer to page 19~21 Attachment 4 of this manual.

## **Matters to be Ratified**

Subject 1 (proposed by the board)

Summary: Please kindly rectify the Company's 2020 Business Report and Financial Statements.

Explanation: 1. The Company's 2020 business report, unconsolidated financial statements and consolidated financial statements were approved by Audit Committee and passed by the board. The unconsolidated and consolidated financial statements were audited and issued with independent auditor's reports by CPA Jacky Chen and CPA David Chen at KPMG Taiwan.

2. Please refer to page 12~15 Attachment 1, Attachment 5 and Attachment 6 page 22~39, respectively, of this manual for the business report, independent auditor's reports and financial statements.

Resolution:

Subject 2 (proposed by the board)

Summary: Please kindly rectify the Company's distribution of 2020 earnings.

Explanation: The Company's distribution of 2020 earnings was approved by Audit Committee and passed by the board. Please refer to page 40 Attachment 7 of this manual for the Table of Earnings Distribution.

Resolution:

## Matters to be Discussed

Subject 1 (proposed by the board)

Summary: Please kindly discuss the proposal for capitalization of earnings via issuance of news shares.

Explanation: 1. To meet the needs of corporate development and as part of the 2020 earnings distribution plan, NT\$16,380,450 will be appropriated from the distributable 2020 earnings as bonus shares with a total of 1,638,045 new shares at a face value of NT\$10 per share. As of March 17, 2021 when the board issued the notification, the Company has a total of 81,902,225 shares outstanding (including 83,884,122 shares issued, less 2,255,000 treasury shares, plus conversion of convertible bonds into 273,103 ordinary shares). Each lot of one thousand shares is entitled to 20 bonus shares. All the fractional shares will be consolidated for individual shareholders by the Company's agent for stock affairs within five days after book closure. The Company's Chairperson is authorized to contact specific parties for the purchase of any outstanding fractional shares issued at the face value, rounding down to NT\$1.

2. The rights and obligations of new shares will be identical with the issued ordinary shares.
3. After the consent from the general shareholders and the approval from the competent authorities, this proposal shall authorize the board to determine the ex-right base date, issuance date and other relevant matters.
4. If the Company's share capital and thus number of shares outstanding are subsequently changed due to internal/external factors and as a result, the payout ratio is different for the bonus shares to capitalize earnings, Chairperson has the full discretion, under the authorization by the board, as to the handling of relevant matters.

Resolution:

Subject 2 (proposed by the board)

Summary: Please kindly discuss the amendment of the Rules of Procedure for Shareholder Meetings.

Explanation: According to the requirements specified in Official Letter OTC-Oversight No. 10900582662 issued by Taipei Exchange on June 12, 2020, the Company has amended its Rules of Procedure for Shareholder Meetings.

2. Please refer to Attachment 8 page 41~42 of this manual for Comparison Table Before and After Amendment.

Resolution:

Subject 3 (proposed by the board)

Summary: Please kindly discuss the amendment of the Procedures for Election and Appointment of Directors.

Explanation: According to the requirements specified in Official Letter OTC-Oversight No. 10900582662 issued by Taipei Exchange on June 12, 2020, the Company has amended its Procedures for Election and Appointment of Directors.

Please refer to Attachment 9 page 43~45 of this manual for Comparison Table Before and After Amendment.

Resolution:

## Election Matters

Subject 1 (proposed by the board)

Summary: Please kindly elect additional independent directors for the Company.

Explanation: 1. The Company's director Daily Polymer Corporation (including its representative Wu Chia-Chuan) resigned from its seat on February 17, 2021. To enhance the Company's corporate governance, the replacement will be an independent director to be elected by the 2021 General Shareholders' Meeting for the 12th board.

2. Per Article 16 of the Company's Articles of Incorporation, directors are elected by shareholders from the list of nominated candidates. The new independent director shall take office on the date of election until the expiry of the current term, i.e. from May 28, 2021 to May 23, 2022.

3. The list of director candidates was approved by the Company's board on February 25, 2021. Below is a table summarizing the education, experience and shareholdings of these candidates.

4. Please refer to page 62~64 of the manual for the Procedures for Election and Appointment of Directors (Appendix 3).

### List of Director Candidates

Types of candidates	Names of candidates	Education and experience	No. of shares held
Independent director	Chen Fu-Pang	Education: Master's degree, College of Law, Tunghai University Experience: Yong Sheng International Law Firm	0

Election results:

## Other Proposals

Subject 1 (proposed by the board)

Summary: Please kindly discuss the removal of non-compete covenants on directors.

Explanation: 1. According to Article 209 of the Company Act, directors shall explain key items to and obtain permission from shareholders' meetings for any activities within the Company's scope of business on behalf of themselves or others.

2. The following list shows the Company's directors serving positions with other companies. On the presumption that the Company's interest stays uncompromised, it is proposed that this general shareholders' meeting agree with the removal of non-compete clauses for directors.

### Details of Directors Serving Positions with Other Companies

Names of directors	Positions with other companies
Huang Yi-Xiang	Yong Hui Investment Consulting Director
Wang Yuan-Hong	Daily Polymer Corporation independent director

Resolution:

## Extemporary Motions

## Adjournment

## 2020 Business Report

Dear Shareholders:

In 2020, China Fineblanking Technology completed the revamp of its production lines and the adjustment of its product portfolios. Our revenues, net incomes 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 operating revenue of NT\$2,296 million in 2020, up by NT\$203 million (or 9.69%) from NT\$2,093 million in 2019. Profit after tax 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
Operating revenue, 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
Pre-tax earnings (loss)	212,746	37,527
Net income (loss)	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.

Chairperson: Huang Yi-Xiang    General Manager: Huang Yi-Xiang    Chief Accounting Officer: Liao Ren-Jie

(Attachment 2)

## CHINA FINEBLANKING TECHNOLOGY CO., LTD

### Review Report by Audit Committee

The Company's board has prepared 2020 business report, financial statements and Table of Earnings Distribution. Under the commission from the board, these financial statements were audited and issued with independent auditor's reports by CPA Jacky Chen and 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 CO., LTD

Convener of Audi Committee: Wang Yuan-Hong

March 25, 2021

(Attachment 3)

CHINA FINEBLANKING TECHNOLOGY CO., LTD

Update on the 2020 issuances of convertible bonds

Types of corporate bonds	Second issuance of secured convertible bonds in Taiwan	Third issuance of unsecured convertible bonds in Taiwan
Issuance date	August 31, 2020	September 1, 2020
Par value	NT\$100,000	NT\$100,000
Place of issuance and trading	Issued in Taiwan and traded on Taipei Exchange	Issued in Taiwan and traded on Taipei Exchange
Issued price	100% of the par value	100% of the par value
Amount raised	NT\$200 million	NT\$200 million
Interest rate	0% coupon rate	0% coupon rate
Maturity	Three years, maturity date on August 31, 2023	Three years, maturity date on September 1, 2023
Guarantor	Taiwan Cooperative Bank Ltd.	Taiwan Cooperative Bank Ltd.
Trustee	Bank SinoPac	Bank SinoPac
Underwriter	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Securities Co., Ltd.
Attorney	Lawyer Charles Ya-Wen Chiu, Far East Law Offices	Lawyer Charles Ya-Wen Chiu, Far East Law Offices
Accountant	Ernst & Young Taiwan CPA Tony Tzu-Ping Huang; CPA Martin Wen-Pi Yen	Ernst & Young Taiwan CPA Tony Tzu-Ping Huang; CPA Martin Wen-Pi Yen
Repayment methods	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 face value for all outstanding bonds upon maturity.	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 face value (or 0.25% real

		yield) for all outstanding bonds upon maturity.
Outstanding principal	NT\$200,000,000	NT\$188,300,000
Call or early repayment clauses	Article 18 of the Regulations Governing the Issuance and Conversion of the Company's second secured convertible bonds in Taiwan	Article 18 of the Regulations Governing the Issuance and Conversion of the Company's third unconvertible bonds in Taiwan
Covenants	None	None
Updated conversion price	NT\$43.8	NT\$42.84
As of the book closure date (March 30, 2021) Conversion of bonds to date	Outstanding balance NT\$200,000,000	Outstanding balance NT\$183,300,000
Callable terms and conditions	None	None

## Code of Ethical Conduct for Directors and Managers

- 1 Basis: The Guidelines for the Adoption of Code of Ethical Conduct for TWSE/GTSM Listed Companies published by Taiwan Stock Exchange
- 2 Objective: To guide the Company's directors and managers to act according to ethical standards
- 3 Applicability: Directors and managers (including General Manager and the equivalents, Vice Presidents and the equivalents, Assistant Vice Presidents and the equivalents, supervisors in Finance Department and Accounting Department, and any other persons authorized to manage the Company's affairs and sign on behalf of the Company)
- 4 Management authorization and responsibility:
  - 4.1 Formulation, amendment, and abolishment: Headquarters
  - 4.2 Management responsibility: Headquarters
- 5 Operational contents and requirements:
  - 5.1 After taking into account the individual conditions and requirements, the Company has established its Code of Conduct covering the following eight areas:
    - 5.1.1 Conflict of interest with the Company arising due to involvement or possible involvement of personal interest. For example, a director or manager is unable to objectively and efficiently handle business, or obtains improper benefits for himself/herself, his/her spouse, or any relative within two degrees by leveraging his/her position in the Company. The Company should take extra heed of the loans to, guarantees for, main asset transactions with, purchases from, and sales to the affiliated companies the abovementioned personnel belong to. The Company should establish a policy for the prevention of conflict of interest and provide appropriate channels for directors and managers to explain, without prompting any potential conflict of interest with the Company.
    - 5.1.2 The Company should prevent its directors or managers from the following:
      - (A) The opportunity to use the Company's property, information or

- the position within the Company to seek personal gains
- (B) The use of the Company's property, information or the position within the Company to seek personal gains
  - (C) To compete with the Company when the Company has profit-making opportunities, directors or managers have the responsibility to enhance the legitimate and legal interest for the Company.
- 5.1.3 Unless authorized or legally required to disclose, directors or managers are obligated to maintain the confidentiality of the Company's own information or information about the customers the Company sells to or purchases from. The information to be held in confidentiality includes all the undisclosed information that may be used by competitors or that may damage the Company or customers if leaked.
- 5.1.4 Directors or managers should treat fairly the customers the Company sells to and purchases from, competitors and employees. It is not allowed to acquire improper gains via manipulation, concealment or abuse of the information obtained on the job, false statements about important matters or other unfair trade methods.
- 5.1.5 Directors and directors have the responsibility to protect the Company's assets and to ensure the effective and legal use of such assets for business. Any theft, negligence, or waste of the assets will directly affect the Company's profit-making capability.
- 5.1.6 The Company should enhance the compliance with the Securities and Exchange Act and other laws and regulations.
- 5.1.7 The Company should advocate internally the code of moral conduct and encourage employees to report to managers, audit supervisors or other appropriate personnel when they suspect or identify any behavior in breach of laws, regulations or the Code of Ethical Conduct. To encourage employees to report illegal matters, the Company should establish a whistle-blowing mechanism to allow for anonymous reporting. The Company should also assure to employees that it will spare no efforts to protect the safety of the whistleblower from retaliation.
- 5.1.8 If any director or manager violates the Code of Ethical Conduct, the Company shall impose disciplinary actions according to the Code of Ethical Conduct and discloses via the Market Observation Post System (MOPS) in a timely manner the information regarding the personnel in breach of Code of Ethical Conduct, the relevant dates, facts, code of conduct violated, and disciplinary measures. The Company should



establish a system for those in breach of its Code of Ethical Conduct to lodge an appeal as remedy.

6 Procedures of exemption for applicability:

The exemption of any director or manager from the Company's Code of Ethical Conduct must be approved by the board and disclosed, in a timely manner via the Market Observation Post System (MOPS) the dates of approval by the board, objection or reservation from independent directors, the duration, reasons and criteria of exemption, etc. so that shareholders may assess whether the decision from the board is appropriate. This is to curb any willful or questionable exemption of the compliance and to ensure an appropriate control mechanism over any exemption, in order to protect the Company.

7 Disclosure: The Code of Ethical Conduct and its amendments should be disclosed at the Company's website, in the Company's annual reports and prospectus and via the Market Observation Post System (MOPS).

8 Supplementary Provisions:

8.1 The Code of Ethical Conduct and its amendments take effect after the review by Audit Committee and the approval from the board. Reporting to the shareholders' meeting is required.

8.2 Effectiveness on November 4, 2020

## 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

#### **Notes to Readers**

The accompanying parent company only financial statements are intended only to present the 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 parent company only financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying parent company only 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 parent company only financial statements, the Chinese version shall prevail.

(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		December 31, 2019		Liabilities and Equity		December 31, 2020		December 31, 2019	
		Amount	%	Amount	%			Amount	%	Amount	%
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents(Note (6)(a))	\$ 194,750	6	129,894	5	2100	Short-term borrowings(Note (6)(i))	\$ 16,378	1	210,000	8
1140	Current contract assets(Note (6)(r))	196	-	1,363	-	2130	Current contract liabilities(Note (6)(r))	5,055	-	835	-
1150	Notes receivable, net(Note (6)(c) and (r))	1,732	-	1,675	-	2150	Notes payable	596	-	729	-
1170	Accounts receivable, net(Note (6)(c) and (r))	183,046	6	201,432	8	2170	Accounts payable	38,348	1	46,452	2
1200	Other receivables, net(Note (8))	57,657	2	76,984	3	2180	Accounts payable to related parties(Note (7))	120,649	4	161,146	6
1210	Other receivables-related parties(Note (7))	142	-	919	-	2200	Other payables(Note 6(j))	75,708	2	46,137	2
1220	Current tax assets	2,296	-	4,386	-	2220	Other payables to related parties(Note (6)(j) and (7))	58	-	58	-
130X	Inventories(Note (6)(d))	93,741	3	78,271	3	2230	Current tax liabilities	7,063	-	2,000	-
1410	Prepayments	11,117	-	2,944	-	2280	Current lease liabilities(Note (6)(m))	1,079	-	1,591	-
1470	Other current assets	4,689	-	1,209	-	2320	Long-term liabilities, current portion(Note (6)(l))	64,537	2	125,708	4
		<u>549,366</u>	<u>17</u>	<u>499,077</u>	<u>19</u>	2399	Other current liabilities, others	433	-	350	-
<b>Non-current assets:</b>								<u>329,904</u>	<u>10</u>	<u>595,006</u>	<u>22</u>
1510	Non-current financial assets at fair value through profit or loss(Note(6)(k))	60	-	-	-	<b>Non-Current liabilities:</b>					
1550	Investments accounted for using equity method(Note (6)(e))	1,649,901	52	1,504,879	56	2530	Bonds payable(Note (6)(k))	386,166	12	-	-
1600	Property, plant and equipment(Note (6)(f) and (8))	846,809	27	633,102	23	2540	Long-term borrowings(Note (6)(l))	831,511	27	699,790	26
1755	Right-of-use assets(Note (6)(g))	2,548	-	2,140	-	2570	Deferred tax liabilities(Note (6)(o))	53,176	2	25,059	1
1780	Intangible assets	3,244	-	2,081	-	2580	Non-current lease liabilities(Note (6)(m))	1,507	-	566	-
1840	Deferred tax assets(Note (6)(o))	23,091	1	23,631	1	2630	Long-term deferred revenue	10,130	-	-	-
1900	Other non-current assets(Note (6)(h) and (7))	105,506	3	27,982	1	2645	Guarantee deposits received	200	-	200	-
		<u>2,631,159</u>	<u>83</u>	<u>2,193,815</u>	<u>81</u>			<u>1,282,690</u>	<u>41</u>	<u>725,615</u>	<u>27</u>
<b>Total assets</b>		<b>\$ 3,180,525</b>	<b>100</b>	<b>2,692,892</b>	<b>100</b>		<b>Total liabilities</b>	<u>1,612,594</u>	<u>51</u>	<u>1,320,621</u>	<u>49</u>
						<b>Share capital (Note (6)(p)):</b>					
						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)
							<b>Total equity</b>	<u>1,567,931</u>	<u>49</u>	<u>1,372,271</u>	<u>51</u>
							<b>Total liabilities and equity</b>	<b>\$ 3,180,525</b>	<b>100</b>	<b>2,692,892</b>	<b>100</b>

See accompanying notes to parent company only financial statements.

(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)**

		<u>2020</u>		<u>2019</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	<b>Operating revenue (Note (6)(r) and (7))</b>	\$ 797,210	100	639,315	100
5000	<b>Operating costs (Notes (6)(d), (n), (s), (7) and (12))</b>	<u>652,619</u>	<u>82</u>	<u>545,959</u>	<u>85</u>
5900	<b>Gross profit from operations</b>	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	<u>2,356</u>	<u>-</u>	<u>2,726</u>	<u>-</u>
5950	<b>Net gross profit from operations</b>	<u>144,872</u>	<u>18</u>	<u>93,726</u>	<u>15</u>
6000	<b>Operating expenses (Notes (6)(n), (s) and (12)):</b>				
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))	<u>(3)</u>	<u>-</u>	<u>(796)</u>	<u>-</u>
6300	<b>Total operating expenses</b>	<u>91,101</u>	<u>11</u>	<u>84,516</u>	<u>13</u>
6900	<b>Net operating income</b>	<u>53,771</u>	<u>7</u>	<u>9,210</u>	<u>2</u>
	<b>Non-operating income and expenses:</b>				
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))	<u>135,835</u>	<u>17</u>	<u>25,670</u>	<u>4</u>
	<b>Total non-operating income and expenses</b>	<u>120,568</u>	<u>15</u>	<u>18,178</u>	<u>3</u>
	<b>Profit from continuing operations before tax</b>	<u>174,339</u>	<u>22</u>	<u>27,388</u>	<u>5</u>
7950	Less: Income tax expenses (Note (6)(o))	<u>36,707</u>	<u>5</u>	<u>7,327</u>	<u>1</u>
	<b>Profit</b>	<u>137,632</u>	<u>17</u>	<u>20,061</u>	<u>4</u>
8300	<b>Other comprehensive income:</b>				
8360	<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>				
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	<u>1,782</u>	<u>-</u>	<u>(11,709)</u>	<u>(2)</u>
8300	<b>Other comprehensive income</b>	<u>7,125</u>	<u>1</u>	<u>(46,835)</u>	<u>(7)</u>
	<b>Total comprehensive income</b>	<u>\$ 144,757</u>	<u>18</u>	<u>(26,774)</u>	<u>(3)</u>
9750	Basic earnings per share (Note (6)(q))	<u>\$ 1.69</u>		<u>0.26</u>	
9810	Diluted earnings per share (Note (6)(q))	<u>\$ 1.53</u>		<u>0.26</u>	

See accompanying notes to parent company only financial statements.

(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					Total equity
	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		
<b>Balance at January 1, 2019</b>	\$ 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 convertible bonds	-	9,858	-	-	-	-	-	-	-	-	9,858	
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	(52,512)	(52,512)	
Share-based payments	-	5,701	-	-	-	-	-	-	-	92,522	98,223	
<b>Balance at December 31, 2020</b>	\$ <b>838,841</b>	<b>528,557</b>	<b>94,998</b>	<b>131,613</b>	<b>178,942</b>	<b>405,553</b>	<b>(124,488)</b>	<b>-</b>	<b>(124,488)</b>	<b>(80,532)</b>	<b>1,567,931</b>	

See accompanying notes to parent company only financial statements.



(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)**

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities:</b>		
<b>Profit before tax</b>	\$ 174,339	27,388
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit:</b>		
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)
<b>Total adjustments to reconcile profit</b>	<u>(90,146)</u>	<u>17,013</u>
<b>Changes in operating assets and liabilities:</b>		
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
<b>Total changes in operating assets</b>	<u>12,481</u>	<u>128,932</u>
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
<b>Total changes in operating liabilities</b>	<u>(15,193)</u>	<u>3,703</u>
<b>Total changes in operating assets and liabilities</b>	<u>(2,712)</u>	<u>132,635</u>
<b>Total adjustments</b>	<u>(92,858)</u>	<u>149,648</u>
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)
<b>Net cash flows (used in) from operating activities</b>	<u>63,739</u>	<u>147,706</u>

See accompanying notes to parent company only financial statements.

**CHINA FINEBLANKING TECHNOLOGY CO., LTD.**

**Notes to the Financial Statements**

**Cash flows from investing activities:**

Proceeds from disposal of financial assets at fair value through other comprehensive income	-
Acquisition of property, plant and equipment	(234,685)
Proceeds from disposal of property, plant and equipment	7,808
Increase in refundable deposits	-
Acquisition of intangible assets	(2,285)
Increase in other non-current assets	(93,833)
Increase in prepayments on purchase of equipment	-

<b>Net cash flows used in investing activities</b>	<b>(322,995)</b>
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**Cash flows from financing activities:**

Increase in short-term loans	211,136
Decrease in short-term loans	(404,758)
Proceeds from issuing bonds	394,110
Proceeds from long-term loans	703,000
Repayments of long-term loans	(618,384)
Repayments of lease liabilities	(2,037)
Cash dividends paid	(4,666)
Payments to acquire treasury shares	(52,512)
Treasury shares sold to employees	98,223

<b>Net cash flows from (used in) financing activities</b>	<b>324,112</b>
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<b>Net increase in cash and cash equivalents</b>	<b>64,856</b>
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<b>Cash and cash equivalents, beginning of the period</b>	<b>129,894</b>
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<b>Cash and cash equivalents, end of the period</b>	<b>\$ 194,750</b>
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See accompanying notes to parent company only financial statements.

## 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)

		<b>December 31, 2020</b>		<b>December 31, 2019</b>				<b>December 31, 2020</b>		<b>December 31, 2019</b>	
<b>Assets</b>		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Liabilities and Equity</b>		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents (Note (6)(a))	\$ 468,484	11	315,774	9	2100	Short-term borrowings (Note (6)(j))	\$ 407,039	10	738,276	20
1140	Current contract assets (Note (6)(t))	91,624	2	83,690	2	2130	Current contract liabilities (Note (6)(t))	5,579	-	1,431	-
1150	Notes receivable, net (Note (6)(c) and (t))	83,725	2	30,605	1	2150	Notes payable	596	-	729	-
1170	Accounts receivable, net (Note (6)(c) and (t))	626,245	16	617,249	17	2170	Accounts payable	349,021	9	277,874	8
1200	Other receivables, net (Note (8))	61,912	2	84,635	2	2180	Accounts payable to related parties (Note (7))	5,020	-	19,647	1
1220	Current tax assets	2,296	-	4,386	-	2200	Other payables (Note 6(k))	388,910	10	376,969	10
130X	Inventories (Note (6)(d))	503,316	12	472,717	13	2220	Other payables to related parties (Note (6)(k) and (7))	7,023	-	58	-
1410	Prepayments (Note (6)(e))	177,951	4	179,821	5	2230	Current tax liabilities	7,089	-	8,560	-
1470	Other current assets	2,825	-	595	-	2280	Current lease liabilities (Note (6)(n))	1,119	-	2,520	-
		<u>2,018,378</u>	<u>49</u>	<u>1,789,472</u>	<u>49</u>	2320	Long-term liabilities, current portion (Note (6)(m))	64,537	2	125,708	3
						2399	Other current liabilities, others	285	-	350	-
								<u>1,236,218</u>	<u>31</u>	<u>1,552,122</u>	<u>42</u>
<b>Non-current assets:</b>						<b>Non-Current liabilities:</b>					
1510	Non-current financial assets at fair value through profit or loss (Note (6)(l))	60	-	-	-	2530	Bonds payable (Note (6)(l))	386,166	9	-	-
1600	Property, plant and equipment (Note (6)(f) and (8))	1,858,752	46	1,631,876	45	2540	Long-term borrowings (Note (6)(m))	831,511	20	699,790	19
1755	Right-of-use assets (Note (6)(g) and (8))	34,766	1	39,341	1	2570	Deferred tax liabilities (Note (6)(q))	53,176	1	25,059	1
1760	Investment property, net (Note (6)(h))	-	-	9,610	-	2580	Non-current lease liabilities (Note (6)(n))	1,689	-	936	-
1780	Intangible assets	8,320	-	6,822	-	2630	Long-term deferred revenue	10,130	-	-	-
1840	Deferred tax assets (Note (6)(q))	33,951	1	34,532	1	2645	Guarantee deposits received	275	-	573	-
1900	Other non-current assets (Note (6)(i) and (7))	132,869	3	139,098	4			<u>1,282,947</u>	<u>30</u>	<u>726,358</u>	<u>20</u>
		<u>2,068,718</u>	<u>51</u>	<u>1,861,279</u>	<u>51</u>			<u>2,519,165</u>	<u>61</u>	<u>2,278,480</u>	<u>62</u>
						<b>Total liabilities</b>					
						<b>Equity attributable to owners of parent (Note (6)(r)):</b>					
						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	<b>Total equity attributable to owners of parent:</b>	<u>1,567,931</u>	<u>39</u>	<u>1,372,271</u>	<u>38</u>
						36XX	Non-controlling interests	-	-	-	-
								<u>1,567,931</u>	<u>39</u>	<u>1,372,271</u>	<u>38</u>
						<b>Total equity</b>					
						<b>Total liabilities and equity</b>					
<b>Total assets</b>		<u>\$ 4,087,096</u>	<u>100</u>	<u>3,650,751</u>	<u>100</u>			<u>\$ 4,087,096</u>	<u>100</u>	<u>3,650,751</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

(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)**

		<u>2020</u>		<u>2019</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	<b>Operating revenue (Note (6)(t))</b>	\$ 2,295,575	100	2,092,780	100
5000	<b>Operating costs (Notes (6)(d), (p) and (12))</b>	1,800,540	78	1,782,563	85
5900	<b>Gross profit (loss) from operations</b>	495,035	22	310,217	15
6000	<b>Operating expenses (Notes (6)(p) and (12)):</b>				
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	<b>Total operating expenses</b>	265,305	13	248,751	12
6900	<b>Net operating income (loss)</b>	229,730	9	61,466	3
	<b>Non-operating income and expenses:</b>				
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)
	<b>Total non-operating income and expenses</b>	(16,984)	-	(23,939)	(1)
	<b>Profit (loss) from continuing operations before tax</b>	212,746	9	37,527	2
7950	Less: Income tax expenses (Note (6)(q))	75,114	3	17,466	1
	<b>Profit (loss)</b>	137,632	6	20,061	1
8300	<b>Other comprehensive income:</b>				
8360	<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>				
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	<b>Other comprehensive income</b>	7,125	-	(46,835)	(2)
	<b>Total comprehensive income</b>	<b>\$ 144,757</b>	<b>6</b>	<b>(26,774)</b>	<b>(1)</b>
	<b>Profit (loss), attributable to:</b>				
8610	Profit (loss), attributable to owners of parent	\$ 137,632	6	20,061	1
8720	Profit (loss), attributable to non-controlling interests	-	-	-	-
		<b>\$ 137,632</b>	<b>6</b>	<b>20,061</b>	<b>1</b>
	<b>Comprehensive income attributable to:</b>				
8710	Comprehensive income, attributable to owners of parent	\$ 144,757	6	(26,774)	(1)
8720	Comprehensive income, attributable to non-controlling interests	-	-	-	-
		<b>\$ 144,757</b>	<b>6</b>	<b>(26,774)</b>	<b>(1)</b>
9750	Basic earnings per share (Note (6)(s))	<b>\$ 1.69</b>		<b>0.26</b>	
9810	Diluted earnings per share (Note (6)(s))	<b>\$ 1.53</b>		<b>0.26</b>	

See accompanying notes to consolidated financial statements.



(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				Total equity
	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	
<b>Balance at January 1, 2019</b>	\$ 764,888	512,998	82,791	60,150	222,390	365,331	(84,778)	(2,228)	(87,006)	(120,542)	
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
<b>Balance at December 31, 2020</b>	<b>\$ 838,841</b>	<b>528,557</b>	<b>94,998</b>	<b>131,613</b>	<b>178,942</b>	<b>405,553</b>	<b>(124,488)</b>	<b>-</b>	<b>(124,488)</b>	<b>(80,532)</b>	<b>1,567,931</b>

See accompanying notes to consolidated financial statements.

(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
<b>Cash flows from operating activities:</b>		
<b>Profit before tax</b>	\$ 212,746	37,527
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit:</b>		
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)	-
<b>Total adjustments to reconcile profit</b>	187,140	209,169
<b>Changes in operating assets and liabilities:</b>		
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
<b>Total changes in operating assets</b>	(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)
<b>Total changes in operating liabilities</b>	79,042	70,036
<b>Total changes in operating assets and liabilities</b>	(4,520)	227,227
<b>Total adjustments</b>	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)
<b>Net cash flows (used in) from operating activities</b>	314,376	412,569

See accompanying notes to consolidated financial statements.

**CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**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
<b>Net cash flows used in investing activities</b>	<b>(350,896)</b>	<b>(797,388)</b>

**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	-
<b>Net cash flows from (used in) financing activities</b>	<b>172,465</b>	<b>505,327</b>

**Effect of exchange rate fluctuations on cash held**

<b>Effect of exchange rate fluctuations on cash held</b>	16,765	(18,617)
<b>Net increase in cash and cash equivalents</b>	152,710	101,891
<b>Cash and cash equivalents, beginning of the period</b>	315,774	213,883
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 468,484</b>	<b>315,774</b>

(Attachment 7)

CHINA FINEBLANKING TECHNOLOGY CO., LTD

Table of Earnings Distribution

2020

Unit: NT\$

Item	Amount	
<b>Undistributed earnings at the beginning of the period</b>		41,309,754
Add: reversal of special reserve	7,125,571	
Add: 2020 net income	137,631,671	
Appropriation:		
Less: legal reserve	(13,763,167)	
<b>Earnings available for distribution</b>		172,303,829
Distribution:		
Less: cash dividends - NT\$0.8 per share * 81,902,225 shares	(65,521,780)	
Cash dividends - NT\$0.2 per share * 81,902,225 shares	(16,380,450)	
<b>Unappropriated retained earnings</b>		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 of shares outstanding

Note 2: Distribution prioritized with 2020 earnings

Chairperson: Huang Yi-Xiang    General Manager: Huang Yi-Xiang    Chief Accounting Officer: Liao Ren-Jie

Comparison Table of the Rules of Procedure for Shareholder Meetings  
Before and After Amendment

Article	Amendment	Original	Reason for the change
5.1.3	<p>The election or dismissal of directors; change of the Articles of Incorporation; reduction of capital; application for suspension of public offering; competition permission of directors; conversion of earnings into capital; conversion of reserve into capital; dissolution, merger, division of the Company; or items mentioned Article 185-1 of the Company Act, <u>Articles 26-1 and Article 43-6 of the Securities and Exchange Act, Article 56-1 and Article 60-2 of the Regulations Governing the Offering and Issuance of Securities by Foreign Issuers</u> shall be listed in the reasons for meeting convening with key contents provided, and may not be raised in the extemporary motion. The main contents of the motion may be published on the website designated by the securities authority or by the Company, and the website addresses shall be stated in the notice.</p>	<p>The election, appointment or dismissal of directors; change of the Articles of Incorporation; reduction of capital; application for suspension of public offering; competition permission of directors; conversion of earnings into capital; conversion of reserve into capital; dissolution, merger, division of the Company; or items mentioned in the first paragraph of Article 185 of the Company shall be listed in the reasons for meeting convening with key contents provided, and may not be raised in the extemporary motion. The main contents of the motion may be published on the website designated by the securities authority or by the Company, and the website addresses shall be stated in the notice.</p>	<p>According to the requirements specified in Official Letter OTC-Oversight No. 10900582662 issued by Taipei Exchange on June 12, 2020</p>

Article	Amendment	Original	Reason for the change
5.1.4	<p>Shareholders with 1% or higher of the total number of issued shares may submit a proposal to the Company's general shareholders' meetings. This is, however, limited to one proposal, and none of the additional proposals shall be included in the motion. In addition, the board may not include the proposal by shareholders if it falls into any of the circumstances specified in Item 4 of Article 172-1 of the Company Act. <u>Shareholders may propose suggestions to the Company for the enhancement of public interest or the Company's fulfilment of its social responsibility, and such proposal should be limited to one only according to the procedural requirements set forth by Article 172-1 of the Company Act. None of the additional proposals shall be included in the motion.</u></p>	<p>Shareholders with 1% or higher of the total number of issued shares may submit a proposal to the Company's general shareholders' meetings. This is, however, limited to one proposal, and none of the additional proposals shall be included in the motion. – <del>However, if the proposals from shareholders are to urge the Company to enhance public interest or to fulfill social responsibility, the board may include these proposals in the motion.</del> In addition, the board may not include the proposal by shareholders if it falls into the circumstances specified in Item 4 of Article 172-1 of the Company Act.</p>	<p>According to the requirements specified in Official Letter OTC-Oversight No. 10900582662 issued by Taipei Exchange on June 12, 2020</p>
6.2	<p>Effectiveness on June 2, 2007  First amendment on June 2, 2015  Second amendment on May 28, 2020  <u>Third amendment on May 28, 2021</u></p>	<p>Effectiveness on June 2, 2007  First amendment on June 2, 2015  Second amendment on May 28, 2020</p>	<p>Additional amendment dates</p>

Comparison Table of the Procedures for Election and Appointment of  
Directors Before and After Amendment

Article	Amendment	Original	Reason for the change
7	<p>7.1. The election of the Company's directors shall be based on the nomination of candidates with the procedures described in Article 192-1 of the Company Act.</p> <p>7.2. <u>If the number of independent directors falls below the requirement specified by the proviso of the first paragraph of Article 14-2 of the Securities and Exchange Act, the Company should elect independent directors in the next shareholders' meeting for the vacant seats. If all the independent directors have been dismissed, the Company should elect replacements by convening an extraordinary shareholders' meeting within 60 days of the event.</u></p> <p>7.3. The Company's election of directors is based on the cumulative voting system. Each share is attached with the election rights in number equal to the number of directors to be elected. These election rights can be used for a single candidate or a number of candidates.</p>	<p>7.1. The election of the Company's directors shall be based on the nomination of candidates with the procedures described in Article 192-1 of the Company Act and the <del>cumulative voting system with single votes</del>. Unless otherwise specified by laws, <del>each share is attached with the election rights in number equal to the number of directors to be elected</del>. These election rights can be used for a single candidate or a number of candidates.</p>	<p>According to the requirements specified in Official Letter OTC-Oversight No. 10900582662 issued by Taipei Exchange on June 12, 2020</p>

7	(deleted)	<del>7.5. If the voted party is a shareholder, the name and the shareholder account number of the voted party should be provided in the appropriate columns of the ballot. If the voted party is not a shareholder, the name and the identification number of the voted party should be provided. If the voted party is a legal person shareholder or a government agency shareholder, the name and the shareholder account number of the legal person shareholder or the government agency shareholder should be provided on the ballot. The name of the representative of the legal person shareholder or the government agency shareholder should also be provided. If there are multiple representatives, all their names should be provided.</del>	<p>According to the requirements specified in Official Letter OTC-Oversight No. 10900582662 issued by Taipei Exchange on June 12, 2020</p>
7.7	<p><u>7.7.1 No use of the ballot prepared and provided by the person with convening power</u></p> <p><u>7.7.4 The name of the voted party inconsistent with the list of director candidates</u></p> <p><u>7.7.5 Wording written on the ballot other than the allocated election rights</u></p>	<p><del>1. No use of the ballot prepared and provided by the board</del></p> <p><del>4. Account name or shareholder account number provided on the ballot inconsistent with the shareholders' register if the voted party is a shareholder, or name and identification number provided on the ballot proven to be inaccurate if the voted party is a non shareholder</del></p> <p><del>5. Wording written on the ballot other than the account (name) or the shareholder account number (identification number) of the voted party and the allocated election rights</del></p>	<p>According to the requirements specified in Official Letter OTC-Oversight No. 10900582662 issued by Taipei Exchange on June 12, 2020</p>



		6. <del>The name of the voted party identical with the name of another shareholder, but no shareholder account number or identification number provided for identification purpose</del>	
8.3	Second amendment on May 28, <u>2021</u>	(none)	Additional amendment dates

## China Fineblanking Technology Co., Ltd's Articles of Incorporation

### Chapter 1 General Provisions

Article 1: The Company was incorporated according to the Company Act and named “和勤精機股份有限公司”. Its English name is CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Article 2: The Company's scope of business is as follows:

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, auto and motorcycle components, machinery 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 (except futures)
6. Surface cleaning of hardware parts
7. Any other business not restricted or prohibited by laws

Article 3: The Company's total outward investment is not subject to the limitation of 40% of paid-in capital specified by Article 13-1 of the Company Act.

Article 4: The Company's headquarters are located in Changhua County, Taiwan. Where necessary as determined by the board, the Company may set up branches overseas upon approval from competent authority.

Article 5: Where necessary and required by business needs, the Company may provide guarantees to outside parties.

### Chapter 2 Shares

Article 6: The Company's authorized capital is NT\$1.5 billion, to be divided into 150

million shares at a face value of NT\$10 per share. The issuance of shares may be in different rounds, as needed and upon decisions from the board.

NT\$20 million is reserved from the abovementioned capital for the issuance of warrants to employees at a total of 2 million shares, with a face value of NT\$10 per share. The warrants may be issued in multiple tranches as determined by the board. The Company may repurchase its own shares according to laws, upon the decision by the board.

Article 7: The Company's shares may be issued electronically. If the Company prints its own shares, it shall observe the Company Act and other applicable laws and regulations. The shares printed by the Company shall be inscribed and in adherence with the Company Act and other relevant laws and regulations.

Article 7-1: The shares repurchased by the Company according to laws are transferable to the qualified employees of the companies the Company controls or the subordinates to the Company. The transferring terms and methods shall be determined by the board.

The employees entitled to the warrants for the Company's shares include qualified employees of the companies the Company controls or the subordinates to the Company. The issuance terms and methods shall be determined by the board.

The terms and methods of the subscription of the Company's new shares by employees, including qualified employees of the companies the Company controls or the subordinates to the Company, shall be determined by the board.

The terms and methods of the Company's issuance of restricted new shares to employees, including qualified employees of the companies the Company controls or the subordinates to the Company, shall be determined by the board.

Article 8: Any change to the Company's shareholders' register shall be suspended within 60 days before a general shareholders' meeting, within 30 days before an extraordinary shareholders' meeting, or 5 days before the base date of the scheduled issuance of stock or cash dividends or other interest.

## Chapter 3 Shareholders' Meetings

- Article 9: The transferring, pledging, reporting of loss, inheritance and gifting of the Company's shares and reporting of loss of seals, requesting for change of seals or addresses by shareholders shall be handled according to regulations set forth by the competent authority. Unless otherwise required by laws and securities regulations, the Company adheres with the Regulations Governing the Administration of Shareholder Services of Public Companies after the public offer of the Company's shares.
- Article 10: Shareholders' meetings are classified into general (regular) and extraordinary (ad-hoc), and convened by the board according to laws. General shareholders' meetings shall be convened at least once a year and within six months after the end of each fiscal year. Extraordinary shareholders' meetings are convened when necessary. When the Company's shares are listed on either the Taiwan Exchange or the Taipei Exchange, electronic means shall be one of the methods for shareholders to exercise their voting rights at shareholders' meetings according to Article 177-1 of the Company Act.
- Article 11: If a shareholder is unable to attend a shareholders' meeting, the shareholder may appoint a proxy to attend the meeting, according to Article 177 of the Company Act, by providing the proxy form issued by the Company and stating the scope of the authorization.
- Article 12: The Company's Chairperson will chair the shareholders' meetings on behalf of the Company. When Chairperson is on leave or for any reason unable to exercise the powers of the chairperson, he/she will designate a director to be his/her deputy. Where Chairperson does not make such a designation, the directors shall select from among themselves one person to serve as chair. A shareholders' meeting convened by any party with convening power other than the board shall be chaired by the convener. If there are two or more conveners, they shall select among themselves one person to serve

as chair.

Article 13: Each share is attached with one voting right, except the restricted shares or the circumstances of no voting rights under the Company Act.

Article 14: Unless otherwise specified by the Company Act, the adoption of a resolution requires the attendance of the shareholders who represent over half of the total number of issued shares and the consent of at least half of the voting rights among the attending shareholders.

Article 15: Matters resolved at a shareholders' meeting shall be recorded in the meeting minutes and processed according to Article 183 of the Company Act.

## Chapter 4 Directors and Audit Committee

Article 16: The Company establishes five to nine directors, to be elected by shareholders from candidates nominated by the board. Each term is three years and re-election is allowed. The percentage of aggregate shareholdings by the Company's board should comply with relevant regulations set forth by the securities regulators.

The Company may purchase liability insurance for directors in service to cover the liabilities incurred by carrying out businesses.

Article 16-1: After the public offering of the Company's shares, the number of independent directors may not fall below three or less than one fifth of the board. Independent directors are elected by shareholders' meetings from the list of candidates provided by the board.

The qualifications, shareholdings, limitation on other roles, nomination methods and other compliance matters shall follow relevant regulations set forth by the securities regulator.

Article 16-2: The Company's board may establish audit, nomination, risk management or other functional committees to meet business needs, and other committees such as in environmental protection to fulfill corporate social responsibility and pursue sustainable operations.

- Article 16-3: The Company establishes Audit Committee. The Audit Committee or its members are responsible for the exercise of powers as supervisors according to the Company Act, the Securities and Exchange Act, and other laws. Audit Committee shall comprise of independent directors only.
- Article 17: If the election is not able to be performed before the expiry of the current term of directors, the term may be extended until the election of and duty-assumption by new directors.
- Article 18: If the number of vacant seats exceeds one third of the board, the board shall convene an extraordinary shareholders' meeting to elect replacements within thirty days of the event. The term of replacement directors is limited to the expiry of the current term for the seats. After the public offer of the Company's shares, an extraordinary shareholders' meeting shall be convened for the election of replacements within sixty days of the event.
- Article 19: Chairperson of the board should be elected by directors from among themselves in a meeting attended by at least two thirds of directors and with agreement from at least half of the attending directors. Chairperson executes the Company's affairs according to laws, Articles of Incorporation, and decisions from shareholders' meetings and the board.
- The first meeting of each board is convened by the director who won the highest number of election rights. All the other meetings shall be convened and chaired by Chairperson. When Chairperson is on leave or for any reason unable to exercise the powers, he/she will designate a director to be his/her deputy. Where Chairperson does not make such a designation, the directors shall select from among themselves one person to serve as chair.
- Article 20: Directors' participation in a video-conferenced board meeting is deemed as attendance in person. If a director is on leave or for any reason unable to exercise his/her powers, the deputy shall handle matters according to Article 205 and Article 208 of the

Company Act.

Article 21: The Company pays directors the remunerations based on their involvement in operation and value of their contributions and on par with the industry standards in Taiwan and overseas.

## Chapter 5 Managers

Article 22: The Company may establish a number of managers, whose appointment, dismissal and remunerations shall be determined by the board attended by more than half of directors and with consent from more than half of attending directors.

Depending on business needs, the Company may hire consultants, with commissioning from Chairperson.

Article 23: At the end of each fiscal year, the board should prepare the following reports and submit to Audit Committee for review thirty days before the general shareholders' meeting. These reports shall be presented to the general shareholders' meeting for rectification.

1. Business Report
2. Financial Statements
3. Proposal for earnings distribution or cumulative losses offsetting

## Chapter 6 Accounting

Article 24: In case of profits for the year, the Company should allocate no less than 2% as remuneration to employees and no higher than 5% as remuneration to directors and supervisors. In case of any outstanding cumulative losses, the Company should first reserve a sum to offset the losses. Remunerations to employees may be issued with shares or with cash, as determined by the board, and may be issued to qualified employees of the companies the Company controls or the subordinates to the Company. The qualification for remunerations is determined by the board. The distribution of remunerations to employees, directors and

supervisors should be reported to the shareholders' meeting.

Article 24-1: Any earnings in a fiscal year shall be first utilized for tax payments and then for offsetting prior losses before setting aside a legal reserve at 10% of the remaining and undistributed earnings during the period. However, the appropriation of the legal reserve may be exempt if the legal reserve has reached the same amount as paid-in capital. This is followed with the appropriation or reversal of the special reserve, as required by laws. The board may propose the distribution of the remaining earnings, along with cumulative undistributed earnings, and submit the proposal to the shareholders' meeting for resolution on the distribution of stock dividends or cash dividends.

The distribution of dividends, the legal reserve, or the special reserve in cash in all or in part requires

the convening of a board meeting attended by at least two thirds of the directors and the consent of at least half of the attending directors.

Reporting to the shareholders' meeting is required.

The Company's dividend policy takes into account development plans, investment environments, funding needs and overseas competition at the present and going forward.

It also seeks to ensure the interest of shareholders. Dividends to shareholders each year shall not fall below 10% of the earnings available for distribution. However, dividends may not be issued if the cumulative earnings available for distribution 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.

Article 25: After the public offer of the Company's share, any proposal to become a private company should be discussed and resolved by the shareholders' meeting. This article stays valid as long as the Company is listed on the Emerging Stock Market, the Taipei



Exchange, or the Taiwan Stock Exchange.

## Chapter 7 Supplementary Provisions

Article 26: Any issues not covered by the Articles of Incorporation shall be handled according to the Company Act.

The Company's Rules of Organization and Bylaw of Operations shall be established by the board.

Article 27: The Articles of Incorporation were established on November 3, 1992. First amendment on July 9, 1994; second amendment on May 16, 1996; third amendment on June 13, 1997; fourth amendment on November 30, 1997; fifth amendment on October 20, 1998; sixth amendment on October 16, 1999; seventh amendment on December 21, 2000; eighth amendment on May 27, 2002; ninth amendment on September 7, 2003 Tenth amendment on June 26, 2004 Eleventh amendment on June 17, 2005 Twelfth amendment on July 29, 2005 Thirteenth amendment on June 26, 2006 Fourteen amendment on December 21, 2006 Fifteen amendment on May 22, 2007 Sixteenth amendment on June 22, 2010 Seventeenth amendment on June 28, 2011 Eighteenth amendment on June 25, 2012 Nineteenth amendment on June 28, 2013 Twentieth amendment on June 2, 2015 Twenty first amendment on May 19, 2016 Twenty second amendment on July 13, 2017 Twenty third amendment on May 23, 2018 Twenty fourth amendment on May 24, 2019 Twenty fifth amendment on May 28, 2020

CHINA FINEBLANKING TECHNOLOGY CO., LTD  
Chairman: Huang Yi-Xiang

## CHINA FINEBLANKING TECHNOLOGY CO., LTD

### Rules of Procedure for Shareholder Meetings (before amendment)

1. Basis: Establishment in accordance with Article 5 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
2. Purpose: Establishment of a robust corporate governance system and strengthen the supervisory and management functions
3. Applicability: Unless otherwise required by laws or the Articles of Incorporation, the Company's shareholders' meetings should observe these rules.
4. Management authorization and responsibility:
  - 4.1. Formulation, amendment, and abolishment: Finance Department
  - 4.2. Management responsibility: Finance Department
5. Operational procedures:
  - 5.1. Convening and notices of shareholders' meetings:
    - 5.1.1. Unless otherwise specified by laws, shareholders' meetings are convened by the board. The meeting notice, the proxy form, the agenda summarizing proposed rectifications, discussions, election/dissimil of directors and relevant materials should be produced into electronic files and submitted to the the Market Observation Post System (MOPS) thirty days before a general shareholders' meeting or fifteen days before an extraordinary shareholders' meeting. Meeting Agenda Handbook and supplementary materials should be produced electronic files and submitted to the the Market Observation Post System (MOPS) twenty one days before a general shareholders' meeting or fifteen days before an extraordinary shareholders' meeting. Meeting Agenda Handbook and supplementary materials should be available at the Company and the stock transfer agent commissioned by the Company fifteen days before the shareholders' meeting and distributed at the shareholders' meeting.
    - 5.1.2. Notices and announcements should state the reasons for calling of the meetings. With consent from the parties concerned, the notices may be sent electronically.
    - 5.1.3. The election, appointment or dismissal of directors; change of the Articles of Incorporation; reduction of capital; application for suspension of public offering; competition permission of directors; conversion of earnings into capital; conversion of reserve into capital; dissolution, merger, division of the Company; or items mentioned in the first paragraph of Article 185 of the Company shall be listed in the reasons for meeting convening with key contents provided, and may not be raised in the extemporary motion. The

main contents of the motion may be published on the website designated by the securities authority or by the Company, and the website addresses shall be stated in the notice.

If the reason for calling a shareholders' meeting includes the complete election of directors and supervisors and specified the date for the elected to assume office, the same shareholders' meeting may not change the date for assumption of office via an extemporary motion or other methods after the completion of election at the shareholders' meeting.

- 5.1.4. Shareholders with 1% or higher of the total number of issued shares may submit a proposal to the Company's general shareholders' meetings. This is, however, limited to one proposal, and none of the additional proposals shall be included in the motion. However, if the proposals from shareholders are to urge the Company to enhance public interest or to fulfill social responsibility, the board may include these proposals in the motion. In addition, the board may not include the proposal by shareholders if it falls into any of the circumstances specified in Item 4 of Article 172-1 of the Company Act.
- 5.1.5. The Company should announce the methods (in writing or electronically), venues and time period for accepting proposals from shareholders before the book closure date of a regular shareholders' meeting. The acceptance period shall not be less than ten days.
- 5.1.6. Each proposal from shareholders is limited to 300 Chinese characters. A proposal exceeding 300 Chinese characters will not be included in the motion. A shareholder who has submitted a proposal should attend the shareholders' meeting in person or authorize a party to attend to discuss the proposal.
- 5.1.7. The Company should inform the results of proposals to the proposing shareholders before sending out the notices for the shareholders' meeting and list the accepted proposals in the meeting agenda as part of the notice. The board should explain at the shareholders' meeting the reasons for not including certain shareholders' proposals.

5.2. For each shareholders' meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by the Company and stating the scope of the proxy's authorization. A shareholder may issue only one proxy form and appoint only one proxy. The proxy form should arrive at the Company at least five days before the shareholders' meeting. When duplicate proxy forms are delivered, the one received earliest shall prevail. Unless a declaration is made to cancel the previous proxy appointment.

After a proxy form has been delivered to the Company, if the shareholder intends to attend in person or would like to exercise voting rights in writing or electronically, a written notice of proxy cancellation shall be submitted to the Company at least two days before the shareholders' meeting. If the cancellation notice is submitted overdue, votes cast at the meeting by the proxy shall prevail.

5.3. The venue for a shareholders' meeting shall be the premises of the Company, or a place easily accessible to shareholders and appropriate for a shareholders' meeting. The meeting may not start earlier than 9 a.m. or later than 3 pm. The opinions from independent directors should be fully considered regarding the time and venue of shareholders' meetings.

5.4. Preparation of attendance books for sign-ins, etc.:

- 5.4.1. The Company should specify the sign-in time, venue and other issues of attention in the notices for shareholders' meetings.
  - 5.4.2. The processing of shareholders' sign-ins should allow for at least thirty minutes before the meeting starts. The sign-in location should be accompanied with a clear sign and attended by sufficient and suitable personnel.
  - 5.4.3. Shareholders or proxies authorized by shareholders (collectively referred to as "shareholders") should enter the shareholders' meeting by presenting a attendance pass, sign-in card or other attendance certificates. The Company may not impose additional requirements at will on attendance documents. Proxy solicitors should bring identification documents for checking in.
  - 5.4.4. The Company should prepare the attendance book for sign-ins by shareholders, or accept sign-in cards in lieu of signing in.
  - 5.4.5. The Company should distribute copies of Meeting Agenda Handbook, the annual report, attendance passes, speaker's slips and ballots to attending shareholders. Director election ballots should be provided for the election of directors.
  - 5.4.6. There may be more than one representative from a government agency shareholder or a legal person shareholder in the attendance of a shareholders' meeting. When a legal person is appointed to attend as proxy, it may designate only one person to attend the shareholders' meeting.
- 5.5. Chair and attendees of shareholders' meetings:
- 5.5.1. If a shareholders' meeting is convened by the board, the meeting shall be chaired by Chairperson. When Chairperson is on leave or for any reason unable to exercise the powers of the chairperson, Vice Chairperson shall act as the deputy. If there is no Vice Chairperson or Vice Chairperson is also on leave or unable to exercise the powers, Chairperson shall designate an executive director to be his/her deputy or a director to be his/her deputy if there is no executive director. Where Chairperson does not make such a designation, the executive directors or directors shall select from among themselves one person to serve as chair.  
The executive director or the director acting as the deputy chair mentioned above should have served for at least six months and established an understanding of the Company's finance and business. The above criteria are applicable to a legal person shareholder's representative on the board.
  - 5.5.2. If a shareholders' meeting is convened by the board, the meeting shall be ideally chaired by Chairperson. At least half of the board directors and at least one member from each functional committee should be attend on behalf of the committee. The attendance shall be recorded in the minutes of shareholders' meetings.
  - 5.5.3. If a shareholders' meeting is convened by a party with power to convene but other than the board, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.
  - 5.5.4. Where necessary, the Company may lawyers, accountants or other professionals to attend shareholders' meetings.
- 5.6. The Company should record the audio and video, continuously and throughout, from the sign-in of shareholders to the meeting and the votes counting process.

The aforesaid audio and video data should be retained for at least one year. However, the record keeping period will end after the conclusion of litigation filed by shareholders according to Article 189 of the Company Act.

5.7. Calculation of shares represented by attending shareholders and meeting procedure:

5.7.1. The attendance of shareholders' meetings should be based on shares represented. Shares represented shall be calculated based on the attendance book records or sign-in cards handed in plus the number of shares with voting rights exercised in writing or electronically.

5.7.2. The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent at least half of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements for a combined total of up to one hour may be made. If the attending shareholders still represent less than one third of the total number of issued shares after two postponements, the chair shall declare the meeting adjourned for want of quorum.

5.7.3. If the quorum is not met after two postponements as described in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175-1 of the Company Act. All shareholders shall be notified of the tentative resolution and another shareholders' meeting shall be convened within one month.

5.7.4. Prior to conclusion of the meeting, if the attending shareholders has reached at least half of the total number of issued shares, the chair may resubmit the tentative resolution for voting by the shareholders' meeting pursuant to Article 174 of the Company Act.

5.8. Discussion:

5.8.1. If a shareholders meeting is convened by the board, the meeting agenda shall be set by the board.

All the proposals (including extemporary motions and modified motions) should be voted one by one.

The meeting shall proceed according to the set agenda, which may not be changed without a resolution of the shareholders' meeting.

5.8.2. The above requirements are applicable to the shareholders' meetings convened by those with convening powers other than the board.

5.8.3. The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extemporary motions), unless with a resolution of the shareholders' meeting. If the chair declares the meeting adjourned in violation of the rules of procedure, other members of the board shall promptly assist the attending shareholders in electing a new chair in accordance with statutory procedures, by agreement of at least half of the votes represented by the attending shareholders, and then continue the meeting.

5.8.4. The chair should provide sufficient opportunities for explanation and discussion of proposals, amendments by shareholders, or extemporary motions. Once the chair deems that it is time for votes, he/she may announce

the discussion closed and call for a vote, by allowing for adequate and appropriate voting time.

#### 5.9. Speaking by shareholders:

- 5.9.1. Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair.
- 5.9.2. An attending shareholder who has submitted a speaker's slip but does not speak shall be deemed to have not spoken. When the content of the speech does not match the subject given on the speaker's slip, the spoken content shall prevail.
- 5.9.3. Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed five minutes. However, this can be extended for another three minutes, with the chair's consent. If the shareholder's speech violates the rules or exceeds the scope of the agenda, the chair may terminate the speech.
- 5.9.4. When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the speaking shareholder. The chair shall stop any violation of this rule.
- 5.9.5. When a legal person shareholder appoints two or more representatives to attend a shareholders' meeting, only one of the representatives so appointed may speak on the same proposal.
- 5.9.6. After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.

#### 5.10. Votes calculation and the recusal system:

- 5.10.1. The calculation of votes by a shareholders' meeting should be based on shares represented.
- 5.10.2. With respect to resolutions of shareholders' meetings, the number of shares held by a shareholder with no voting rights shall not be calculated as part of the total number of issued shares.
- 5.10.3. Shareholders may not exercise voting rights for themselves or on behalf of other shareholders in issues which their personal interest may be detrimental to the Company's interest.
- 5.10.4. The number of shares for which voting rights may not be exercised under the preceding paragraph will not be included in the voting rights represented by attending shareholders.
- 5.10.5. Except for a trust enterprise or a shareholder services agent approved by the competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy may not exceed 3% of the voting rights represented by the total number of issued shares. The voting rights in excess of that percentage will not be calculated.

#### 5.11. Voting, scrutineering and votes calculation:

- 5.11.1. A shareholder is entitled to one vote for each share held, except when the shares are restricted or deemed non-voting under Article 179-2 of the Company Act.
- 5.11.2. The exercise of voting rights at the shareholders' meetings convened by the Company should be electronically in principle and may be in writing. The

methods to exercise voting rights in writing or electronically should be clearly described in the notices for shareholders' meetings. The shareholders exercising voting rights in writing or electronically are deemed to be attending the shareholders' meeting in person. However, they are deemed as abstaining from voting for extemporary motions or modified proposals in that shareholders' meeting. Therefore, the Company should avoid the proposal of extemporary motions or the modification of original proposals.

- 5.11.3. The indication for exercising voting rights in writing or electronically abovementioned should be delivered to the Company at least two days before the shareholders' meeting. When duplicate indications proxy forms are delivered, the one received earliest shall prevail. Unless a declaration is made to cancel the previous indication.
- 5.11.4. After the exercise of voting rights in writing or electronically, if the shareholder intends to attend in person, a notice for cancellation of the previously exercised voting rights shall be submitted to the Company in the same method for the exercise of the voting rights at least two days before meeting date. If the cancellation notice is submitted overdue, votes cast in writing or electronically shall prevail. If a shareholder has exercised voting rights in writing or electronically and also authorized a proxy to attend the shareholders' meeting, the votes cast at the meeting by the proxy shall prevail.
- 5.11.5. Unless otherwise specified by the Company Act or the Company's Articles of Incorporation, the passage of a proposal shall require an affirmative vote of at least half of the voting rights represented by the attending shareholders. The chair or designated personnel should announce the total number of voting rights represented by the attending shareholders for the casting of votes on each proposal. After shareholders have completed the voting for individual proposals, the results of the votes cast for, against and abstained should be entered into the Market Observation Post System (MOPS) on the same day after the end of the shareholders' meeting.
- 5.11.6. In case of an amendment or an alternative to a proposal, the chair shall determine the order in which the amendment, the alternative and the original proposal will be put to a vote. When any one among them is passed, the other proposals will be deemed rejected, and no further voting shall be required.
- 5.11.7. The chair shall appoint ballot scrutineers and counters for voting. Ballot scrutineers must be shareholders.
- 5.11.8. Vote counting by a shareholders' meeting on proposals or elections shall be conducted in public at the venue of the shareholders' meeting. Immediately after vote counting has been completed, the results (including the percentages) shall be announced onsite and recorded.

#### 5.12.Election Matters:

- 5.12.1. The election of directors by the shareholders' meeting shall follow the Company's relevant procedures and requirements. The results should be announced immediately onsite, including the list of elected directors and votes attracted.
- 5.12.2. The ballots for the abovementioned election shall be signed and sealed by the scrutineers and properly retained for at least one year. However, the record keeping period will end after the conclusion of litigation filed by shareholders according to Article 189 of the Company Act.

#### 5.13.Meeting minutes and sign-offs:

5.13.1. Matters resolved at a shareholders' meeting shall be recorded in meeting minutes. The meeting minutes shall be signed or stamped by the chair of the meeting and distributed to each shareholder within 20 days after the meeting. Meeting minutes may be produced and distributed in electronic form. The Company may distribute shareholders' meeting minutes via the announcement on the Market Observation Post System (MOPS). The meeting minute shall accurately record the year, month, day, the meeting venue, the chair's name, the methods for resolutions adoption, and a summary of the deliberations and voting results (including percentages), and the number of votes for each candidate if there is an election for directors. Meeting minutes shall be retained for the Company's duration of the existence.

#### 5.14.Announcements:

5.14.1. On the day of the shareholders' meeting, the Company should prepare a tally form according to statutory requirements so that proxy solicitors may clearly disclose the number of shares collected and proxy representatives can specify the number of shares represented at the venue of the shareholders' meeting.

5.14.2. If the resolutions by shareholders' meetings are, according to laws, Taiwan Stock Exchange Corporation or Taipei Exchange regulations, material information, the Company should transmit the contents to on the Market Observation Post System (MOPS) within required timeframes.

#### 5.15.Maintenance of order at venues:

5.15.1. Staff handling administrative affairs of a shareholders' meeting shall wear identification badges or arm bands.

5.15.2. The chair may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order onsite, they shall wear an identification badges or arm bands bearing the word "Proctor".

5.15.3. If a shareholder attempts to speak through any device other than the public address equipment provided by the Company, the chair may prevent the shareholder from so doing.

5.15.4. When a shareholder violates the rules of procedure and defies the chair's correction, obstructing the proceedings and refusing to heed calls to stop, the chair may direct the proctors or security personnel to escort the shareholder from the meeting.

#### 5.16.Breaks and meeting resumption

5.16.1. When a meeting is in progress, the chair may announce a break depending on time considerations. If a force majeure event occurs, the chair may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, to resume the meeting.

5.16.2. If the agenda of a shareholders' meeting (including extemporaneous motions) has not been concluded but the venue is no longer available for continued use, the shareholders meeting may adopt a resolution to resume the meeting at another venue.



5.16.3. A resolution may be adopted at a shareholders' meeting to defer or resume the meeting within five days in accordance with Article 182 of the Company Act.

6. Supplementary Provisions:

6.1. These rules and subsequent amendments take effect upon the approval by a shareholders' meeting.

6.2. These rules came into force on June 2, 2007.

First amendment on June 2, 2015

Second amendment on May 28, 2020

CHINA FINEBLANKING TECHNOLOGY CO., LTD  
Procedures for Election and Appointment of Directors (before amendment)

- 1 Basis: In according to Article 21 and Article 41 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
- 2 Purpose: Fair, just and open election of directors
- 3 Applicability: Unless otherwise specified by laws or the Articles of Incorporation, the election of the Company's directors should observe these procedures.
- 4 Management authorization and responsibility:
  - 4.1 Formulation, amendment, and abolishment: Headquarters
  - 4.2 Management responsibility: Headquarters
- 5 Consideration for election of directors:
  - 5.1 The election of the Company's directors should take into account the overall composition of the board. Board members should be, in general, equipped with the knowledge, skills and literacy necessary to exercise their powers. The capabilities required are as follows:
    - 5.1.1 Business judgement
    - 5.1.2 Accounting and financial analysis
    - 5.1.3 Management
    - 5.1.4 Crisis management
    - 5.1.5 Industry knowledge
    - 5.1.6 International outlook
    - 5.1.7 Leadership
    - 5.1.8 Decision-making
  - 5.2 More than half of the Company's directors may not have relations as a spouse or a relative within two degrees to each other.
- 6 Qualifications and election of independent directors:
  - 6.1 The Company's independent directors should meet the qualifications specified in Article 2, Article 3 and Article 4 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.
  - 6.2 The election of the Company's independent directors should adhere with Article 5 to Article 9 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies and Article 24 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

- 7 Operational procedures:
- 7.1 The Company's election of directors is based on the nomination system described by Article 192-1 of the Company Act and conducted in a cumulative voting system. Unless otherwise required by laws, each share is attached with the election rights in number equal to the number of directors to be elected. These election rights can be used for a single candidate or a number of candidates.
  - 7.2 The board shall prepare for and distribute to each shareholder the ballots in the same number of directors to be elected and with the number of election rights attached to shareholdings specified. Attendance card numbers printed on the ballots may be used instead of recording the names of voting shareholders.
  - 7.3 The election rights required for directors and independent directors is based on the number of seats specified by the Company's Articles of Incorporation. The candidates with the highest votes measured with election rights shall be elected. If two or more candidates for the last board seat have attracted the same number of election rights and, the result shall be determined with lot drawing. The chair will draw the lot for the absent candidate(s).
  - 7.4 Before an election, the chair shall appoint scrutineers (who are shareholders) and ballot counters to carry out relevant tasks. Ballot boxes will be prepared by the board, opened and inspected by scrutineers in public.
  - 7.5 If the voted party is a shareholder, the name and the shareholder account number of the voted party should be provided on the ballot in the column specifying the voted party. If the voted party is not a shareholder, the name and the identification number of the voted party should be provided. If the voted party is a legal person shareholder or a government agency shareholder, the name and the shareholder account number of the legal person shareholder or the government agency shareholder should be provided on the ballot. The name of the representative of the legal person shareholder or the government agency shareholder should also be provided. If there are multiple representatives, all their names should be provided.
  - 7.6 Ballots will be invalid under any of the following circumstances:
    - 7.6.1 Ballots not prepared by the board
    - 7.6.2 Blank ballots thrown into a ballot box
    - 7.6.3 Writing illegible, unidentifiable or tampered
    - 7.6.4 Account name or shareholder account number provided on the ballot inconsistent with the shareholders' register if the voted party is a shareholder; or name and identification number provided on the ballot proven to be inaccurate if the voted party is not a shareholder.
    - 7.6.5 Wording on the ballot other than the account (name) or the shareholder account number (identification number) of the voted party and the allocated election rights
    - 7.6.6 The name of the voted party identical with the name of another shareholder, but no shareholder account number or identification number provided for identification purpose
  - 7.7 Ballots are opened and counted onsite after the completion of voting. The

results are announced by the chair regarding the elected directors and the corresponding election rights.

The ballots for the abovementioned election shall be signed and sealed by the scrutineers and properly retained for at least one year. However, the record keeping period will end after the conclusion of litigation filed by shareholders according to Article 189 of the Company Act.

7.8 The board shall issue notifications to the elected directors.

8 Supplementary Provision: These procedures and subsequent amendments take effect upon the approval by a shareholders' meeting.

8.1 These procedures came into force on June 25, 2012.

8.2 First amendment on May 28, 2020

**Shareholdings by all the board directors**

(1) Minimum statutory shareholdings by all directors and details of numbers of shares held shown on the shareholder register

Title	Minimum statutory shareholdings	No. of shares held shown on shareholder register as of book closure date
Directors	6,732,578	12,060,355

Note 1: Book closure date: March 30, 2021

Note 2: As of March 30, 2021, the Company's number of issued shares totaled 83,884,100.

Note 3: The Company has, according to Article 14-4 of the Securities and Exchange Act, established Audit Committee and all the independent directors have replaced supervisors.

(2) Details of number of shares held by directors

Title	Name	No. of shares held shown on shareholder register as of book closure date	As % of the total number of issued shares (%)
Chairman	Huang Yi-Xiang	1,486,693	1.77
Directors	Hsieh Ling	5,652,235	6.72
Directors	Lu Yong-Gong	1,401,000	1.66
Directors	Tai Wen-Cheng	2,134,772	2.54
Directors	Jacky Lo	1,385,655	1.65
Independent director	Wang Yuan-Hong	0	0
Independent director	Tsai Meier	0	0
Independent director	Jin H. Huang	0	0
No. of shares held by all directors		12,060,355	14.33

(Appendix 5)

**Proposals from shareholders who own at least 1% of the Company's issued shares**

1. According to Article 172-1 of the Company Act, the shareholders who own at least 1% of the Company's issued shares may submit proposals in writing to the Company's general shareholders' meeting for 2020. Proposal acceptance period: from March 9 2021 to March 19, 2021
2. Proposal from shareholders who own at least 1% of the Company's issued shares to the Company's general shareholders' meeting for 2020: none

**The Impact of Stock dividend Issuance on Business Performance,  
EPS, and Shareholder Return Rate**

Item		Year	2021
Paid-in capital at the beginning of the period (NT\$)			838,841,220
Dividends issued for the year (Note 1)	Cash dividends per share		0.80
	Stock dividends issued via capitalization of earnings (No. of stock dividends per shares)		0.02
	Stock dividends issued via capitalization of capital surplus (No. of stock dividends per shares)		-
Change of operating performance	Operating profit		N/A (Note 2)
	Operating profit change from last year (%)		
	Net income		
	Net income change from last year (%)		
	Earnings per share		
	Earnings per share change from last year (%)		
Pro forma earnings per share and P/E ratio	If cash dividends are issued in lieu of stock dividends issued with capitalization of earnings	Pro forma earnings per share (NT\$)	N/A (Note 2)
		Pro forma annual earnings yield	
	If no stock dividends issued via capitalization of capital surplus	Pro forma earnings per share (NT\$)	N/A (Note 2)
		Pro forma annual earnings yield	
	If cash dividends are issued in lieu of stock dividends issued via capitalization of capital surplus	Pro forma earnings per share (NT\$)	N/A (Note 2)
		Pro forma annual earnings yield	

Note 1: Not resolved yet by the general shareholders' meeting in 2021

Note 2: The Company did not publish financial forecasts for 2021 and hence there is no need to disclose forecast information for 2021.